Innovate Alabama Overview

FRIDAY, NOVEMBER 13
Governor Kay Ivey
Executive Order Overview:

• Entrepreneurship and Innovation are essential to the growth and competitiveness of Alabama’s Economy;

• Alabama’s most prominent industries, including automotive, aerospace, chemicals, agriculture, etc., would all benefit from an enhanced culture of innovation and entrepreneurship in Alabama;

• Alabama’s universities cutting edge R&D should be leveraged to bolster innovation and entrepreneurship; and

• Alabama is committed to supporting entrepreneurs, innovation, research and development, and knowledge-based economic development that produces high-quality jobs with economic-growth opportunities for the future.
Commission Tasks:

- Monitor & research the effectiveness of existing policies fostering entrepreneurship, innovation, and economic development;
- Review and research the most effective policies for increasing entrepreneurship and innovation, supporting early-stage companies, and enhancing accelerators;
- Produce a report detailing the Commission’s findings and recommendations on the state of innovation and entrepreneurship in Alabama; and
- Conduct forums at which representatives of the Alabama innovation and entrepreneurship community may engage the Commission.
Our Vision: Elevating Alabama

- Growing the Economy
- Expanding Technology and Innovation
- Creating Jobs
- Reviewing Policies and Tax Structures
- Integrating Universities
Commission Members

- **Rep. Bill Poole** – State Representative (Chair)
- **Sen. Greg Reed** – State Senator (Vice Chair)
- **Scott Adams** – Executive Vice President and Chief Digital & Innovation Officer, Protective Life
- **Greg Barker** – President, Economic Development Partnership of Alabama
- **Lindsay Rane Carter** – Associate General Counsel, Great Southern Wood Preserving
- **Rick Clementz** – General Counsel and Corporate Secretary, Mercedes-Benz US International
- **Miller Girvin** – CEO, Alabama Capital Network
- **Abe Harper** – CEO, Harper Technologies
- **Shegun Otulana** – CEO, Harmony Venture Labs
- **Peggy Sammon** – CEO, GeneCapture, Inc.
- **Sen. Malika Sanders-Fortier** – State Senator
- **Arndt Siepmann** – Deputy Director of Economic Development, City of Auburn
- **Charisse Stokes** – Executive Director, TechMGM
- **Neill Wright** – President, Bronze Valley
- **Dr. Russell Mumper** - VP for Research & Economic Development, The University of Alabama
- **Dr. James Weyhenmeyer** – VP for Research & Economic Development, Auburn University
- **Dr. Del Smith** – Dean of the College of Business & Public Affairs, Alabama A&M University
EDUCATION & CORPORATE FOCUS AREAS
To create a thriving and sustainable ecosystem, Alabama needs opportunities for more technology-focused learning, skills training and corporate partnerships that enable startups to succeed.

FINANCE & INFRASTRUCTURE FOCUS AREAS
To encourage more startup growth in Alabama, entrepreneurs and technology-based companies need the resources, infrastructure, capital and support to thrive.
Commission/Subcommittee Updates

- Total Commission Meetings: 3
- Total Subcommittee Meetings: 3
- Total Advisory Council Meetings: 2
- Total Ideas Generated to Date: 4
- Ideas from the Commission: 12
- Ideas from outside the Commission: 7
POLICY THEMES

MARKETING & BRANDING

RURAL & MINORITY

INNOVATION FUNDS

ACCELERATORS

INTANGIBLE & TANGIBLE INFRASTRUCTURE

COMMERCIALIZATION
Innovation or Entrepreneurship Zones

**Idea:** Develop ecosystems and local regions of innovation and entrepreneurialism that encourage individuals to partake and start venture related activities. Zones may consist of:

- Universities;
- Research labs;
- Industry clusters;
- Accelerator programs;
- Physical entrepreneurial assets;
- Technology training programs; and
- Coordinated capital.

**Example:** Michigan SmartZones provide distinct geographical locations where technology-based companies, entrepreneurs and researchers can locate near community assets that assist in their endeavors. SmartZones include technology business accelerators that provide resources and various services to Michigan entrepreneurs.
Recruitment of Tech Companies ("Mid Size")

**Idea:** Develop market incentives and adopt a culture of innovation and entrepreneurialism across the state to help attract technology companies to relocate or expand into Alabama.

**Example:** Birmingham Bound is an initiative to build up the tech ecosystem in Birmingham with the goal of growing and scaling tech companies.
Integrate Statewide University & Corporate Accelerators

**Idea:** Utilize existing university assets and domain knowledge partnered with industry leaders to create chances for innovation across certain industries and provide opportunities for Alabama to retain talent and create entrepreneurial economic activity.

**Example:** Columbia University, in partnership with Alexandria Real Estate Equities (“Alexandria”), launched a new accelerator for early-stage life science companies.

- **Alexandria LaunchLabs** focuses on supporting life science startups based on innovations developed at Columbia and other peer institutions.
  - Features 14,000 square feet of coworking space, including laboratories and offices; and
  - Provides founders with mentorship and access to seed-stage funding through Alexandria.
ALABAMA INNOVATION COMMISSION
SUBCOMMITTEE REPORTS
INFRASTRUCTURE & FINANCIAL

Vice-Chairman Greg Reed & Subcommittee Lead Miller Girvin
SBIR & STTR Matching Programs

**Idea:** Small Business Innovation Research ("SBIR")/ Small Business Technology Transfer Programs ("STTR") matching programs help to promote research and development and attract, retain, and grow startups within a state.

**Background:** The federal SBIR/STTR programs are broken into three phases as follows:

- **Phase I:** Establish the technical merit, feasibility, and commercial potential of the R/R&D efforts. Award Amounts - $50,000 and $250,000.
- **Phase II:** Continue R/R&D efforts initiated in Phase I. Award Amounts - $750,000 to $1,700,000.
- **Phase III:** Pursue commercialization of the product. SBIR/STTR program funds do not support this phase of the project.

**State Programs:** Some states with SBIR/STTR matching programs include:

- Florida;
- Arkansas; and
- Virginia.
**Evergreen Innovation Fund**

**Idea:** Startups need capital to grow and scale. States with mechanisms to help startups in this area are better suited to retain startups, attract out of state startups, and grow its entrepreneurial and innovation ecosystem.

**Background:** The New Jersey Innovation Evergreen Fund ("NJIEF") aims to help tackle this problem. It functions as follows:

- State would sell $250M in tax credits over 5 years to fund the effort;
- State would require at least $250M co-investment from private venture capital sources;
- Investments can only be made into New Jersey-based startups ("New Jersey-based startups" is not defined);
- Companies that purchase tax credits through the auction will also be required to make additional commitments such as providing mentoring and networking support to startups that receive investments through NJIEF;
- Fund would be "self-sustaining" – reinvesting all returns into the fund;
- Additional returns could be reinvested in other areas of the state's budget; and
- Fund would invest in a diversified range of companies, rather than only in select industries.

**Ohio Third Frontier** is a $2.3 billion initiative that aims to support:

- applied research and commercialization;
- entrepreneurial assistance;
- early-stage capital formation; and
- expansion of a skilled talent pool that can support technology-based economic growth.
Definition of an Accelerator

Alabama - “Accelerator” - A company which, for a fixed term, educates and mentors early-stage technology companies recruited to a location in Alabama, with the goal of accelerating companies' development and growth. See Ala. Code §40-18-376.3(c)(2).


Arkansas - “Business and technology accelerator” - a full-time, immersive program administered by an eligible applicant to potentially invest in, mentor, and accelerate commercial development of start-up businesses. See A.C.A. § 15-3-603.

Minnesota - “Small business growth acceleration program” - The purpose of the program is to (1) help qualified companies implement technology and business improvements; and (2) bridge the gap between standard market pricing for technology and business improvements and what qualified companies can afford to pay. See M.S.A. § 116O.115.

<table>
<thead>
<tr>
<th>Accelerator</th>
<th>VS.</th>
<th>Incubator</th>
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<tbody>
<tr>
<td>Fixed term</td>
<td></td>
<td>Indefinite</td>
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<tr>
<td>Often Require a Participation Fee</td>
<td>Typically Free for Participants</td>
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<tr>
<td>In-Person or Remote Programs</td>
<td>Not Selective</td>
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<tr>
<td>Non Profit or For Profit</td>
<td>Typically No or Limited Investment Opportunities</td>
<td></td>
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<tr>
<td>Selective</td>
<td>Focus on Providing Office Space</td>
<td></td>
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<tr>
<td>Often Offer Investments</td>
<td>Often no “Pitch Day” Program</td>
<td></td>
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<tr>
<td>Focus on Education &amp; Mentorships</td>
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<td>Culminate in a “Pitch Day”</td>
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Statewide Remote Accelerator

**Idea:** Creation of a remote statewide accelerator program that is inclusive, industry cluster driven, rural focused, and provides a robust suite of support services to startups.

**Background:** *Techstars Anywhere*, a remote accelerator program created by Techstars, offers the following benefits:

- No need to relocate;
- 90-day program;
- Predominantly remote;
- Demo days to showcase companies;
- Provides broader accessibility to the Techstars network and investors;
- Ensures a deeper relationship with the accelerator by promoting communication that doesn’t just rely on proximity;
- Brings in diverse participants that would not have been able to otherwise connect with one another in a physical space;
- Coordinates virtual pitches to investors that allow participants to transmit their stories in a virtual, accessible manner.

**Example:** *Propel ICT* focuses exclusively on startups from Atlantic Canada (Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island) in order to help founders in rural and remote areas. This program intentionally does not pull innovative entrepreneurs out of their communities; rather, it empowers them to build their businesses from anywhere.
Connecting Startups with Established Companies

Idea: Connecting established corporations with startups helps to provide startups with a client, mentorship resources, capital, and product viability testing, while corporations receive access to products and assistance with innovating internally.

BMW Startup Garage: Participants are given educational courses and networking resources, much like in a traditional accelerator. Instead of receiving an investment in exchange for equity, however, the startup receives a minimally viable purchase from BMW.

Mercedes Venture Client Efforts: Mercedes venture client efforts have been less formalized than BMW’s – however – Mercedes has noted that they wish to act as a sort of venture client to certain participants in the Connected Car Startup Hackathon in South Korea, a program offered as part of Mercedes’s EQ Future Pavilion.
Venture Fund Regulation

**Issue:** Alabama’s securities laws do not provide an exemption from registration for small private fund advisers. Alabama’s failure to have an exemption means that advisers must take certain tests and satisfy other compliance standards in order to run a fund, regardless of its size.

**Examples:** These barriers to entry, which are not present in Tennessee, Florida, and Georgia, prevent startups from having access to capital within the state of Alabama. There are also exemptions in place at the federal level. Implementation of an exemption would likely result in more funds being located in Alabama and more capital flowing to early-stage startups in Alabama.
Idea: Access to capital is a problem across Alabama’s innovation ecosystem, especially with regards to small, medium, and disadvantaged businesses located in rural and/or economically distressed areas and individuals located in those same areas.

Impact: Twenty-seven different Community Development Financial Institutions (CDFIs) provide various forms of support to these companies and communities across Alabama, but the impact of these CDFIs’ is limited by the amount of funding they have available to them.

Examples: Increased funding to CDFIs would result in displacement of predatory and high-cost financial services and an increase in low cost bank accounts, small dollar loans at or below market interest rates, micro-lending for small businesses in distressed communities, venture fund activity, and increased financial literacy for unbanked persons.
Problem: If Alabama wants to be competitive and support innovation and entrepreneurship, it needs to utilize industry cluster management and analysis to help foster innovation within existing clusters and companies, in addition to startups.

Background: Industry clusters, regional concentrations of related industries in a particular location, differentiate regions and make each region uniquely competitive for economic growth. Clusters consist of companies, suppliers, service providers, governmental agencies and educational and research institutions. Thoughtful mapping and analysis of Alabama’s clusters may create chances for innovation across all major and growing industries in Alabama — providing opportunities for innovation beyond the creation of an app or some other software development. Additionally, detailed insight into Alabama’s clusters will likely provide opportunities for the state to further develop components of each cluster to ensure Alabama is maximizing economic activity at every level or step of a particular industry.
Additional Updates

- State Benchmarking
- Alabama Fellows Program
- Role of State Funding in Support of Accelerators and Greater Entrepreneurial Ecosystem
- Mentorship Networks
- Talent Attraction/Retention
- Branding of Alabama and of Alabama’s Entrepreneurial Ecosystem
- Increasing Commercialization at Alabama Universities
ALABAMA INNOVATION COMMISSION
SUBCOMMITTEE REPORTS
QUESTIONS & DISCUSSION

Friday, November 12, 2020
The AIM Act

Tech Company Incentives
### AIM Act’s Tech Incentives

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Jobs to Access Incentives</th>
<th>Jobs Fee Incentives</th>
<th>Enhanced Investment Credit Incentives</th>
<th>Banks &amp; Insurance Companies Buy Investment Tax Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>50 (1 job in certain low-employment industries)</td>
<td>3% 10 years</td>
<td>1.5% 10 years</td>
<td>✔</td>
</tr>
<tr>
<td>High Tech</td>
<td>5</td>
<td>5% 10 years</td>
<td>?</td>
<td>✔</td>
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<tr>
<td>Rural</td>
<td>10 if $2 million of capital is deployed</td>
<td>4% 10 years</td>
<td>1.5% 15 years</td>
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</table>
AIM Act’s Tech Incentives

No Alabama Capital Gains Tax for Certain Employees and Funds

3 Years
- Tech Co moves its HQ to Alabama

5 Years
- Owners sell Tech Co at least 3 years later
- Tech Co stays in Alabama at least 5 more years

- Employee must take another tech-based job in Alabama for 5 years.
- Fund must invest in another Alabama tech-based company for 5 years.
Growing Alabama Funding

Growing Alabama provides a funding source for certain projects in Alabama via an Alabama income tax credit.

• Up to $10 million of annual funding.
• Can be used for:
  ✦ Retaining STEM workers
  ✦ Attracting tech accelerators
  ✦ Putting infrastructure in industrial and research parks
  ✦ Enhancing an inland port or intermodal facility
  ✦ Building the Alabama Farm Center
Growing Alabama Funding

Funders with Alabama Income Tax Liability

Tax Credits

Application

Approval

Funding

Economic Development Nonprofit

Establishment & Funding

Growing Alabama Program
Opportunity Zone Enhancements

- **Synching** state capital gains tax cut with federal treatment for investors in funds.
- Seeding funds with **$135 million** of State funds.
- Using **$50 million** of Alabama income tax credits as a guarantee of minimum returns on investments in funds, with excess profits paid to the State.
## Adding It All Up

<table>
<thead>
<tr>
<th>Number of Jobs to Access Incentives</th>
<th>Banks &amp; Insurance Companies Buy Investment Tax Credits</th>
<th>Enhanced Jobs Fee Incentives</th>
<th>Enhanced Investment Credit Incentives</th>
<th>Tax Break for Large Tech Companies Selling Themselves</th>
<th>Opportunity Zone Help</th>
<th>Growing Alabama Uses</th>
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<td>50</td>
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<td>High Tech</td>
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<td>Research Parks</td>
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<tr>
<td></td>
<td>5 (not 50)</td>
<td>✅</td>
<td>✅</td>
<td></td>
<td>✅</td>
<td>Retaining STEM Workers</td>
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<td>Tech Accelerators</td>
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<td></td>
<td>10 (not 25)</td>
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<td>Industrial Parks</td>
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<td>Alabama Farm Center</td>
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THANK YOU