

2022 IMPACT REPORT

MICHIGAN

VENTURE CAPITAL ASSOCIATION

20th
ANNIVERSARY



AMERICA'S MIDDLE COAST

Venture into the future.

GM Ventures is a proud supporter of the Michigan Venture Capital Association as we continue to invest in businesses that support our mission to drive innovation and impact the future.



Dear Readers,

This year, the Michigan Venture Capital Association (MVCA) proudly celebrates 20 years of investing in the Michigan business community. In 2002, a handful of visionary business leaders saw the need to support the entrepreneurial community in Michigan through investment and took action, playing an instrumental role in growing and shaping Michigan's venture capital community. They laid the groundwork for the thriving entrepreneurial ecosystem we have today by fostering successful venture capital firms around the state, including the first institutionally backed firm in Michigan.

From those humble beginnings to now, MVCA has much to be proud of through our work advocating for our investor community and engaging with the next generation of venture capitalists to continue to grow investment in Michigan. However, our job is far from over, and I am exhilarated by the work we are doing to enable the VC community to continue to thrive in Michigan.

As part of this commitment to future growth, MVCA has expanded our focus and commitment to integrating the promotion of diversity and inclusion into our platform as the voice of Michigan entrepreneurship and investment. We believe that diversity is critical to the process of innovation, so we are committed to fostering an environment of respect, recognition, and valuing of differences based on ethnicity, gender, color, age, race, religion, disability, national origin, socioeconomic background, and sexual orientation. We believe that a more diverse pool of investors will lead to a more diverse pool of funded founders, fueling an even more vibrant entrepreneurial community.



In celebrating our 20th anniversary, we are proud to present a new approach within this report. For 15 years, our report has been utilized to communicate the need for additional venture capital firms in Michigan. The report provided a comprehensive analysis of the Michigan ecosystem. As we enter our anniversary year, this report is the first to shine a spotlight on the vibrancy of the startup community in Michigan. Our report is more than facts and figures; it tells the story of the enormous impact and resiliency of the venture-backed businesses and how Michigan is becoming a leader within the Great Lakes region.

We've seen a steady rise in the pace of investment over the past decade, making 2021 another record year for the venture capital community. From 2006 to 2021, the U.S. saw a compound annual growth rate in venture investment volume of 10.7%, while overall deal value surged by 17.4%. Comparatively, even as the Great Lakes region notched corresponding and respective rates of 11.5% and 17.8%, Michigan outstripped both by comparison, with impressive rates of 13.5% and 18.4% across the same timeframe.

On behalf of MVCA, I would like to thank the investor and entrepreneurial communities for creating an environment that has grown business in the state of Michigan for decades. We recognize that the work must continue, and with your help, we will continue to grow together.

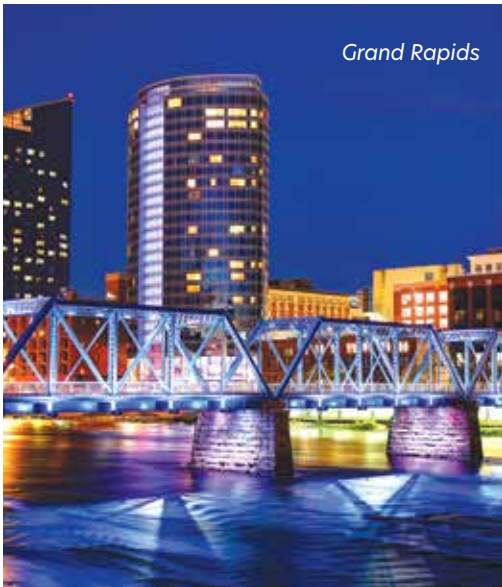
Sincerely,

A handwritten signature in blue ink, appearing to read 'JR'.

Jeffrey Rinvelt
Chairperson of the MVCA Board of Directors
Partner, Renaissance Venture Capital

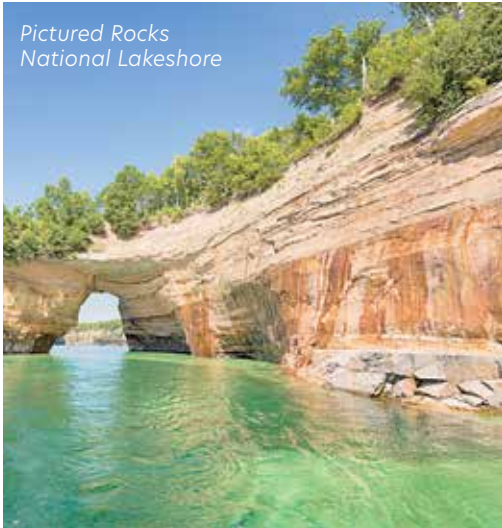
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The Henry Ford,
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MCVA is celebrating



SAVE
THE
DATE

15th Annual Awards Dinner

September 29, 2022
Greenfield Village

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2022

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About MVCA

Who we are, what we do – and why

The MVCA board of directors and staff are dedicated to expanding opportunities for the growth of Michigan's entrepreneurial and investment communities through these programs, services, and publications:

ADVOCACY

Core to MVCA's mission is serving as the statewide voice for Michigan's growing entrepreneurial and investment communities. In this position, the organization provides education and advocacy to key stakeholders regarding entrepreneurial investment opportunities, challenges, and successes in Michigan. Through communication with these stakeholders, including legislators, the media, and the general public, MVCA is committed to advancing policies that foster entrepreneurial activity and investment across Michigan.

EVENTS

MVCA facilitates the development of a strong network within the Michigan entrepreneurial and investment communities and builds connections with out-of-state angel and venture investors through targeted networking opportunities, meetings, and events. The MVCA Annual Awards Dinner is one opportunity to gather and recognize colleagues' achievements and create more significant opportunities for connection. Additionally, MVCA facilitates success within the venture community by providing educational opportunities to new and experienced industry professionals.

RESEARCH

MVCA analyzes venture activity by geography, sector, stage, size, and other attributes to highlight challenges and opportunities in the ecosystem primarily through an annual impact report. This report provides a comprehensive summary of venture capital investment activities across Michigan. MVCA surveys investors with a presence in Michigan and works with the National Venture Capital Association, PitchBook, Crunchbase, the U.S. Census Bureau, the Michigan Angel Fund, and the Angel Capital Association

communities by building relationships with and educating national partners on opportunities and trends in Michigan. MVCA fosters the development of networking opportunities with stakeholders at the state and national levels to enhance connections and relationships for members.

PROGRAMS

MVCA provides program development assistance to Michigan's entrepreneurial and economic support organizations on matters targeting Michigan's talent



Whiskey Factory, Detroit

to provide information about Michigan's entrepreneurial and investment activities relative to national trends. The annual research report is the critical source of quantitative information used to unite the Michigan entrepreneurial and investment communities in driving initiatives that encourage growth in the state.

OUTREACH

MVCA broadens the reach of Michigan's entrepreneurial and investment

and capital gaps. MVCA's aim is to help shape the ultimate goals and desired outcomes of these programs so that they best suit the identified needs of Michigan's entrepreneurial and investment communities. In this role, MVCA collaborates with organizations by facilitating research, providing direction, and assembling feedback within the proposed programs' scope.

Cheers to 20 Years of Impact!

Celebrating MVCA's accomplishments over the past two decades

BY: DAN CALABRESE

As the Michigan Venture Capital Association celebrates its 20th anniversary, current Executive Director Ara Topouzian sees the nurturing of Michigan's venture capital ecosystem as MVCA's leading legacy.

Back in 2002, it was a need that someone had to fill.

"We owe a debt of gratitude to the first generation of Michigan investors, who foresaw the need for us to come together as a community," Topouzian recalls. "We've seen three generations of venture investors, and we're approaching the fourth generation of new investors."

MVCA has helped increase awareness of venture capital in the state, helping the state grow into the hotbed of innovation it is today.

The key is the ecosystem — not just venture capital firms or angel investors

but all the players who create a positive environment for entrepreneurs to thrive in Michigan.

"Not all our members are VCs or angel investors," Topouzian notes. "There are economic development organizations, universities, and service providers who partner with us. Having them as members is one of the keys to how the investor

community connects with the entrepreneurial community."

MVCA does not match entrepreneurs to venture capital firms, as VCs have deep relationships and processes with established pipelines.

But MVCA is positioned to help educate the entrepreneur community about how to be venture-ready and provides networking opportunities to foster relationships and collaborations between members.

Topouzian joined MVCA in 2019. He believes MVCA has also helped the state

\$6.6B
VC dollars
invested since
2006 in 1,593
deals

20th
ANNIVERSARY



by making people here more aware of the venture community's important work.

"Venture capital creates business," he says. "It helps grow business, and in that respect, it's a necessity within the state of Michigan if we want to talk about economic growth and increased talent."

The impact is impossible to deny. The numbers tell the story. Since 2006, Michigan venture capital firms have invested over \$6.6 billion across 1,593

deals — and ultimately leading to 130 exits.

Topouzian also mentioned MVCA's growing embrace of diversity, equity, and inclusion as a focus in the work between venture capitalists and entrepreneurs. It was a focus that came to light during the pandemic, and Topouzian believes it's in everyone's best interest that the industry keep shining a light on it.

"It's one of the positives that came out of the pandemic, to take a deeper dive into that," he says. "We're always asking for new data on it because we know there's opportunity out there for both the venture side and the entrepreneurial side."

And creating a healthy environment for those two sides to connect has been essential to MVCA's mission for 20 years. It's a legacy, even as it remains a mission.

Celebrating MVCA's 20th Anniversary

A look back at key achievements and milestones in Michigan's venture capital community

- **Michigan Capital & Service** was founded as Michigan's first venture capital firm in 1966, located in Ann Arbor. (The National Bank of Detroit bought MCS in 1981.)
- **Doan Associates, formed in 1971** by Herbert "Ted" Doan, who was the last of the Doan family to lead Dow Chemical, was considered Michigan's founding father of venture capital.

- **The Michigan Growth Capital Symposium** began in 1979 and was founded by David J. Brophy through the University of Michigan. MGCS launched in 1980 with the idea to showcase small companies in a way similar to what had been done in the coastal regions. MGCS's objective is to shed light on the need for venture capital to further entrepreneurship in Michigan.

- **Comerica Bank** started a venture capital firm in late 1981.
- **The state of Michigan established** a substantial venture capital investment activity in 1983, investing both in partnerships and directly in companies.
- **The Michigan Strategic Fund** (through the Michigan Economic Development Corp., or MEDC) committed to invest in four seed funds in 1987.

- **The Michigan Venture Capital Association** was founded in 2002 by a small group of investors. Arbor Partners founder Richard Eidswick was instrumental in the establishment of MVCA and served as its first president in 2002 and 2003.
- **The Venture Michigan Fund** is a venture capital fund investment program formed under the Michigan Early Stage Venture Investment Act of 2003. The bill

was sponsored by former state Sen. Mike Bishop and enacted into law by then Michigan Governor Jennifer Granholm in 2004.

- **In 2006, MVCA** was able to hire its first full-time executive director (through a grant from the MEDC) to run the organization. Up until this time, it was operated by a volunteer board.

- **In 2007, MVCA** released its first research report. At that time, there were 11 venture capital firms and close to \$2.5B under management.
- **MVCA launched the Venture Fellow Program**, designed to increase the number of venture professionals in Michigan to accelerate the fundraising for and deployment of capital into early-stage companies, many of which are in Michigan. A total of

22 individuals were part of this program from 2011 to 2018.

- **In 2017, MVCA** celebrated its 15th anniversary with 32 MI HQ'd VC firms, 104 deals, 99 companies, and \$349 million invested in Michigan. In comparison, 2007 included 11 MI HQ'd firms, 32 deals, 31 companies, and \$231.9 million invested across the state.

- **MVCA launched the Michigan Venture & Entrepreneurial Foundation (MVEF)** in 2021 to create programs and initiatives that support the entrepreneur and investor community throughout the state of Michigan.
- **MVCA celebrates its 20th anniversary** in 2022, unveiling a new brand and research report.

By the **NUMBERS**

\$1.4B

Total VC Invested in Startups

19

Michigan VC-Backed Exits

\$5.4B

Total Capital Under Management

161

Deals in Michigan

Angel
Investors in MI **1,577**

Total Angel
Capital Invested **\$69.1M**

VC-Backed
Companies **154**

Companies Invested
in by Angels **111**

34

Active VC
Firms HQ'd in
Michigan

105

Venture
Capitalists in MI

9

Outside VC Firms
with Michigan
Office Investing
in 41 Deals

For every
\$1 invested in a
Michigan startup by a
Michigan-based VC firm,
\$42.87 of investment
is attracted from
outside of Michigan

SOURCES: PITCHBOOK, MVCA, MICHIGAN ANGEL FUND



1,155
VC deals in the region
overall for 2021
(an 11.5% increase
from 2020)

The Rise of the ‘MIDDLE COAST’

By nearly every measure,
Michigan is leading the ascent
of the Great Lakes region amid
the national VC landscape

BY: DAN CALABRESE

The Great Lakes
region comprises
Illinois, Indiana,
Michigan, Minnesota,
Ohio, and Wisconsin.

If the East and West coasts have been recognized as hubs of venture capital activity, the numbers may indicate a so-called Middle Coast that is emerging — and Michigan is at the heart of it. A recent-year comparison of the national VC landscape and the Great Lakes region, particularly Michigan, shows Michigan and surrounding areas are outpacing the nation in terms of deal and dollar growth.

Great Lakes States Ranked by the Numbers, 2021

State	Companies (#)	Deals (#)	Capital Invested (\$)	AUM (\$)
Illinois	367	412	\$7.316B	\$28.42B
Indiana	128	143	\$490.5M	\$646.37M
Michigan	155	161	\$1.386B	\$5.4B
Minnesota	158	173	\$1.327B	\$3.4B
Ohio	168	179	\$2.351B	\$4.1B
Wisconsin	84	86	\$541.51M	\$2.2B

*Michigan was
recognized as the
fastest growing state
with venture capital in
2021, hence “leading
the ascent.”

Sources: PitchBook, MVCA, Crunchbase, 2022 NVCA Yearbook

Michigan Venture Capital Statistics*

	2015	2016	2017	2018	2019	2020	2021	10-YEAR TREND
Number of Active U.S. VC Investors (#)	32	34	32	32	34	35	34	36%
Capital Under Management (\$B)	\$1.30	\$2.50	\$2.70	\$3.10	\$3.70	\$4.40	\$5.40	671%
Companies Receiving Venture Capital (#)	140	96	99	128	125	147	154	88%
Michigan VC Deal Count (#)	146	98	104	138	131	162	161	75%
Michigan VC Deal Value (\$B)	\$0.50	\$0.20	\$0.30	\$0.40	\$0.70	\$0.90	\$1.40	600%

*Michigan venture capital firms headquartered in Michigan

For Michigan, 2020 and 2021 represented the first two years in which the state saw more than 160 deals (162 and 161, respectively). Compared with the relatively light activity of 2016 (98 deals) and 2017 (104 deals), the two most recent years show Michigan has come on in a significant way.

The same holds true for the larger Great Lakes region, which also includes Ohio, Indiana, Illinois, Minnesota, and Wisconsin. In the region overall, 2020 was the first year of more than 1,000 deals — with 1,025 completed. That was followed up by an even bigger year in 2021, which saw 1,150 deals.

It’s a healthy growth rate even compared to the national scene, which hit 12,174 deals in 2020 and followed that

with a record-breaking 15,726 in 2021.

Bobby Franklin, president and CEO of the National Venture Capital Association “(NVCA),” says Michigan is becoming more attractive to out-of-state investors.

“Michigan does a great job, for example, working closely with universities and thinking

about tech transfer and commercialization,” Franklin says. “There’s a strong life sciences community. We had an event hosted at the University of Michigan a few years ago, and I remember just meeting the people and the excitement then and now. And we see data now that shows so much more activity than then.”

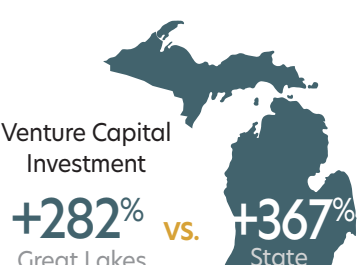
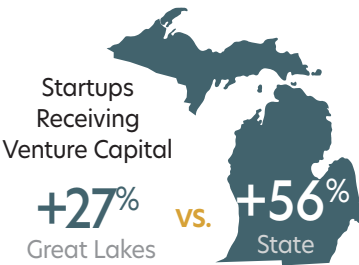
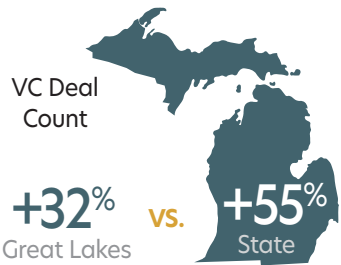
Franklin also praises Michigan for the health of its ecosystem.

\$13.4B
Overall region
investments in 2021 VC
deals, a 43% increase
from 2020

Highlights

- Michigan’s surge in deal value was mirrored across both the overall Great Lakes region and the U.S., with the former seeing \$13.4 billion invested across 1,150 deals and the latter seeing a staggering \$332.8 billion across 15,726 transactions.
- This growth has been long in the making, with a steady rise throughout the 2010s in investment pace and capital. From 2006 to 2021, the U.S. saw a compound annual growth rate in venture investment volume of 10.7%, while overall deal value surged by 17.4%. Strikingly, even as the Great Lakes region notched corresponding and respective rates of 11.5% and 17.8%, Michigan outstripped both by comparison, with rates of 13.5% and 18.4% across the same timeframe.
- Michigan has recently shown particular strength in consumer goods and services deals, when compared against the U.S. and Great Lakes region. Major financings raised by companies like StockX have no doubt contributed to this success.

Five-Year Trends: Michigan vs. Great Lakes



Sources: PitchBook, MVCA, 2022 NVCA Yearbook



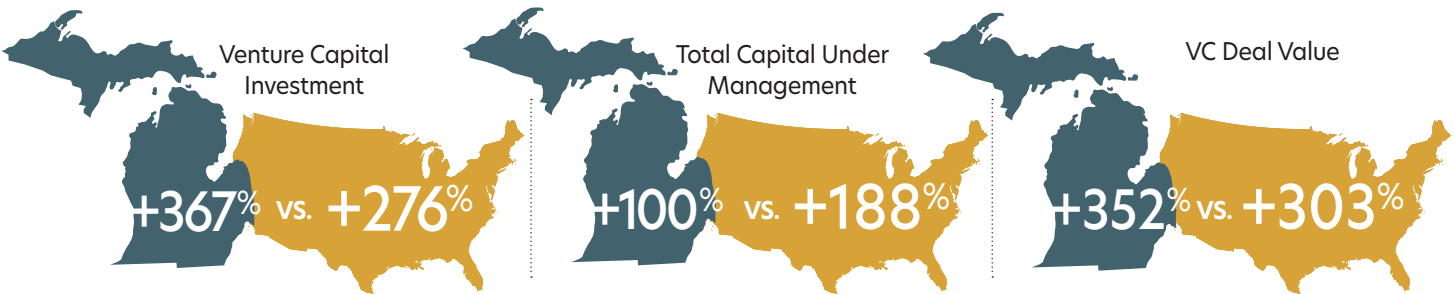
“The industry’s success in 2021 was years in the making, the foundation of which started about a decade ago.”

—Bobby Franklin, president and CEO of the National Venture Capital Association

National Venture Capital Statistics

	2015	2016	2017	2018	2019	2020	2021	FIVE-YEAR TREND
Number of Active U.S. VC Investors (#)	2,372	2,501	2,759	2,925	3,112	3,159	3,401	23%
Capital Under Management (\$B)	\$361.93	\$383.38	\$404.28	\$501.72	\$592.89	\$731.80	\$995.32	146%
Total Capital Raised (\$B)	\$85.80	\$82.60	\$88.50	\$144.30	\$144.80	\$167.10	\$332.80	276%
Average Fund Size (\$M)	\$97.29	\$106.44	\$93.64	\$132.94	\$173.23	\$150.03	\$185.55	98%
Companies Receiving Venture Capital (#)	10,643	9,730	10,563	10,948	11,675	11,473	14,411	36%
National VC Deal Count (#)	11,341	10,215	11,101	11,622	12,510	12,173	15,855	43%
National VC Deal Value (\$B)	48.85	45.23	49.33	76.36	81.38	109.83	223.16	352%

Five-Year Trends: Michigan vs. U.S.



Sources: PitchBook, MVCA, 2022 NVCA Yearbook

Michigan and the Great Lakes region will reward those who tough it out.

“It’s harder in the Midwest to get going,” Ellis says. “But once you get going, you’re probably on a more stable course to where you want to be.”

According to Franklin, those same Midwestern qualities are what make it an excellent place to invest in the long term.

“I feel like Michigan is that place where you see Midwestern values and the kind of people who are just genuine and who want to make a difference in that their word is their bond,” Franklin says. “They have a wonderful reputation for investors in that they support entrepreneurs — and for entrepreneurs doing what they say they’re going to do. There are a lot of great examples of the type of activity you’d want to see all across the country that happens in Michigan.”

THE NATIONAL LANDSCAPE

Nationwide, venture capital deals saw explosive growth in 2021, with a record 15,726 deals closing. That represents an increase of 29% compared with 2020 — which was the second-biggest year on record before 2021’s explosion.

A total of \$332.8 billion flowed into entrepreneurial companies through those 15,726 deals. And from that total, 14,411 were backed by venture capital funds.

There was also more capital to work with than ever before, as fundraising for VC funds topped \$100 billion for the first time, while VC-backed IPOs raised more than \$500 billion.

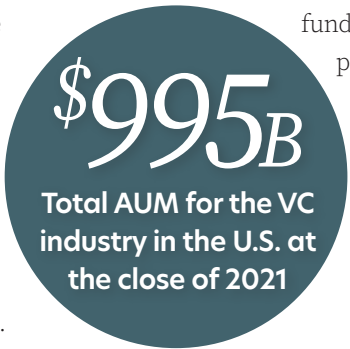
After such a strong run of fundraising, it’s no surprise that assets under management (AUM) for the VC industry in the U.S. had reached the astonishing number of \$995 billion at the close of 2021. All told, 2,889 firms were involved in managing those assets.

There are reasons to think 2022 will also be strong, although market forces could prove challenging.

Of the \$995 billion in AUM, 22% (or \$223 billion) represents new funds available to deploy (often referred to as “dry powder”). That’s 21% more dry powder available than at the same time a year earlier.

In a message to the venture capital community, the NVCA’s Franklin says many years of hard work led to the strong 2021 performance.

“The industry’s success in 2021 was years in the making, the foundation of which started about a decade ago,” Franklin says. “Several years of healthy startup activity and growth and



fundraising for VC funds have produced outsized returns and impact.”

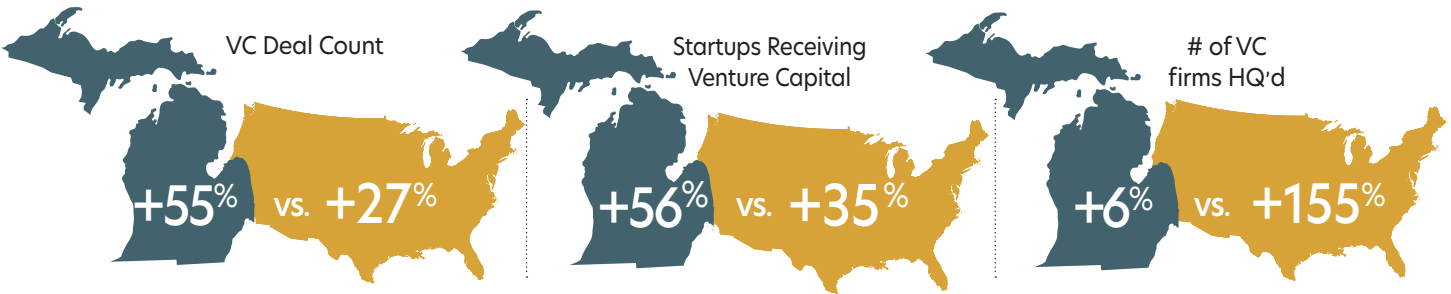
Fortunately, the industry has had the foresight to cycle much of the return back into the ecosystem to fund more strong startups. “There are more VC-

backed startups and VC funds in the country today than ever before,” Franklin says. “Whether VC activity in 2022 continues at the same pace remains to be seen, but the next generation of innovative and impactful companies is being built today.”

Even so, Franklin urges the VC community to understand the impact of forces that could make it hard to repeat the heady number of 2021.

“I would anticipate that our numbers across the country would come down based on what’s happening now in the markets,” Franklin says. “But dollars aside, what you’re looking for is the coordination and collaboration — all the players and participants that it takes to help entrepreneurs take their dreams to reality.”

In that respect, the venture capital community is clearly in a solid position to fulfill the vision Franklin describes. And its track record shows it can be counted on to do precisely that.



Sources: PitchBook, MVCA, 2022 NVCA Yearbook



Let the Good Times Flow

Having a full pipeline of businesses at all stages of growth, across many sectors, and with a broad diversity of leadership creates a breadth of opportunities for the people and businesses in Michigan

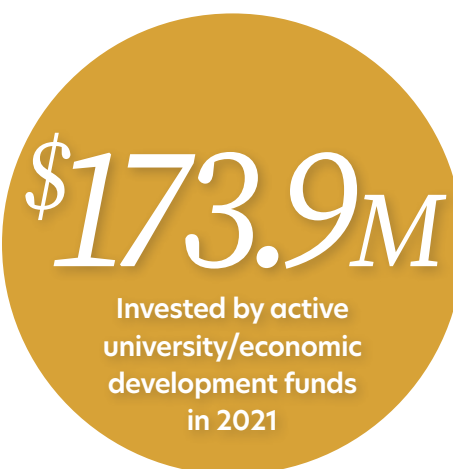
BY: DAN CALABRESE

The strength of Michigan's venture capital pipeline is evident from various data points. One of the most compelling is the success of later-round funding efforts for companies maturing beyond the startup phase.

One of the most frequently mentioned is StockX, the online sneaker marketplace that raised an impressive \$60 million during its recent Series E round of funding.

The numbers from 2021 show that both angel investors and venture capital firms embraced heavy activity across various industries and funding rounds.

Angels invested \$76.04 million in Michigan companies in 2021, with the largest shares going to consumer products (\$21.03 million), health care (\$20.62 million), business products and services (\$18.42 million), and information



Sources: PitchBook, MVCA, Michigan Angel Fund

111 companies receiving angel funding

41 minority-owned

22 women-owned

Highlights

- **University startups**, startups coming out of economic development funds, and startups that have angel backing form Michigan's pipeline. The pipeline is often the first place venture investors turn to when looking for portfolio companies.
- **Michigan has the highest** research-to-venture capital ratio in the nation.
- **As a startup ecosystem matures**, its most mature companies that experience the most success tend to begin skewing aggregate deal values even in a given year, as they raise record-size rounds for the region. A review of the most highly funded companies over the past two years indicates that this phenomenon is once again evident for Michigan, as companies such as online sneaker marketplace StockX and vertically integrated cannabis enterprise C3 Industries have notched multiple fundraises of significant sizes in that time frame.
- **In Michigan, 26 startups** raised over **\$83.5 million** in preseed, seed, and convertible notes from university- and economic development-related funds in 2021.
- **Of the investments made, 88%** have been in Michigan-based startups, with **52.9%** of investment dollars in early-stage seed companies.
- **In 2021, the median size of investment made** by university- and economic development-related funds was **\$2 million**.
- **Since 2006**, active university and economic development funds have participated in 292 investments resulting in 78 exits, collectively. In 2021, university and economic development funds participated in 26 deals with \$173.9 million invested.
- **The Wolverine Venture Fund** is the world's first student-run venture capital fund, founded in 1997 and investing in 30 companies with increased assets from \$2 million to \$7 million through M&A and IPO exits. Additionally U-M's total VC commitments as of 2020 equaled \$359.5 million (*Venture Capital Journal*, 2020).

technology (\$15.63 million).

Venture capital firms were active across all stages, investing \$427.45 million in early-stage projects and more than \$1.7 billion in later-stage projects. VCs also invested \$119.47 million in seed rounds.

All told, consumer products got the most venture capital money at \$980.91 million, while health care brought in \$678.63 million and information technology garnered \$406.05 million.

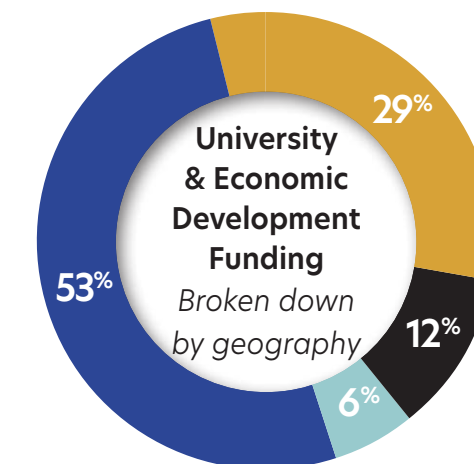
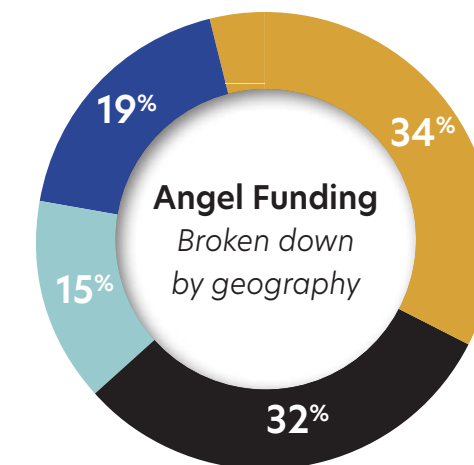
As a startup ecosystem matures, its most mature companies that experience the most success tend to begin skewing aggregate deal values even in a given year, as they raise record-size rounds for the region. Those close to the activity cite critical reasons for the vigorous activity within various regions.

Jeff Wesley of Red Cedar Ventures in Lansing says the ecosystem's infrastructure creates a suitable environment for deals to flourish.

"The universities are a hotbed for innovation and more research dollars coming into the state through them," Wesley says. "There are 20 smart zones around the state that continue to foster new events, new ideas, and new entrepreneurs. And I think there is good momentum for innovation and the angels around the state."

The proliferation of second-time founders, Wesley says, speaks to the growth of the state's talent. This is timely because the pipeline — while strong — is not full. There is more room at the table.

According to Kelly Sexton, associate vice president for research and innovation partnerships at the University of Michigan (and MVCA board member), robust activity in Ann Arbor owes to



Ann Arbor area
Detroit area
West Michigan
Greater Michigan

U-M's strong system of support for research and entrepreneurs, plus the efforts of economic development groups like Ann Arbor SPARK.

Sexton is involved in trying to fill the pipeline further.

"We maintain relationships with venture capital firms around the country," Sexton says. "We do this with lots of meetings and outreach but also by

Angels investing in VC-backed company deals **1,578**



"I see it playing out that we'll have a lot more Black and brown fund managers — not just recipients of investments but also those providing the funding for investments. As that is happening, it changes everything because when communities of color get involved with this opportunity, you make your pipeline stronger."

—Skot Welch, managing partner at Grand Rapids-based New Community Transformation Fund

maintaining a cadence of connections. So once a quarter, we send a startup pipeline report to hundreds of angel investors and venture capitalists across the country, highlighting the startups coming out of the University of Michigan."

The idea is to convince VCs to bring more dollars to Ann Arbor, and Sexton says the case is compelling.

"We've demonstrated that our ecosystem can launch, grow, and scale unicorns," Sexton says. "And we can't overstate the importance of exits like Duo Security."

Skot Welch of the Grand Rapids-based

New Community Transformation Fund drives a specific effort to attract a more diverse array of investors.

"I see it playing out that we'll have a lot more Black and brown fund managers — not just recipients of investments but also those providing the funding for investments," Welch says. "As that is happening, it changes everything because when communities of color get involved with this opportunity, you make your pipeline stronger."

Through his own personal network, Welch says he is talking to hundreds of

VCs of color who are already established and just need to know they belong. That must happen on a personal level.

"A sign can welcome them, but you can only belong through other human beings," Welch says.

\$76M
Angel dollars
invested in 2021
in VC deals

Angel Organizations

- 1 Ann Arbor Angels
Ann Arbor
- 2 Ark Angel Fund
Farmington Hills
- 3 BELLE Michigan
Detroit
- 4 Birmingham Angels
Birmingham
- 5 Commune Angels
Detroit
- 6 Grand Angels
Grand Rapids / Holland
- 7 Muskegon Angels
Muskegon
- 8 Pointe Angels
Grosse Pointe
- 9 Ka-Zoo Angels
Kalamazoo
- 10 Michigan Angel Fund
Statewide
- 11 Capital Community Angels
East Lansing
- 12 Northern Michigan Angels
Traverse City
- 13 Innovation Shore Angels
Marquette
- 14 Woodward Angels
Detroit
- 15 Blue Water Angels
Midland
- 16 Flint Angels
Flint



Sources: Michigan Angel Fund



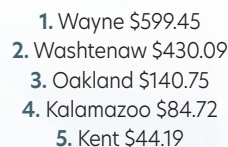
The Michigan Venture & Entrepreneurial Foundation (MVEF) is a 501c3 nonprofit launched in 2021 and affiliated with the Michigan Venture Capital Association (MVCA) to create programs and initiatives that support the entrepreneurial and investor community throughout the state of Michigan. MVEF's mission is to promote growth of a strong, diverse and inclusive entrepreneurial and investment community.

Congratulations to all of Michigan's investors and entrepreneurs on another record investment year!



Early-stage investments help create VC-ready companies. 2021 saw an increase in the number of VC firms and their diversity, an increase in corporate VC activity, and an increase in early-stage angel investing.

*Undisclosed deal value



2021 Deal Count and Deal Size (\$M), by County



Sources: PitchBook, MVCA

Inclusion criteria – must be one of the following:

- Physically HQ'd in MI, having raised a VC fund within the past five years and/or made four or more VC investments over the last three years
- Out-of-state VC firm with MI presence, having raised a VC fund in MI within the past five years and/or made four or more VC investments in MI over the last three years

Annox Capital
 Arboretum Ventures
 Augment Ventures
 BELLE Impact Fund
 Beringea
 BioStar Capital
 Boomerang Catapult
 Cantilever Investors
 Detroit Venture Partners
 eLab Ventures
 Fontinalis Partners
 Genesis Innovation Group
 Gibbs City Investments
 Grand Ventures
 Invest Detroit Ventures
 Ludlow Ventures
 Michigan Capital Network
 Michigan Investment in New Technology
 Startups
 Microtech Ventures
 Narrow Gauge Ventures
 North Coast Technology Investors
 Plymouth Growth
 Red Cedar Ventures
 RPM Ventures
 Skypoint Ventures
 Tamarind Hill
 Tappan Hill Ventures
 Transhuman Capital
 Trout Creek Ventures
 Wakestream Ventures

Mercury
MK Capital
Venture Investors

Renaissance Venture Capital
Venture Michigan Fund

Dow Venture Capital
Eighteen94 Capital
GM Ventures
Kelly Innovation Fund
Rock Ventures
Spectrum Health Ventures

- Accelerate Blue Fund (U-M)
- Biosciences Research and Commercialization Center (WMU)
- Invest Michigan (MEDC)
- Michigan Biomedical Venture Fund (U-M)
- MINTS / Michigan Investment in New Technology Startups (U-M)
- Michigan Rise (MSU, MEDC)
- Red Cedar Ventures (MSU)
- Social Venture Fund (U-M)
- MSU Student Venture Fund (MSU)
- Wolverine Venture Fund (U-M)
- Zell Lurie Early Stage & Zell Lurie Founders Fund (U-M)

Private venture firms headquartered in Michigan

Number of venture capitalists in Michigan

In 2021, Michigan was recognized as the fastest growing state for VC investment, with an increase in venture dollars from \$300 million in 2016 to \$3.1 billion in 2020.

\$5.4B

Assets under management (AUM) in 2021

Capital Improvements

Michigan is becoming an increasingly popular place to launch high-tech, high-growth companies — helping to drive the demand for venture capital

BY: DAN CALABRESE

Michigan venture capital firms have never had assets under management (AUM) at the level they did in 2021 — with a total of \$5.4 billion in AUM. Much of that amount is in remaining value, which is good for future liquidity.

The share of Michigan AUM represented by remaining value has grown steadily since the mid-2000s. As recently as 2016, when Michigan AUM totaled \$2.5 billion, remaining value represented less than half of that total at \$1.1 billion. As of 2021, remaining value represents 85% of all AUM, or \$4.6 billion.

Total AUM has also shown a steady upward trajectory over the past 15 years. In 2008, AUM in Michigan was \$400 million. Each year since then has seen a slight increase, with the biggest percentage increase in 2016, jumping to

\$2.5 billion from the previous year's total of \$1.3 billion.

The 2021 total represented a 23% increase from the 2020 total of \$4.4 billion.

According to Autobooks CEO Steve Robert, some of what drove the increase in 2021 could have been unusual market dynamics that will not repeat in 2022.

Attracting substantial capital over three funding rounds is Detroit-based Autobooks, which provides technology to help simplify banking. Autobooks' Series B round, which closed in 2021, raised \$25 million.

Robert believes the free flow of funds in 2021 was primarily due to short-term market dynamics that are already snapping back.

"There was a lot less emphasis on due diligence and a lot more emphasis on the narrative, the storyline, and the top-line growth," Robert says. "If you could tell a good story or had a client that just went public and you were able to service them, you would get the benefit of the doubt."

In 2021, Robert says, investors were attracted to higher multiples and paths to IPOs.

And while Autobooks just completed a successful Series C round, Robert says the

dynamics in 2022 led to a very different Series C experience.

"This is kind of a natural correction," Robert says. "I'm no economist, but talking to investors, I heard terms like 'peak of stupidity' last year. From an investor point of view, you couldn't be the only sane investor doing due diligence and using multiples because you would not get access to the best deals or be seen as resourceful in that market."

One market difference in 2021, Robert says, was relatively low interest rates.

That made traditional options like bonds and Treasuries less appealing. VCs in the business of deploying capital had to look for other avenues.

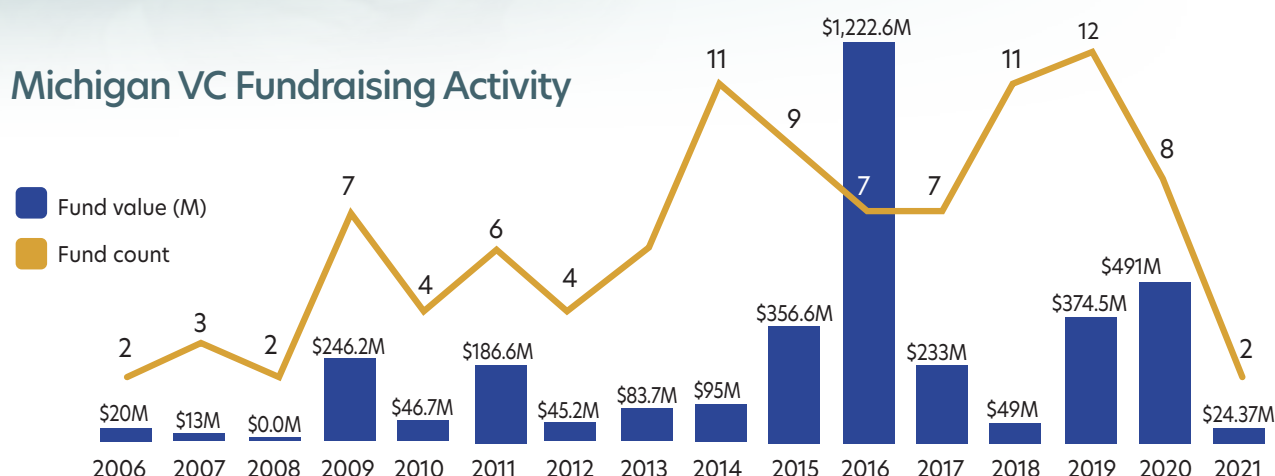
"You're a classic investor," Robert says. "If you think you've got limited partners and many high-net-worth individuals, all of them as a category had benefited from 10 years of good returns. They've got excess cash. So where do you put excess cash where you can get a return on the capital?"

That dynamic, Robert says, justified bigger funds with bigger rounds — one of the reasons Michigan VCs are sitting on so much AUM today.

\$527.6M

Remaining capital available for new investments

Michigan VC Fundraising Activity



Source: MVCA

\$236.8M

Reserved for follow-on investments for existing MI-based startups

\$800M

Slated to fundraise in 2022 by MI HQ'd VC firms

101

Total number of funds raised by VCs since 2006

Highlights

- **To encourage and support statewide business development**, Michigan venture capital firms are fundraising to increase capital availability. Successful fundraising by firms is critical to the continued growth of Michigan's economy.
- **Year-over-year increases in financing metrics** are worth breaking down at length. As expected, the national and regional surges in median pre-money valuations since 2020, especially at the late stage, are not matched within Michigan.
- **Unfortunately, due to the opacity** of such data, sample sizes are nonnormative for the state. Still, allowing for nonnormativity, an approximate uptick has occurred since roughly 2017, although annual tallies move substantially. Moreover, 2021 tied 2019 for the highest median pre-money valuation at angel and seed stages, at \$8 million.
- **Meanwhile, the late stage** saw its second-highest tally ever, predicated on far more data points than the previous high in 2009. Over the past two years, the record surge of deal value saw accompanying rises in valuations across all stages.
- **Michigan fundraising had a strong cycle** in terms of volume over the past seven years, though 2020 saw a bit of a pause, likely given the record 12 funds closed in 2019 that were then in their investment period. Hence, the outside investors' growing interest in the domestic ecosystem is fortunate for local startups. That said, Michigan venture firms' AUM is steadily increasing, with a record tally of \$5.4 billion in 2021. Much of this is in remaining value, which could bode well for future investment.

671%

10-year trend, from \$700M in capital under management in 2011 to \$5.4B in 2021

Steady Growth, Bright Future

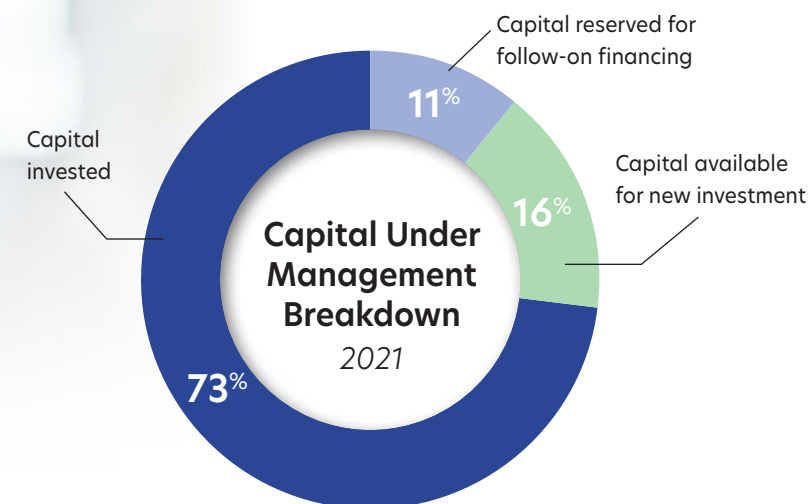
With a record total in venture firms' AUM, Michigan's VC community is on track to have the future liquidity necessary to fund the high-tech, high-potential companies vital to the state's economy.

\$800M

Michigan's dry powder 2021

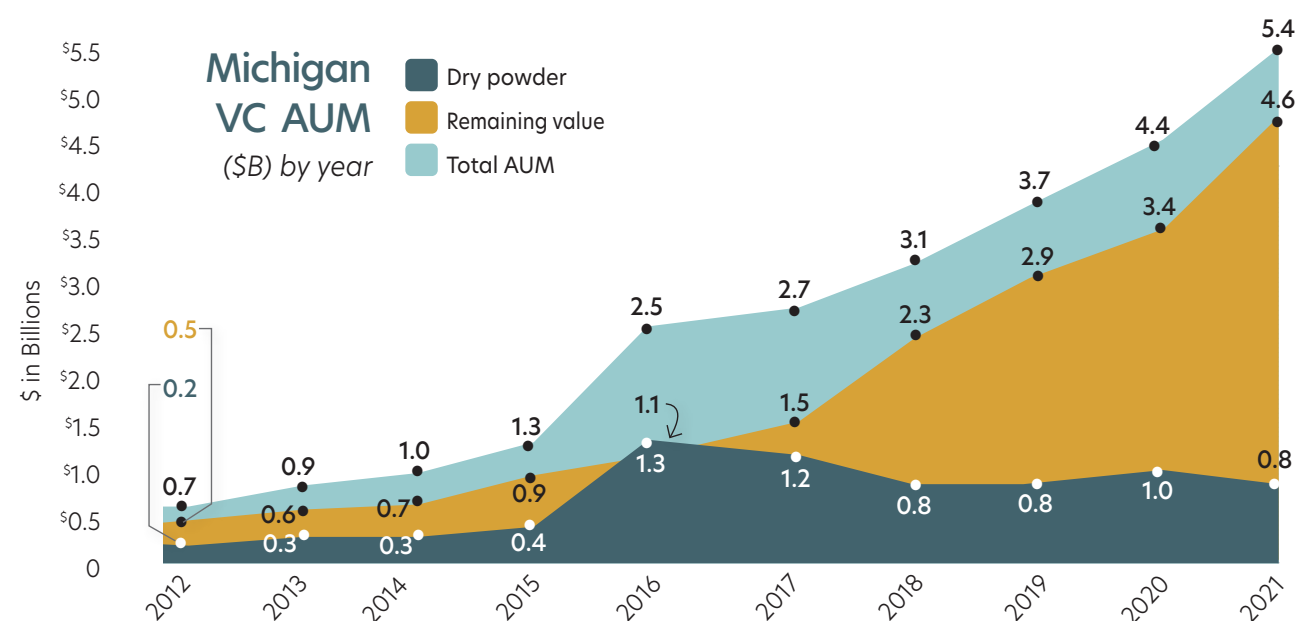
\$50M

The average venture capital fund size among Michigan-based firms



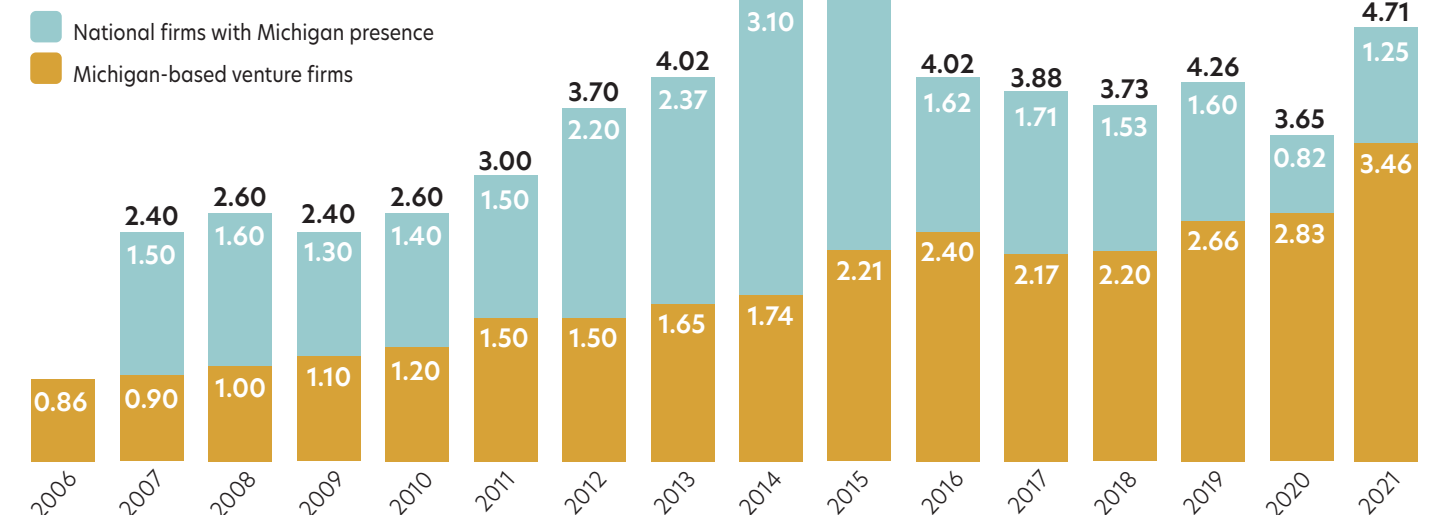
Highlights

- **Michigan venture firms' AUM** is growing steadily, with a record tally of \$5.4 billion in 2021 to date. Much of this is in remaining value, which could bode well for future liquidity.
- **The ability to adequately fund high-tech**, high-potential companies as they mature is critical to growing companies in Michigan, keeping them in Michigan, and ensuring Michigan's economic health in the long run.
- **In 2021, \$236.8 million** in VC dollars is reserved for follow-on investments for existing MI-based startups.
- **In 2021, capital invested** by all venture firms in Michigan by type includes 14% angel/seed, 35% early VC, and 51% later VC. By series, investment breakdown includes 32 angel, 33 seed, 23 A, 11 B, 5 C, and 3 D+.



Capital Under Management in MI

VC firms (\$B) by year



A Capital Magnet

Michigan’s VC community is attracting out-of-state investments from every corner of the country

BY: DAN CALABRESE

Investors outside Michigan made investments in the state at unprecedented levels in 2021 while also coming from increasingly divergent areas.

Michigan’s venture capital community plays a critical role in attracting and leveraging outside investment capital. Local firms are often the first to identify strong Michigan-based investment opportunities and can then provide deal leadership and connections to potential out-of-state partners.

In terms of the number of deals, the San Francisco Bay Area led the way, with Bay Area investors participating in 25 deals and investing \$629.9 million. However, in terms of dollars invested, the New York/Newark region comes out on top — pumping \$805.9 million into Michigan firms through participation in 23 deals.

Other regions delivering major investors to Michigan include Los Angeles area (12 deals, \$483.9 million), Chicago (12 deals, \$207.5 million), and Boston area (9 deals, \$313.7 million).

Each number represents an all-time high from the region in question, and in the case of Chicago and Los Angeles/Long Beach, the numbers are significant leaps from previous highs.

Guy Turner of the Chicago-based venture firm Hyde Park Venture Partners says outside investors are noticing the positive activity in Michigan — particularly in Detroit and Ann Arbor, which collectively

yield approximately 44% of all deals across the state.

“I don’t think Ann Arbor and Detroit are on some unusual run, relative to others,” Turner says. “But the good news is the

34

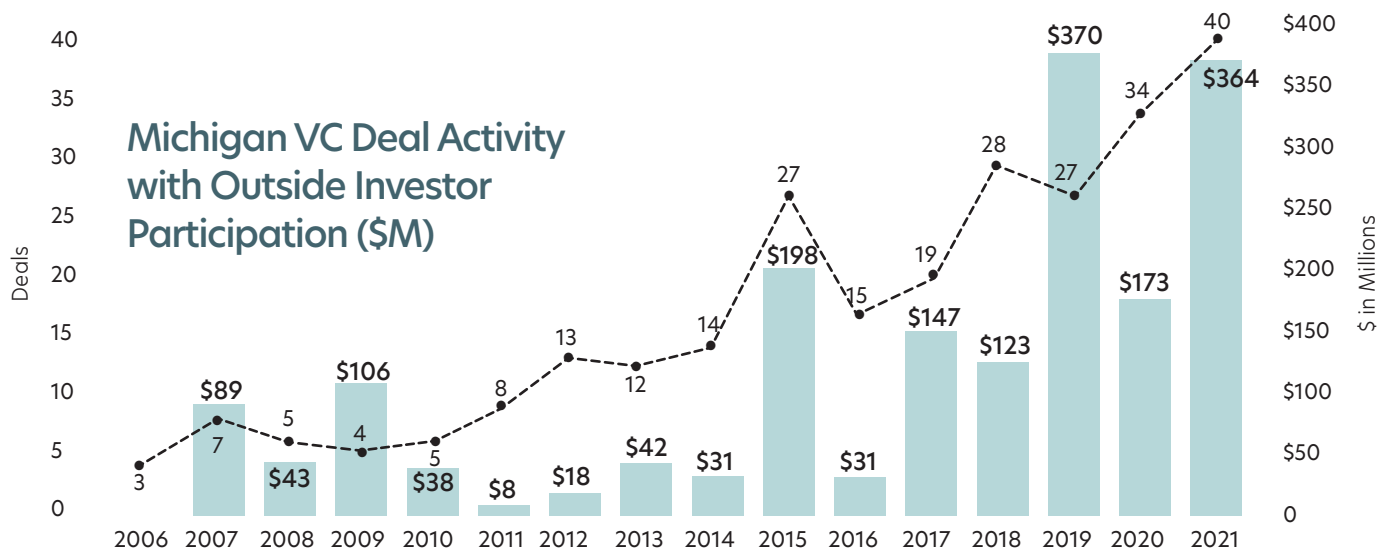
of active VC firms outside of Michigan investing in MI

tide has been rising, and Ann Arbor has done a great job. Detroit has also done a great job, particularly with StockX and several others coming out of all the great work Detroit Venture Partners has been doing.”

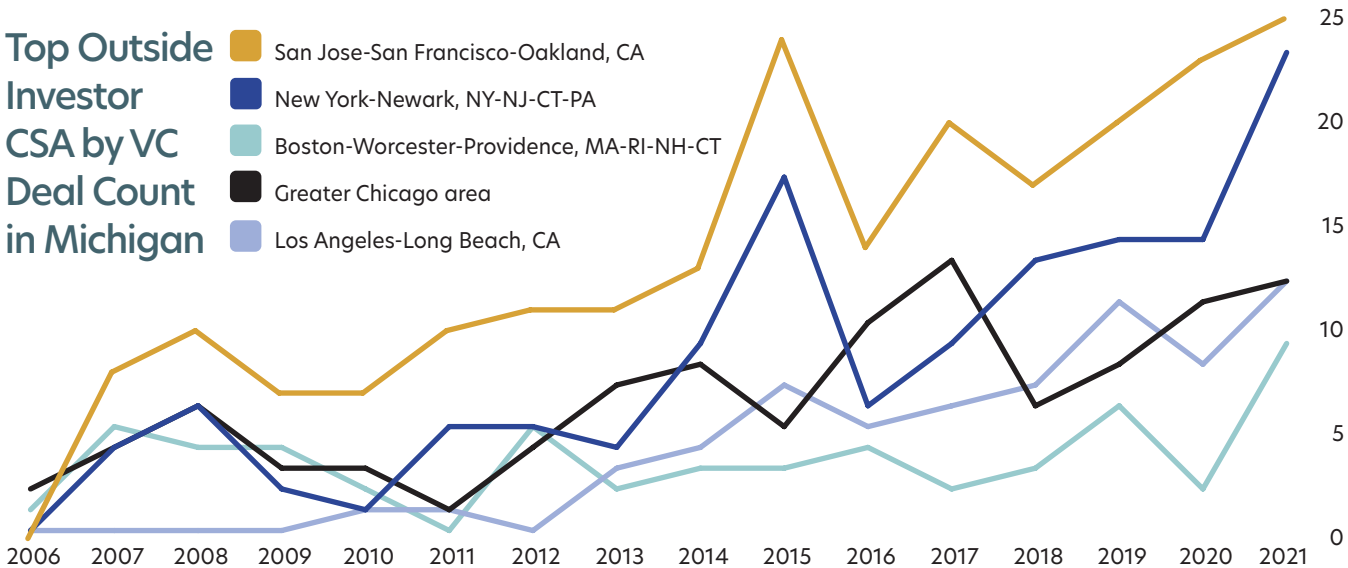
Of course, Detroit Venture Partners is one of several impactful venture firms helping to fuel Detroit’s rise — along with others such as Invest Detroit Ventures.

Turner has noticed how the tide has turned in Detroit.

“I first visited Detroit 10 years ago, and I had no idea whether this was going to work out,” Turner says. “They were pouring all this money in there, and if you went two blocks in the wrong direction, all the buildings were empty. Now the city is legitimately in a renaissance, and they have some great companies built there.”



Top Outside Investor CSA by VC Deal Count in Michigan



Highlights

- **Much of the upsurge in venture investment activity for any maturing domestic startup** ecosystem over the past five years in the state has been driven by an increasing rise in participating outside investors looking to gain exposure to Michigan’s startup hubs.
- **Michigan’s venture capital community plays a critical role** in attracting and leveraging outside investment capital. Local firms are often the first to identify strong Michigan-based investment opportunities and can then provide deal leadership and connections to potential out-of-state partners.

Turner also cited the Duo deal as one of the drivers of Ann Arbor’s success.

Adrian Fortino of Mercury (also an MVCA board member) says four factors contributed heavily to the surge in out-of-state venture capital dollars coming into Michigan in 2021.

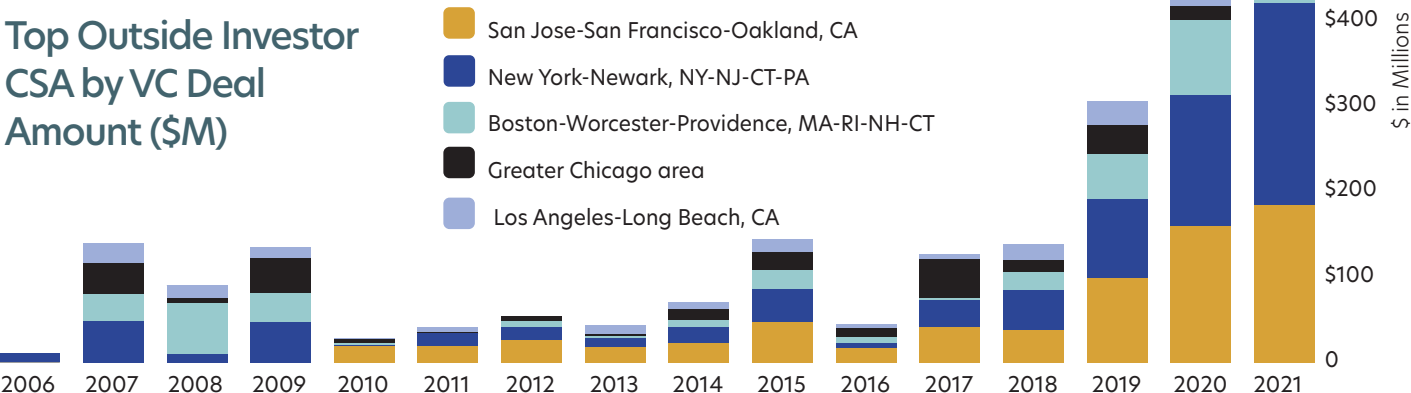
The first is the high rate of early-stage activity with a very robust pre-seed foundation. The second is a strong founder network built over several years, with many founders coming in with bigger-company experience. The third was the COVID-19 pandemic, which encouraged many investors to proceed with deals without on-site visits or personal meetings.

And the fourth, Fortino says, was the

large amount of capital needing places to go because traditional options like bonds and U.S. Treasury did not offer an attractive return with interest rates at historic lows. That, combined with the strong performance of the venture market in recent years, encouraged investors from high-net-worth families and institutions to double down on venture opportunities.

“Michigan is poised to be the next great place not just to start but to build companies,” Fortino says. “In years before, I had to move one of my companies out of Michigan because it didn’t have the capital or the talent to build it. I think we have that now across the board.”

Top Outside Investor CSA by VC Deal Amount (\$M)



From 2011 to 2021, **1,304** Michigan-based startups raised venture capital funding and received **\$5.49 billion** to fund their innovative ideas and grow their businesses.

Flyover State No More

Record-breaking funding of startups in 2021 has cemented Michigan's role as the nation's Middle Coast of VC

BY: DAN CALABRESE

Only a few years ago, investors in Silicon Valley or on the East Coast would look at a Michigan-based entrepreneur and ask, "What are you doing there?"

That has changed dramatically — and quickly — as venture capitalists recognize the power and strength of Michigan startups here on the Middle Coast.

The numbers produced in 2021 are startling and record-breaking, with \$1.4 billion coming into the state to fund 161 companies.

Ann Arbor led the way with 84 companies funded, followed by Detroit (59), Grand Rapids (27), Birmingham (11), and Traverse City (10).

And while deals involving Michigan-only investors declined a bit in 2021, the overall activity indicates that Michigan-based VCs are bringing in more funds from outside the state. This has been felt by companies raising funds, especially those operating in the life sciences sector.

Ann Arbor-based Akadeum Life Sciences just completed a successful Series B round consisting of a healthy mix of Michigan money and out-of-state money.

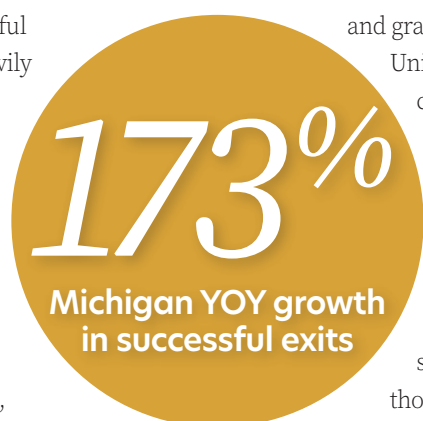
That followed a successful Series A round that heavily relied on Michigan investors.

"Michigan has matured a lot over the last 10 to 20 years," says Brandon McNaughton, CEO of Akadeum Life Sciences. "I look at the ecosystem, and it's exciting to see



the angel participation in companies like ours and also in venture capital. We love working with people down the street that we can grab lunch or a cup of coffee with."

Lisa McLaughlin, co-founder and co-CEO of Ann Arbor-based Workit Health, was born in Detroit and received her undergraduate



and graduate degrees from the University of Michigan. The company provides digital addiction recovery services. And while McLaughlin spent some time in Silicon Valley, she returned to Michigan — a move seen as unusual by those she left behind — because she was convinced

the company could make the most significant impact if headquartered here.

That was affirmed by Workit Health's 2021 Series C round, which raised \$118 million under the direction of the New York-based equity firm Insight Partners. That followed an initial round raised through a combination of Detroit-based groups and partners in the San Francisco Bay Area.

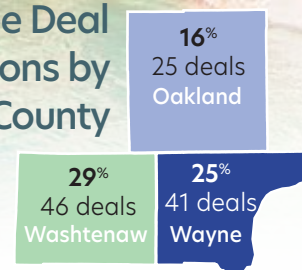
"We knew this was going to be a great

"Michigan has matured a lot over the last 10 to 20 years. I look at the ecosystem, and it's exciting to see the angel participation in companies like ours and also in venture capital."

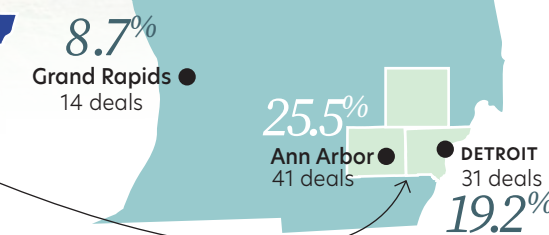
—Brandon McNaughton, CEO of Akadeum Life Sciences

Pictured Rocks National Lakeshore

Top Three Deal Locations by County



Top Three Deal Locations by City



Deal Value in Millions

Venture Investment Activity Over Time (\$M)

Number of companies
Deal value (\$M)



place to hire and have a great team," McLaughlin says. "People are leaving the San Francisco area because the cost of living has become outrageous."

Workit's early success has made believers out of investors on the coasts, but it was a challenge at first.

"In the early stages, they said, 'You've got to get out of there. You can't grow a big company there. You've got to come back to the Bay. It's a flyover state,'" McLaughlin recalls. "That kind

of negativity — it hurt my Michigander heart. I really thought they were wrong."

She points to excellent social work programs that could support a corporate mission like that of Workit Health. She notes that the "awkward side glances" about starting a digital health company in the Midwest turned to kudos over time.

Ann Arbor-based Strata Oncology recently raised \$90 million — most of it from out of state — in its Series C

round, with crucial support from the local VC firm Arboretum Ventures. After catalyzing the A and B round efforts for Strata, Arboretum made the connections with investment bankers who could bring in capital from outside Michigan.

"It's a progression over time," says Dan Rhodes, CEO and co-founder of Strata. "The Michigan money in each of my three rounds has become a proportionately smaller piece."



Exit Stage Right

Although the yearly total of successful Michigan exits shows a lot of variabilities, the long-term trend line continues to climb

BY: JOHN GALLAGHER

The lingering COVID-19 pandemic didn't stop a host of Michigan-based VC-supported startups from achieving successful exits in 2021.

Total 2021 startups exiting equaled 19, nearly double the previous year's total of 11. The total average exit value was in the range of \$300 million. The previous exit count high was 17 in 2017.

The 173% year-over-year growth in Michigan exits slightly bettered the national increase of 168%.

By industry, six of the 19 successful exits of Michigan-based VC-backed

startups were in the software field. Another four were in commercial products and services, with three in consumer goods and services. The remaining were scattered in various fields, including media, biotech, and transportation.

Although the yearly total of successful Michigan exits shows a lot of variabilities, the long-term trend line continues to climb. In 2006, there were just two successful exits and none in 2007, so 19

173%
Michigan YOY growth
in successful
exits

in 2021 represents a big step forward. Among those achieving exits in 2021 was Sportsman Tracker, a 2015 startup based in Grand Rapids that provides proprietary weather, terrain, and species-specific algorithms for hunters through its digital platform HuntWise. The firm was purchased in September 2021 by Kalkomey, a provider of online recreational education solutions, for an undisclosed amount.

Then there is Facility Health Inc., a 2016 startup based near Grand Rapids

\$300M

Michigan
exit value

Highlights

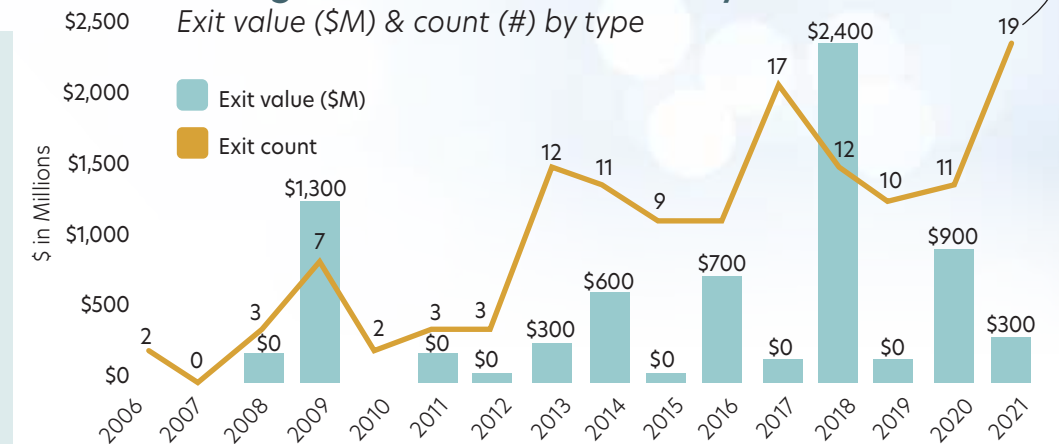
- **Total 2021 exit value** was \$300M, representing an astonishing 173% year-over-year growth, with 19 exits, up from 11 in 2020, representing 58% growth.
- **Buyouts accounted for 32%** and acquisitions accounted for 58% of total VC exit value across Michigan. Public listings declined from two in 2020 to none in 2021, with the highest recorded at four in 2014 across a 15-year period.
- **Exit activity in Michigan** represents a 58% year-to-year growth from 2020 with an astonishing 10-year growth of 633%, "slowing" to 112% over five years.
- **Significant liquidity**, especially of the 2010s unicorn herd, helped encourage much of the investment fervor in the U.S. A record 1,638 exits closed, for a mammoth tally of \$743.2 billion. The unique market environment drove most of this, encouraging a slew of companies to go public via either traditional offering, direct listing, or a merger with a SPAC. Michigan also saw a record volume of 19 exits completed, although given the size of the ecosystem throughout the 2010s, aggregate exit value remains quite variable. The previous exit count high was 17 in 2017.

- **This variability in exit value** is likely due to few public listings occurring of Michigan-headquartered, venture-backed companies to date, with just four since 2015. However, a trickle of M&A has still driven some spikes in exit values for investors and entrepreneurs alike; it is possible that as the ecosystem continues to attract record capital inflows, more mature companies could prove fruitful exits.

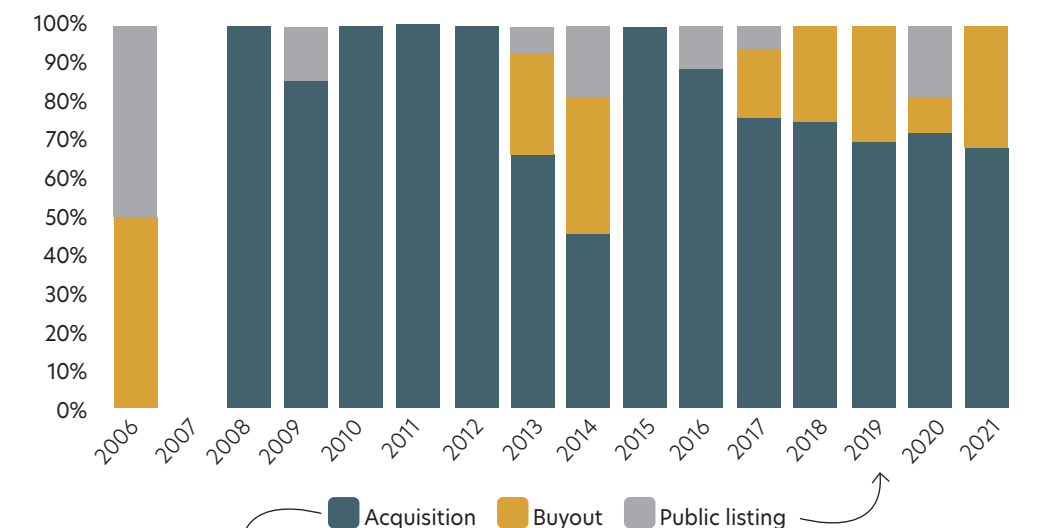
Sources: PitchBook, MVCA

Michigan VC-Backed Exit Activity

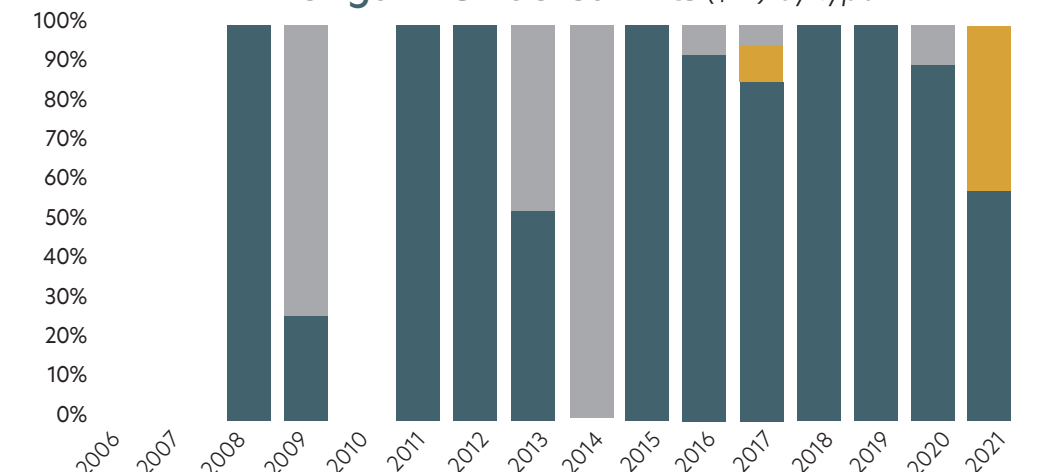
Exit value (\$M) & count (#) by type



Michigan VC-Backed Exits (#) by type



Michigan VC-Backed Exits (\$M) by type



Year-over-year growth in Michigan exits **173%**

Year-over-year growth in national exits **168%**

10-year growth in Michigan exits **633%**



that, in late 2021, was acquired by Dude Solutions (now named Brightly) in Cary, North Carolina, a provider of operations management software, for an undisclosed amount. The successful exit provided a return for early investors Grand Rapids-based Michigan Capital Network and Wakestream Ventures LLC.

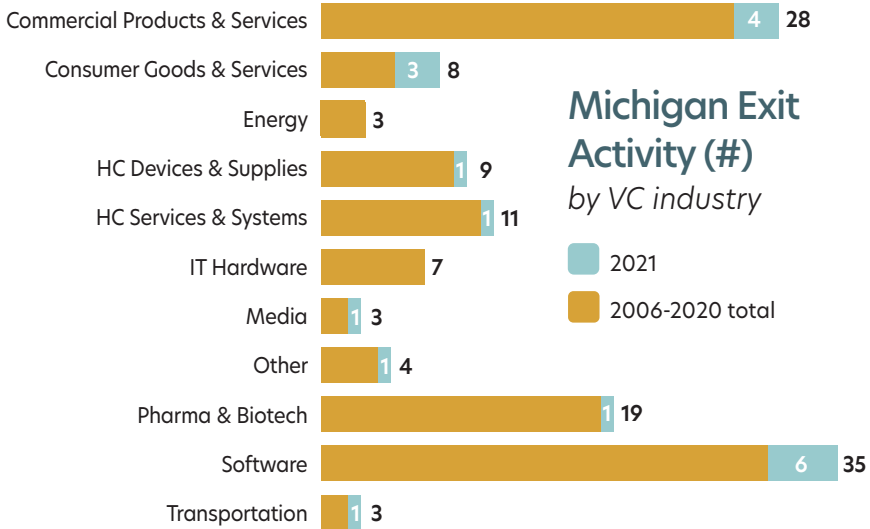
And a bit earlier, Ann Arbor-based Llamasoft, an 18-year-old company that helps large corporations manage their supply chains, was bought by Coupa Software, a publicly traded company that helps large corporations manage spending, for a reported \$1.5 billion in a deal that won MVCA's Exit of the Year honors in 2021.

The impact on the Michigan startup scene of these successful exits will be measured in future growth. As Michigan Capital Network CEO and Managing Director Paul D'Amato notes, the Facility Health exit provided an excellent return

to investors and will allow more startups to grow. "It's a great success story and a great model of what we're trying to create here," he said in a media interview.

A successful exit often follows earlier VC investments. Jeff Courter, founder of Sportsman Tracker, had raised close to \$5 million before his 2021 exit, starting with small business pitch competitions with a couple of rounds of VC money in the \$1 million to \$2 million range. He advises other first-time entrepreneurs to make sure they have enough money to grow, wherever it comes from.

"If I had to do this over again, I would either self-fund and do more sweat equity or take out much more VC money in much larger tranches," he says, "because the type of growth that VC demands requires you to move fast. And especially if you're a first-time founder, you're going to make mistakes. So you have to be able to make mistakes fast and keep moving."



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OUR REPRESENTATIVE SERVICES

- Investment:** assist institutional and angel investors with leading standard SAFE, convertible note or traditional Series preferred stock financing transactions or participating in established rounds
- Formation:** counsel entrepreneurs and founding teams about entity selection and incorporation matters, including negotiations of equity splits and governance documents
- Contracting:** negotiation of customer and supplier contracts, including generating form customer contracts for a company's use in commercializing its products
- Patent Protection:** drafting and filing of patents on company technology and advisory work regarding patent portfolio management
- IP Licensing:** review and negotiation of in- and out-licenses of intellectual property, including patent, software and copyright licenses from the University of Michigan Innovation Partnerships team
- Brand Protection:** Strategic brand protection activities, including trademark counseling and responses to infringement notices
- Employment:** assistance with employee onboarding and off-boarding, equity incentive plan construction and management
- Exit / Sale:** counseling related to company sale transactions, including equity and asset sales

DETROIT | ANN ARBOR | TROY | GRAND RAPIDS | CHEBOYGAN

387

VC firm professionals
in Michigan

MI-based CEOs lead 39% of active portfolio companies for MI venture capital firms (with MI presence, not limited to being HQ'd here). Women lead 12.6% of all portfolio companies, men 86.3%, and 1.03% other. Collection of DE&I data has become a larger focus for MVCA in recent years.

Diverse Interests

Diversity among CEOs and VC professionals is increasing, but we have a long way to go for accurate representation

BY: DAN CALABRESE

Diversity drives growth. It's a principle that would seem beyond dispute, if only by virtue of the sheer fact that narrow markets don't leave much room for growth.

Of course, diversity can have many definitions. And for the venture capital market to continue expanding in a way that keeps driving growth and market prosperity, it's fair to say it has to embrace all of those definitions.

That means diversity includes not only race, gender, and culture but also market and industry. The pipeline needs VCs representing every kind of demographic segment and cultural/social orientation. And those diverse VCs, gathering money from the broadest possible base of investors, need to be funding companies

that represent increasingly diverse market segments.

This is a broad perspective on the notion of diversity, equity, and inclusion (DE&I), and there is no meaningful way to fill the pipeline without embracing it.

To this end, MVCA has prioritized the collection of data to show Michigan's progress toward DE&I goals, in addition to forming a committee to develop and implement action items to help achieve DE&I benchmarks within the entrepreneurial community.

So how is Michigan doing when it comes to this?

Portfolio companies for Michigan VC-backed firms in 2021 showed 5.86% had African American/Black CEOs, while 11.11% had Asian/Pacific Islander CEOs and 1.03% had Hispanic/Latino CEOs.

From another perspective, 12.6% of VC-backed firms in Michigan had female CEOs, while 1.04% had LGBTQ+ CEOs.

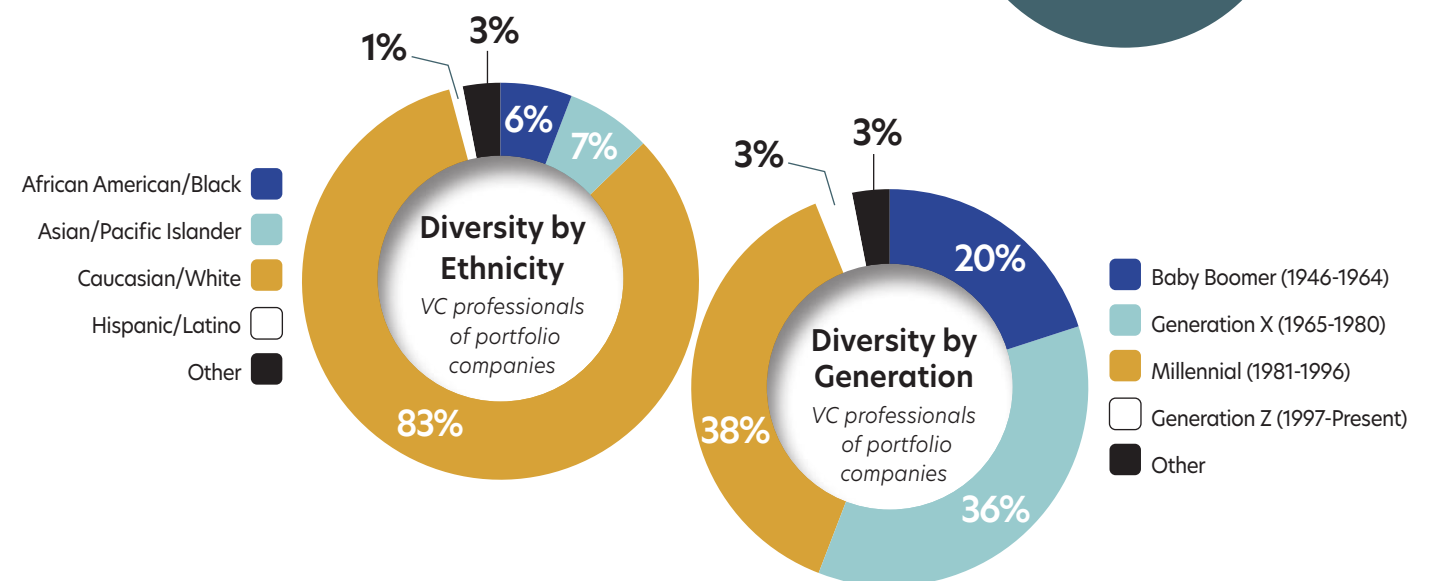
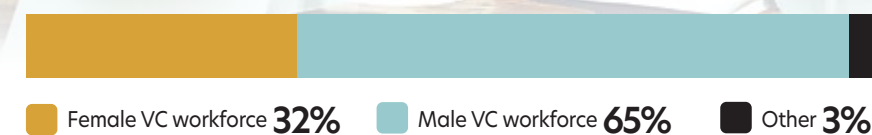
From a generational viewpoint, 36.95% of VC-backed firms in Michigan have Generation X CEOs, while Millennials helm 35.66%. That leaves 8.53% with Baby Boomer CEOs and less than 1% led by Generation Z CEOs.

Dawn Batts, co-founder of Detroit-based Commune Angels, is working to develop a diverse community of investors.

"You hear a lot of conversation about underrepresented funders and being undercapitalized," Batts says. "We also noticed there are a number of people who could be angel investors, particularly in the underrepresented community, who may not be because it's an unfamiliar asset class."

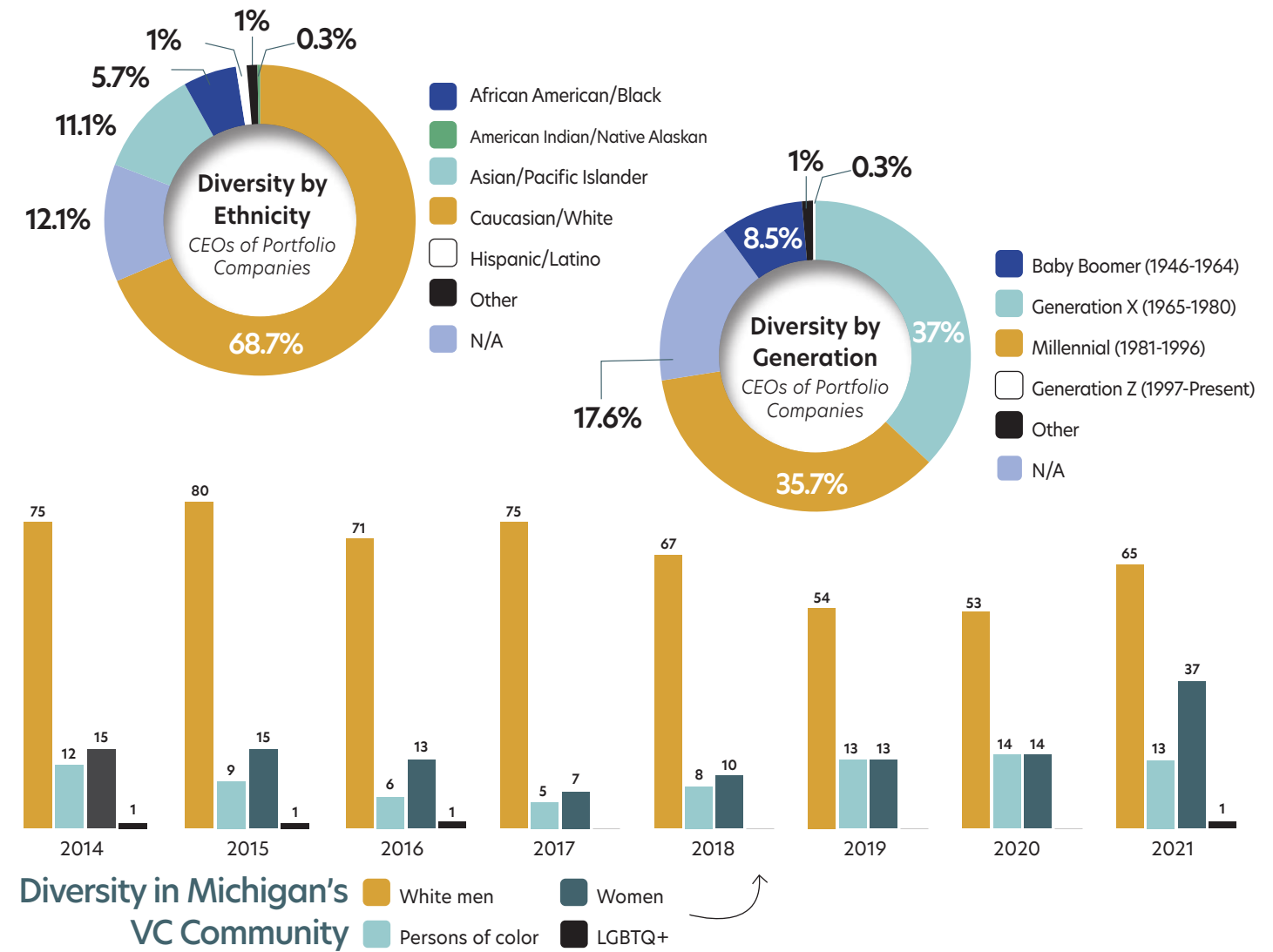
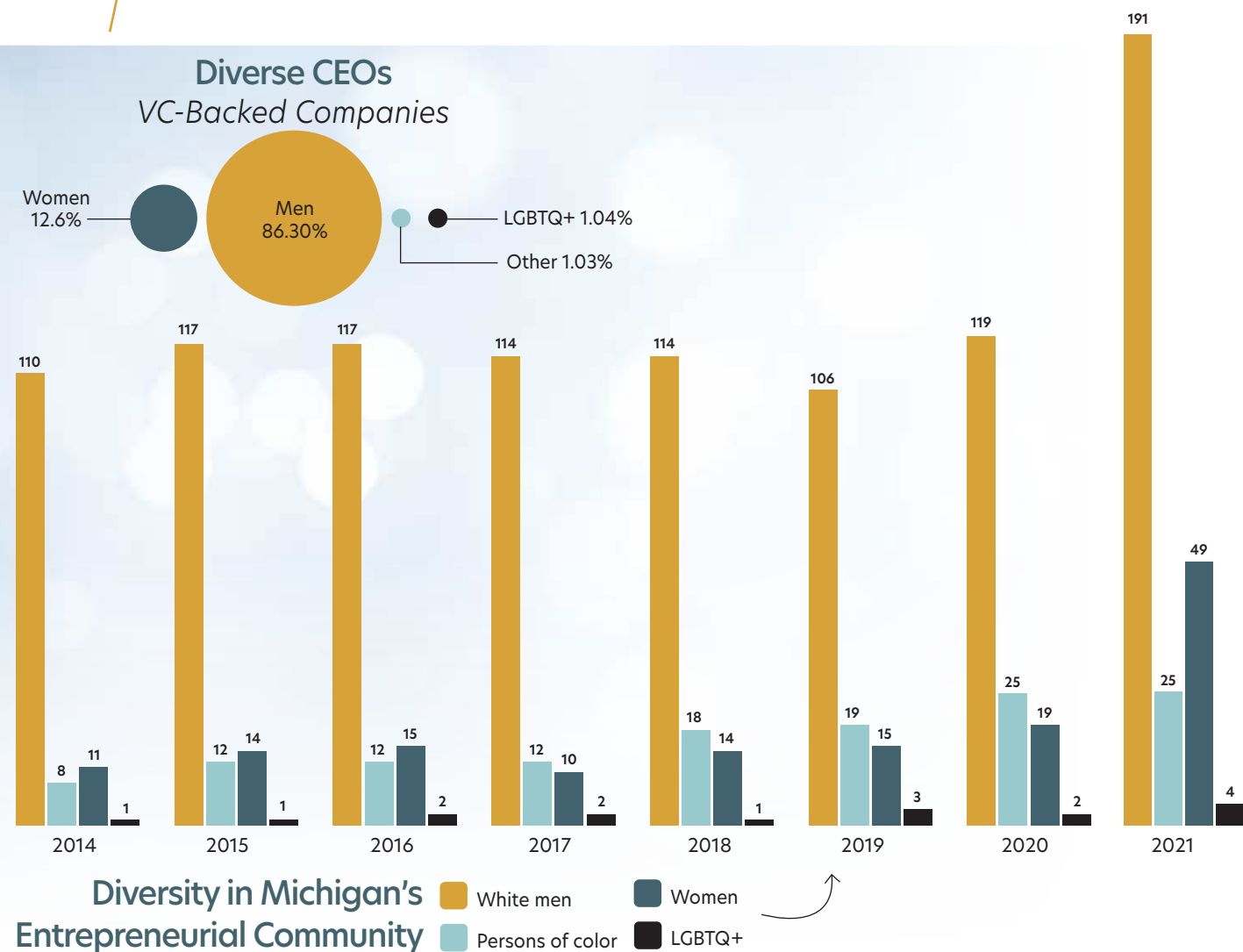
Source: MVCA

Source: MVCA



102

Venture capitalists
in Michigan



Putting Good Intentions into Practice

As executive vice president and managing partner of Invest Detroit Ventures, Patti Glaza plays an active role in helping both VC firms and portfolio companies diversify their talent base.

And while the concept of DE&I is still a relatively new one, Glaza says the industry is making good progress with what she calls baby steps.

"If [a company wants] to start on DE&I, we want to give them a two-pager that shows the 10 places they can go and try to find diverse candidates," Glaza says. "I see great intent, and I see good initiative. But I think everybody is trying to

figure out the how. What is the best way to go about this?"

Glaza emphasizes that progress in this area requires a sustained commitment.

"It's not one hire, and you can't do a token individual on a team and have the market believe that's representative," Glaza says. "It's a good start, and it's certainly something all firms and companies should be doing, but it can't be token. It has to be part of the culture in terms of hiring."

While venture firms make only limited hires in a given year, Glaza says they are thinking about creative approaches

to diversify their workforces.

"We're trying to look at our own teams, hire interns and hire diverse candidates for internships so they can get to know if venture is a good field for them," Glaza says.

Recently, Glaza's group ran the training for a DE&I demo day that saw several hundred VC firms participate. One of the objectives was to provide some basic training and exposure to the field for underrepresented candidates based on gender, race, and sexual orientation.

"You can't just throw them to the wolves," Glaza says. "There has to be some training involved."

Batts emphasizes that encouraging more people from underrepresented groups to become angel investors is a way to build investor wealth because of the frequent 10-times return enjoyed after successful exits.

Raffaele Mautone, CEO and founder of AaDya Security, just raised \$3.1 million in venture funding from a successful Series A round. Mautone, who is gay, says his identity has proven to be appealing to investors — although the company's strength is no less critical because of it.

"I think they are realizing as they look at companies like ours that if you have a founder who is diverse, it creates a different lens on how they

look at everything," Mautone says.

Turning to market segmentation, the 2020-21 cycle saw six different industries average at least 10 venture capital deals in Michigan. They are:

- Software (49 deals in 2020, 42 deals in 2021)
- Commercial products and services (24 deals in 2020, 30 deals in 2021)
- Consumer goods and services (18 deals in 2020, 25 deals in 2021)
- Health care services and systems (18 deals in 2020, 16 deals in 2021)
- Health care devices and supplies (15 deals in 2020, 16 deals in 2021)
- Pharma and biotech (13 deals in 2020, 9 deals in 2021)

Also seeing significant activity

were IT hardware, media, energy, and transportation.

Meanwhile, both ends of the deal are seeing greater racial, gender, and cultural diversity.

According to Patti Glaza, executive vice president and managing director of Invest Detroit Ventures, MVCA board member, and chair of MVCA's DE&I Committee, venture firms are actively seeking more diverse teams.

"Areas I'm seeing the most efforts in right now are hiring diverse teams," Glaza says. "Venture firms are looking to hire the next person for their team, being conscious of women, people of color, and folks that maybe don't come from the traditional Ivy League. The

second area would be in the policies or the dealmaking itself. At the national level, you're starting to see best practices regarding commitments being made to diverse co-investors."

Some firms are even dedicating a part of every round to groups led by minority- or female-led firms.

And, of course, Glaza says, VC investors are also seeking diverse opportunities to invest.

"It's not just about the venture firms themselves," Glaza says. "It's also about the companies we're investing in and how we signal that DE&I is important as part of the deal itself."

363%

Health care services
& systems YOY growth
in capital deployed

Spreading the Wealth

Michigan VC investments in 2021 happened all around the state in a robust mixture of fields and stages

BY: JOHN GALLAGHER

Which Sectors Are Receiving Venture Funding in Michigan

Venture investment (\$M) by sector

	2017	2018	2019	2020	2021
Commercial Products & Services	\$17.9	\$34.4	\$135.9	\$51.5	\$65.3
Consumer Goods & Services	\$21.8	\$76.3	\$149.3	\$457.9	\$490.8
Energy	\$0.4	\$0.2	\$2.6	\$12.4	\$26.1
HC Devices & Supplies	\$62.0	\$0.1	\$76.7	\$94.6	\$127.2
HC Services & Systems	\$19.2	\$0.1	\$38.0	\$56.0	\$259.4
IT Hardware	\$12.2	\$37.9	\$6.3	\$14.9	\$32.9
Media	\$1.0	\$7.5	\$3.6	\$3.0	\$1.8
Other	\$9.4	\$7.6	\$29.9	\$47.6	\$57.1
Pharma & Biotech	\$15.9	\$32.4	\$51.1	\$94.5	\$50.0
Software	\$184.5	\$94.3	\$134.4	\$106.5	\$251.6
Transportation	\$5.0	\$11.5	\$72.8	\$10.4	\$22.6
Total	\$349.3	\$302.3	\$700.6	\$949.3	\$1,384.8

Diversity was the name of the game in venture capital investments in Michigan startups last year. Firms garnering VC and angel cash in 2021 came from all over the state.

Ann Arbor, home to the University of Michigan, was the leader, with 84 VC deals at all stages of investment in 2021, or 26% of all VC deals in the state. Detroit followed with 59 deals or 18% of the state's total, and Grand Rapids was next with 27 investments or 8% of the total. Last year, other locations seeing multiple VC deals included Birmingham, East Lansing, Kalamazoo, Royal Oak, Traverse City, Holland, Plymouth, Troy, and Ypsilanti.

The firms garnering investment cash in 2021 represented diverse fields. Of firms making successful exits last year, software firms

made the most (six of Michigan's 19 total exits), followed by firms in commercial products and services (four exits), consumer goods and services (three exits), and several other fields.

Michigan VC investments in 2021 came to firms in various stages of development. Angel investments provided \$76.04 million, early VC stage investments \$427.45 million, and later-state VC money \$1,708.01 million. Combined with various seed stages, the grand total was \$2,330.97 million last year.

The CEOs of firms getting cash showed at least some racial and ethnic diversity. White CEOs accounted for 68.73% of such investments; Black CEOs saw their firms get 5.68% of all investments, while Asian/Pacific Islander CEOs drew 11.11%.

Male CEOs still dominate the ranks of firms that got VC money last year, heading 86.3% of the companies, but 12.6% of firms drawing VC investment were led by female CEOs.

The age range for CEOs getting VC investments was concentrated in the middle years, with Millennial (born 1981-1996) and Gen X (born 1965-1980) CEOs leading a little over 70% of the VC-backed startups last year. But older Boomer CEOs headed 8.5% of the companies, and even

the youngest Generation Z cohort (born no earlier than 1997) led some.

One firm that represents the promise of a growing, diverse startup scene in Michigan than Ann Arbor-based Ripple Science. Launched as a spinout from the University of Michigan's psychology department, Ripple provides

34
VC firms outside
of Michigan
investing in MI

software to help entities engaged in clinical trials manage participants. Launched as a spinout from U-M's psychology department, Ripple provides software to help entities engaged in clinical trials manage participants.

Peter Falzon, a serial CEO (Ripple is his eighth startup), says the firm has raised about \$8 million in VC funding so far, with the University of Michigan's own new technologies investment fund the largest investor, plus VC money from both Michigan-based and out-of-state funders.

Falzon unabashedly preaches Michigan as a VC opportunity to his fellow investors.

"I spent 25 years in Silicon Valley, and as a serial entrepreneur, I'm always looking for assets that are ready for commercialization," the CEO says. "What I learned when I came back to Michigan is you've got probably the best technology that exists in any market, you've got more and more talent, and the funding

Highlights

- **Year-over-year increases in financing** metrics are worth breaking down at length. As may be expected, the national and regional surges in median pre-money valuations since 2020, especially at the late stage, are not matched within Michigan.
- **Unfortunately, due to the opacity** of such data, sample sizes are nonnormative for the state. Still, allowing for non-normativity, an approximate uptick has occurred since roughly 2017, although annual tallies move substantially. Moreover, 2021 tied 2019 for the highest median pre-money valuation at angel and seed stages, at \$8 million.
- **Meanwhile, the late stage** saw its second-highest tally ever, predicated on far more data points than the previous high in 2009. As could be expected, the record surge of deal value over the past two years saw accompanying rises in valuations across all stages.
- **The consumer products and services** sector continues to be the focus of capital deployment, with 36.6% of the total capital invested in 2021.
- **Multiple sectors more than doubled** capital investment since 2020, including the transportation (+118%), IT hardware (+120%), software (+136%), and energy (+111%) sectors.

ecosystem is way better than I expected to find. I spend a lot of time back in California still, and I tell all my friends who do what I do, 'Come and look at what's going on in Michigan.'"



Sources: PitchBook, MVCA

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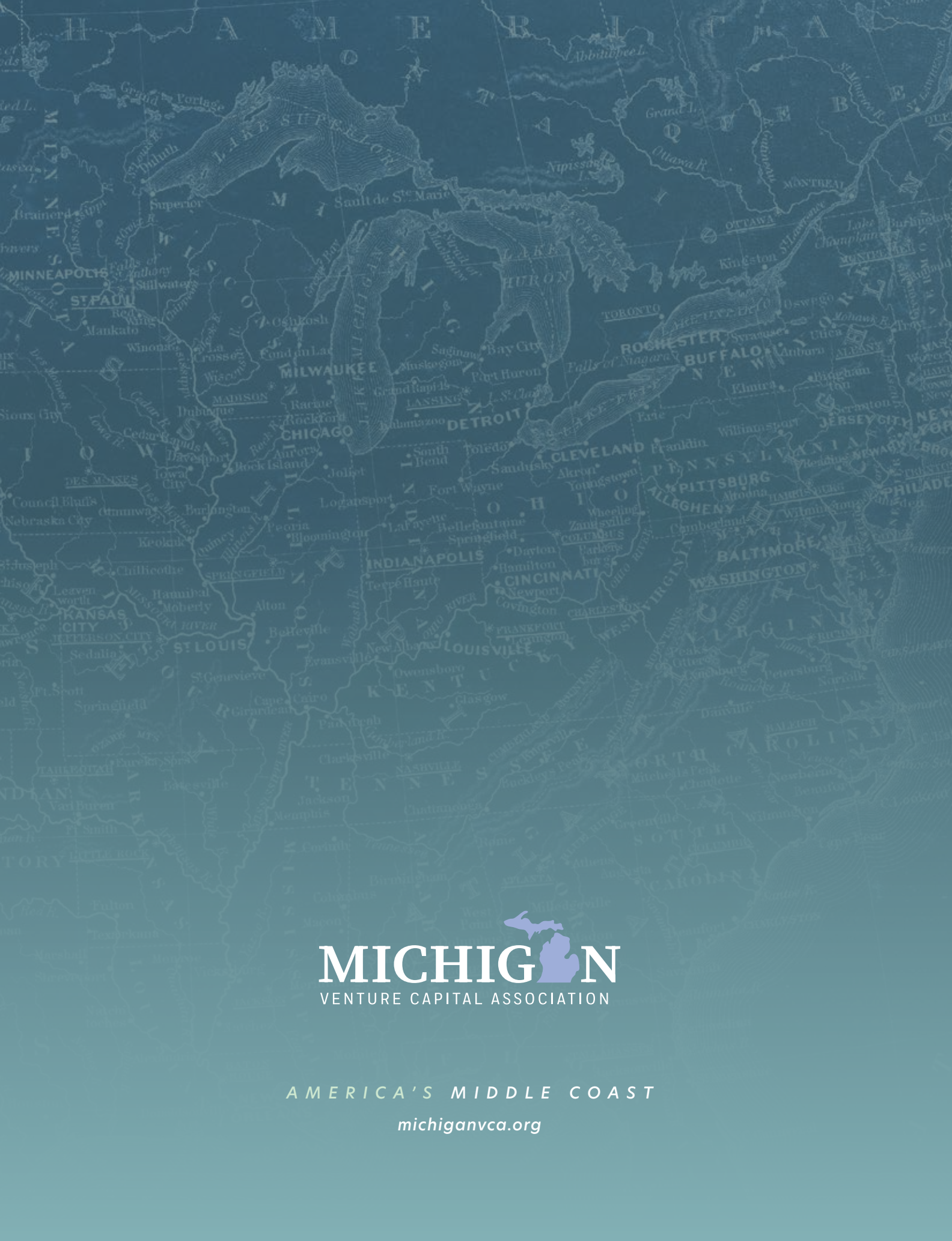
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