

New Grand Angels Venture Fund seeks co-investment opportunities in tech, life sciences

Written by [Mark Sanchez](#)

font size  | [Print](#) | [Email](#)

Rate this item  (1 Vote)



The newest venture capital fund based in West Michigan will seek to partner with other investors in the state to tap their expertise and additional pools of money.

Grand Angels Venture Fund II, founded by investors involved in the Holland-based angel investment group **Grand Angels**, will invest in up to 15 companies over the next few years, then provide follow-on investments for portfolio companies in subsequent years. The fund already quietly closed on five deals since forming in January, all of them with other venture capital or angel funds.

By co-investing in deals, Grand Angels Venture Fund II can stretch its available capital, plus share in the due diligence it takes to review prospective investments and the inherent risk involved in them, said Managing Director Paul D'Amato.

"It allows us to invest in larger deals at a little later stage and diversify the risk," D'Amato said. "Each one of these companies takes us a long time to do research on. We realize it's possible for us to miss things, so we want to work with other groups that are also looking closely in the field and collaborate and share what we discover and what they discover. Together, we think we can invest more intelligently and bring more money to the table."

Grand Angels Venture Fund II invests in early-stage companies involved in technology and life sciences that are generating revenues or are at the pre-revenue stage, depending on the industry. The fund generally wants to see a "clear path to an exit" from an investment within three to three and a half years, although "we recognize that it will sometimes take longer," D'Amato said.

D'Amato expects most investments to come from across Michigan, but "we're not limited to investing in Michigan."

Grand Angels Venture Fund II in late 2014 filed documents with federal securities regulators indicating it wanted to raise up to \$20 million from investors. D'Amato declined to discuss the status of the fundraising, citing **U.S. Securities and Exchange** regulations.

In coming together, the new venture fund seeks to offer companies more than just capital. Investors in the fund, just as they do with the angel network, can offer startup companies guidance, mentorship and access to their own professional networks.

"We do more than simply provide money," D'Amato said. "Our objective is to build world-class companies. Our success will be the success of those companies, and if those companies achieve financial success, our fund will achieve financial success."

Since investors formed Grand Angels in 2004, the group has invested more than \$18.6 million in 34 companies through 88 financing rounds. Investments for 2015 total \$2.5 million in nine companies through 12 financing rounds.

Grand Angels Venture Fund II adds to the growing venture capital industry in Michigan that over the years has seen the formation of new state-based funds and the establishment of Michigan offices by several out-of-state funds.

The involvement of seasoned investors in the new fund not only adds to the availability of capital within the state but also contributes to a growing support network of entrepreneurs, said Emily Heintz, associate director of the **Michigan Venture Capital Association**. The fund adds another potential lure to investors outside of Michigan who want to come into the state and get in on a deal, Heintz said.

"They know the resources that are available here and the companies," she said. "They really are the feet on the ground in the state working with the companies that are located here."

At the end of 2014, Michigan was home to 26 venture capital firms, compared to 23 in 2013 and 19 in 2010. The total number of venture capital firms active in the state, both based in-state and out-of-state funds that have offices here, grew to 37 in 2014 from 33 in 2013 and 25 in 2010, according to the MVCA's annual research report.

Recent investments by Grand Angels include:

- **Tetra Discovery Partners LLC**, a Kalamazoo company developing a new drug to treat Alzheimer's disease. Grand Angels Venture Fund II led a \$1 million round that was backed by Invest Michigan, the Biosciences Research & Commercialization Center in Kalamazoo, Muskegon Angels and J&J Investments. Tetra will use the investment to accelerate drug development as it prepares for clinical trials in fall 2015.
- **Gemphire Therapeutics Inc.**, an early-stage startup drug company based in Northville that closed at the end of July on a \$2.8 million convertible bridge investment. Grand Angels invested in the company with existing angel investors and local funds.
- **HistoSonics Inc.**, an Ann Arbor company that makes ultrasonic medical devices to treat enlarged prostates and cancer tumors. The company closed on a \$3 million bridge round to expand testing for its technology, which can replace surgical procedures.

Among the early investments for Grand Angels was drug developer **ProNAI Therapeutics Inc.**, which in July completed an initial public offering that netted \$158.4 million from investors. The company was formerly based in Kalamazoo and Plymouth and has since moved its headquarters to Vancouver, Canada.

The formation of the Grand Angels Venture Fund II stems from the success of a prior pooled investment fund that often invested in companies supported by individual members of Grand Angels.

In creating a subsequent traditional venture capital fund with Grand Angels Venture Fund II, investors want to diversify their investment holdings and risk.

"It's difficult as an angel investor to invest in enough deals that diversifies your risk," D'Amato said. "If you invest in one company, you might win big or lose it all. It really makes more sense to diversify with 15 to 20 companies, and it's pretty difficult to do that as an individual."

Statewide, a record 51 startup companies collectively received \$204 million in venture capital investments in 2014, according to the MVCA. Locally, a dozen West Michigan companies received more than \$29 million in venture capital funding last year.

Through midyear in 2015, venture capital investors have put \$133.4 million into 30 deals in Michigan, compared to 25 deals for \$151.9 million in the first six months of 2015, according to the quarterly MoneyTree report from the National Venture Capital Association and PricewaterhouseCoopers.