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Jaffe’s attorneys regularly and expertly negotiate and structure mergers, stock and asset purchases and divestitures, both tax-free and taxable, spin-offs, recapitalizations, management buyouts, and IPOs.

Choosing the right partner is a BIG deal.

Growth Stage Investing in the Great Lakes
Dear Readers,

We are pleased to present the 10th MVCA Annual Research Report, reflecting Michigan’s venture capital community in 2016. This year also marks the 15th anniversary of the Michigan Venture Capital Association and we’ve never been prouder to represent the 33 venture firms in Michigan, all of whom are willing to take chances on tomorrow’s big ideas today. Our members clearly reflect optimism, reporting almost unanimous confidence in Michigan’s entrepreneurial and investment community and their ability to find and retain top talent here. To learn more about how venture investors feel about the Michigan market, MVCA conducted its first Partners Survey, the results of which are included in the report.

Indeed, our Michigan venture capital investment community, with $4 billion capital under management and $222 million invested in 2016, is impressive. Michigan’s venture investors are a crucial piece of almost every early-stage deal done in the state, making them a critical funding source for 141 venture-backed companies in Michigan and launching the high-growth, high-potential businesses that will keep Michigan’s economy moving forward.

In 2016, we celebrated the many achievements made by our members’ portfolio companies, including an initial public offering and multiple acquisitions. We’re thrilled to feature a few of the most compelling venture-backed companies in this report, although they’re just a fraction of the many extraordinary startup stories in Michigan.

This year, MVCA looks at mobility investment as its own sector. Michigan sits at the crossroads of automotive ingenuity and the spirit of entrepreneurship, and this year’s research lays the baseline for future measurement in this exciting, emerging area of expertise.

While there is much to celebrate in Michigan’s fast growing world of entrepreneurship, there are signs the market is refining. Notably, total venture capital funds under management in Michigan decreased 24% compared to the previous year, creating an access-to-capital challenge for startups in Michigan. And while Michigan welcomed several national firms interested in building stronger relationships within the Michigan entrepreneurial and investment community, for the past two years, Michigan has experienced a decrease in venture firms located here. These are the first decreases seen in 15 years.

Fortunately, all indications point to the long-term vitality of the entrepreneurial community in Michigan, but we still have work to do to ensure there remains a robust capital continuum for Michigan’s entrepreneurs and their growing companies. The ability to adequately fund companies at all stages of growth is an important milestone our community will strive to meet in the coming months and years. We must build on the momentum our member firms have created in fundraising and deal pipeline development to keep Michigan a premier Great Lakes Region and, indeed, a national venture capital center of excellence.

All the best,

Maureen Miller Brosnan
Executive Director
A Strategic Plan for Funding Michigan’s Entrepreneurs

Momentum 2021 is the Michigan Venture Capital Association’s (MVCA) five-year strategic plan. It’s a comprehensive roadmap designed to guide MVCA’s future. From policy and advocacy, to communication and marketing, to events and member engagement, the plan establishes MVCA as a vital voice and advocate for the entrepreneurial and investment community. Momentum 2021 is the blueprint that will enable MVCA to expand opportunities for venture and angel investors in support of the growth of entrepreneurs in Michigan.

We Believe
- The future success of the entrepreneurial and investment community in Michigan is dependent on two things: capital and talent.
- As venture and angel investors, we exist because of and for entrepreneurs.
- Our advantage in Michigan is the investment community collaborates and cooperates better than in any other state.
- Michigan can be a top 10 entrepreneurial economy.
- Michigan’s entrepreneurial and investment community has had many wins in the past five years but is not yet nationally competitive.

Mission
- As the voice of the Michigan entrepreneurial and investment community, MVCA serves as the trusted resource for venture capital and angel investment data;
- advocates for policies that encourage innovation and reward long-term investment;
- convenes the entrepreneurial ecosystem and connects its community members through communications, marketing, and member engagement; and,
- grows and sustains a vibrant and resilient venture and angel investment community.

Vision
To increase the amount of capital and talent available to venture and angel investors so we can fund Michigan’s most innovative entrepreneurs and work closely with them to transform breakthrough ideas into new companies and industries that drive Michigan job creation and economic growth.

MVCA 2017 Board of Directors and Staff

Executive Committee
Chairman
Tony Grover
RPM Ventures
Treasurer & Chairman-Elect
Mark Olen savage
Hopen Life Science Ventures
Immediate Past Chairman
Jim Adox
Venture Investors

Staff
Executive Director
Maureen Miller Brosnan
Associate Director
Emily Heinitz
Events & Program Manager
Molly Theis
Marketing & Communications Manager
Amber Pineda

Board of Directors
Josh Beebe
MK Capital
Hugo Braun
North Coast Technology Investors
Patti Glaza
Invest Detroit
Mark Horne
Plymouth Growth Partners
Sara Kruse
Jaffe Raitt Heuer & Weiss
Jon Lauckner
GM Ventures
Doug Neal
eLab Ventures
Jeff Rinvelt
Renaissance Venture Capital Fund
Ted Serbinski
Techstars Mobility
Tom Shehab, M.D.
Arboretum Ventures
Jody Vanderwel
Grand Angels
Ryan Waddington
Arsenal Venture Partners
Michigan has positioned itself as a state capable of driving innovation, and we’ve successfully created an attractive environment for early stage investing. So, when the market is strong nationally, it’s even stronger in our growing early stage investment community. But, if the market is declining nationally, Michigan reacts with slightly sharper declines. We’ve seen this pattern evolve from 2011 to 2016 and expect that, as Michigan’s entrepreneurial and investment community matures, the ebb and flows will be less dramatic.

**NATIONAL VENTURE CAPITAL STATISTICS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of VC Firms in Existence</th>
<th>Total Capital Under Management ($B)</th>
<th>Average Venture Capital Under Management per Firm ($M)</th>
<th>Average Venture Capital Fund Size ($M)</th>
<th># of Startups Receiving Venture Capital</th>
<th>Venture Capital Investment ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>815</td>
<td>$272.3</td>
<td>$225</td>
<td>$203</td>
<td>6,233</td>
<td>$4,430</td>
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<tr>
<td>2012</td>
<td>844</td>
<td>$267.2</td>
<td>$216</td>
<td>$195</td>
<td>7,365</td>
<td>$4,063</td>
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<tr>
<td>2013</td>
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<td>$213</td>
<td>$190</td>
<td>8,548</td>
<td>$4,482</td>
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<td>2014</td>
<td>898</td>
<td>$288.5</td>
<td>$218</td>
<td>$195</td>
<td>7,656</td>
<td>$6,886</td>
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<tr>
<td>2015</td>
<td>906</td>
<td>$315.2</td>
<td>$234</td>
<td>$206</td>
<td>9,742</td>
<td>$7,926</td>
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<tr>
<td>2016</td>
<td>898</td>
<td>$333.5</td>
<td>$244</td>
<td>$214</td>
<td>7,751</td>
<td>$6,911</td>
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</table>

**MICHIGAN VENTURE CAPITAL STATISTICS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of VC Firms in Existence</th>
<th>Total Capital Under Management ($B)</th>
<th>Average Venture Capital Under Management per Firm ($M)</th>
<th>Average Venture Capital Fund Size ($M)</th>
<th># of Startups Receiving Venture Capital</th>
<th>Venture Capital Investment ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>20</td>
<td>$1.5</td>
<td>$75</td>
<td>$41</td>
<td>38</td>
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<tr>
<td>2012</td>
<td>20</td>
<td>$1.5</td>
<td>$75</td>
<td>$43</td>
<td>34</td>
<td>$242</td>
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<tr>
<td>2013</td>
<td>23</td>
<td>$1.6</td>
<td>$70</td>
<td>$42</td>
<td>40</td>
<td>$120</td>
</tr>
<tr>
<td>2014</td>
<td>26</td>
<td>$1.7</td>
<td>$67</td>
<td>$42</td>
<td>51</td>
<td>$204</td>
</tr>
<tr>
<td>2015</td>
<td>25</td>
<td>$2.2</td>
<td>$88</td>
<td>$45</td>
<td>74</td>
<td>$282</td>
</tr>
<tr>
<td>2016</td>
<td>25</td>
<td>$2.4</td>
<td>$96</td>
<td>$50</td>
<td>54</td>
<td>$222</td>
</tr>
</tbody>
</table>

**FIVE YEAR TRENDS**

<table>
<thead>
<tr>
<th>Nationally</th>
<th># of Venture Capital Firms in Existence</th>
<th>Total Capital Under Management</th>
<th>Average Venture Capital Under Management per Firm</th>
<th>Average Venture Capital Fund Size to Date</th>
<th># of Startups Receiving Venture Capital</th>
<th>Venture Capital Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>22%</td>
<td>8%</td>
<td>5%</td>
<td>24%</td>
<td>56%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Michigan</th>
<th># of Venture Capital Firms in Existence</th>
<th>Total Capital Under Management</th>
<th>Average Venture Capital Under Management per Firm</th>
<th>Average Venture Capital Fund Size to Date</th>
<th># of Startups Receiving Venture Capital</th>
<th>Venture Capital Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>60%</td>
<td>28%</td>
<td>23%</td>
<td>42%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>
2016 Venture Investment Activity

- In 2016, the national venture capital community invested $69 billion across 7,751 startup companies, an increase of 56% in capital invested and a 24% increase in number of startup companies in the last five years, according to the National Venture Capital Association’s 2017 Yearbook.
- The Great Lakes Region was home to 7% of the startups receiving venture capital in 2016. These 579 startup companies received 33% of the venture capital invested in 2016, a total of $23 billion.
- According to the National Venture Capital Association, Michigan had $293 million in venture capital invested in 73 startup companies. Many of the deals included in the national data represent pre-seed and economic development organization investments that are excluded from MVCA’s data. More targeted data collection by MVCA shows that the total investment in Michigan was $222 million dollars in 54 startup companies.

TOP TEN STATES FOR VENTURE CAPITAL INVESTMENT

<table>
<thead>
<tr>
<th>State</th>
<th># of Startups Receiving Venture Capital</th>
<th>Capital Invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado</td>
<td>241</td>
<td>$912M</td>
</tr>
<tr>
<td>Illinois</td>
<td>228</td>
<td>$1,090M</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>99</td>
<td>$1,170M</td>
</tr>
<tr>
<td>Virginia</td>
<td>239</td>
<td>$1,283M</td>
</tr>
<tr>
<td>Maryland</td>
<td>292</td>
<td>$1,580M</td>
</tr>
<tr>
<td>Washington</td>
<td>208</td>
<td>$1,678M</td>
</tr>
<tr>
<td>Texas</td>
<td>439</td>
<td>$1,989M</td>
</tr>
<tr>
<td>New York</td>
<td>508</td>
<td>$6,100M</td>
</tr>
<tr>
<td>Massachusetts</td>
<td>875</td>
<td>$7,361M</td>
</tr>
<tr>
<td>California</td>
<td>2,658</td>
<td>$38,060M</td>
</tr>
</tbody>
</table>

The data collected by MVCA will be used throughout the remainder of the report.

“Although Michigan might be best known as the nexus of the U.S. auto industry, it is also home to an up-and-coming startup scene. It makes sense, because the state has many of the components needed to build such a community. Top-tier universities provide a pipeline of engineering talent to diverse, post-industrial cities whose innovation heritage is built on hustle and grit.”

National Venture Capital Association
The following is a snapshot of the investment, activity, and impact resulting from the venture capital community's dedication to Michigan's entrepreneurial community.

- **141** Venture-Backed Companies in Michigan
- **343** Venture Capital Firms from Outside of Michigan have Invested in Startups in Michigan
- **$424M** Venture Capital Reserved for Follow-on Financing into Existing Portfolio Companies
- **$222M** Venture Capital Invested in 54 Michigan Startups in 2016
- **$504M** Demand for Venture Capital by Michigan’s 141 Venture-Backed Startups
- **$4B** Total Capital Under Management
- **$568M** Venture Capital Available for New Startups
- **33** Venture Capital Firms
- **93** Venture Capital Professionals
- **$1** Invested in a Michigan Startup by a Michigan-Based Venture Capital Firm Attracts **$4.61** of Investment from Outside of Michigan
Venture Capital in Michigan

An In-depth Look at Michigan’s Venture Capital Activity

There are 33 private venture firms operating in Michigan. Twenty-five are headquartered in Michigan and an additional eight are headquartered elsewhere with a Michigan office. There are also two fund of funds, and four corporate venture funds in Michigan. All together, these firms employ a total of 115 investment professionals in Michigan.

94% of venture capital firms believe that the entrepreneurial and investment community has either stayed the same or improved in the last three years.

85% of venture capital firms that are currently raising or plan to raise another fund between now and 2019 are confident they will be successful. On top of this, 92% believe they can raise this fund while maintaining an office in Michigan.

73% of venture capital firms are confident in their ability to find and hire top tier talent to work at their firm’s Michigan office.

However, 25% of venture capital firms are confident they can attract top tier talent for their Michigan portfolio companies.

Michigan’s Venture Capital Firms

**Headquartered in Michigan**
- Apjohn Ventures
- Arbor Partners
- Arboretum Ventures
- Augment Ventures
- Beringea
- BioStar Ventures
- Detroit Innovate
- Detroit Venture Partners
- EDF Ventures, LLC
- eLab Ventures
- First Step Fund
- Fontinalis Partners
- Hopen Life Science Ventures
- Huron River Ventures
- IncWell
- Ludlow Ventures
- Michigan Accelerator Fund I
- North Coast Technology Investors
- Plymouth Growth Partners
- Resonant Venture Partners
- RPM Ventures
- Tamarind Hill
- TGap Ventures
- Wakestream Ventures
- Western Michigan University Biosciences Research & Commercialization Center

**Out-of-State Venture Capital Firms with a Michigan Presence**
- Arsenal Venture Partners
- Baird Capital
- Cultiv8n Sandbox Ventures
- Draper Triangle Ventures
- Mercury Fund
- MK Capital
- Three Leaf Ventures
- Venture Investors

**Michigan-Based Venture Capital Fund of Funds**
- Renaissance Venture Capital Fund
- Venture Michigan Fund

**Corporate Venture Funds**
- Dow Venture Capital
- Eighteen94 Capital
- General Motors Ventures
- Spectrum Health Ventures

However, 71% of venture capital firms are less than confident they could raise it from Michigan LPs.
Total venture capital funds under management in Michigan in 2016 was $4 billion, a decrease of 24% over the prior year.

Total venture capital funds under management of firms headquartered in Michigan in 2016 was $2.4 billion, an increase of 9% over the prior year.

Venture capital under management in Michigan continues a steady growth trend. Total venture capital under management among all firms operating in Michigan has grown by 34% since 2011.

Quikly is a Detroit-based information technology startup that offers a digital marketing platform for retailers that provides limited time deals and discounts. This startup company secured investment from Detroit Venture Partners and went on to receive additional support from Plymouth Growth Partners.

Being able to adequately fund companies at all stages of growth is critical to developing businesses in Michigan, keeping them in Michigan, and ensuring Michigan’s long-term economic health. This growing Michigan company currently employs 25 people in the state, is rapidly building its sales and marketing teams, and is continuing to enhance its innovative technology.

“The investment and expertise from our Michigan investors was pivotal to our company’s growth as we matured by enabling us to broaden our technology platform and bring our clients new innovations.”

Shawn Geller, CEO of Quikly
Out of the total $4 billion under management in Michigan, much of the capital has already been invested in promising startup companies. A small amount is reserved for follow-on investment in existing Michigan companies and a portion is available for new startups seeking venture capital.

Approximately $424 million is reserved for follow-on financings for existing Michigan-based portfolio companies, an increase of 10% from last year. MVCA survey respondents estimated actual follow-on demand in the state over the next few years will approach $504 million, reflecting the need for additional funds to help Michigan’s many venture-backed companies succeed.

Available capital for new investments in 2016 was $568 million, an increase of 55% since 2011. This capital is available for new investment opportunities across all stages, industry sectors, and geographical regions. Although there has been an overall increase in the last five years, there was a 37% decrease in available capital from the prior year due to out-of-state firms closing their Michigan offices and slow fundraising activity among venture capital firms with offices or headquarters in Michigan.

Varsity News Network is a Grand Rapids-based information technology startup that provides a web-based platform enabling schools to post content about their sports programs. This startup company secured investment from several Michigan-based angel and venture capital investors to support its growth since being founded in 2012. Venture capital investment at all stages of growth is critical to building and keeping businesses in Michigan to sustain its economy. This growing Michigan company currently employs 73 people in Michigan and is serving 1,750 schools and over 7 million users across the United States.
In Michigan, 54 startups received more than $222 million from venture capital firms in 2016; this is a 42% increase in the number of startups in the last five years (a 315% increase in the last ten years).

There are 141 venture-backed startup companies growing and hiring in Michigan, an increase of 48% in the last five years.

While Michigan venture funds invest in a wide variety of sectors, the life science and information technology sectors continued to be the focus of capital deployment in 2016.

Of the startups that received venture funding in 2016, 34% were life science companies and 40% were information technology companies.

In 2016, 32% of startups received venture capital funding for the first time, while the remaining 68% received continued support from a Michigan venture capital firm.

54 companies in Michigan received more than $222 million in venture capital funding in 2016.

Consumer Products
Banza
Exo Dynamics
Information Technology
Above the Treeline
AdAdapted
Amplifinity
Are You a Human
Blue Medota
ChoreMonster
Cribspot
eAgile
FarmLogs
Larky
Marcent
New Vital Signs
Nutshell
Passage
PeachWorks
Pixel Velocity
Programax
Quikly
reach l influence
Seamless Accelerator
Sight Machine
Skillo
Sportsman Tracker
StockX
Varsity News Network
Waymark
Workit Health
Life Science / Healthcare
3T Medical Systems
Ablative Solutions
Akadeum Life Sciences
Algal Scientific
ArborMetrix
Amune Bioscience
CytoPhex
Delphinus Medical Technologies
ENT Biotech Solutions
Gemphire Therapeutics
Gnomemon
Magnesium Development Company
Metabolic Solutions Development Company
Millendo Therapeutics
MSDC
NanoBio
NeuMoDx Molecular
Oceta Therapeutics
ONL Therapeutics
Resonant Therapeutics
RespondWell
Strata Oncology
Swift Biosciences
Tolera Therapeutics
Vestaron
Mobility
Techstars Mobility

ANNUAL VENTURE CAPITAL INVESTMENT IN MICHIGAN

AMOUNT INVESTED IN 2016 by Michigan Venture Capital Firms BY SECTOR

NUMBER OF STARTUPS RECEIVING CAPITAL IN 2016 from Michigan Venture Capital Firms BY SECTOR
Diversity in the Entrepreneurial & Investment Landscape

Michigan’s entrepreneurial and investment community has seen success and profits from funding and employing diverse professionals, but more progress can be made. MVCA’s research suggests companies led by underrepresented group members may still be systemically underfunded. In 2016, just 8% of total venture capital invested in Michigan went to startups led by diverse CEOs. Although Michigan meets or exceeds the national rates on diversity investment, the state has the opportunity to exceed these standards and set a benchmark for the industry. Venture capital professionals can help build a more diverse community in Michigan by committing to mentor at least one person from an underrepresented group. This assures the most capable entrepreneurs and investors have opportunities to succeed regardless of race, gender, and sexual orientation.

Diverse companies are often better positioned to “win top talent and improve their customer orientation, employee satisfaction, and decision making, and all that leads to a virtuous cycle of increasing returns.”

Total Capital Invested in Michigan

In 2016, Michigan venture capitalists invested $222 million in 54 Michigan startup companies. Of that, $16.9 million was invested in four Michigan startup companies led by a diverse CEO.

• $16.9 million invested in woman-led startups
• $14 million invested in minority-led startups
• $1.7 million invested in LGBTQ-led startups

Diversity in Michigan’s Entrepreneurial Community

In 2016, Michigan venture capitalists are investing more in startup companies led by diverse CEOs:

• 9% of CEOs of Michigan venture-backed startups were minorities, outpacing the approximately 4% of CEOs of Fortune 500 companies nationally. However, Michigan’s venture-backed CEO population still looks much whiter and more male than the rest of the U.S. labor force, which 21% of workers are a minority.
• 11% of Michigan venture-backed startups were led by a female CEO, nearly four times the national average of 3%. Research shows that 63% of startup companies with a woman on their founding team outperform all-male founding teams, giving investors an economic reason to value diverse founding teams in their investment decision-making processes.
• 1% of Michigan venture-backed startups were led by an LGBTQ CEO, while LGBTQ people represented an estimated 4% of the state and national population.

The Michigan Venture Capital Association collaborated with Corina McIntyre and Brian Arnfelt from the University of Michigan Law School to analyze MVCA’s diversity data against other state and national population, entrepreneurship, and venture capital statistics and trend data.

DIVERSITY IN MICHIGAN’S ENTREPRENEURIAL COMMUNITY

2014

- Startup companies led by white males: 8
- Startup companies led by minorities: 10
- Startup companies led by women: 1

2015

- Startup companies led by white males: 12
- Startup companies led by minorities: 14
- Startup companies led by women: 1

2016

- Startup companies led by white males: 12
- Startup companies led by minorities: 15
- Startup companies led by women: 2

3 Bureau of Labor Statistics
4 First Round Capital
5 22
Diversity in the Entrepreneurial & Investment Landscape

**Diversity in Michigan’s Venture Capital Community**

While investing in startup companies led by an underrepresented group member or members is important, employing diverse investment professionals is equally essential. It provides venture capital investors access to diverse perspectives and allows for a wide variety of ideas to be injected into the due diligence and overall fund management process. In addition, the lack of diversity among capital’s gatekeepers trickles down to create a less diverse entrepreneurial and investment community.

- The percentage of female venture capital professionals in Michigan has remained consistent from year to year at just above 14% of the total community. Michigan is more diverse in this regard than the national venture capital investment community. Nationally, only 11% of venture professionals are female, despite women comprising over 46% of the U.S. labor force. In Michigan, 36% of women hold managerial/professional occupations.

- Nationally, 26% of venture professionals were minorities in 2016, a major increase from the 13% reported in 2015. Michigan remains below the national average and saw a slight decrease in the number of venture capital professionals who were minorities from 9% in 2015 to 7% in 2016.

**DIVERSITY IN MICHIGAN’S VENTURE CAPITAL COMMUNITY**

<table>
<thead>
<tr>
<th>Year</th>
<th>White Male Venture Capital Professionals</th>
<th>Female Venture Capital Professionals</th>
<th>Minority Venture Capital Professionals</th>
<th>LGBTQ Venture Capital Professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>75</td>
<td>12</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>2015</td>
<td>80</td>
<td>9</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>2016</td>
<td>71</td>
<td>6</td>
<td>13</td>
<td>1</td>
</tr>
</tbody>
</table>

As a women-founded and women-led company, our team knows the importance and power of community. There are a lot of societal, gender, and socio-economic barriers in the tech space that we will continue to take in stride with the support of the local Michigan community.”

Lisa McLaughlin, CEO of Workit Health

**Workit Health**

Workit Health is an Ann Arbor-based information technology startup that offers a 90-day digital counseling program for substance abuse. This startup is supported by multiple Michigan investors and local partners and is attracting national attention. The co-founders, Lisa McLaughlin and Robin McIntosh, designed Workit to provide more affordable and accessible treatment through technology. With their personal and professional experience with overcoming addiction, the entrepreneurs have a unique strength that ultimately led to the development of their innovative platform that addresses a deep market need. With support from Michigan investors, Workit plans to build their care teams, including psychiatrists and nutritionists, so that they can enable remote access to rehabilitation services. The company is also collaborating with researchers in Michigan, including the University of Michigan’s School of Social Work as well as the university’s depression center to expand its programs.

As startup companies grow and thrive, Michigan’s economy becomes increasingly diverse. Having a full pipeline of businesses at all stages of growth, across many industry sectors, and with a broad diversity of leadership creates a breadth of opportunities within Michigan’s economy. Michigan also provides an exceptional opportunity to grow the company because telemedicine laws are progressive, social work is prevalent, and there is an abundance of clinical partners available. This growing startup currently employs 19 people and plans to expand its clinical, engineering, and sales teams in Michigan.
Attracting Capital to Michigan

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 syndicate partners.

141 Companies Growing
There are currently 141 venture-backed startup companies growing and hiring in Michigan, an increase of 48% in the last five years.

Future Need for Venture Capital
An estimated $504 million of additional venture capital will be required to adequately fund the growth of Michigan’s 141 startup companies in the next two years.

$504,000,000
Michigan venture capital firms contributed 22% of the total capital invested in Michigan startups in the last year. The remaining contributions came from venture capital funds outside of Michigan, illustrating the importance of attracting investments from beyond the state’s borders.

VENTURE CAPITAL FIRMS FROM OUTSIDE OF MICHIGAN HAVE INVESTED IN STARTUPS IN MICHIGAN.

Every $1 invested in a Michigan startup by a Michigan venture capital firm attracts $4.61 of investment from outside of Michigan.

FarmLogs
FarmLogs is an Ann Arbor-based information technology startup that provides software and analytics to farmers worldwide to enable them to monitor their crops, predict profits, and manage risks through satellite technology. Venture capital investment was critical for the company to expand operations and hire people in Michigan. FarmLogs now serves over 64 million acres of farmland, one-third of farms in the United States, and employs 60 people in Michigan.
Diversifying Michigan’s Economy

Venture capital investors in Michigan support startup companies in a wide variety of sectors, stages, and backgrounds. As startup companies grow and thrive, Michigan’s economy becomes increasingly diverse. 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.

- While Michigan venture funds are investing in a variety of sectors, the life science sector continues to be the focus of capital deployment with 42% of total capital invested. This sector has seen a 44% decrease in the last year. Healthcare services and medical device startups accounted for 59% of all investment made in the life science sector.

- The information technology sector is 31% of total capital invested. This sector has seen a 7% increase over the prior year. Software companies accounted for nearly 85% of all investments made in the information technology sector.

Increasing trends in mobility-related investment in Michigan caused MVCA to add it as its own sector of study in the research report. Prior, investment in mobility startups were included in “other” for research purposes, but the sector’s new level of significance in recent years led us to examine it as a “stand alone” category along with our other standard sectors: Life Science / Healthcare, Information Technology, Alternative Energy, Media, Advanced Materials & Manufacturing, Business Services, and Consumer Products.

Mobility startups account for 5% of total capital invested by Michigan venture capital firms. Mobility startups account for 6% of all companies receiving investment from Michigan venture capital firms.

“[I want to optimize Michigan’s wealth of automotive talent to build high-growth, high-potential enterprises that create world-changing technologies. Over the past year, I’ve funded two entrepreneurs out of the University of Michigan and one team out of Techstars Mobility and plan on doing much more over the coming 12 months.]”

Reilly Brennan, Founding Partner, Trucks .VC

Michigan: The State of Mobility

A startup in the mobility sector is a company who is building technologies that impact how people and goods move across all modes of transportation (including pedestrian). Mobility encompasses a wide range of industries including automotive, transportation, smart city, energy, logistics, supply chain, and travel. Technologies include software and hardware using artificial intelligence, machine/deep learning, virtual reality, augmented reality, robotics, and modes of transportation characterized as autonomous, electric, shared, and connected.

With help from technology accelerators around the state that provide support to start-ups and entrepreneurs, Michigan has seen a 48% increase in the number of venture capital-backed companies over the last 5 years. And since Michigan has the highest research spending-to-venture capital investment ratio in the country, Michigan is the ideal place to pursue ideas in mobility.

Techstars Mobility

Techstars Mobility invests $120k in 10-12 mobility startups from around the world each year. The program brings the startups companies to Detroit for 90 days, where Techstars Mobility mentors and staff work with the founders to accelerate their company’s growth. In the last 18 months, Techstars Mobility has invested in 22 startups that have raised $20M in total and are collectively valued at over $100M. Its eight corporate innovation partners, including Ford, Verizon, Honda, Next 47 (a division of Siemens), Bosch, Munich Re, Dana, and Michelin, offer mentorship and support to program participants.
Capital Analysis

All indications point to the long-term vitality of the entrepreneurial community in Michigan, but there is still work to do to ensure there remains a robust capital continuum for entrepreneurs and their growing companies. The ability to adequately fund, build and keep companies at all stages of growth is critical to ensuring the state’s economic health in the long run.

MVCA’s analysis of capital availability and need by stage explores the funding challenges that face growing companies as they advance from ideas to mature companies.

- least amount of capital available for new investment opportunities
- largest differential between the availability and need for follow-on investment capital
- availability of capital for new investment opportunities far exceeds the need for capital
- highest need for follow-on investment opportunities, exceeding the amount of capital available
- highest area of deployment each year
- availability of capital exceeds the need for both new and follow-on investment opportunities

Venture capital firms typically invest in startup companies when they are in the seed, startup/early, and growth/expansion stages.

- RetroSense Therapeutics
  RetroSense Therapeutics is an Ann Arbor-based life science startup that develops gene therapies to cure eye diseases. Recently acquired by Allergan for $555 million, the company employs one person in Michigan. Michigan pre-seed stage investors, Blue Water Angels, MEDC, and Ann Arbor SPARK, supported this growing Michigan company.

- Lunar Labs
  Lunar Labs is a Detroit-based mobility startup that offers a pay-as-you-go smartphone service to reduce prices for the average user. The company grew out of the Techstars Mobility accelerator and employs seven people in Michigan. Michigan seed stage investors, Detroit Venture Partners and Fontinalis Partners, supported this growing Michigan company.

- RespondWell
  RespondWell is a Grand Rapids-based life science startup that provides a telerehabilitation platform for physical therapy. Recently acquired by Zimmer Biomet, the company employs 20 people and plans to expand operation in Michigan. Michigan startup/early stage investors Three Leaf Ventures and Michigan Accelerator Fund, among others, supported this growing Michigan company.

- Millendo Therapeutics
  Millendo Therapeutics is an Ann Arbor-based life science startup that develops novel therapeutics for the treatment of endocrine diseases caused by hormone dysregulation. This startup employs 13 people in Michigan and set a state record by raising $62 million in 2016 from Michigan growth/expansion stage investors Renaissance Venture Capital Fund.

- Duo Security
  Duo Security is an Ann Arbor-based information technology startup that protects users, data, and applications from credential theft and breaches. This startup employs 350 people in Michigan and plans to double their workforce in the next three years. Michigan venture capital firm Resonant Venture Partners supported this growing company.

- RespondWell
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Idea/Pre-Seed
Startups without a commercial product or service are in the Idea/Pre-Seed Stage. Capital comes from family, friends, and perhaps angel investors. Typically, these companies are trying to reach specific early milestones before raising their first official round of financing in a year or less.

Seed
Startups in the Seed Stage have investments from founders, family, friends, and possibly angels, and are now seeking venture capital, develop prototypes, and identify customers.

Startup/Early
Companies who fund activities with earlier types of capital and are trying to generate revenues from operations, but are not yet cash flow positive; are considered to be in the Startup/Early Stage.

Growth/Expansion
Startups who fund activities with earlier types of capital, start to earn revenues from operations, and are cash flow positive with potential to obtain bank financing, they are in the Growth/Expansion Stage.

Mezzanine
In the Mezzanine Stage, startups fund activities with earlier types of capital, earn revenues from operations, and are cash flow positive, with the potential to obtain bank financing or private debt.

STAGE DIVERSIFICATION of Michigan's 141 venture-backed startups
- Startup/Early: 52%
- Idea/Pre-Seed: 1%
- Mezzanine: 7%
- Seed: 17%
- Growth/Expansion: 23%

STAGE OF STARTUP DEVELOPMENT
- Number of Michigan Venture Capital Firm's that Invest in this Stage
  - 7
  - 22
  - 29
  - 19
  - 4

- Number of Venture-Backed Startups in Michigan Currently in this Stage
  - 1
  - 24
  - 73
  - 33
  - 10

Average Venture Capital Investment Each Year
- Idea/Pre-Seed: $8.7 million
- Seed: $17.5 million
- Startup/Early: $21.4 million
- Growth/Expansion: $49.7 million
- Mezzanine: $255.6 million

Profitability
- Available for Investment in New Startups
- Needed by New Startups
- Available for Additional Investment into Existing Portfolio Companies
- Needed by Existing Portfolio Companies
Fundraising Analysis

The 33 venture firms in Michigan estimate that funds needed for new investments, coupled with the need for follow-on funding for their 141 Michigan-based startups, exceed what is currently available. To encourage statewide business development, venture firms are actively fundraising to meet the demand for capital.

Venture Firm Analysis

- In the last year, Michigan-headquartered firms managed 51 funds, while out-of-state firms with Michigan offices managed 17 funds. Together, these 68 funds had over 544 active portfolio companies, a 62% increase in the last five years.

- There are 93* venture capital professionals living, working and investing in Michigan, an increase of 41% in the last five years.

- Venture firms with headquarters in Michigan have managed an average of 2.5 funds.

- Venture firms with an office in Michigan but headquarters elsewhere have managed an average of 3.1 funds.

- The average venture capital fund size among Michigan-based firms is $50 million. If out-of-state funds with a Michigan office are included, the average fund size is $61 million.

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Popular Sources of Capital for the 33 Venture Firms in Michigan

- Ten of the existing venture firms in Michigan are currently fundraising. The average target fund size is just over $65 million.

- The 33 venture firms with headquarters or an office in Michigan raise money from a variety of sources. The most common sources of capital for venture firms in Michigan are individuals, small family offices, large family offices, economic development programs, and fund of funds.

Fundraising Targets

- In 2016, venture firms with a presence in Michigan were targeting to raise a total of $520 million. The total amount reported to have been raised in 2016 was $179 million, which was 66% less than targeted.

- Michigan has experienced a decrease in venture firms located here for two consecutive years, the first decreases seen in 15 years. In a relatively young entrepreneurial and investment community, disappointing news about a high-potential startup company, economic development organization budget cuts, or unfriendly entrepreneurial policy can damage potential fundraising plans. If firms aren’t able to raise the capital they need in Michigan, they slow their rates of investing, cease operations, or focus their resources elsewhere. This creates a dire lack of access to capital for startups in Michigan.

*One Michigan venture investment organization was determined not to have met the definition of a “venture capital firm” for 2016 reporting purposes. This organization’s 20 employees have been included in this data point in past reports, but are now excluded.
A Timeline of Michigan Successes

2000
Blue Gill Technologies
Genitor Corporation
Genvec

2004
Asterand

2008
Colorbok
Esperion Therapeutics
Healthcare Solutions
Intralase
Stoneage Corporation

2009
Appliamtion
Asterand

2010
Assay Designs
HandyLab
Pump Engineering

2011
Accuri Cytometers
EcocSynthes (IPO)
Micronics

2012
Esperion (IPO)
ForeSee Results
Livio Radio
Pioneer Surgical Technology
Pioneem Technologies

2013
Energetx Composites
ProNAi (IPO)
Sakti3
Spiritshop
Vertly Valid
Zigments

2014
2016
Exits by Michigan Venture Firms

Alternative Energy
Virent

Business Services
LaunchKey
Worldlife

Consumer Products
Monica Vinader
mophie
MyOptique Group
Product Hunt

Information Technology
365 Retail Markets
Big Data Partnership
Filament Labs
Glyde
iRule
LevelEleven
Lindex
Mesify
OwnThePlay
Pentius
Pipp Mobile Storage Systems
Preo
Sidecar

Life Science / Healthcare
Aflaight
CD Diagnostics
Domain Surgical
Ellipse Technologies
Gemphire Therapeutics
IntelliCyt
Interventional Spine
NewWave Medical
RespondWell
Specialty European Pharma Limited (SEP)
Tangent Medical
TransCorp Spine

Media
Campden Wealth

Mobility
Geometric Intelligence
Telogis

2016
Arbol Networks
Mobius Microsystems
QuatRx Pharmaceuticals

2010
Arbor Networks
V1O

2012
Arbor Photonics

2013
Covaron Advanced Materials
Seeleo

2014
Covaron Advanced Materials
siphiere Therapeutics (IPO)
EverRule
Livio Radio
Pioneer Surgical Technology
Pioneem Technologies

2015
Energetx Composites
ProNAi (IPO)
Sakti3
Spiritshop
Vertly Valid
Zigments

2016
365 Retail Markets
Gemphire Therapeutics (IPO)
Energetx Composites
ProNAi (IPO)
Sakti3
Spiritshop
Vertly Valid
Zigments

Life Science / Healthcare
Aflaight
CD Diagnostics
Domain Surgical
Ellipse Technologies
Gemphire Therapeutics
IntelliCyt
Interventional Spine
NewWave Medical
RespondWell
Specialty European Pharma Limited (SEP)
Tangent Medical
TransCorp Spine

Media
Campden Wealth

Mobility
Geometric Intelligence
Telogis

2016 Exits by Michigan Venture Firms

Alternative Energy
Virent

Business Services
LaunchKey
Worldlife

Consumer Products
Monica Vinader
mophie
MyOptique Group
Product Hunt

Information Technology
365 Retail Markets
Big Data Partnership
Filament Labs
Glyde
iRule
LevelEleven
Lindex
Mesify
OwnThePlay
Pentius
Pipp Mobile Storage Systems
Preo
Sidecar

Life Science / Healthcare
Aflaight
CD Diagnostics
Domain Surgical
Ellipse Technologies
Gemphire Therapeutics
IntelliCyt
Interventional Spine
NewWave Medical
RespondWell
Specialty European Pharma Limited (SEP)
Tangent Medical
TransCorp Spine

Media
Campden Wealth

Mobility
Geometric Intelligence
Telogis
Overview

As the MVCA reaches its 15-year anniversary, we celebrate our association’s success as a catalyst for growth of the venture capital and angel investor community. The MVCA board and staff are dedicated to expanding opportunities for growth of entrepreneurs and venture and angel investors through the following programs, services and publications.

Research

MVCA develops and distributes an annual research report, which offers a comprehensive summary of venture capital investment activities across Michigan. MVCA works with the National Venture Capital Association, Pitchbook, the U.S. Census Bureau, and the Angel Capital Association to analyze 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 community into a common voice to drive initiatives that encourage its growth in Michigan.

Advocacy

Core to MVCA’s mission is serving as the statewide voice for Michigan’s growing entrepreneurial and investment community. To advance this objective, MVCA educates, advocates, and communicates to legislators, the media, and the general public on entrepreneurial and investment opportunities, challenges, and successes in Michigan.

Events

MVCA facilitates the development of a strong network within the Michigan entrepreneurial and investment community and builds connections with out-of-state angel and venture investors through targeted meetings and events.
Outreach
MVCA broadens the reach of the Michigan entrepreneurial and investment community by building relationships and educating national partners on opportunities and trends in Michigan.

- **Immersion Days** are a customized series of all-day meetings, tours and social events intended to familiarize out-of-state investors with the wealth of resources, partnerships and entrepreneurial ideas available in Michigan.

- **Outreach Trips** meet with out-of-state investors to share key research report findings, opportunities and successes. These trips build relationships that can be leveraged by Michigan investors.

Programs
MVCA provides program development assistance to Michigan’s entrepreneurial and economic support organizations on matters targeting Michigan’s talent and capital gaps. In this role, MVCA collaborates with organizations by facilitating research, providing direction, and assembling feedback within the proposed programs’ scope to help shape the ultimate goals and desired outcomes of the programs, so that they best suit the true needs of Michigan’s entrepreneurial and investment community.

MVCA offers several programs funded by the Michigan Economic Development Corporation. These programs have played a critical role in building Michigan’s entrepreneurial and investment landscape.

- **The Michigan Venture Fellows Program** provides grant funding toward salaries to increase the number of venture professionals in Michigan and accelerate the fundraising and deployment of capital into early-stage companies. Venture Fellows are hired for two years by a Michigan-based venture firm and are expected to continue their careers with the firm after the fellowship.

- **ExeConnect** helps organizations and executives better navigate Michigan’s entrepreneurial and investment community. Program users can simplify the path to a meaningful connection by using the Michigan Entrepreneurial & Investment Landscape Guide and Map available in both a printed and web-based interactive, searchable form. Users can also take advantage of the deep connections the MVCA team has in the entrepreneurial and investment community.

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GM Ventures is proud to support Michigan Venture Capital Association. Thank you for encouraging economic growth and promoting investments in our great state.

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