



ANNUAL REPORT TO FUNDERS

January 1 - December 31, 2011



Southeast Michigan STARTUP powered by new economy initiative

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New Economy Initiative for Southeast Michigan

Annual Report to Funders

January 1 - December 31, 2011

Presented to:

Community Foundation for Southeast Michigan (Detroit)

Max M. and Marjorie S. Fisher Foundation (Southfield)

Ford Foundation (New York)

Hudson-Webber Foundation (Detroit)

W.K. Kellogg Foundation (Battle Creek)

John S. and James L. Knight Foundation (Miami)

The Kresge Foundation (Troy)

McGregor Fund (Detroit)

Charles Stewart Mott Foundation (Flint)

Skillman Foundation (Detroit)

The following report focuses on the details of the progress made since the last report to funders and follows the Uniform Report Information Guidelines developed and approved by the Governing Council of the New Economy Initiative in 2008.

Section I

General Narrative

2011 brought with it significant results from the first mature cohort of NEI grants in our three core investment categories: entrepreneurship, workforce development and capitalizing on regional assets. Clear successes in the entrepreneurial arena helped to inform the grantmaking strategy moving forward. Additional grants in the areas of workforce development, regional asset-building and culture change contributed significantly to the overall vitality of economic infrastructure in southeast Michigan. Tangible grant outcomes and learnings were reflected prominently in State of Michigan policy platforms, and were reflected in a more positive view of southeast Michigan in regional, national and international media.

As the first strong set of evaluation data is complete, NEI is starting to see the tip of its collective impact. Early results collected from just 17 of NEI's first set of grants shows a sample impact across our broad-based goals. Given that many of these grants are still under way, in addition to millions in new grants just being launched, we have some truly tangible results that will continue to have impact over the coming months and years.

■ FLASH REPORT, 17-GRANT SAMPLE ■ STATUS ON 3/15/12

NEI Investment	\$27,652,610
Jobs Created (Permanent)	4,496
Jobs Created (Temporary)	1,500
Companies Started	361
Project \$ Leveraged	\$135,085,000
Company Revenues	\$10,600,000
Company Investment Leveraged	\$217,846,000

The detailed learnings from our work to date led NEI leadership to another key step in 2011: The strategy and implementation plan for the Detroit Regional Innovation Network were completed. As such, NEI is now poised and ready to infuse \$32 million into southeast Michigan's entrepreneurial ecosystem. This strategy leverages the existing strengths of southeast Michigan's powerful network of academic, research and economic development institutions, who, together with private investors, are helping to create, grow and attract sustainable businesses to our region. It also reflects the investment of NEI and other public, private and philanthropic leadership organizations in a regional culture of cooperation, collaboration, entrepreneurship and thoughtful reappraisal of regional assets. Further, it recognizes what we have learned nationally and internationally about the power of urban and metropolitan assets and placemaking to 21st century economic revival.

A. Learning from Entrepreneurial Activity to Date

NEI made significant strides in uncovering the results of its grants to date in 2011. With the intensified focus on entrepreneurship, a shift in the evaluation workteam occurred. Upjohn Institute remains the key evaluator on the workforce sector grantees. However, Drs. Lauren Bigelow and Tatiana Bailey of Growth Network were hired to provide expertise in the entrepreneurship space and manage the overall evaluation efforts, weaving in other experts as necessary. PolicyLink, Data Driven Detroit, the Brookings Institute and others were brought in to provide guidance along the way.

The team was able to assess all closed and open grantees for specific grant results. This was no small task given the number, size and breadth of the NEI grantees. **Results of that work are attached to this report in a binder provided independently by the evaluation team.** In addition, the team put together a base of metrics for the Innovation Network grants

Founder

**Oliver
Baer**

CLEAN EMISSION FLUIDS

Fast, portable fueling stations allow easy integration of biofuels and other alternative fuels in spite of the lack of national infrastructure. Revenues have doubled since launch. Recognized by *Fortune*, CNN and *Inc. Magazine* as a biofuel and clean transportation leader.

Displaced automotive worker Baer received entrepreneurial support from **TechTown**, including help with a successful application for \$210,000 in matching funds from the Michigan Pre-Seed Capital Fund. Moved his operations to **Focus: HOPE**, creating 8.5 new jobs.



Founder

**Tanya
Allen**

FOREVER FRESH

Patented disposable garment protection is carried nationally by CVS Pharmacy and Walgreens. The product received the 2011 Innovative Marketing Award from the National Association of Women Business Owners.

Business acceleration services at **TechTown** helped this entrepreneur develop her concept, business plan, investor pitches, and marketing resources, and raise \$60,000 in startup capital. She turned to a workshop at a Dearborn-based shelter, Services to Enhance Potential, for affordable production, packing and warehousing.



moving forward and will be working closely with each of the grantees from the outset.

Beyond individual grant results, however, there was a productive interplay among the grantees, partners and activities that spoke to a larger change in the landscape. For example, a company going through training at **TechTown** might receive its first funding from the **First Step Fund**, and go on to win a cash award at the **Accelerate Michigan Innovation Competition** – all NEI-funded initiatives. Indeed, it is this potential for synergy that led NEI leadership and staff to envision and put forward the idea of the Innovation Network to the Governing Council in late 2010. The first rounds of NEI funding truly advanced the goal of repairing and reconnecting the elements of a healthy entrepreneurial ecosystem, and putting resources within reach to help companies grow and develop.

The next focus for the evaluation work will be a greater assessment of NEI's performance as a whole. This will include both a process evaluation, as well as an impact evaluation of the grants collectively.

ACCELERATE MICHIGAN INNOVATION COMPETITION 2011

More than \$1 million leveraged by NEI investment of \$250,000 (\$350,000 Michigan Economic Development Corp.; \$250,000 Ann Arbor SPARK; \$245,000 private corporate and service provider sponsors; \$150,000 Business Leaders for Michigan). Event founder: Business Accelerator Network for Southeast Michigan.

- **305 companies** from **71 locations** applied, **53 companies** from **31 locales** advanced to the semifinals.
- **298 students** applied from **24 different schools**
- **70 venture representatives** participated as judges, coaches and potential investors.
- **Partners**
 - Business Accelerator Network for Southeast Michigan
 - SmartZones across the state, as well as the accelerators in Lansing (LEAP) Kalamazoo (SMIC)
 - Other state and national groups such as the SBTDC, GLEQ, the Michigan Venture Capital Association, and the National Association of Seed and Venture Funds



B. Approval of Innovation Network Strategy

In March 2011, the NEI Governing Council authorized up to \$32,000,000 for the advancement of the Detroit Regional Innovation Cluster Strategy.

The Detroit Regional Innovation Network, as it is now publicly known, is not just a vision of new activities but also a commitment to connecting and supporting existing assets and relationships in the region. At its core is a results-oriented focus on building new companies in the three pillars of activity that should ultimately produce more jobs and bring greater revenue into the region. These pillars include:

- Increasing business creation through the support of high technology transfer and the formation of a new high-tech accelerator.
- Increasing support for entrepreneurs through existing and new programs throughout the region.
- Supporting the formation of an Innovation District in Midtown and Downtown Detroit that is fully engaged with the region.

Founder

John Swiatek

COLIANT CORP.

Coliant Corp.'s rugged electrical devices and cables make it possible to use high-tech communications tools in cold, wet and high-vibration powersport and defense environments.

The former Chrysler engineer took his company from the basement to global markets with the help of the First Step Fund. Swiatek credits a whole community of regional entrepreneurial support groups – including the Small Business Administration, Detroit Microloan Fund, SCORE, TechTown and Automation Alley – with helping to ready him for the First Step Fund investment of \$50,000, which was matched by the Michigan Pre-Seed Fund at Ann Arbor SPARK. The Warren-based firm now has 10,000 customers, 250 dealerships and 15 employees.



Between March and December, 2011, NEI staff and consultants took a deep dive into the learnings from existing grantees, met with potential new partners, and looked at models of successful economic development strategies and interventions from around the country. Governing Council members and expert advisors were engaged throughout this learning process, with some members serving on an **Innovation Network Work Team**, a Social Equity Workgroup and other periodic working meetings on specific topics.

NEI staff also built a strong relationship in 2011 with the **Michigan Economic Development Corp. (MEDC)**, and is now meeting weekly to ensure that NEI and state investments are aligned and mutually reinforcing where possible and appropriate. MEDC's commitment to a partnership with NEI was highlighted by the inclusion of its president and CEO, Michael Finney, at the June NEI Governing Council meeting, where he provided an overview of how he envisioned current and future opportunities being leveraged for greater impact. It was further demonstrated by the nearly \$12 million of MEDC investments that have been granted to date in support of the NEI innovation grantees.

Throughout the negotiations around the Innovation Network strategy, there has been a focus on social equity. **The Social Equity Workgroup**, chaired by Victor Rubin of PolicyLink, prepared an outline of the principles of social equity for the Innovation Network strategy and its first-round investments. As part of a comprehensive approach to "embedding" NEI's social equity mission in all aspects of the work, PolicyLink is serving as advisor to each individual grantee of the Innovation Network, helping to assure that these principles remain central to process and progress throughout the terms of each grant.

In December, just six months from the approval of the Innovation Network allocation, staff presented to the Governing Council the specific organizations recommended to comprise the first cycle of grants. The Governing Council approved direction of, and staff put in place an aggressive timeline to approve the bulk of the 15+ grants in the first quarter 2012 in a coordinated fashion designed to support and build institutional infrastructure.

Founder
Tarsha
Weary

SW DESIGN AND COMMUNICATIONS

Detroit-based Web design and communications training firm provides highly marketable skills to unemployed neighborhood residents.

The goal of moving from state assistance to paid work and a promising career path has become a reality for more than 15 Detroit women, thanks to a loan from the NEI-backed **Detroit Development Fund**. Loans to SW Designs are being repaid through a percentage of revenue from clients. The company expects to add another 5-10 employees as Web designers and instructors.

C. Power of Collaborative Approach to Grantmaking

A recurring theme for NEI across all of its grantmaking modules has been the unique power that NEI has to form important, impactful collaborations. Here are just a few examples:

After 18 months of pulling together 8 community college and 7 workforce boards in the region, NEI made a grant of \$1.5 million in 2011 to form the **Workforce Intelligence Network of Southeast Michigan (WIN)**. WIN is an unprecedented collaborative, now fully staffed, that will work to better link local employers with people who need jobs and are qualified for them. The State of Michigan has been a key partner with NEI, providing office space in downtown Detroit and staff for WIN.

NEI's key collaborative grantee from 2010, the **Business Accelerator Network for Southeast Michigan (BANSEM)**, is making some powerful strides now that a structure is in place for its four partners – Ann Arbor SPARK, Automation Alley, Macomb Incubator and TechTown – to regularly come together. These business accelerators are now working collaboratively to attract federal dollars to the region, where they had traditionally competed against each other for those dollars.

MICHIGAN'S ADVANCED ENERGY ECONOMIC INITIATIVE

• Secured federal dollars for innovative clean energy projects

- Advanced Batteries – \$1.36 billion in DOE grants
- Clean Transportation – \$15 million for the Michigan Green Fleets project will enable production of 271 alternative-fuel vehicles and 19 alternative fueling stations
- Smartgrid/Infrastructure – \$84 million for advanced metering infrastructure (AMI) and “Smart Home” features

• Support

- W.K. Kellogg Foundation – \$400,000
- Kresge Foundation – \$250,000
- C.S. Mott Foundation – \$100,000
- Nearly \$1.5 billion of federal funding was secured for innovation

In its efforts around **Transportation, Distribution and Logistics opportunities**, NEI had made two key collaborative grants for a partnership between Michigan State University, the Detroit Regional Chamber and Wayne State University, leveraging the unique expertise and leadership of each institution. That collaborative experienced some significant traction in 2011, executing a number of pilot projects which have the potential to bring thousands of new jobs into the region for cross-border activities. The State of Michigan is looking closely at this work and is poised to help work through the next steps for this collaboration which started with NEI dollars.

The groundwork NEI supported in examining the role of immigrants in stimulating entrepreneurship led to a

unique partnership of the key universities in the region. Wayne State University, Michigan State University and the University of Michigan are now sharing a project focused on connecting international students to local businesses through a 2011 grant from NEI to the **University Research Corridor**.

Culture change efforts have led NEI to form some unique collaborations, namely the partnership between **New Michigan Media**, an association of the largest ethnic and minority media outlets in the state, and Model D's parent, **Issue Media Group**. Together, these communications institutions led key messaging about regional entrepreneurship, giving Detroit a spot on the innovation map.

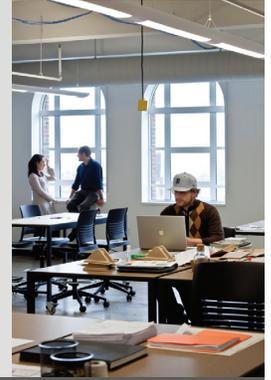
BIZDOM U

- **75% completion rate**, 30 entrepreneurs graduated (13 in 2008 and 17 in 2009), 40 participated
- 15 entrepreneurs pitched the Bizdom U funding committee – 12 entrepreneurs, **8 businesses funded**
- 2 additional businesses launched with **outside funding**
- 1 business, Krysalisfit.com, has **created 17 jobs**
- **55** media activities/stories
- **Partners**
 - Shore Bank – \$46K
 - First Step Fund – \$50K



ARGONAUT PROJECT – COLLEGE FOR CREATIVE STUDIES

- **385 students** have enrolled, **89% from Detroit**
- **150 students** live in the new loft-style dormitory residence center in the heart of Midtown Detroit
- **1,000 short-term construction workers** were employed in the project
- Student enrollment has grown to **1,339 undergraduate, 43 graduate students**
- **700 students** in grades 6–11
- Creating at least **230 permanent new jobs** and **1,500 construction jobs** for local residents
- **Partners**
 - Alfred Taubman: Donated \$15 million
 - General Motors (2008)
 - Business Leaders for Michigan (BLM)
 - Henry Ford Learning Center and Thompson Education Foundation



D. Fundraising

As of December 31, 2011, NEI has received payment of \$96 million of the pledged/intended \$100 million from its constituent funders. The remaining balance on received funds at year-end was \$36.2 million.

Founder

Tom Gross

FUSION COOLANT SYSTEMS

Environmentally friendly cutting fluid for metal processing eliminates toxic fluids in a variety of industries while improving performance and reducing wear.

This Ypsilanti-based University of Michigan spinoff was incubated at **Ann Arbor SPARK** and took second place in the NEI-funded **Accelerate Michigan Innovation Competition** in 2011. The \$150,000 prize and attention drew additional funders and powered the company's marketing efforts and product development cycle. Fusion Coolant opened a tech center at **Focus: HOPE's** west-side Detroit manufacturing facility, where most of its five employees are based.



E. Lessons Learned

While there are a number of lessons learned from the grantmaking that were embedded into the Innovation Network strategy, there are three primary principles that took shape 2011:

Lesson #1: Social equity and culture change measures are to be embedded throughout the activities, not as an afterthought.

Specifically, NEI has been investing in activities that are designed to enable innovation, increase the number of new companies, add more jobs across varied emerging industries, and prepare individuals for those jobs. However, for NEI these objectives are more significant when achieved in an inclusive way.

In 2011, a clear definition of social equity was adopted by NEI, according to the following framework:

- Social equity means just and fair inclusion and requires a creation of greater access to opportunities.
- Social equity takes into account issues of resources as well as the distribution of benefits, including decision-making and governance.

- Social equity should not be considered a separate activity or agenda; it is far more productive as a set of principles and objectives that shape and run throughout the strategies.

NEI's Governing Council, under the guidance of Policy-Link and the Social Equity Workgroup, determined that accomplishing NEI objectives with the intent to raise social equity among underrepresented groups must be embedded in the goals and activities of the supported programs and organizations. Therefore, defining guiding principles and working with prospective grantees to include a clear inclusion strategy with each proposal became a deliberate charge.

As a result, every project now being considered for NEI funding includes a strategy that expands the reach of its programming to include more women, minorities

and foreign-born individuals. NEI believes social equity is a critical growth model and has incorporated social equity requirements throughout the NEI granting process.

Lesson #2: Engaging experts matters.

The impressive breadth of consultants utilized by NEI in 2011, in addition to the three, high-quality staff people added to the NEI team in 2010, certainly helped to advance the work of the initiative. In a world of tight budgets, we want to thank the Governing Council for its support and willingness to pull in the needed expertise along the way.

NEI has always relied on the guidance of experts to inform and advise its strategy. From its inception, the Council of Economic Advisors has supported decisions.

DETROIT CREATIVE CORRIDOR CENTER

- **25 virtual acceleration clients**
- **12 TechTown acceleration clients**
- **50% of virtual clients graduated**
- **32 informational networking events were held**
- **113 jobs were added**
- Economic output of associated clients was **\$24.92 million**
- **Leverage ratio was 3:1**
- **More than 100 creative services businesses** have been connected to meaningful programs and relevant resources via 1-1 meeting with DC3 Client Services team
- 3 companies representing **175 high-paying**, creative jobs
- 5 companies representing **1,200 high-paying**, creative economy jobs in pipeline
- **10,000 attendees** engaged for the Detroit Design Festival
- **400 creative practitioners** and 85 creative thought leaders engaged in DC3 executed Rust Belt to Artist Belt III conference
- **\$55,000 in direct investment** over 90 partner conferences, events and festivals
- **2,500-square-foot Acceleration Studio** home to 17 growing creative services firms and DC3 administrative, engagement and client service functions launched in 2010
- **Partners**
 - Michigan Economic Development Corp.
 - The Detroit Economic Growth Corp.
 - TechTown
 - Business Leaders for Michigan (BLM)



MAKER FAIRE – THE HENRY FORD

- Two-day event for inventors, three VIP events prior to or during the Maker Faire event
- Total actual attendance was **17,913**
- Acceptance of **150 students** to the special Young Maker tents, where student showcased their creations; 11 different robotics teams lead by youth
- **Nationwide attention**, more than 48 million impressions were generated
- **Partners**
 - Institute for the Study of Knowledge Management in Education (ISKME) – Offers “Teachers as Makers” workshops across the nation
 - Ford Automotive (\$25,000)
 - Singer Corp. (\$2,500)
 - MEDC
 - TechTown



These advisors provide expertise in areas such as market development, governance trends, financing and access to capital strategies, entrepreneurial research, social equity policy and economic research. Brookings Institution, Kauffman Foundation, Federal Reserve Bank of Chicago, and PolicyLink are some of the nationally and internationally renowned organizations at the NEI table.

In 2011, as NEI transitioned to a targeted investment focus on innovation and place-making in a more concentrated geographic area, it was important to expand the network of experts. Learning from those who have knowledge and proven experience in developing, implementing and managing activities that have resulted in investments in place or the launch of new industries became extremely important. Pittsburgh, Cleveland and Memphis are some of the cities used as models of how innovation and place-building can change historically industrialized urban communities. In addition, there were emerging opportunities to leverage NEI's investment by identifying federal resources that could also support the work. This on-the-ground experience of NEI consultants – combined with the guidance of the philanthropic community and business leadership of the NEI Governing Council and the research and policy expertise of its economic advisors – have been critical to NEI's current accomplishments and new innovative strategy.

Lesson #3: A core value of this philanthropic initiative has been the creation of a shared vision, the inspiration to reach that vision, and the coordination of activities necessary to bring the vision to reality.

NEI's importance as a convener, coordinator and negotiator cannot be understated. This is true across the range of our relationships, beginning with regularly convening 10 foundation presidents and 8 community leaders to shape a shared vision. In addition, NEI facilitates collaboratives of key institutions to drive specific agendas forward and regularly convenes groups of grantees for learning opportunities, resource-sharing and shared inspirations. These activities have directly led to some of our most important accomplishments.

Our growing understanding of the importance of these collaborative elements led us to be much more intentional about such activities as the Innovation Network was shaped. We know that the success of the Innovation Network will depend upon NEI establishing metrics with the grantees, including working with partners to embed social equity into their efforts. Opportunities to build community and coordinate shared activities will play an important role in fostering collaboration among the recipients of the initial Innovation Network grants. At this critical juncture, NEI can play an important role in supporting the sorts of

institutional and professional relationships – and the civic conversations – around innovation and place-building that will continue to attract new partners and future investment.

In addition, there is an ongoing need for the founding NEI foundations to work entrepreneurially in order to make this project work successfully. The grants have continued to push traditional foundation grantmaking styles in a way necessary to achieve results.

Founder

Lauren K. Holmes

TESTIFY COMMUNICATIONS

Web-based communication tools and easy-to-use online giving platform for faith-based and other nonprofits.

This University of Michigan grad and serial entrepreneur leveraged **Bizdom U** training and strategic relationships with mentors at Quicken Loans to gain contracts with six area congregations and fulfill her dream of creating a livelihood in Detroit.



Section II

Governance Information

During 2011, the Governing Council continued to guide strategic actions and areas of focus for NEI and the Executive Committee review and recommend grants. The full Governing Council met three times in 2011 for half-day sessions, and also met once by conference call. The Executive Committee met every three weeks, primarily by conference call, typically for one hour.

EARN AND LEARN PROGRAM

- **1,757 participants** referred to the Earn and Learn program. Exceeded targets by **233%**.
- **1,186 participants** completed pre-screening activities. Exceeded expectation by **350%**.
- **183 participants** entered work readiness training, and 155 completed work readiness. **85%** completion rate.
- **26 of 155** participants currently enrolled in occupational or vocational training programs, **12** participants in GED preparation courses.
- **80 formerly unemployed participants are employed**, 60 are in subsidized employment, and 20 are in unsubsidized employment positions.
- **Funding Support**
 - State of Michigan, DELEG (\$4.5 million)
 - Mott Foundation (OSI Funds) (\$4.5 million)
 - W.K. Kellogg Foundation and The Skillman Foundation (\$4.5 million)
- **Program Partners**
 - ACCESS, Focus: Hope
 - The Michigan Works! Agencies (MWAs): DWDD, SEMCA

A. Changes to Governing Council Membership

During 2011, there were several changes on the Governing Council. Linda Jo Doctor replaced Dan Varner as the alternate representative from the W.K. Kellogg Foundation, due to Mr. Varner's departure from the Foundation. Sterling Speirn, president of the W.K. Kellogg Foundation, remains the primary appointee to the Governing Council.

Neal Hegarty replaced Maureen Smyth as the alternative representative from the C.S. Mott Foundation, due to her retirement. William White, President of the C.S. Mott Foundation, remains the primary appointee to the Governing Council.

The Max M. and Marjorie S. Fisher Foundation added Cynthia Rowell as a second alternate to Doug Bitonti Stewart, although the president of the Foundation, Phillip Wm. Fisher, was in attendance at most meetings.

The John S. and James L. Knight Foundation added Rishi Jaitly as a second alternate to Paula Ellis. Mr. Alberto Ibarguen, president of the Foundation, remains the primary appointee to the Governing Council.

B. NEI Council of Economic Advisors

The re-engagement of NEI's outstanding Council of Economic Advisors that occurred in 2009 continued throughout 2010 and 2011. Several of the advisors attended Governing Council meetings, and all of the advisors participated in quarterly conference calls, usually one month before Governing Council meetings, to help review the work and critique the strategy.

Several of the advisors were also helpful to staff this year in facilitating meetings around the policy agenda of NEI, as well as educating staff about program models around the country that could be effectively replicated in the southeast Michigan region.

In addition, longtime CEA member, Bruce Katz of the Brookings Institute, assisted NEI in coordinating the announcement of the Innovation Network activity in conjunction with the announcement of Brookings' "dashboard" for Michigan's economic activity.

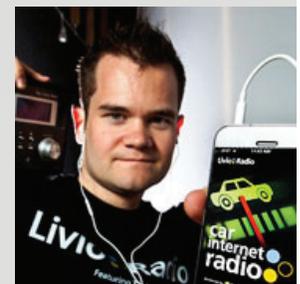
FIRST STEP FUND

• Since the launch in March 2010

- Reviewed 220+ business opportunities
- Completed 34 investments in 33 companies (27 have raised additional capital, two folded, one exited)
 - 45% located in greater Ann Arbor, 40% in Detroit, 15% in Oakland County
 - 23.6% women-owned/managed, 20.2% minority-owned/managed
 - Invested in 4 university spinoffs and two startups formed by university graduates
- Deployed approximately \$1.55 million to date
- Loss ratio of the Fund is approximately 3.23%
- Generated revenues: \$9.6 million in TTM revenues
- Jobs: 202
- Leverage ratio: 20x (\$30.3 million from other sources)
- Patents: 101

• Partners

- TechTown
- Ann Arbor SPARK
- New Economic Initiative/Community Foundation
- Invest Detroit
- Kauffman Foundation
- Vanguard



MICHIGAN MANUFACTURING TECHNOLOGY CENTER WORKFORCE GRANT

- **Developed 12-18 month improvements** for the 8 project companies
- Metrics Results Through June 30, 2011
 - Annualized Average Percentage Change in Sales: 14.8%
 - Annualized Average Percentage Change in Value-Added: 22.1%
 - Annualized Average Percentage Change in FTEs: 10.8%
 - Annualized Average Percentage Change in Productivity: 10.1%
- **Partners**
 - DTE Energy
 - Consumers Energy
 - U.S. EPA Green Suppliers Network/E3 (Includes EPA Region 5)
 - U.S. Department of Energy
 - Industrial Assessment Center (IAC) and Michigan Industrial Energy Center (MIEC)
 - U.S. Small Business Administration (SBA)
 - Michigan Small Business and Technology Development Center (SBTDC)
 - Michigan Department of Natural Resources and Environment (MDNRE)
 - Department of Energy, Labor, and Economic Growth (DELEG) Bureau of Energy System



Founder

**Charlie
Cavell**

PAY IT FORWARD

Job-matching program pairs disadvantaged young adults with promising employment opportunities, mentoring, job skills and financial management training.

Drawing upon his own experience as a former foster child, Wayne State University graduate Cavell envisioned a system of support that would help young adults – including ex-offenders, shelter residents, and those aging out of the foster care system – find the kind of good job opportunities and mentors that are typically out of reach for disadvantaged young people without professional networks. The Blackstone LaunchPad program, supported by the Blackstone Foundation and NEI, helped him take his idea and, with the help of volunteer business coaches, shape and build his business plan. That plan helped him to secure assistance from MEDC, the Knight Foundation and Quicken Loans, resulting in the placement of 18 young people in jobs and training programs during his first nine months of operation.

C. Staffing

There were no staffing changes to NEI in 2011. The team is cohesive, focused and excited about the work. Staff includes:

David Egner, Executive Director: Lead on the development of NEI's vision. Responsible for relationships with NEI funders and Governing Council members. Key spokesperson.

Katie Brisson, Senior Program Officer: Provides primary administrative oversight for initiative. Ensures due diligence of grantmaking, evaluation, contracts and financial processes.

Carol Davis, Administrative Assistant: Lead support for all NEI staff and Governing Council.

Karen Goldbaum, Communications Officer: Lead on messaging, public relations, website development and creation of communications strategy, in partnership with key consultants.

Pamela Hurtt, Senior Consultant: Lead on planning and grantmaking oversight for high-tech acceleration activities. Liaison to evaluation team for Innovation Network grantees.

Donald Jones, Senior Consultant: Key staff on planning and grantmaking for place-based acceleration activities and the development of equity financing for entrepreneurs.*

Sam Singh, Senior Consultant: Lead staff for workforce development grant activity and transportation/distribution/logistics opportunities.

* In November 2011, Mr. Jones was promoted by the Community Foundation, NEI's home foundation, to director of Community Investment. He now splits his time 50/50 with NEI.

Founder

Jennifer Willemsen

CURL UP AND DYE

Hair salon delivers needed service and a commitment to community in Midtown Detroit.

Detroit resident Willemsen turned to TechTown for the strategic counsel she needed to grow her business into sustainable profitability and launch a new line of earth- and health-friendly hair care and personal products. With more than 4,000 clients and sales of more than \$250,000, Curl Up and Dye employs 5 people and has been profiled in the *New York Times* as one of a new breed of lifestyle businesses that are enlivening Midtown Detroit.



URBAN ENTREPRENEUR PARTNERSHIP DETROIT

- Servicing **58 minority entrepreneurs** as of December 2010
- **Total of 84** clients had been identified and enrolled
- Identified more than **\$200 million** in opportunities and \$87 million in contracts
- Baseline evaluation of 28 firms concluded:
 - The average annual revenue of UEP clients was \$65.9 million
 - The average employment per firm was 200
 - 82% of clients previously operated in auto supply chains and 7.1% in aerospace supply chains
 - 30% of clients formerly supplied to the Big Three auto manufacturers
 - 31% of clients were headquartered in the City of Detroit
 - 57% of UEP clients were African-Americans, 25% Asian-Americans, 14.3% Hispanic/Latino Americans and 3.6% White Americans
 - 14.3% of clients were women
 - There was a direct marketing campaign to a listserve of approximately 500 constituents, and both internal/external newsletters were distributed
- December 2011
 - Processed a total of 111 minority automotive and service providers
 - 20 are now accepted as "UEP Recommended Suppliers"

A total of \$320 million of new business opportunities have been identified for UEP Detroit's 150 clients, with \$87.2 million of that being secured.



MLSIC – MICHIGAN LIFE SCIENCE INCUBATION COLLABORATIVE

- Building attracted **six tenants in the first six months**
- MLSIC houses 19 companies with **88 direct jobs**, as well as many indirect jobs
- Three of MLSIC's companies have secured more than **\$75 million in venture funding**
- **23,379 square feet** for anchor tenants, 34,222 square feet for incubator tenants
- Total number of jobs created by MLSIC tenants: **99**
- Revenue from tenants (year one): **1.16 million**
- **Partners**
 - MEDC: awarded \$1.5 million grant
 - Esperance Family Foundation: Awarded \$1.75 million grant
 - Wayne County Economic Development Corp. Donated \$500,000
 - Ann Arbor SPARK: Provided \$400,000



D. Partners/Consultants

Because of the complexity of the Innovation Network strategy, and the need for some very specific kinds of expertise, a number of consultants were also utilized by NEI in 2011.

Consultants to the Innovation Network activity included:

U3 Ventures: Building on the initial consulting work to NEI in 2010, U3 Ventures provided assistance in the development of the real estate components of the strategy.

Mark Cottichia: An expert in the development of high-tech acceleration services, Mr. Cottichia helped NEI to draft components of the strategy related to technology transfer and commercialization within the midtown cluster of potential NEI grantees.

Spitfire Strategies: Loaned to NEI by the Ford Foundation, Spitfire assisted staff and the Governing Council members to draft the initial public messaging around the Innovation Network strategy.

For orbiting NEI strategies, additional consultants were utilized as follows:

Martha Welsh: Ms. Welsh continued to be the lead support on the workforce development cluster of grantees. She was responsible for arranging the agendas

for the quarterly grantee convenings, and making sure the grantees were timely in their reporting.

Reginorate: This company's primary employee, Linda Fowler, provided NEI with assistance in identifying federal opportunities to leverage funds into NEI-supported projects. In particular, Ms. Fowler is providing opportunities for BANSEM members to jointly apply for federal funds for related activities.

For broader communications activities, the following consultants continued to be utilized:

Airfoil Public Relations Firm: This public relations firm has assisted NEI with ongoing public relations needs.

Issue Media Group: IMG continues to populate the Southeast Michigan Startup website with stories of local entrepreneurs, to assist in changing cultural attitudes about Detroit. (www.semichiganstartup.com)

New Michigan Media: A partnership of the region's five largest ethnic media publications, this entity is assisting IMG and NEI in identifying entrepreneurs within specific ethnic communities and highlighting their stories.

Xconomy Detroit: Xconomy is a national online magazine for venture capitalists. NEI partnered with the Kauffman Foundation to place an Xconomy reporter in

Detroit to report on the development of entrepreneurial activity.

For evaluation activities, the following consultants were utilized:

Data Driven Detroit: NEI maintains a modest contract with Data Driven Detroit so that available data sets may be utilized when they can inform the NEI grantees and overall evaluation. In addition, Kurt Metzger, director, provides guidance to the evaluation team of how these data sets may be useful.

Growth Capital Network: Drs. Lauren Bigelow and Tatiana Bailey were hired by NEI in 2011 on a short-term contract to mine the data provided to date by NEI grantees and to assess results. They will also be helping NEI to construct milestones and benchmarks on the front end for new grants within the Innovation Network strategy in 2012. They are also likely to staff an evaluation

oversight committee that will be established in 2012, including the Brookings Institution, key evaluators from partner foundations and others.

Upjohn Institute: Upjohn maintains oversight of evaluation activities for NEI's grants within the workforce development area, namely the cluster of four workforce grantees that participate in a learning network.

PolicyLink: PolicyLink leadership has served not only as economic advisors to NEI, but also as a core part of the evaluation and project management teams. Namely, PolicyLink has been working closely with staff as the Innovation Network strategy has been developed, with an eye toward social equity goals and how best to work toward them throughout the grantmaking. In terms of evaluative work, PolicyLink will be meeting with each grantee of the Innovation Network, strategizing about specific projects and how to make them more socially equitable.

Section III

Grant Report

During 2011, the NEI Governing Council approved concepts that ultimately resulted in a total of \$12 million in new grants or program-related contracts, bringing total investments to date for NEI to more than \$51 million by year-end. See attachment for a list of grants made.

In addition to the grants listed, the Governing Council also approved a significant allocation for pursuing the Innovation Network strategy (\$32 million), the majority of which is anticipated to be granted in 2012.

Section IV

Financial Information

During the reporting period, the multiyear budget for NEI was maintained in the revised expenditure categories, approved in 2008. These categories continue to be helpful for the work of NEI. Attached you will find a report of the NEI expenditures through December 31, 2011.

Section V

Conclusion

The grants to date allowed for some exceptional learnings that have led NEI to a targeted, thoughtful approach of the expenditure of the final third of its dollars. The Innovation Network strategy is poised to be impactful, exciting and necessary for the region. 2011 was key for allowing the space, time and expertise needed to develop that strategy in a shrewd fashion. We look forward to reporting to you about additional developments during the 2012 period.

Attachments:

- Chart of Grants to Date
- Evaluation Report
- Membership of Governance and Related Committees
- NEI Financial Statement (report includes income on grant funds provided)
- Minutes of Governing Council meetings, including attendance
- Copies of NEI media coverage
- Community Foundation for Southeast Michigan 2011 Board of Trustees
- Community Foundation for Southeast Michigan Financial Statement
- Community Foundation for Southeast Michigan 2011 Yearbook



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