

CRAIN'S DETROIT BUSINESS

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September 06, 2020 12:05 AM

Michigan angel investors surge forward despite pandemic

NICK MANES

- Chaldean Chamber- and Black-founded angel groups form in recent weeks
- Groups looking for more inclusivity in investments
- Some shifts toward later stage investment

Martin Manna

The COVID-19 pandemic and resulting economic collapse has so far done little to halt Michigan angel investing activity, a key source of capital for growing startups.

New angel groups have continued to pop up in recent weeks and existing investors, despite some early hesitancy in the spring, have largely just turned to digital meeting tools as a way of talking with companies.

In the coming weeks, the Ark Angel Fund, consisting of members from the Farmington Hills-based Chaldean American Chamber of Commerce, plans to close on up to \$2 million that it will deploy in early-stage Michigan companies. The new fund will be managed by Martin Manna, president of the Chaldean Chamber, who's also an investor in the fund, which anticipates doing between four and eight new deals per year.

The chamber's members own a wide variety of businesses around metro Detroit, including convenience stores, as well as other retail and hospitality businesses.

"We were always intrigued by angel funds and wanted to maybe look at how our community can get more active in supporting angel investments," Manna said, adding that a presentation from Ann Arbor Spark served as the catalyst to launch the group. "We then took it upon ourselves, rather than just participate with other funds, to launch our own fund."

The nascent Ark Angel Fund will "focus on economic development, encouraging entrepreneurship and ... really support startup businesses," he said.

The new fund plans to work closely with Ann Arbor Spark as a way of sourcing deals. Skip Simms, senior vice president at Ann Arbor Spark and managing partner of the Michigan Angel Fund, said the organization will operate as an adviser when needed and will pass along potential deals that it believes Manna's group may be interested in. Manna's new group isn't the only angel consortium to come together in this late summer.

Terrence Reeves

Last month marked the launch of the Detroit-based Commune Angels, a group founded by five Black professionals who seek to be the largest angel group in the state within the coming year or so, said Terrence Reeves, one of the Commune Angels co-founders. Reeves is also an attorney at Frost Brown Todd LLC in Ann Arbor who chairs its venture capital practice.

The new fund, according to Reeves, has been designed with inclusive principles in mind to ensure there's ample diversity among those doing the investing and those receiving it.

The membership group will have three different "buckets" of investors with various years of angel investing experience. While there's no set amount to the fund at this time, Reeves said they anticipate an average investment of around \$25,000 per member each year.

Commune Angels, he said, is built around the "thesis" that there are lots of individual investors already out there writing checks, and the hope is to bring many of them together.

"There are a lot of angel investors out there that just need a place to call home, and in a way that allows us all to leverage our diverse experiences," Reeves said.

Angels hold steady

The emergence of two new funds in the region comes as deal flow has remained fairly steady for existing angel groups such as Birmingham Angels, the Michigan Angel Fund and the Michigan Capital Network, which operates a variety of venture funds and angel groups around the state.

Having a wide variety of groups to pitch to allows founders to have more "shots on goal" in their quest to find funding, Simms said, noting that they still need a good business plan and product. However, more options also help startups in another way.

Skip Simms

"I think the angel groups are working more closely than ever in terms of sharing deal flow because one thing that hasn't changed — and probably won't — is the need to syndicate," Simms said. "An entrepreneur isn't going to get 100 percent of their funding from one group."

In 2019, there were 1,322 individuals who invested a combined \$73.6 million in 106 early-stage tech startups, as Crain's [reported](#) in May.

It's unclear just how those numbers may change this year with a pandemic-induced recession. But sources contacted for this report say that while there was a brief pause in the spring while everyone took stock of the pandemic's impact, high-net worth individuals have largely resumed their investment activities.

"Everyone is protecting their wealth and being very careful on the kinds of deals they're looking at," said David Weaver, chief investment officer for the Birmingham Angels. "They may come in at more deals at a lower level than they would in the past, but they're still making deals. There's still a lot of money sitting on the sidelines."

The Birmingham group is now between 15 and 20 members, Weaver said, and has continued to meet virtually throughout the summer. As of July, the group had closed 11 deals totaling just more than \$1 million in investment, according to a report Weaver provided to Crain's.

Tim Parker, president of the Grand Rapids-based Michigan Capital Network, which operates a combination of venture capital funds and angel groups throughout the state, expressed a similar sentiment.

Combined, the funds are roughly on pace for the same level of deals and investment as in 2019. Last year Parker's venture funds invested \$1.1 million, while angel funds did \$2.8 million, he said. This year, so far, VC investment has reached \$1.8 million, while angel investments stand at \$1.3 million, Parker told Crain's.

The shift toward slightly less risky, later-stage venture capital investment makes for the largest shift he's seen so far in how investments are trending.

"So I think our angels have oriented to slightly later-stage investing than pre-seed type of investment," Parker said. "I think that's normal during economic times like this. Unfortunately, that's not good for these startups. What we really need to do is find ways to continue bringing funding for pre-seed type of rounds. That's a gap that needs to be filled."

Inline Play

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