

SPARK Capital Criteria and Application Process

Purpose

SPARK Capital is designed to help Michigan-based, high-growth technology companies, at the pre-seed and seed stages, to raise funding rounds in order to grow and get to the next level, by investing \$100k-\$200k as an initial investment alongside private co-investors. SPARK Capital reserves additional funds for subsequent investment rounds, which are often led by venture capital funds. Given our limited funding capacity and our mission to help diversify and grow the Michigan economy, which includes creating quality jobs, we are only able to invest in the highest growth-potential businesses.

Investment Criteria

To be eligible for SPARK Capital funding, companies must meet the following minimum criteria:

- **Michigan-Based Companies** – The company's principal place of business and the majority of its employees are based in the State of Michigan.
- **Technology Companies** – SPARK Capital only invests in companies that produce technology goods and services, which generally require extensive research and development prior to sales.
- **Private Co-Investors** – We will only co-invest in companies that receive commitments from private co-investors including angels, angel groups, and venture funds, but not including other public or quasi-public funds.
- **Problem-Solution Fit** – Company can demonstrate that it is solving a significant unmet market problem/need with a compelling value proposition, that has been rooted in a systematic customer discovery process.
- **High-Growth & Scalable** – The potential to scale to 8-figure revenue and achieve high gross margins.
- **Large Market Opportunity** – Eligible companies will be selling into a large addressable market of at least \$1 billion, with well understood TAM, SAM, and SOM, which should be demonstrated through a bottom-up analysis.
- **Differentiated Product/Service** – Must have a differentiated, novel product/service that has a competitive advantage in the market.
- **Defensibility/Intellectual Property** – If possible, the company has filed or is in the process of filing for patent protection. In lieu of patent protection, the company can demonstrate defensibility with barriers to entry.
- **Defined Business Model** – Clearly defined revenue streams and competitive pricing that has or is being developed/tested with potential customers.
- **Go-To-Market Plan** – Company can demonstrate a path to market including an initial target market and well-defined sales and marketing plan reflecting a deep understanding of the customer and buying process.
- **Qualified Team** – Company is led by an experienced, multi-person team, that is or will become full-time in conjunction with the round, and that demonstrates compatibility and complimentary skills needed for success.
- **Traction & Milestones** – Company has or nearly has a finished minimum viable product which can be demonstrated and has a clear milestone-based plan tied to growth.
- **Financials** – Provide a 5-year financial model that shows rapid but realistic revenue growth, with expenses that are aligned with the industry and stage of business and reflects subsequent funding

requirements, and with the first year of the model being the current year. Cash investment in the company to-date from the founder(s) improves consideration.

- **Use of Funds** – Demonstrates appropriate use of funds for the stage of development of the business.
- **Investment Instrument** – Negotiable including convertible debt, preferred equity, or SAFE.

Application Process

Initial Review

For an initial review, SPARK Capital requires the following materials:

- Executive Summary or ideally a business plan if available
- Investor Pitch Deck/Slides
- Financial Model

Initial Screening Meeting

In cases where companies appear to meet the eligibility criteria, we will schedule an initial screening call/meeting to learn more and determine fit.

Market Validation

In many cases, we will ask for a market reference contact(s) to help us understand and validate the market for the product or service when needed.

Due Diligence

After initial screening, we will identify the best candidates for due diligence of all aspects of the business. At this point, we will ask for a link to the company's data room (if available) and/or provide our due diligence checklist. This process can take several weeks to several months.

Investment Review Board Approval

For companies that meet the due diligence criteria for investment, a proposal will be submitted to the SPARK Capital IRB, which makes the investment decision.

Terms & Investment

For those companies that are approved, the SPARK Capital team will work with you to determine mutually agreeable terms of investment and work to close on the investment in a timely manner.