



The First Capital Fund (FCF) was created in 2017 by ID Ventures (IDV), with support from the Michigan Economic Development Corporation (MEDC), to provide early-stage investment capital to high-tech startups. This funding enables companies with high-growth potential to meet developmental milestones that can help secure venture capital follow-on investments.

Successful startups greatly impact a state's economy by creating jobs, increasing density, attracting new businesses, and spurring greater diversity and innovation in the business community. Pre-seed and Seed capital provide the foundation for long-term success but can be challenging to raise as most Michigan venture capital firms focus on later stage investments. This creates a significant gap in early-stage venture funding that the FCF strives to fill.

The First Capital Fund provides up to \$250,000 in start-up funding through quick, flexible financial instruments (convertible notes and SAFE's are typical). Investments are generally provided in tranches according to milestones and execution demonstration. Matching funds are not required. The primary focus is to help companies achieve commercial and technical milestones that will help them raise their next round of venture capital from larger funds.

In addition to capital, the IDV team also provides coaching and mentorship for companies and, recognizing the importance of diversity for local entrepreneurial success and competitiveness, is committed to equitable and inclusive investment with a portfolio including minority and female founders that far outpaces national averages.

### **Eligibility Criteria**

When considering investment opportunities, IDV looks at a broad range of sectors and startups that meet the following criteria:

- Key founders and majority of FTE's located in Michigan
- Beyond concept, Minimum Viable Product created
- Tech-enabled or high-tech component
- For-profit LLC, C Corp, or S Corp
- On a scalable path that has strong potential for future rounds of venture capital
- Demonstrated execution against business model

### **How to be Considered**

Companies can work through their local SmartZone to provide an email referral to ID Ventures, or they can submit a contact request through our website at <https://investdetroit.com/id-ventures/venture-company-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 meeting 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). Requested documents may include:

- Pro-forma financials
- Historical financials
- Financial forecast with 3-5 year horizon
- Cap table
- Corporate 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 to go forward for investment committee approval will be made. If positive, an investment memo will be prepared and presented to the independent investment committee for their approval. Investment committee meetings occur monthly, and presentation in a particular month depends on the number and priority of companies in the funding pipeline.
- After investment committee approval, funding can be finalized, contingent on requirements from the committee.

### **What we look for/pass on:**

- *Positives:*
  - Experienced, coachable founding teams
  - Logical first customers and strong customer discovery completed
  - Large market that can support venture return
  - MVP already built for most types of companies, enabling funding to go towards initial revenue or piloting
  - Unit economics that make sense
  - Funding roadmap for future venture 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
  - Lack of high-quality advisors (formal or informal)

### **About ID Ventures**

ID Ventures, the venture capital team of Invest Detroit, scales promising early-stage ventures into thriving companies that help support the state's economy, provide jobs to local talent, and bolster Michigan's growing startup community. Since 2009, we have invested in over 120 companies with 12 exits, deployed more than \$15 million through multiple funds, and leveraged over \$800 million in additional investment. Visit [www.investdetroit.vc](http://www.investdetroit.vc) for more information.