

2023 IMPACT REPORT

# MICHIGAN

VENTURE CAPITAL ASSOCIATION



AMERICA'S MIDDLE COAST



**We can't help  
finish your  
basement.**

**But we can help you  
start a business.**

**bank<sup>of</sup>  
ann arbor**

Member FDIC

# Hello,

The Michigan Venture Capital Association's focus on increasing the amount of capital and talent available to venture and angel investors so they can fund Michigan's entrepreneurs is front and center as we embark on our 21st year. This year's report clearly underscores the importance of this focus to support the continued growth of entrepreneurial activity in the state.

Overall, 2022 saw sharp declines in venture capital funding after many years of upward-trending activity across the country. As the Michigan investor community found itself operating in this climate, there was a change in direction in the venture landscape because of global supply and demand issues, talent pool constraints, increased interest rates and inflation, and looming concerns about a recession. Even so, 2022 was another notable year for the investment community in Michigan. This report tells the story of the enormous impact and resilience of venture-backed businesses in our state and the importance of our shared diversity, equity, and inclusion initiatives to expand the talent pool to support growth. MVCA is proud to partner with stakeholders across the state to ensure steady growth in Michigan.

MVCA's impact report provides relevant data regarding Michigan's venture capital industry. In 2022 alone, Michigan-based venture firms raised over \$50 million, and a near-record value of \$1.2 billion was invested across 164 deals, impacting 156 companies. Although deal value increased by 11% from 2021, deal and company count were reduced by 18% and 15%, respectively, across the state. Even so, Michigan saw a record 37 active VC firms headquartered in Michigan representing \$5.9 billion in assets under management and \$640 million in dry powder available to invest in startups. Michigan is resilient and growing and has more work to do.



In 2022, Michigan saw a decline in both deal count and deal value across investments made with exclusively Michigan-based firms, as well as an increase in the value of deals made with only out-of-state investors. Five-year trends indicate a reduction of 83% in the value of deals made with Michigan-only investors and a reduction of 63% in the number of such deals since 2018. While out-of-state investor partnerships are incredibly valuable and attracting this capital is clearly a good thing, we can do even better by supporting Michigan's high-growth, high-potential startups with Michigan-based VC funding.

Investing at home makes a difference. In 2023, MVCA encourages investors and legislators to act in reducing gaps in the funding pipeline to ensure success for all companies at all levels. The state of Michigan needs to invest in resources to maintain and grow a strong pipeline through all stages of growth and funding in support of new companies. MVCA is committed to continued advocacy for and growth of investment activity to support the innovation and growth of entrepreneurs in Michigan. In this spirit, MVCA worked with the Michigan Strategic Fund in 2022 to obtain funding to reinvigorate the Venture Fellows Program with a focus on supporting growing firms with opportunities for new, diverse investors to increase investment in Michigan startups.

On behalf of MVCA, I would like to thank the investor and entrepreneurial community for creating an environment that fosters growth and innovation across the state of Michigan.

Sincerely,

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

5



12



40



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michiganvca.org



# 16TH ANNUAL AWARDS

September 28, 2023

## THE FILLMORE DETROIT



**#1 Law Firm Globally**  
for venture-backed companies and VCs  
(PitchBook)

**\$24B+**

venture deals  
handled by our Ann  
Arbor team in **550+**  
deals since 2020

**#1**

law firm in the U.S.  
and the Great Lakes  
for venture deals  
(PitchBook)

**#1**

largest venture-backed  
start up acquisition in  
Michigan history

**\$5.8B+**

exit transactions  
handled by our Ann  
Arbor team

Our Ann Arbor office is helping grow Michigan's venture ecosystem:  
[www.gunder.com/invested-in-the-midwest/](http://www.gunder.com/invested-in-the-midwest/)

# 2023 MVCA Board of Directors and Staff

**THANK YOU TO THE MEMBERS OF THE RESEARCH REPORT COMMITTEE FOR THEIR HELP WITH THIS YEAR'S REPORT!**

## MVCA RESEARCH REPORT COMMITTEE

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- **Jeff Rinvelt**, Renaissance Venture Capital, Board Liaison
- **Jared Stasik**, Detroit Venture Partners
- **Prem Bodagala**, Red Cedar Ventures
- **Patti Glaza**, ID Ventures
- **Joe Lampen**, Wakestream Ventures
- **Erica Klenz**, Grand Ventures
- **Aditi Rajagopal**, Good Growth Capital
- **Angela Heflin**, MVCA, Staff Lead

## Methodology

The Michigan Venture Capital Association's impact report uses multiple data sources, including MVCA's Annual Research Survey, the Michigan Angel Fund, Crunchbase, and PitchBook. Reports such as this one are useful for providing readers with a snapshot of a particular moment in time. In this case, that snapshot is of the venture capital environment in Michigan this past year.

Because surveys have their limitations, MVCA uses these various other data sources and datasets to confirm and establish reliable datasets for analysis. A major dataset provider was PitchBook, where the standard venture methodology was used in producing this report. You can refer to the full methodology at [pitchbook.com/news/articles/pitchbook-report-methodologies](https://pitchbook.com/news/articles/pitchbook-report-methodologies). For example, the list of 2022 deals for a given city will be updated over time with new data should it become available and thus will differ when pulled a year later with more inclusive data.

## EXECUTIVE COMMITTEE



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INNOVATION PARTNERSHIPS,  
UNIVERSITY OF MICHIGAN



**Evan Ufer**  
PLYMOUTH GROWTH

## 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 has become a signature ecosystem event that creates an 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



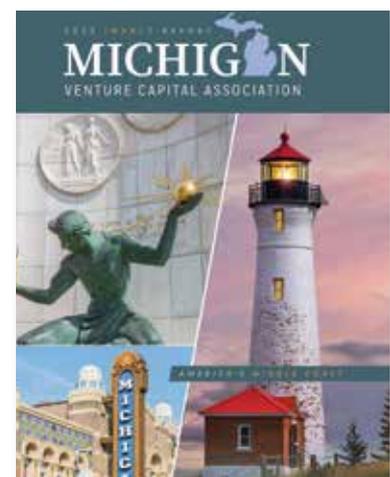
opportunities in the ecosystem primarily through an annual impact report. This report provides a comprehensive summary of venture capital investment activities across Michigan. MVCA surveys investors with a presence in Michigan and works with the National Venture Capital Association, PitchBook, Crunchbase, the U.S. Census Bureau, the Michigan Angel Fund, and the Angel Capital Association 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.

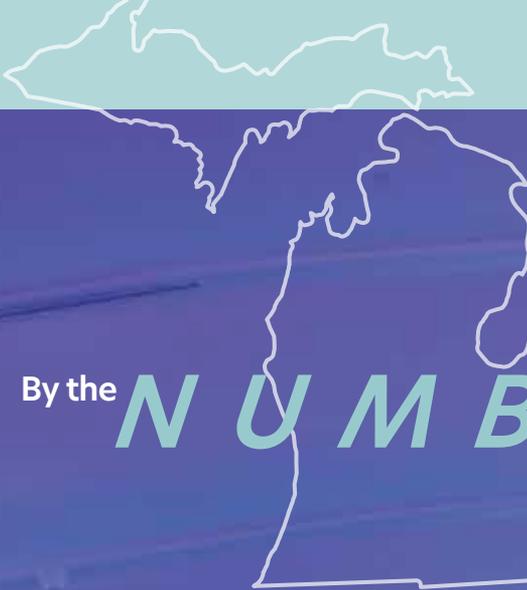
#### OUTREACH

MVCA broadens the reach of Michigan's entrepreneurial and investment 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 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.





By the **NUMBERS**

**\$1.2B**

Total VC Invested in 2022

**13**

Michigan VC-Backed Exits

Angel Investors in MI **933** Individuals **12** Angel Groups

**37**

Active VC Firms in Michigan

**Deal Values and Counts**

No. 1 City: Ann Arbor  
\$449.9M / 34 Deals

No. 1 County: Washtenaw  
\$458.9M / 37 Deals

**\$5.9B**

Total Capital Under Management

**164**

Deals in Michigan

Companies Invested  
in by Angels **79**

Total Angel  
Capital Invested **\$46.3M**

For every  
**\$1** invested in a  
Michigan startup by a  
Michigan-based VC firm,  
**\$30.68**  
of investment is  
attracted from  
outside of Michigan

SOURCES: PITCHBOOK, MVCA, MICHIGAN ANGEL FUND

# The Grass Is Greener in Michigan

The state's 2022 VC numbers bucked the national trend of 'slowing momentum'

BY: DAN CALABRESE AND MICHELLE COHL

Michigan's venture capital market is gaining notice at the national level, in part because its 2022 numbers bucked a trend that the National Venture Capital Association described candidly as "slowing momentum."

According to the NVCA, Michigan is also earning a reputation as an up-and-coming venture capital market because it's home to the right industries, and fund leaders are showing the way.

"You have a fund like Arboretum Ventures, and that is a world-class venture capital fund," says Justin Field, chief strategy officer for the NVCA. "That alone puts Michigan on the map. There is also an inflection point whereby industrial technology is appearing to become a prominent part of the venture capital landscape, and Michigan is well primed to be part of that."

Michigan's strength is shown in its solid performance in areas where the national market struggled in 2022.

At the national level, 2022 was still a strong year for investment into VC-backed companies, with \$239 billion invested across more than 15,000 deals. While this is an impressive total from a historical perspective, this marked a 30% reduction in capital deployment from 2021 — an indication that macroeconomic headwinds had an impact on the sector.

Michigan, however, showed resilience in 2022 with total investments of \$1.2 billion, an increase of 12% over the 2021 figure. Over the past five years, investment growth in Michigan has also significantly outpaced the national numbers with a compound annual growth rate of 28%, versus 22% nationally.

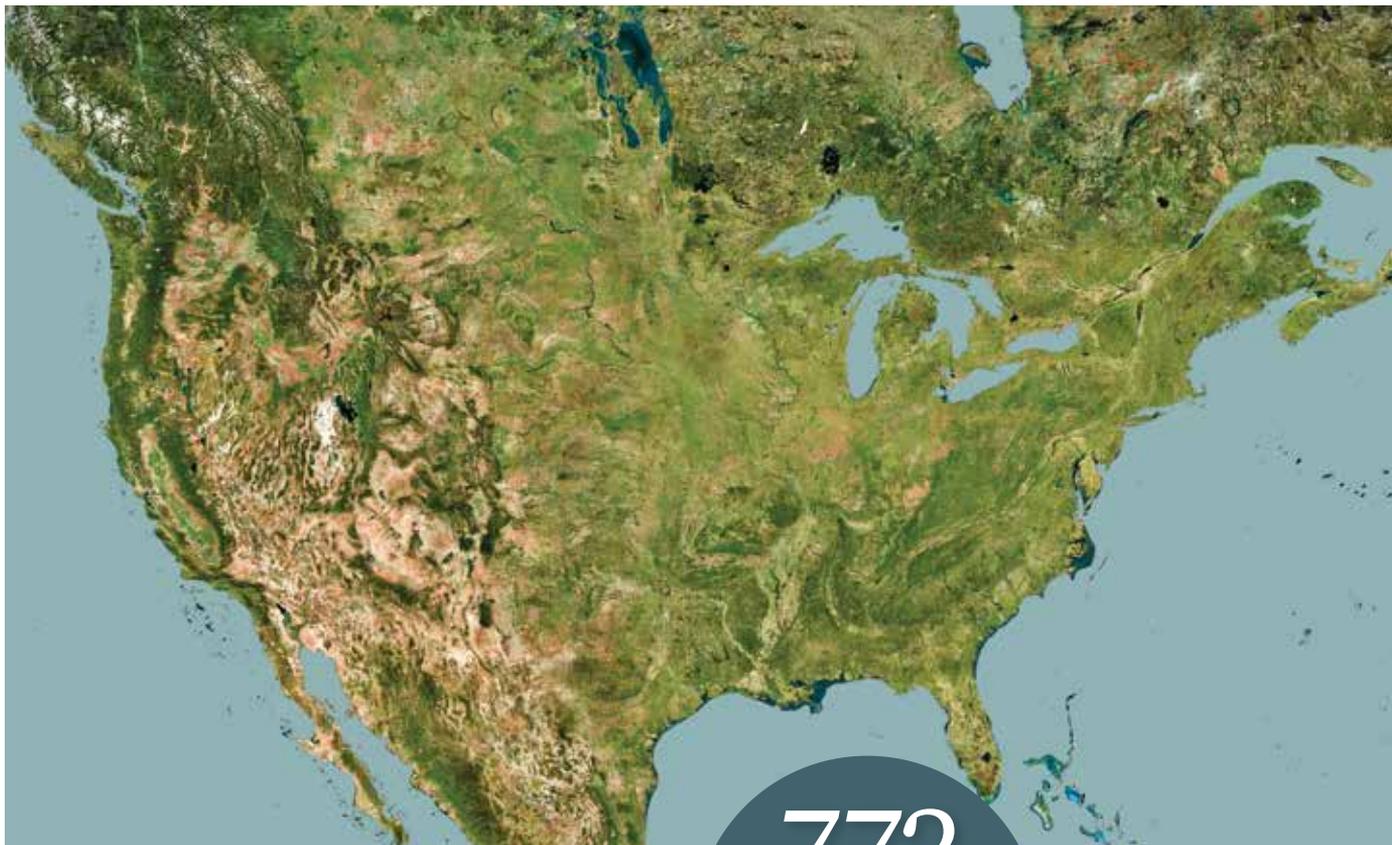
Field emphasizes that top funds like Arboretum have made the right moves and put the state in a position to continue flourishing.

"Folks like Arboretum have built a healthier ecosystem, so [Michigan has] been able to attract more capital," Field says. "Health care is a big growth area for



## Highlights

- **U.S. venture activity** finally slumped in 2022, albeit to historically healthy tallies. Early in the year, multiple concerns converged to produce a climate rife with caution, especially as richly valued companies continued to face headwinds. As a result of this environment, valuations started to flatline or even, in the case of venture growth, decline. However, amid the softening in activity across the U.S., both the Great Lakes region and Michigan stood out with contrasting trends.
- **In fortunate news** for the venture asset class, regardless of the hurdles encountered in 2022, fundraising in the U.S. soared past \$160 billion (about \$490 per person in the U.S.) in aggregate capital commitments, with a rich supply of potential sums to be tapped by promising startups across the nation.
- **In a similar fashion**, although with much less total capital raised, Michigan-based funds closed at a record clip last year, tallying 13. It is likely their activity going forward will keep a reasonably steady stream of financing flowing.
- **By the end of 2022**, venture capital-backed companies accounted for the seven largest publicly traded companies by market capitalization in the U.S.: Apple (\$2.2 trillion), Microsoft (\$1.9 trillion), Alphabet (\$1.2 trillion), Amazon (\$856.9 billion), Nvidia (\$612.2 billion), Tesla (\$389 billion), and Meta (\$315.6 billion).



**772**  
**Venture funds in the U.S. in 2022, with an average fund size of \$163.15M**

Michigan, and that's done very well in the past five years. But you've seen some significant uptick in IT as well, particularly on the B2C and B2B stuff."

Field expects Michigan to attract significant venture capital through industries such as computer chips and sciences as well.

One area where he believes Michigan needs to improve is technology transfer from universities — that is, getting new technologies into the commercialization phase more quickly.

"Michigan has a great baseline to build off, thanks to a lot of foundational work that's been done there," Field says. "When you look at what's coming in the next five

to 10 years in venture capital, I tend to think Michigan's room to grow is very substantial."

In the area of VC investments in startups, Michigan's role in the emerging technology scene is proving essential.

One example is Rivet, a Detroit-based software company that raised \$1.2 million in a pre-seed round in 2021. Rivet was able to use this early-stage capital to make commercial progress that caught the attention of out-of-state investors. Ultimately, this led to a \$5.6 million seed

round in early 2023, led by Defy Partners Management, a California-based venture fund.

Rivet develops specialized software for the construction industry, has customers in all 50 states, and is planning to double its head count to 30 employees this year. It's a great example of a Michigan-based company attracting national attention and using it to fuel real growth.

The numbers don't lie: Michigan's venture capital market continues to be strong. Meanwhile, venture capital leaders on the national scene hope for better days to come.

## National Venture Capital Statistics, 2013-2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-Year Trend
Fund Count (#)	339	488	577	641	656	774	741	870	1,274	772	128%
Average Fund Size (\$M)	\$22.42	\$37.10	\$43.20	\$51.39	\$44.89	\$60.48	\$71.38	\$92.79	\$154.16	\$163.15	628%
Companies Receiving Venture Funds (#)	9,313	10,282	11,116	10,277	11,125	11,622	12,590	12,514	16,825	14,901	60%
National VC Deal Count (#)	10,028	11,061	11,841	10,783	11,676	12,333	13,446	13,294	18,531	15,906	59%
National VC Deal Value (\$B)	\$50.12	\$73.69	\$86.43	\$84.10	\$90.10	\$146.27	\$149.18	\$171.20	\$345.29	\$238.87	377%

1,201

VC deals in the region overall for 2022

# Great Lakes, GREAT INVESTMENT

The Great Lakes region continues to shine as the country's middle coast of VC investment

BY: DAN CALABRESE AND MICHELLE COHL

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

Venture transactions across the Great Lakes region (Michigan, Ohio, Indiana, Illinois, Minnesota, and Wisconsin) as a whole saw a trend in 2022 that largely mirrored Michigan's. While the total deal count in the region declined from 1,355 to 1,201 compared with 2021 totals, overall venture capital investment was a robust \$17 billion.

Michigan's share of those numbers was 164 completed transactions at a total deal value of \$1.2 billion. Notably, venture capital activity is growing faster in Michigan than in the rest of the Great Lakes region, which means the state's regional impact is accelerating.

In fact, Michigan's compound annual growth rate of 13.7% since 2006 is slightly higher than the Great Lakes region's

## Great Lakes States by the Numbers, 2022

State	Companies (#)	Deals (#)	Capital Invested (\$M)	AUM (\$B)
Illinois	398	403	\$10,448	\$28.1
Indiana	169	177	\$787	\$1.1
<b>Michigan</b>	<b>166</b>	<b>164</b>	<b>\$1,160</b>	<b>\$5.9</b>
Minnesota	165	171	\$2,267	\$4.1
Ohio	186	194	\$2,164	\$4.6
Wisconsin	91	92	\$547	\$2.0

451%

Increase since 2013 in assets under management (\$1.1B in 2013, \$5.9B in 2022)

## Active VC Firms Headquartered in Michigan

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	5-Year Trend	10-Year Trend
Active VC Firms	24	30	29	34	30	30	33	36	35	37	23%	54%

## Michigan Venture Capital Statistics, 2013-2022\*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-Year Trend
Number of Active Michigan HQ'd Investor Firms	24	30	29	34	30	30	33	36	35	37	54%
Assets Under Management (\$B)	\$1.1	\$1.2	\$1.5	\$2.6	\$2.8	\$3.0	\$3.6	\$4.5	\$5.9	\$5.9	451%
Companies Receiving Venture Capital (#)	151	131	145	99	101	139	132	169	179	166	10%
Michigan VC Deal Count (#)	162	136	151	100	106	149	136	184	193	164	1%
Michigan VC Deal Value (\$B)	\$0.28	\$0.31	\$0.59	\$0.19	\$0.34	\$0.46	\$0.70	\$1.00	\$1.04	\$1.16	310%

\*As of 12/31/2022

11.7% and is even better compared with the national rate of 10.8%.

Mike Asem, general partner at the Chicago-based venture firm M25, says one of Michigan's most vital assets in making it a regional player is the Ann Arbor-based tech ecosystem. He cited the cybersecurity firm Duo Security, which was sold to Cisco in 2018 for \$2.35 billion, as an example of what such an ecosystem can produce.

"When I think of Michigan, one of the things that jumps out is the implications of Duo Security and what that brought, plus validation that an ecosystem like Ann Arbor can facilitate an outcome like that," Asem says.

Asem also urges Michigan to think differently about a critical factor: the need for better connectivity between Detroit and Ann Arbor.

"If I'm trying to spend time in Detroit and Ann Arbor, it seems harder than it should be," Asem says. "There could be better connectivity between the two. They're both their own ecosystems, but I would voice this as an opportunity rather than a problem. The combination, when we do our Midwest city rankings, would land them in the top three."

As Michigan draws strength from the hubs of activity these two cities represent, as well as the activities in other cities and supporting organizations in the public sector,

the state adds to the robust character of the Great Lakes region and the deals that occur in it.

Monica Wheat, managing director of Techstars Detroit — a multicultural accelerator with regional locations in

Detroit and Chicago — sees a clear distinction between Michigan opportunities and those on the coasts.

"I spend a lot of time on the [East] Coast," Wheat says. "When I hear them talking about Michigan, they think from the outside it is more conservative, but when they get in here and evaluate the companies, they see a very robust tech space, and the way they operate is very robust."

Wheat says Michigan-based venture capital firms are known for making a real commitment to the companies they invest in.

"They know what they're getting when they work with Michigan VCs," Wheat says. "They're more than willing to roll up their sleeves and jump in. We're known for that. We're going



### Highlights

- **Michigan saw 164** completed transactions totaling \$1.2 billion in deal value, the former figure just barely the third-highest annual tally ever, and the latter sum a record. The Great Lakes region performed similarly, notching a year-over-year decline in deal count to 1,201 deals after a peak of 1,355 in 2021, yet aggregate venture capital invested grew robustly to \$17 billion.
- **As a result**, Michigan capped off the three-year run it commenced in 2020 with a total of \$3.2 billion invested across 541 completed transactions. That last tally puts Michigan at a compound annual growth rate of 13.7% since 2006, relative to 11.7% for the wider Great Lakes region and 10.8% for the U.S. overall, in terms of completed venture financing.

to put the rigor to it. And the way we're approaching innovation I see commented on from markets all around the country. Not only can you build a company for less, but on top of that, you're able to get strong talent because there is strong tech talent that is lower cost per person than in some of the coastal markets."

Wheat also touts the diversity of Michigan's investment community, particularly in and around Detroit.

"You see a lot more folks who are diverse in the venture ecosystem as well," Wheat says, "and that's growing."



**\$282M**  
Michigan angel  
investments in 79 VC-  
backed companies  
in 2022

**79**  
Companies received  
funding from angel  
investors, creating  
1,093 jobs

# Balanced Backing

Public funding of Michigan’s investment pipeline is vital for early-stage entrepreneurs, but is the state doing enough?

BY: DAN CALABRESE AND MICHELLE COHL

Michigan has a history of cooperation between risk-taking venture capital funds and public-sector institutions designed to help lay the groundwork for successfully backing promising startups. That intrastate collaboration is key; outside firms often don’t get involved in a company’s development until larger late-stage rounds, so early-round funding often requires a boost from local economic development organizations.

But while the history of this

arrangement shows good results, is Michigan currently committing enough resources in the proper manner to maximize funding for early-stage entrepreneurs?

Patti Glaza, executive vice president and managing director of ID Ventures, touts the many organizations working to boost Michigan’s venture pipeline but questions whether state policy is providing the support required.

“The resources that have been devoted to entrepreneurship in the state have been steadily decreasing every year,”



## Highlights

- **University startups, nonprofit investment funds, and startups with angel backing** form Michigan's pipeline and are often the first place venture investors turn to when looking for portfolio companies.
- **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-sized rounds for the region.
- **In 2021, the median investment** made by university and economic development-related funds was \$2 million.
- **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.

## 79 companies received angel funding

26 minority-owned

28 women-owned

*“The lack of available programs for early-stage entrepreneurs is showing in the quality and stage of development we’re seeing and the companies that are knocking on our door.”*

—Patti Glaza, executive vice president and managing director of ID Ventures

Glaza says. “The lack of available programs for early-stage entrepreneurs is showing in the quality and stage of development we’re seeing and the companies that are knocking on our door.”

Glaza urged the state Legislature to fund more accelerator programs for early-stage entrepreneurs across the state.

“There’s not enough capital for pre-seed funding,” Glaza says.

Glaza believes the Michigan Economic Development Corp. should facilitate bringing together state leadership to come up with a plan to

*“We realize a crucial part of economic growth in Michigan is going to be what is generated from higher education and universities. Not only four-year research but also two-year, because a lot of commercialized research will require those who are process technicians.”*

—Quentin Messer Jr., chief executive and economic competitiveness officer at the Michigan Economic Development Corp.



commit the funds, but the Legislature has to pull the trigger.

Michigan-based institutions and collaborations can grow successful companies. One example is Genomenon, a genomic health IT company that raised \$20 million worth of Series B venture funding in a 2022 deal led by Spring Mountain Capital and Beringea. ID Ventures participated along with a variety of other funds.

Genomenon was spun out of the University of Michigan and received an investment from the university’s MINTS — or Michigan Investment in New Technology Startups — a \$25 million venture fund through which the university leverages commercialization.

Mike Klein, CEO of Genomenon, says the founders relied heavily on support and resources from U-M to make the company viable.

“The early patents were licensed out of U-M, and we spun the business out of

U-M,” Klein says. “It was the incubator.”

Genomenon also received grants from Ann Arbor SPARK, which was critical because grants the company received from other sources like the National Institutes of Health were not allowed to be used for any commercial work. SPARK grants were. The Michigan Biomedical Venture Fund also invested in Genomenon.

It’s part of an ecosystem that, according to Klein, has changed dramatically since he came into the industry.

“I started my first company 30 years ago, and it’s amazing how much infrastructure is in place that wasn’t there 30 years ago,” Klein says. “Then, we had maybe two VCs in place in the state of Michigan, and that was it.”

According to Quentin Messer Jr., CEO and economic competitiveness officer at the MEDC, three things are essential for Michigan to maintain the ecosystem

to support a vibrant investment pipeline. The first is broad awareness of the MEDC’s focus on supporting early growth-stage companies. The second is the ability to keep bridges operating between universities, commercialization, and venture capital. The third is for the Legislature to commit resources to critical institutions within the process.

“We realize a crucial part of economic growth in Michigan is going to be what is generated from higher education and universities,” Messer says. “Not only four-year research but also two-year, because a lot of commercialized research will require those who are process technicians.”



## 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



\*Part of Michigan Capital Network

**Top 5 Counties by Deal Count (#)**

1. Wayne 38
2. Washtenaw 37
3. Oakland 34
4. Kent 21
5. Grand Traverse 6

**Top 5 Counties by Deal Value (\$M)**

1. Washtenaw \$458.87
2. Wayne \$367.62
3. Oakland \$178.90
4. Kent \$68.40
5. Grand Traverse \$28.50

**Top 5 Cities by Deal Count (#)**

1. Ann Arbor 34
2. Detroit 28
3. Grand Rapids 19
4. Birmingham 8
5. East Lansing 6

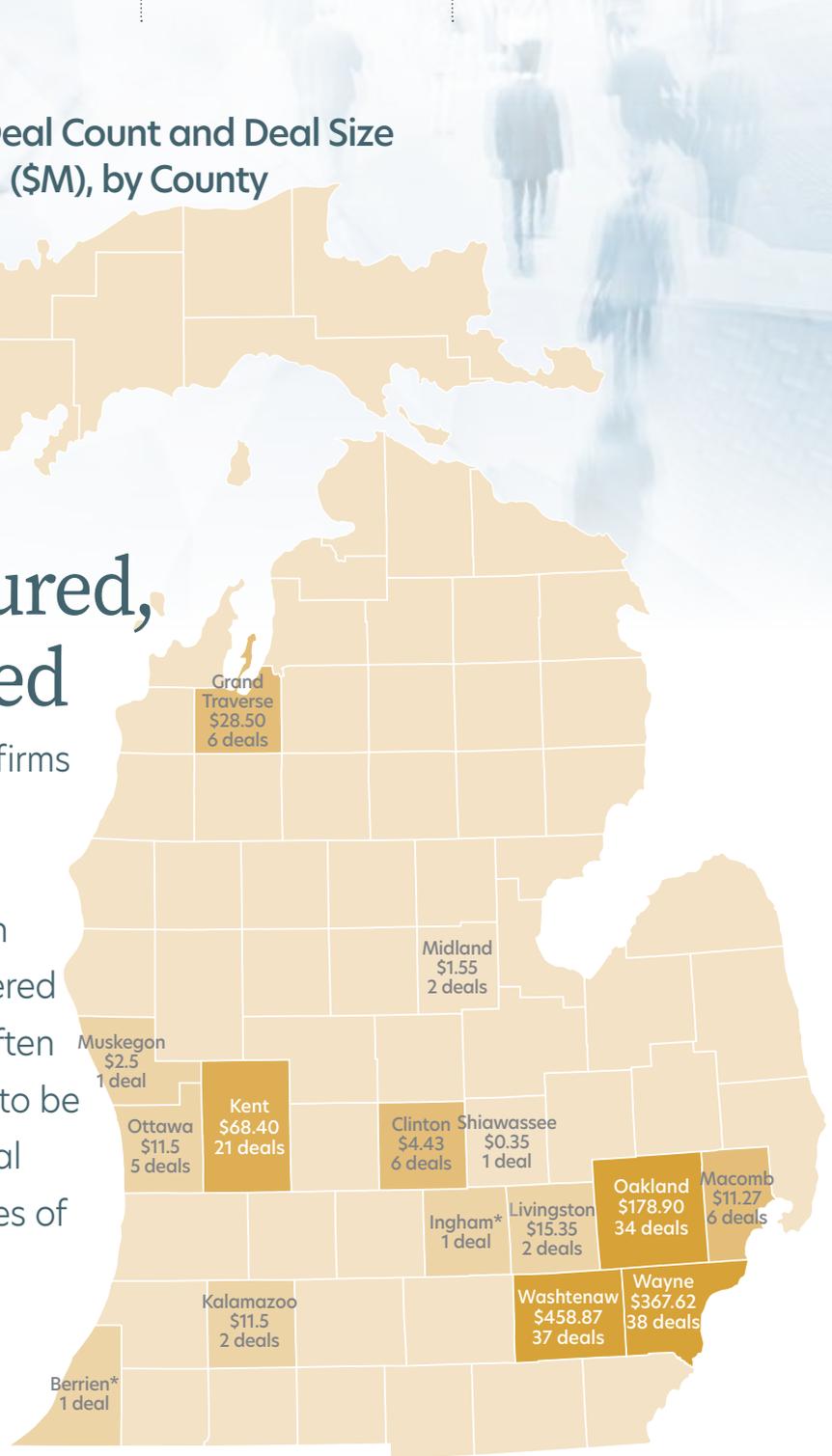
**Top 5 Cities by Deal Value (\$M)**

1. Ann Arbor \$449.85
2. Detroit \$342.52
3. Novi \$108.17
4. Grand Rapids \$66.43
5. Traverse City \$28.30

**2022 Deal Count and Deal Size (\$M), by County**

# Something Ventured, Something Gained

In 2022, Michigan-headquartered firms remained active, conducting 24 completed financings for an aggregate of \$37.9 million in known deal value involving 37 headquartered firms. Though outside firms most often join in late-stage rounds that tend to be larger, Michigan firms remain critical sources of capital in the early stages of a given company's life cycle.



\*Undisclosed deal value

## Active VC Investors Headquartered in Michigan

*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

# 37

Venture firms headquartered in Michigan

# 102

Venture capitalists in Michigan

### Michigan-Based Venture Capital Firms

Amherst Fund\*  
 Annox Capital  
 Arboretum Ventures\*  
 Assembly Ventures  
 Augment Ventures\*  
 Banana Capital  
 BELLE Impact Fund  
 Beringea\*  
 BioStar Capital\*  
 Boomerang Catapult  
 Cantilever Investors  
 City Side Ventures\*  
 Detroit Venture Partners\*  
 eLab Ventures\*  
 Endeavor Detroit\*  
 Fontinalis Partners\*  
 Genesis Innovation Group  
 Gibbs City Investments\*  
 Grand Ventures\*  
 Hopen Life Science Ventures  
 Huron River Ventures  
 ID Ventures\*  
 Ludlow Ventures  
 Michigan Capital Network\*  
 Microtech Ventures  
 Mudita Venture Partners\*  
 Narrow Gauge Ventures  
 New Community Transformation Fund\*  
 North Coast Technology Investors\*  
 Plymouth Growth\*  
 RPM Ventures  
 Skypoint Ventures  
 Tamarind Hill\*  
 Tappan Hill Ventures\*  
 Transhuman Capital  
 Trout Creek Ventures  
 Wakestream Ventures

### Out-of-State Venture Capital Firms with a MI Presence

Mercury\*  
 MK Capital\*  
 Venture Investors\*

### Michigan-Based Venture Capital Fund of Funds

Renaissance Venture Capital\*  
 Venture Michigan Fund

### Michigan-Based Corporate Venture Funds

Corewell Health Ventures\*  
 Dow Venture Capital  
 Eighteen94 Capital  
 GM Ventures\*  
 Kelly Innovation Fund  
 Magna International\*  
 Masco Ventures  
 Rock Ventures

### University Funds in Michigan

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

\*Denotes a member of the Michigan Venture Capital Association (as of the publication of this report)

### TOP 10 Active Investors Headquartered in Michigan Ranked by Deal Count

- 1 Detroit Venture Partners
- 2 ID Ventures
- 3 Michigan Rise
- 4 Beringea
- 5 Ludlow Ventures
- 6 City Side Ventures
- 7 Michigan Capital Network
- 8\* Arboretum Ventures & Red Cedar Ventures
- 9\* Grand Ventures & Annox Capital

\*Tied in deal count

**\$5.9B**  
 Assets under management  
 in 2022

# What Goes Up Must Come Down

After a solid 2022, venture capital fundraising is expected to decline

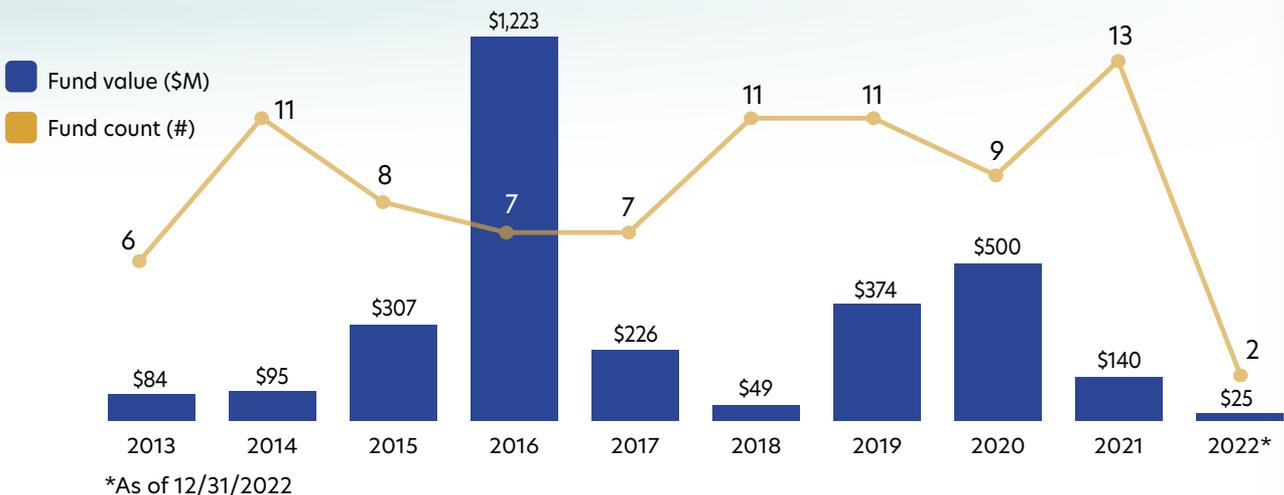
Nationally, 2022 was a solid fundraising year overall for venture capitalists, who raised more than \$160 billion in aggregate capital commitments. Still, activity is expected to decline in the coming years.

According to a report by Ernst & Young, fundraising by VC firms slowed in the latter part of 2022.

“Record amounts of dry powder are still available on the sidelines, but fund formation has slowed significantly in Q4 2022, dropping to \$7.1 billion,” the EY report says. “This represents a dramatic decline from the first nine months of the year, when venture capitalists raised a record \$157.6 billion. The slowing in fund formation is the result of many limited

BY: DAN CALABRESE AND MICHELLE COHL

## Michigan VC Fundraising Activity



Sources: PitchBook, MVCA, Crunchbase

partners finding themselves fully invested for 2022, as they wrestled with the impact of the ‘denominator effect,’ meaning the overall value of their asset base dropped due to the decrease in their public portfolio values throughout 2022.”

In Michigan, meanwhile, only two firms closed fundraising efforts in 2022.

According to a January 2023 Securities and Exchange Commission filing, the Grand Rapids-based venture fund Michigan Capital Network raised \$37.5 million toward a goal of \$50 million last year. Managing partner Dale Grogan told *MiBiz* that much of the funds came from institutional investors, who brought large amounts to the table. Michigan Capital Network was only one of two Michigan VC funds to raise a new fund in 2022, per a joint report from PitchBook and the National Venture Capital Association.

Even so, Fred Molnar, senior vice president of entrepreneurship and innovation at the Michigan Economic Development Corp., says the resources to

support Michigan venture capital firms are far more plentiful than when he got involved with the market in 2015.

“There was definitely a shortage of early-stage funding,” Molnar says. “That was after the Great Recession, and everyone was really holding on to money really tight. The angels weren’t doing a whole lot. The VCs weren’t doing a whole lot.”

Considerable investment in public and quasi-public institutions to help boost the ecosystem made a significant difference, Molnar believes. It helped set the stage for numerous Michigan-based firms to do well in recent years.

The national fundraising scene has been strong on the whole as well. PitchBook notes that larger funds did better raising capital in 2022, with 35 funds each valued at more than \$1 billion having raised \$91 billion, compared to just \$51 billion in fundraising for funds of that size in 2021.

It all amounts to a market that sees VC funds sitting on cash but cautious about investing it for the moment.

## 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.
- **Michigan fundraising had a strong cycle** in terms of volume over the past several years, though 2022 saw a bit of a pause in new funds, likely given record financing in 2021.

**\$640M**

**Remaining capital available for new investments**

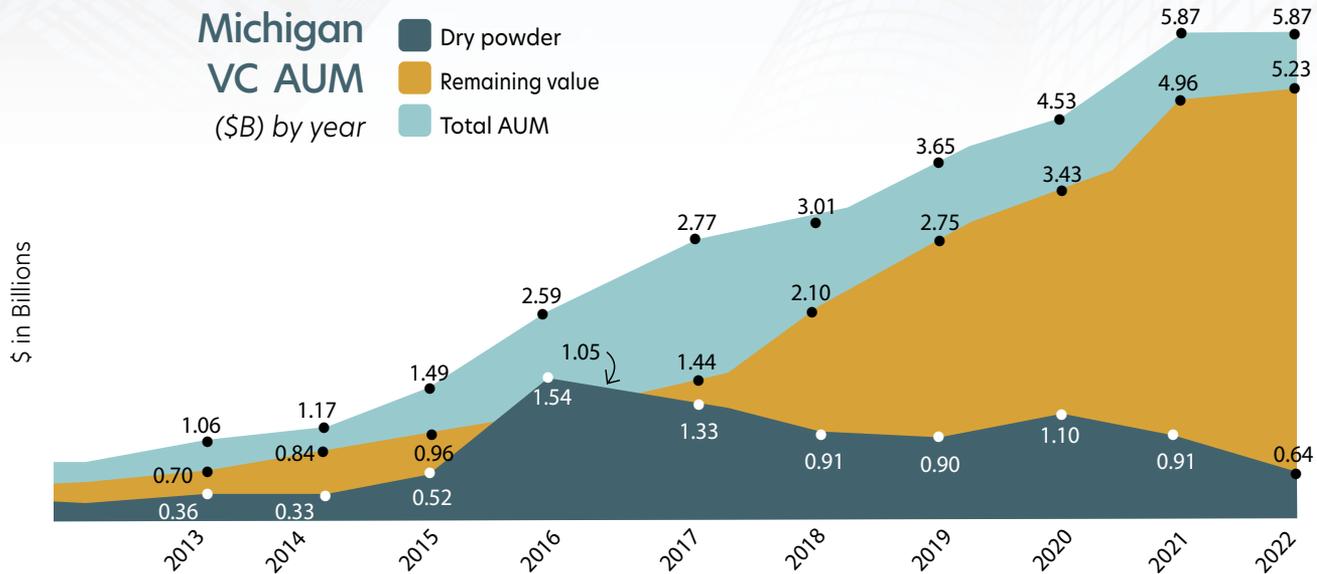
**\$5.2B**

**Michigan’s remaining value**

**451%**  
 Increase since 2013 in assets under management (\$1.1B in 2013, \$5.9B in 2022)

# Holding Steady

Michigan venture firms' total AUM remains at a record high and shows significant growth over a 10-year period

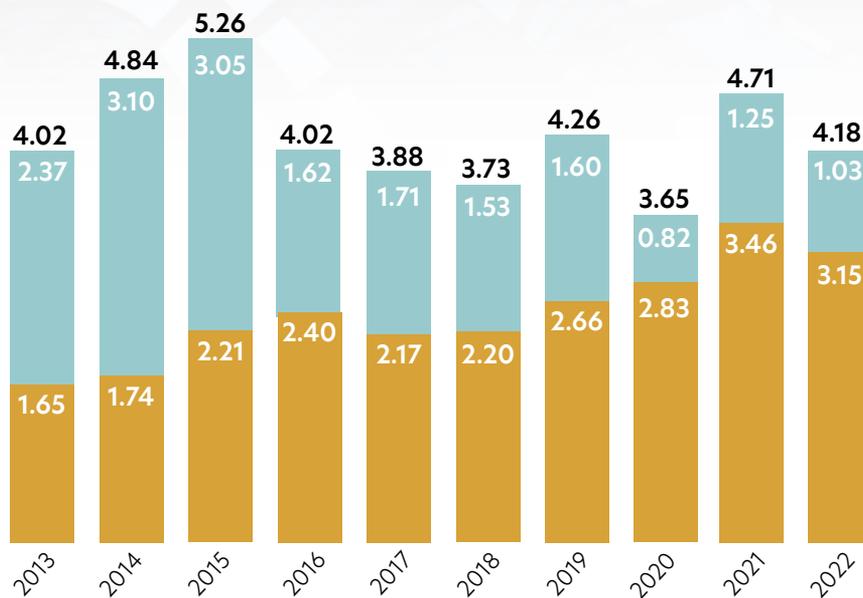


Sources: PitchBook, MVCA, Crunchbase

## Capital Under Management in MI

VC firms (\$B) by year

- National firms with Michigan presence
- Michigan-based venture firms



### Highlights

- **The Great Lakes region**, including Michigan, has some promising proportions in total assets under management, with \$33.4 billion of the total \$45.8 billion remaining in residual value as of last year, ready to be unlocked in future liquidity events.
- **In 2022, Michigan ranked second** in total AUM (\$5.9 billion) in the Great Lakes region, second only to Illinois with a total AUM of \$28.1 billion.
- **In 2022, Michigan ranked second** in remaining value (\$5.2 billion) in the Great Lakes region, second only to Illinois with a total remaining value of \$19.1 billion in 2022.
- **In 2022, Michigan ranked fourth** in total dry powder (\$639.8 million) in the Great Lakes region, with Illinois (\$9 billion), Minnesota (\$1.3 billion), and Ohio (\$785.3 million) ranking higher for the year.

# A Capital Improvement

Michigan enjoyed a welcome influx of vital funding in 2022

**\$38M**  
 Invested across 24 deals with Michigan-only investor participation 2022

BY: DAN CALABRESE AND MICHELLE COHL

**M**ore money than ever poured into Michigan companies from outside investors in 2022.

Deals including investors from outside the state of Michigan accounted for the vast majority of the \$1.2 billion raised by Michigan-based startups in 2022 — with most of that money coming from New York, Chicago, and the San Francisco Bay Area.

The number of deals involving outside money was down from an all-time high of 48 in 2021, but the dollar amount was the largest it has been for that category.

Farmington Hills-based Beringea led the \$20 million Series B for

Ann Arbor-based Genomenon, and the experience told Beringea Managing Director Michael Gross that Michigan has come of age as a target for venture capital.

“The company didn’t need to raise \$20 million,” Gross says. “They went to market looking to raise less than \$15 million. But we found the deal was oversubscribed, so we cut back folks we didn’t want to bring into that syndicate and chose folks who

would bring the most value to that company. Just the fact that we had a high-quality deal in Michigan that was significantly oversubscribed — that allowed the company to choose the subscribers — shows the quality of deals in the

state.”

For Ann Arbor-based autonomous vehicle technology company May Mobility, which completed a \$111 million Series C capital raise in 2022, access to out-of-state funds had much to do with the connections established by co-founder and CEO Edwin Olson. Olson, who was a grad student at the Massachusetts Institute of Technology, went on to Ford Motor Co. and then the Toyota Research Institute before launching May Mobility.

Toyota took an interest in May Mobility’s technology, and its investment lent credibility to attract investors such as SoftBank Group Corp., SAIC Capital, State Farm Ventures, Tokio Marine HCC, and Next Century Ventures.

“We’ve seen investments from big insurers because they’re interested in the data coming out and who’s

**\$1.2B**  
 Invested across 164 deals in 2022

## Top Outside Investor CSA\* by VC Deal Value (\$M) in Michigan

	2018	2019	2020	2021	2022**	5-Year Trend
San Jose-San Francisco-Oakland, CA	\$131.1	\$337.8	\$589.4	\$318.6	\$606.5	363%
New York-Newark, NY-NJ-CT-PA	\$155.7	\$302.8	\$503.5	\$469.2	\$411.2	164%
Boston-Worcester-Providence, MA-RI-NH-CT	\$71.9	\$181.0	\$297.0	\$318.0	\$51.0	-29%
Chicago-Naperville, IL-IN-WI	\$51.3	\$118.1	\$61.2	\$242.8	\$271.7	430%
Washington-Baltimore-Arlington, DC-MD-VA-WV-PA	\$27.4	\$38.4	\$307.8	\$93.6	\$85.4	212%

\*Combined statistical areas

\*\*As of 12/31/2022



taken these rides,” says Sheryl Seitz, vice president of marketing and communications for May Mobility. “We’ve done 10 commercial deployments in the U.S. and Japan, and in our last round, we had both State Farm and Tokio Marine.”

Toyota also formed a joint

venture with SoftBank called Monet Technologies, which is focused on on-demand mobility services and has an interest in May Mobility’s development.

“We attracted more interest from Japan,” Seitz says. “The Japanese are a little more OK with autonomous vehicles along with robotics and

automation.”

Gross says the backdrop has changed dramatically since the downturn of 2008 and 2009, when very few venture players operated in the state. One factor he cites as helping to produce the change is the Venture Michigan Fund, which was created by the state Legislature in 2003 to provide early seed funding for companies that had the potential to help drive economic growth in the state.

According to Gross, the Venture Michigan Fund has been crucial in boosting Michigan’s attractiveness to outside investors because it spurred early-round activity and strengthened Michigan’s own VC community.

“The reality is those funds were very effective in their desired outcome, which was to grow the venture capital community in Michigan and provide funds so there were more VCs with funds in the state,” Gross says. “They really spurred activity and were the early backbone of the VC community.”

## Highlights

- **Following PitchBook’s** definition of “active” as headquartered in the same state and having made four or more investments over the past three years, 37 firms are both currently active and primarily concentrated in the Michigan ecosystem. This is the highest number of active firms yet.
- **Outside investors kept ramping up** activity within Michigan and the Great Lakes ecosystem on the whole. Outside investors participated in a record \$635.6 million worth of capital invested in 2022, joining in 31 completed financings.
- **Moreover, the bulk of them** came from coastal hubs of venture, such as the Bay Area and New York, although Chicago has also begun ramping up activity as of late.
- **The tally of financings completed** with outside investor participation in Michigan declined to 31 after a crest of 48 last year, though the level of participation remains historically elevated and promising.
- **Five- and 10-year trends indicate** a decline in deals involving only Michigan investors. This may be a negative leading indicator, as start-ups often raise local capital prior to maturing to a point of attracting larger investment from firms outside of Michigan.

# Capitalizing on Michigan

## A handful of key players have helped drive the state's VC activity to historic highs

BY: DAN CALABRESE AND MICHELLE COHL

Venture capital activity in Michigan was at historically high levels in 2022, although some of the forces that drove that activity might be seen as outliers.

While the 164 transactions completed in Michigan last year came in third among the highest annual totals in the state's history, the total deal value of \$1.2 billion was the highest ever.

One reason for this was that some very well-positioned players drove the totals upward, with six companies raising over \$50 million each last year.

Detroit Venture Partners (DVP), the venture arm of Rocket Cos. majority owner Dan Gilbert, views investments in Michigan startups as both a community imperative and a smart investment. DVP principal Lindsey Kilbride says the firm sees multiple ways to realize a return by partnering with Detroit-area founders.

"When we first got started, it was very heavily investing in Detroit so as to stimulate

and support the Detroit tech ecosystem," Kilbride says. "With Dan paying it forward and being an incredible entrepreneur himself, as the transformation has happened in Detroit over the last decade-plus, we also began looking at deals that were outside Detroit that were highly strategic to Rocket."

While Kilbride says it is not a mandate for DVP to invest in Michigan-based companies, the firm finds its strategic interests often align when it keeps its money in the area.

"With our network and our presence and our level of connectivity and resources, we're better set up to support a Detroit-based company than a company that's in Denver or Milwaukee," Kilbride says.

One recent DVP investment was in a company called Hush — a cybersecurity firm that raised a total of \$4 million in seed funding through a deal led by Greycroft in fall 2022.

Hush co-founder and CEO Mykolas Rambus recently returned to Michigan

after 20 years completing deals in various places along the U.S. East Coast, as well as in Singapore, because he saw an opportunity to build a company that could take advantage of Michigan's engineering and analytical talent and also to partner with the growing community of Michigan venture capital firms.

"There are certainly more investors [than before I left]," Rambus says, "and there are more of the institutional folks around. They have larger teams and more savvy and experienced investors, and it's great to see that there is a burgeoning local institutional investor community."

Another company that drew heavily from Michigan investors is Rivet Work, which develops specialized software for the construction industry. Rivet drew significantly from Michigan investors for a pre-seed round of \$2.1 million in 2021, led by Ann Arbor-based Augment Ventures. A 2022 seed round of \$5.5 million was also led by a Michigan investor and included all the same Michigan investors as the pre-seed round, although more out-of-state investors participated.

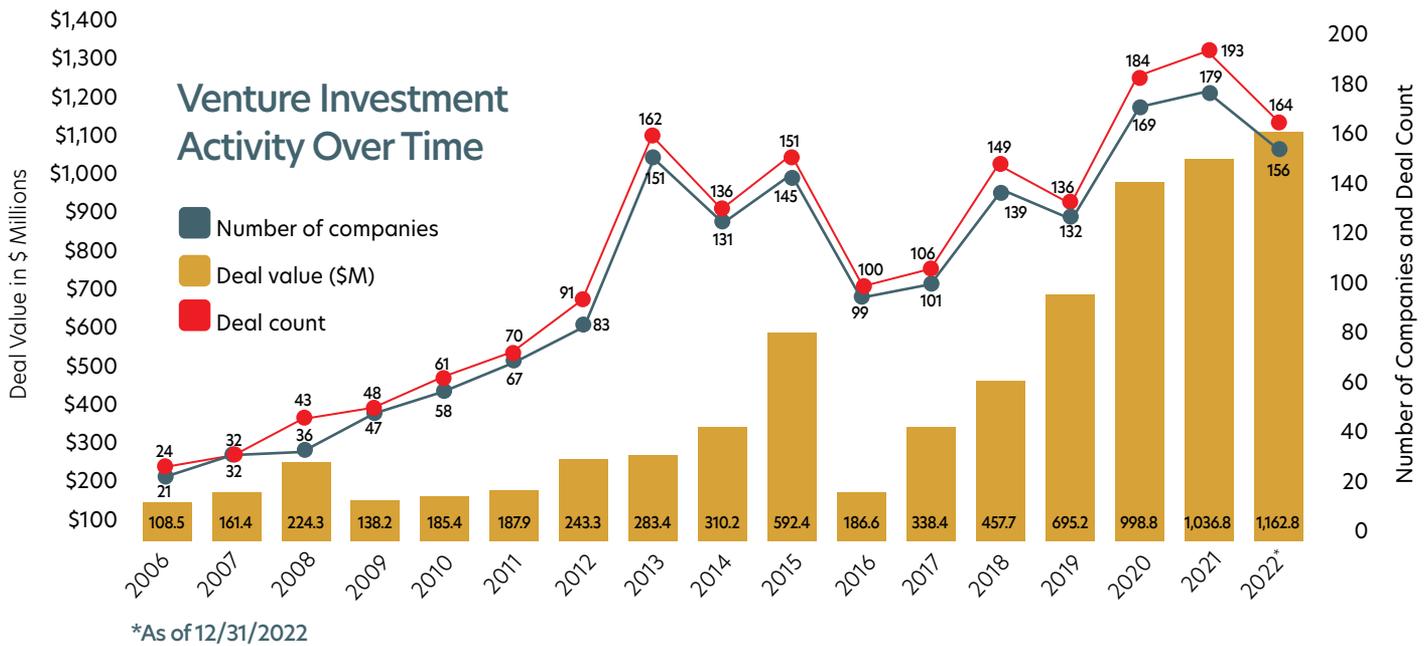
"In the first round, my goal was to have more Michigan investors to hopefully create that doubling effect — on the fund side and on the company side," says co-founder and CEO Ryan Meitl. "The last round was more by design. In this round, we were raising a lot more capital, and it was a very small handful of funds in Michigan to invest in the later stage. The bar for revenue tends to be higher."



### Michigan VC Deal Activity (#) by Series

Series	2018	2019	2020	2021	2022*	5-Year Trend
Angel	20	22	17	22	15	-25%
Seed	45	26	49	65	43	-4%
A	18	19	21	28	22	22%
B	7	15	8	13	6	-14%
C	4	2	2	5	5	25%
D+	2	0	2	3	3	50%

\*As of 12/31/2022



### Michigan VC Funnel by Round (Cohort 2006-2018)\*

	Raised a VC Round	Acquired/Buyout/ IPO	Out of Business/ Bankruptcy	Did Not Advance/ Self-Sustaining	Total Advancers
Round 1	634				
Round 2	317	47	125	145	364
Round 3	198	27	29	63	225
Round 4	105	26	18	49	131
Round 5	56	11	7	31	67
Round 6	31	8	1	16	39
Round 7+	13	0	1	17	13

\*As of 12/31/2022

### Highlights

- **There are 37 firms** that are currently active and primarily concentrated in the Michigan ecosystem per PitchBook's methodology defining "active" – headquartered in the same state and having made four or more investments over the past three years. This is the highest number of active firms yet.
- **Ann Arbor is the No. 1** location in Michigan for deal activity (34 deals); Detroit is a close second with 28 deals. Similarly, Ann Arbor yielded \$449.9 million in deal value, and Detroit came in second with \$342.5 million.

- **Grand Rapids holds steady** in the top five with 19 deals (No. 3) and \$66.4 million in deal value (No. 4). Among counties, Kent County comes in at No. 4 for both deal count (21 deals) and value (\$68.4 million). Notable growth is also happening in Traverse City (which comes in at No. 5 for deal value with \$28.3 million) and Grand Traverse County, which moved to No. 5 in deal count (six deals) and deal value (\$28.5 million).
- **Total deal activity** was strong in 2022, but this was driven by the fundraising success of more mature companies. Angel and seed funding declined, which

may have a negative impact on future deal activity.

- **In both the Great Lakes region and Michigan**, there is a slight tilt toward more traditional plays in B2B and B2C as of late than in outright software, which commands pluralities in both deal value and deal count across the U.S. more broadly. Software is still predominant in both the Great Lakes region and the state, just not as dramatically.
- **Key segments** emerging with top fundraising companies include mobility, cleantech, insurtech, artificial intelligence- and machine learning-enhanced applications, and more, illustrating a growing

diversity of sectors across the Michigan venture ecosystem.

- **Significant diversity** and commercial focus are likely to remain resilient given the murky economic prospects going forward, as cautious investors and founders alike will increasingly emphasize sustainable spend, concrete growth plans that are modestly couched in multiple downside scenarios, and locked-in revenue streams.

**10%**  
Growth in deal count  
& 154% growth  
in deal value  
(5-year trends)



# Slowing Exits

Exit activity from venture capital-backed companies in Michigan slowed considerably in 2022, although the slowdown needs to be seen in the context of a record-breaking 2021

BY: DAN CALABRESE AND MICHELLE COHL

Only 13 exits were completed in 2022, representing an aggregate value of \$148.25 million. That's a significant drop from 22 exits in 2021 at an aggregate value of \$993 million.

But it may be 2021 that proves to be the outlier, as the number of exits recorded in 2022 is more in line with other recent years, including:

- 2020: 12 exits
- 2019: 11 exits
- 2018: 14 exits
- 2017: 18 exits

- 2016: 9 exits
- 2015: 9 exits
- 2014: 11 exits
- 2013: 12 exits

Indeed, that 10-year period represents a significant boost in historical exit activity for Michigan VC-backed companies. From 2006 to 2012, only one year had more than three exits (2009, which had six exits).

What's more, the 2022 total of 13 exits is the fourth most of any year since at least 2006. So while it did not continue the upward trend that occurred

between 2019 and 2021, the exit activity in 2022 was still on the high end of recent trends.

The aggregate value, however, was a different story.

While the 2022 numbers may be a mere regression to the mean, the total aggregate value of the deals was less than half the 2021 total.

Michigan's results mirror the national trend, which, according to *Barron's*, saw total exits from VC-backed companies at just \$71 billion, an absolute plummet from the 2021

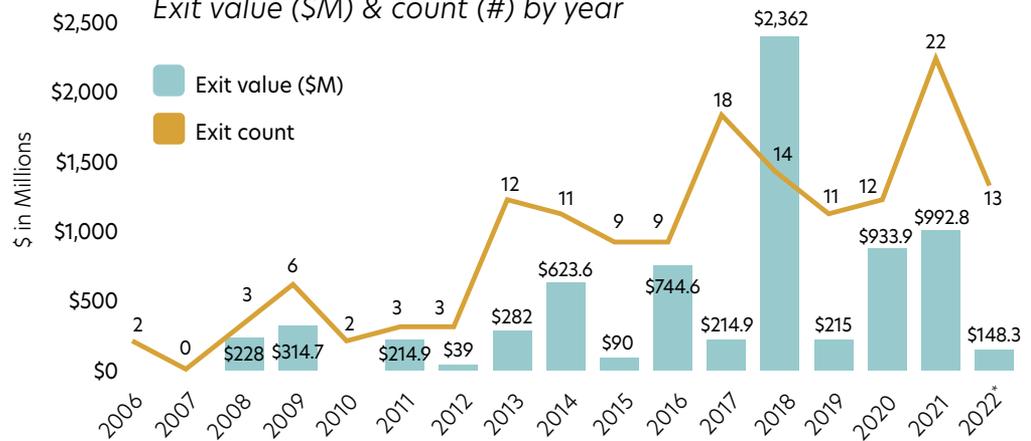
## Highlights

- **2021 saw a peak of 22 exits** for an aggregate value just shy of a billion dollars, while 2022 saw a significant slowdown to 13 completed exits for an aggregate value of \$148.25 million known thus far.
- **2022 exits, broken down by** venture capital industry, include four in Commercial Products & Services, two in Consumer Goods & Services, two in Health Care Services & Systems, one in IT Hardware, one in Pharma & Biotech, two in Software, and one in Transportation, for a total minimum exit value of \$148.25 million.
- **It is important to note** that not all exits have confirmed sizes. While timelines for liquidity remain protracted in private markets, the Michigan ecosystem is still riding a relatively strong stretch of exits.
- **Continued funding for** startups is critical during a period of downturn, allowing them runway to create value and position themselves for future lucrative exits.



## Michigan VC-Backed Exit Activity

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



\*As of 12/31/2022

## Michigan VC Exits vs. Investments, by Year (2013-2022)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022*
Investments/Exits	13.5x	12.4x	16.8x	11.1x	5.9x	10.6x	12.4x	15.3x	8.8x	12.6x
# of Investments	162	136	151	100	106	149	136	184	193	164
# of Exits	12	11	9	9	18	14	11	12	22	13

\*As of 12/31/2022

*“You must speak Detroit if you want to be successful in automotive in North America. You need to know the market. You need to meet with people and be trusted.”*

—Massimo Baldini, co-founder of Tome

total of \$753 billion. Citing the broader economic downturn and weakening equity markets, *Barron’s* calls it the worst year for VC exits since 2016.

Even so, Michigan did see some major exits completed in 2022. In October, Ann Arbor-based Nutshell was acquired by WebFX for an undisclosed amount. Founded in 2009, Nutshell is a customer-relationship management and email marketing platform serving business-to-business markets. It was not the first time Nutshell’s founders were presented with an exit opportunity, but CEO and co-founder Andy Fowler says in a company press release that it was the first good fit.

“Any partnership had to make sense for our business, our team, and our long-term vision,” Fowler says. “When I met [WebFX CEO William Craig] and the rest of the WebFX team at their campus in central Pennsylvania, I was immediately struck by a sense of shared culture. We both believe that success naturally follows from giving our customers and our team as much care and support as possible. We were very fortunate to find a partner that’s just as purpose-driven as Nutshell and just as focused on helping small businesses grow.”

WebFX plans to increase Nutshell’s

presence in Ann Arbor in addition to expanding its suite of software products.

Likewise, Royal Oak-based Tome Software — founded in 2014 — was acquired in January 2023 by Valtech for an undisclosed amount. Tome specializes in the development of mobility Internet of Things software solutions and manages the end-to-end product life cycle. For Tome founders Jake Sigal and Massimo Baldini, this is the second successful exit of their careers, having had their first startup, Livio, acquired by Ford Motor Co. in 2013.

Except in this case, Sigal and Baldini aren’t going anywhere.

“We’re still with the company,” Baldini says.

“Nothing has really changed.

We’re going to change the name to Valtech by the end of the year, and we have more bandwidth and more engineers if we need them. And we have a boss.”

Tome was looking to be acquired and hired an investment banker in the summer of 2022 to find the right partner for a deal.

When Valtech came along, much of the appeal appeared to be focused on access to the automotive industry — and the ability of Tome’s founders to help with that.

“You must speak Detroit if you want to be successful in automotive in North America,” Baldini says. “You need to know the market. You need to meet with people and be trusted. It’s not a market you can enter in a year or two. You need lots of years to be known as someone who can deliver.”

Sigal and Baldini already came with that reputation because of their background in dealing with Ford and their track record developing engineering solutions for the automotive industry.

“We have good software engineers and good relationships with clients, and we solve problems for them,” Baldini says.

They also now have expanded capacity, as Valtech has more than 5,000 employees compared with Tome’s 30.

Baldini believes the founders of VC-backed companies in Michigan have many other advantages to attract buyers but also some challenges to overcome.

“Michigan is a mix of pros and cons,” Baldini says. “We’ve got awesome universities and a lot of smart people coming out of those universities. Some want to go to work for Google in San Francisco for a couple of years, but with many, there’s a tendency to want to come back after a few years. There’s an awesome quality of life at a fraction of what you’d be paying on the coasts. And if you’re in the automotive business, this is the place to be.”



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# Making Progress

## The Michigan VC scene is slowly but steadily improving its diversity

BY: JOHN GALLAGHER

At the Michigan Venture Capital Association's annual meeting in September 2022, many people were struck by the growing number of women and people of color attending. At a time of greater emphasis on diversity, equity, and inclusion — or DEI — in the state's VC and founder community, the event showed progress.

But if Michigan's VC ecosystem is paying more attention to underrepresented founders, there's still a lot more work to be done. As MVCA Executive Director Ara Topouzian puts it, "We still have an issue not only in Michigan but throughout the country in terms of the disparity of both underrepresented founders as well as investors that are female or of color. The disparity still continues."

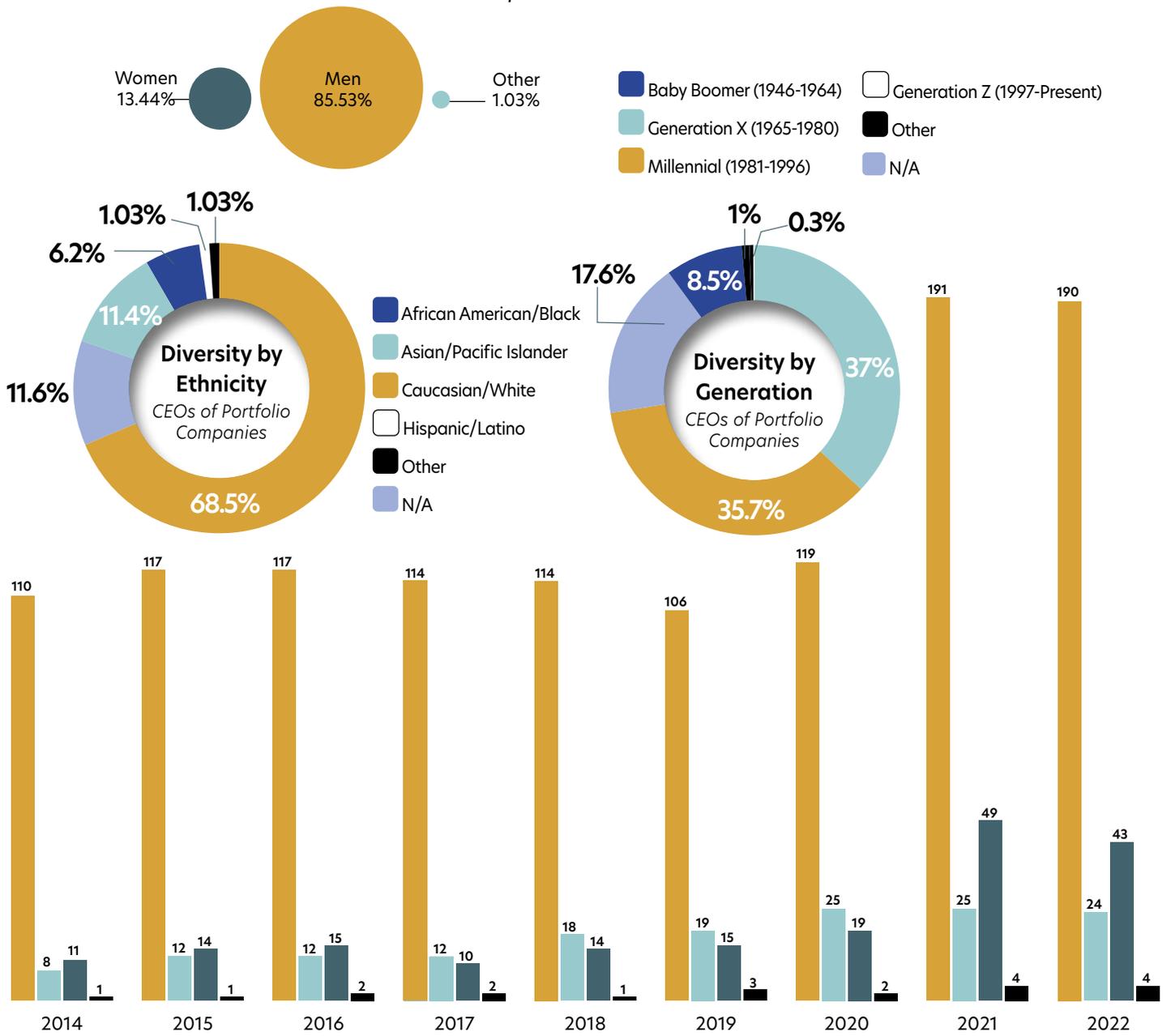
The reasons for this underrepresentation are varied, including a mismatch between

whom VC funders know and who most deserves to get money. But it's encouraging that MVCA has made a commitment to fostering greater diversity, equity, and inclusion in its member ranks and is taking several steps to achieve that.

One step involves MVCA's Venture Fellows Program, an initiative led by Lt. Gov. Garlin Gilchrist II, in which the association will pay a portion of the salary of up-and-coming VC associates in hopes of nurturing a more diverse VC population. Actually an older program, the Venture Fellows effort was revived in early 2023 thanks to a grant from the Michigan Economic Development Corp.

MVCA is also proactive in encouraging its VC members to pay greater attention to DEI issues in their portfolio investments. It now asks VC firms to explicitly state a commitment to diversity and to require founders who get

## Diverse CEOs VC-Backed Companies



## Diversity in Michigan's Entrepreneurial Community



funded to show a similar commitment.

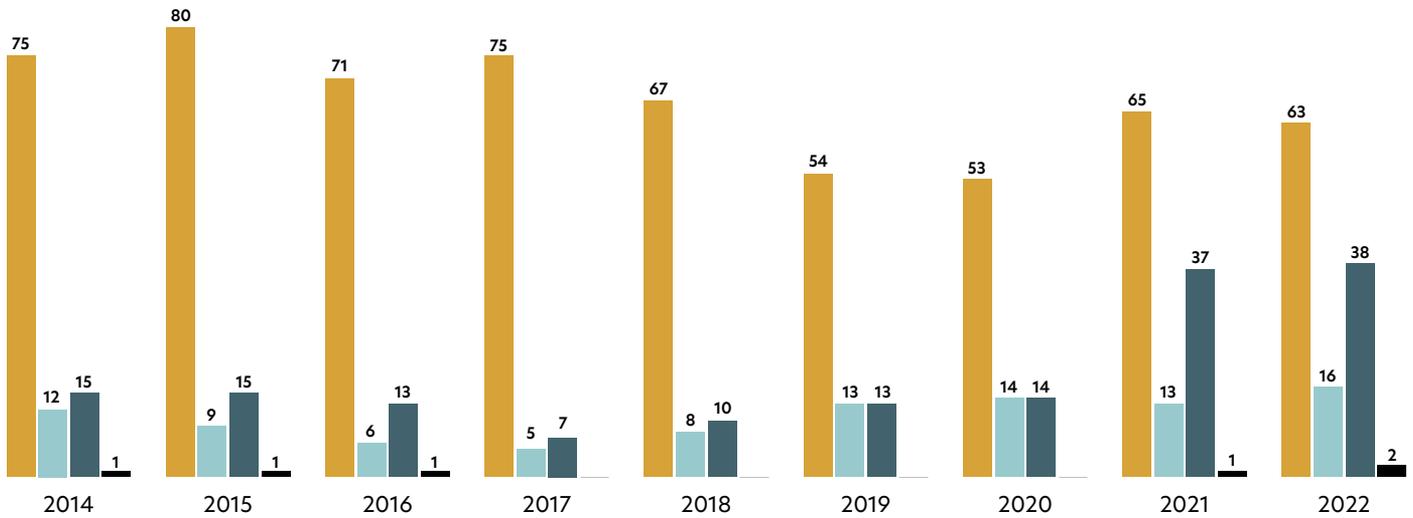
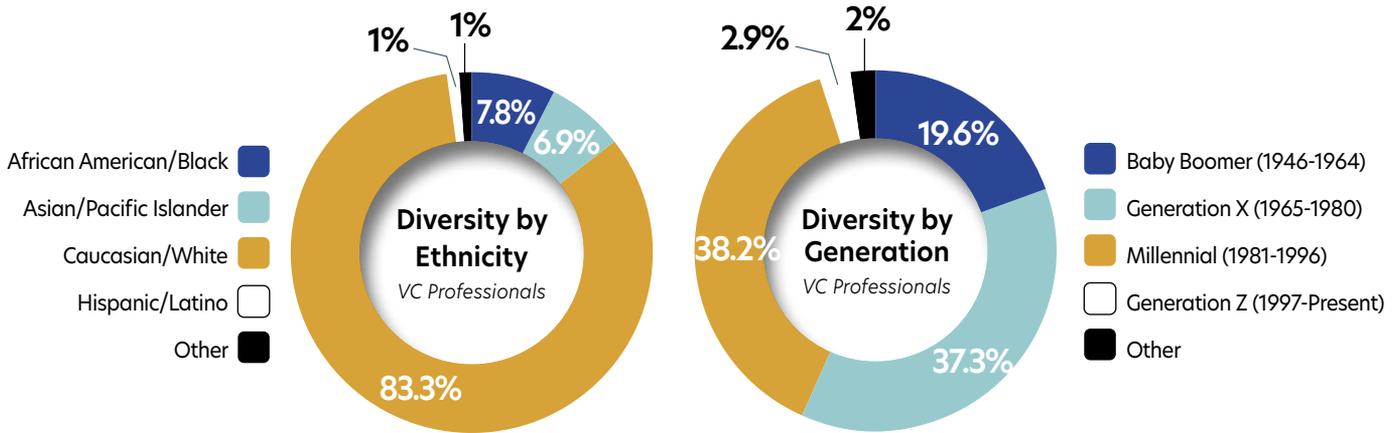
E Lab Ventures, based in Ann Arbor, is putting this commitment into practice, now requiring as a condition of closing that a founder “institute a Diversity, Equity & Inclusion policy and utilize best efforts in hiring a diverse team, providing equal and fair treatment for all team members, and ensuring a workplace environment where all team

members feel valued.” Moreover, eLab commits to reviewing each company’s policy annually to provide guidance and feedback.

“The most important thing is that the conversation is front and center in the boardroom” during hiring, says eLab’s co-founder Doug Neal. “We started that policy and have had a really positive reaction from the ecosystem and the

companies we invest in.” Hard data on results is hard to come by yet, but “it’s an important first step.”

In Grand Rapids, the New Community Transformation Fund was founded in 2020 to invest in minority-owned businesses and by early 2023 had raised more than \$10 million. And Mercury, a Texas-based fund with an office in Detroit, promotes a goal of being



**Diversity in Michigan's VC Community**



“intrinsically inclusive” by creating “an environment where all individuals feel welcomed, supported, and encouraged to fully participate.”

Although more data is needed to assess the progress, some founders from underrepresented groups are breaking through. One is the team behind Athlytic, an athlete influencer application. The two founders — Ashton Keys, a Detroit native, and Jared Eummer of Brooklyn, New York — are both men of color. In September 2022, their company raised \$150,000 of

venture funding in the form of SAFE notes from ID Ventures and Michigan Founders Fund.

Then there is Breadless, a Black-owned Detroit startup that creates on-the-go sandwiches and bowls with leafy greens rather than bread or buns. It has received funding from Detroit’s Motor City Match program and other help from TechTown Detroit, Detroit Venture Partners, and ID Ventures. Along the way, Breadless has emphasized diversity to recruit and retain talent (*see next story*).

For founders and VCs interested in learning more about DEI issues, MVCA’s website, [michiganvca.org](http://michiganvca.org), offers a list of resources. In the meantime, MVCA continues to develop more data on the intricacies of DEI issues to better understand the challenges.

“You have to be intentional when you want to make change,” Topouzian says. “We’re progressing in the right way these last several years. We’ve got to keep our foot on the gas pedal and keep going.”

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Venture capitalists  
in Michigan

# How One Michigan Startup Uses Diversity as a Recruiting and Retention Tool

BY: JOHN GALLAGHER

**W**ith unemployment rates at or near record lows, the task of finding and retaining good workers grows more crucial than ever. One new VC-backed startup in Detroit emphasizes diversity to find and keep talented workers.

Breadless is a new Black-owned food option that offers healthy sandwiches wrapped in greens instead of between bread or on a bun. It opened on Detroit's near east side in spring 2022 with help from Detroit's Motor City Match program, TechTown Detroit, Detroit Venture Partners, and ID Ventures.

Co-founder Marc Howland says Breadless now employs about 20 workers from diverse backgrounds. Keeping them happy and productive is key to the company's growth. Among the elements used to do that are:

**Diversity as a core value.** Women, those who identify as LGBTQ+, and other underrepresented groups are welcomed. "We try to make sure that

## Highlights

- **Of the portfolio company CEOs** who reported, 68.5% are Caucasian/white, 11.4% are Asian/Pacific Islander, 6.2% are African American/Black, 1.03% are Hispanic/Latino, 0.3% are American Indian/Alaska Native, 1.03% are other, and 11.6% did not disclose.
- **Of the total Michigan investors** who reported, 83.3% are Caucasian/white, 7.8% are African American/Black, 6.9% are Asian/Pacific Islander, 1% are Hispanic/Latino, and 1% are undisclosed.
- **Thirty-seven percent of the total** venture capital workforce in Michigan is female, and 23% of investing roles are filled by women.

every single person feels welcomed here," Howland says. "That's critically important to us."

**Flexible schedules and work-life balance.** "We enable everybody to set their own availability digitally to be convenient for their lives, and

we will schedule people according to their own ability to be available," Howland says.

**Decent pay.** Breadless pays its sandwich-makers at least \$13 an hour plus tips so that even the lowest-paid worker gets about \$15 an hour.

**Using tech to make jobs easier.** Breadless seamlessly integrates all its orders, whether walk-in, online, or over the phone, into a single system "so they don't have to manage eight different iPads to figure out where the order is going."

**Opportunity.** Although operating from one location in Detroit, Breadless is mapping plans to grow through a hybrid corporate/franchise model. Howland calls it "democratizing the wealth and health side of things."

"I'm super excited about the potential for us to use Breadless as an economic model to create pathways for upward mobility," he says, "to create wealth for individuals as well as giving people healthy options."

358%

Transportation YoY growth in capital deployed from 2021 (\$47.3M) to 2022 (\$216.8M)

# Spreading the Wealth

Increased diversification via growth across all sectors has strengthened Michigan's VC ecosystem

BY: JOHN GALLAGHER

Rommel Vega could have chosen anywhere to establish HOLO Footwear, his new line of eco-friendly recreational shoes, but he chose Michigan.

It was not preordained. Raised in Miami, Florida; educated at the College of Creative Studies in Detroit; and working in Portland, Oregon, for another shoe company, Vega had literally been all over the map. But when he launched his own HOLO brand, Michigan drew him to its growing ecosystem of startup firms and the venture capitalists who support them.

The financial support he found in Michigan was one factor. The company raised Series A venture funding in the form of SAFE notes from Michigan Rise, ID Ventures, SKU'd Ventures, and other undisclosed investors in February 2023. But because he'd worked during his wide-ranging career in mid-Michigan before, the state's nurturing startup scene proved another big factor.

"I really fell in love with Grand Rapids," Vega says. "I really felt like the company can thrive here and not be just another local brand. We're national and international. We're excited about the growth we're seeing."

He's not alone. Data from the Michigan Venture Capital Association's annual survey of members demonstrates once again that the startup and VC scenes in Michigan continue to grow.

The state's VC ecosystem saw 164 deals in 2022, a vast increase over just 24 deals in 2006, the earliest year data is available. In 2022, as expected,

## Michigan VC Deal Activity (#) by VC Industry

	2018	2019	2020	2021	2022*	5-Year Trend
Commercial Products & Services	22	27	29	41	26	18%
Consumer Goods & Services	24	23	22	23	27	13%
Energy	1	0	3	2	2	100%
HC Devices & Supplies	12	14	16	18	13	8%
HC Services & Systems	17	12	15	17	15	-12%
IT Hardware	7	3	7	9	6	-14%
Media	5	1	3	2	3	-40%
Other	5	6	7	4	9	80%
Pharma & Biotech	10	7	16	13	6	-40%
Software	42	36	59	58	51	21%
Transportation	4	7	7	6	6	50%

\*As of 12/31/22

## U.S. - Great Lakes - Michigan VC Deal Activity by VC Industry, 2022

Deal Activity and Deal Count	U.S.		Great Lakes		Michigan	
	(\$B)	(#)	(\$B)	(#)	(\$M)	(#)
Commercial Products & Services	\$39.24	2,368	\$2.23	208	\$58	26
Consumer Goods & Services	\$18.42	2,161	\$0.70	188	\$82	27
Energy	\$5.84	195	\$0.17	10	\$4	2
HC Devices & Supplies	\$7.09	715	\$0.77	104	\$56	13
HC Services & Systems	\$21.51	1,322	\$6.35	129	\$48	15
IT Hardware	\$7.42	464	\$0.28	29	\$109	6
Media	\$3.20	407	\$0.08	41	\$5	3
Other	\$13.40	738	\$0.78	57	\$81	9
Pharma & Biotech	\$30.57	1,058	\$1.54	73	\$91	6
Software	\$89.55	6,297	\$3.88	347	\$413	51
Transportation	\$2.63	181	\$0.29	15	\$217	6

\*As of 12/31/2022

the software sector led the list with 51 deals worth a total of \$412.9 million. The transportation sector ranked second in dollar volume, with \$216.8 million in value spread over six deals.

Other leading sectors included consumer goods and services with 27 deals, commercial products and services with 26 deals, and health care with 28 deals.

And in a telling data point, every sector has shown dramatic growth in VC activity in Michigan since MVCA started keeping track more than 15 years ago.

This growing ecosystem is evident to those on the ground. Ann Arbor-based VC firm eLab Ventures invests mainly in artificial intelligence startups, but that doesn't mean just software. As eLab

co-founder Doug Neal says, "AI impacts every sector, certainly mobility but manufacturing, agriculture, medicine. There's a lot happening broadly in every industry."

One of the most exciting entrants is Newlab, a Brooklyn, New York-based innovation leader partnering with Ford Motor Co. at the newly reinvented Michigan Central complex in Detroit's Corktown district. There, Newlab will operate both a Mobility Studio to work with transportation startups and an Accessible Streets Studio to solve hyperlocal transit and accessibility challenges for everyday Detroiters.

Newlab sports a diverse background that makes it a good match for Michigan's broadening ecosystem. Founded in 2016

in the historic Brooklyn Navy Yard in New York, Newlab now helps its more than 200 member firms navigate the pitfalls of innovation, assisting with legal tasks, marketing, fundraising, and other startup challenges.

In Detroit, Newlab's Mobility Studio aims to deliver on an electrified, connected, and autonomous future by building, testing, and launching new mobility concepts in collaboration with Ford and other leading industry experts, entrepreneurs, engineers, and inventors. The company says the goal is "making the pie bigger for everyone and helping local startups to stay, grow, and thrive," all the while helping Detroit residents solve their day-to-day transit challenges.

# ESG: A Balancing Act

## How one Michigan company meets both market and societal needs

BY: DAN CALABRESE AND MICHELLE COHL



While environment, social, and governance, or ESG, is a growing area of interest in the investment community, any company founder knows that even the most ESG-conscious investor wants to see a solid promise of return.

So the best ESG model meets both a market need and a societal need. Novi-based Our Next Energy may have struck that balance if investors' response is any indication.

Our Next Energy is an energy storage technology company targeting the electric vehicle market with three distinguishing priorities:

- Doubling the expected range for EVs from about 300 miles to just over 600 miles.
- Relying mainly on manganese and iron instead of nickel and cobalt to produce EV batteries for both sustainability and safety.
- Developing a reliable North American supply chain.

Founder and CEO Mujeeb Ijaz says the company's vision aligns with the needs of the growing EV market while also addressing the environmental and social impacts of EV production.

"The pressure cooker of innovation is the necessity that you must solve a problem," Ijaz says. "These ideas came to us as a result of pragmatic thinking, and then the mission became aligned with something that was better than just the business having good revenue. It was tied to an ESG-type goal of using responsible

materials and being known for the highest range, the best sustainability strategy, and local supply chain development."

Our Next Energy was so committed to this approach that it went so far as to cancel its initial Series A capital raise because, although investors had committed money, Ijaz didn't think that particular group of investors was committed to the ESG goals.

"I started to realize that maybe they would be good stewards and maybe they wouldn't," Ijaz says. "We canceled that Series A even though we had lined up the money, and we set up a mission-oriented Series A. I felt if we could

just convince them, we would not only have money — we would have leadership and stewardship."

The strategy worked.

In 2022, Our Next Energy raised \$65 million in its revamped Series A, led by BMW i Ventures. That was followed by a Series B in 2023 that raised \$300

million to expand and ramp up the company's operations to meet anticipated demand.

"If you're going to create a disruption, you have to be willing to set a goal that you have no idea how you're going to get there," Ijaz says. "The moment you do, you're charting a course that no one else is following. It took four months. But by the third month, I got a little worried that I loved my job and didn't have any novel ideas. I thought I messed up."

He hadn't.

ESG refers to the way companies manage their environmental, social, and governance risks and opportunities

### Highlights

- **ESG stands for environmental stewardship, social responsibility, and governance.** Environmental stewardship can include actions like reducing greenhouse gas emissions, managing wastewater, using natural resources responsibly, investing in renewable energy, and improving energy efficiency. Social responsibility can include steps like investing in employee training and development, providing customer support, and engaging in charitable work.
- **ESG implementation can include** things like having clear internal policies and procedures, promoting diversity and inclusion, and being transparent with shareholders. Increasingly, ESG maturity with Michigan investors during decision-making is on the rise.
- **Is ESG reporting mandatory in Michigan?** For the most part, it is voluntary in Michigan. However, ESG disclosure requirements may change soon. In 2022, most venture-backed companies and investors in Michigan did not require ESG policies. Regardless of where your company falls on this issue, it is important to stay informed about the changing landscape of ESG reporting.
- **Most publicly listed companies** already have mandatory ESG disclosures. While some businesses may view ESG reporting as an unnecessary burden, others see it as an opportunity to demonstrate their commitment to sustainable practices.
- **Michigan has shown great progress** in terms of sustainability, and it was named the third most sustainable state in 2021. But there is still more work to be done to make the state truly sustainable.
- **In 2019, Michigan's emissions totaled** 159.2 million metric tons of carbon dioxide equivalent. However, the state has set aggressive targets for reducing emissions, with a goal of becoming carbon neutral by 2050. To achieve this, Michigan will need to increase its use of renewable energy, reduce coal plant usage, build pollution-free buildings, introduce clean vehicles, and electrify its industry.

**Environmental stewardship** refers to a company's efforts to reduce its impact on the environment. **Sustainability** refers to the ability of a company to maintain its financial security while preserving natural resources. **Governance** refers to a company's efforts to ensure it is run ethically and responsibly.

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In 2022, the Michigan Venture Capital Association celebrated its 20th anniversary of serving the entrepreneurial and investment ecosystem in Michigan!

Thank you to all our past and present members who helped create and sustain the MVCA over the years!



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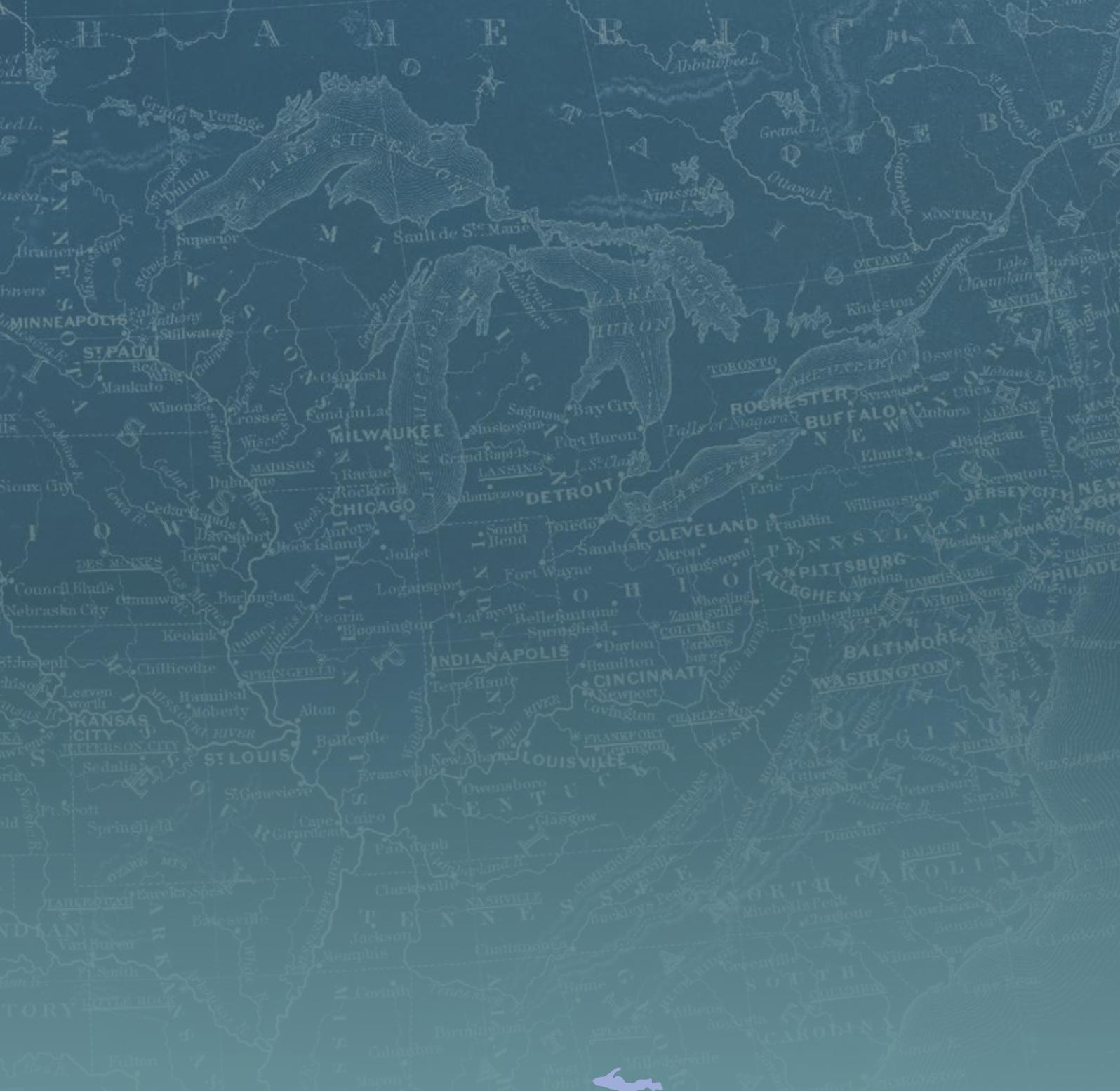
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