



The Michigan Rise Pre-Seed Fund III (MR) was founded in 2020 with support from Michigan State University Foundation (MSUF) and Michigan Economic Development Corporation (MEDC), to provide early-stage investment capital to high-tech startups. This funding enables Michigan tech companies with high-growth potential to meet near term (12 to 18 month) milestones and raise downstream funding for future growth.

MR was created to address the funding gap for Michigan technology startups that are unable to raise large institutional funding as most institutional early-stage investment funds focus on later stage investments. MR partners with other members of the Michigan Venture Capital Association focused on the earliest stages of commercialization, to identify and support high-potential technology startups across Michigan with capital, mentoring, assistance with grant funding and more.

MR provides up to \$250,000 in funding through equity or convertible securities instruments. Investments are generally provided in tranches according to milestones and execution demonstration. At least a 1:1 match is required from non-MSF investment entities. In the case of university spinouts, at least a 1:4 match in non-MSF grant funding can replace the co-investment requirement. The objective of MR's funding is to help companies achieve commercial and technical milestones that will position them for future scaleup through capital, talent, etc.

Investment from MR provides additional value beyond capital. Through mentoring from its investment team, programmatic support and its expansive network, MR has an overarching goal to support innovation, entrepreneurship, and economic development across the state. Success drivers for MR include collaboration with Michigan SmartZones and university tech transfer offices, supporting high-potential Michigan university spinouts with a commitment to equity, inclusion and diversity.

Eligibility Criteria

MR has the following criteria for companies when considering investment opportunities:

- Key founders and majority of full-time employees must be located in Michigan
- For-profit LLC, C Corp, or S Corp
- Company is less than 7 years old
- At least a 1:1 co-investment match from non-Michigan Strategic Fund (MSF) sources is required
 - Can be waived with a 1:4 match from non-MSF grant funding
- Beyond concept, Minimum Viable Product (MVP) created
- Tech-enabled or high-tech component
- On a scalable path that has strong potential for future rounds of venture capital
- Key personnel must transition to full-time employment with Company upon MR funding

How to be Considered

Companies are encouraged to work through their local SmartZone to provide an email referral to Michigan Rise, or they can submit a contact request through our website at <https://www.michiganrise.com/application>

Investment Process Timeline

Timeline from initial contact to investment approval is typically 8-12 weeks but can vary dependent on company readiness. Typical steps include the following:

- Initial 30-minute screening call to evaluate program fit
- In-person meetings to go through company slide deck (generally 2-3 weeks after initial call)
- After first in-person meeting, determination of diligence process commencing or pass.
- If diligence process starts, additional company documents will be requested and analyzed (2 weeks). Diligence documents may include:
 - Historical financials
 - Financial forecast with 3-5 year horizon
 - Cap table
 - Organization formation docs
 - Prior investment docs
 - Intellectual property information
 - Sales pipeline
 - Pilot data
 - Customer referrals
 - Etc.
- After review of materials, diligence calls and market analysis, the decision by MR to move forward or otherwise will be made by the investment team. If positive, an investment memo will be prepared and presented to MR's advisory committee. The advisory committee is a diverse group of members with relevant startup investment and operational expertise who are drawn from the entrepreneurship and innovation ecosystem across the state and nation. After receiving feedback and a positive recommendation from the advisory committee members to move forward with the investment, funding can be finalized, contingent on any specified requirements.

What we look for/pass on:

- *Positives:*
 - Coachable founding teams with relevant experience
 - Logical first customers and strong customer discovery completed
 - Large market that can support venture level return
 - MVP already built for most types of companies, enabling funding to go towards initial revenue or piloting
 - Unit economics that make sense

- Roadmap for future funding rounds
- *Negatives:*
 - No MVP or incomplete initial customer discovery/preparation
 - Small total addressable market or small first beachhead market
 - Limited future funding potential from later-stage venture capital funds
 - Poor understanding of financial metrics of the business and cash management (runway time, burn rate, unit economics, etc.)
 - Unable to deliver quality and timely standard documentation (forecasts, references, company formation)
 - Unbalanced team – too highly technical or too highly business-focused or single-founder
 - Founding or employees with significant common stock drawing salaries above market
 - Lack of high-quality advisors

About Michigan Rise

MR is a wholly owned subsidiary of the Michigan State University Foundation. Founded in 2020, MR invests in early-stage high-growth, high tech businesses located in Michigan. For more information on MR visit www.michiganrise.com