



1H 2020 INDIANA

VENTURE REPORT



OVERVIEW

The Elevate Ventures 1H 2020 Indiana Venture Report is a midyear assessment of venture investment activities in Indiana. The report starts with a summary of Indiana's economic opportunities and business climate. National venture capital (VC) trends are examined, followed by a venture capital activity analysis of the Great Lakes and Midwest states: Illinois, Indiana, Kentucky, Michigan, Minnesota, Ohio, and Wisconsin. Finally, venture capital activity in Indiana is compared across different sectors, firms, stages, and regions.

New to the report this year is a national and regional analysis on the impact of the COVID-19 pandemic on venture investing activity, based on survey data collected by PitchBook, Collision from Home, Industry Ventures, Sandalphon Capital and Elevate Ventures. Data collected reflects venture investing trends such as the number of first-time investments being made, overall investment pacing, changes to valuations, and how portfolio companies are being supported and impacted, among other areas.

PitchBook Data Inc., a database of private capital markets including venture capital, private equity (PE) and mergers & acquisitions (M&A) transactions, was the primary source of investment information used in this report. This database was used in conjunction with Elevate Ventures' proprietary deal information and data collected from Elevate Ventures' key partners. Data from the U.S. Census Bureau, the Bureau of Economic Analysis, Tax Foundation, Crunchbase Inc., the Missouri Economic Research and Information Center are also incorporated.

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RESEARCH AND CONTENT

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Special thanks to the partners who collaborated with us and contributed to the development of this report. Thank you also to the fund managers who provided data.



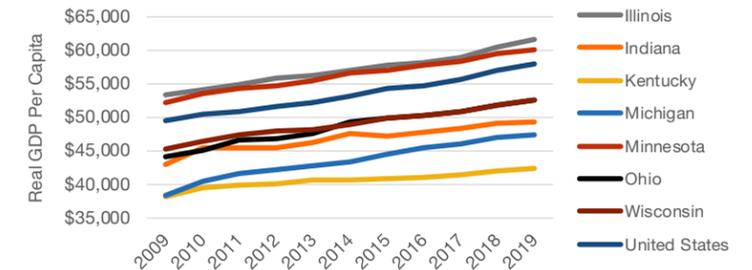
TECHPOINT

INDIANA'S GROWING ECONOMY

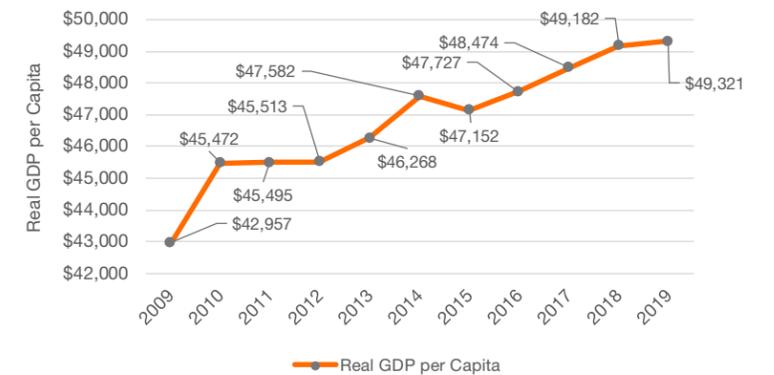
Indiana's real Gross Domestic Product (GDP) per capita has experienced growth over the last 10 years. A combination of factors, including steep drops in unemployment and growth in the private sector, had helped Indiana and the rest of the region sustain growth over the last decade after recovering from the 2008 recession. Small business growth has played an essential role in this recovery as they tend to account for a significant portion of new jobs and can respond more quickly to economic changes.

COVID-19's impact on output, though not entirely understood yet, is likely to pedal this progress significantly back. Some suggest output could drop to 2009 levels as unemployment spikes. The monthly unemployment rate in 2019 was a healthy 3.3% but saw record highs of 17.5% and 12.3% in April and May 2020. Rates began to fall into June at a preliminary 11.2% as Indiana's five-phase reopening plan took effect, and many non-essential workers were able to return to work.

REAL GDP PER CAPITA (CHAINED 2012 DOLLARS) BY STATE



REAL GDP PER CAPITA (CHAINED 2012 DOLLARS) INDIANA



Source: Bureau of Economic Analysis, U.S. Census Bureau

INDIANA'S VALUE FOR BUSINESS

Indiana continues to offer one of the lowest average costs of living in the country and has jumped from 11th to 7th lowest out of the 50 states and lowest

among Great Lakes and Midwest states. The table below illustrates general cost-saving opportunities Indiana has to offer,

with all indices below the national average. Housing, in particular, is an impressive 25% below the national average.

2020 Q1 COST OF LIVING INDICES – INDIANA

STATE	RANK	INDEX	GROCERY	HOUSING	UTILITIES	TRANSPORTATION	HEALTH	MISC.
Indiana	7th	89.5	91.9	75.2	95.8	98.3	93.0	95.3

Note: An Index of 100.0 represents the national average of a particular category. Source: Missouri Economic Research and Information Center

Indiana also has a favorable state corporate tax environment compared to other U.S. states, particularly other Great Lakes and Midwest states. According to a recent report published by the Tax Foundation, Indiana has one of the top 10 best business tax climates in the United States and is ranked #1 in the region.

According to the same report, many of the top 10 states do not impose one of the major taxes. While Indiana does levy all major taxes (corporate income tax, individual income tax, sales tax, property tax, and unemployment tax), it does so with a low rate across the board. Indiana was also the only state in the country to make midyear adjustments to taxes. In July 2020, the corporate income tax in Indiana fell to 5.5% from 5.25%. Currently, the Indiana corporate tax rate is set to decrease every 12 months through 2021, according to the Indiana Department of Revenue (DOR). This change bumped Indiana from 18th to 11th on the corporate tax component of the Tax Foundation's Index.

Indiana also has rich history of supporting and stimulating entrepreneurship and innovation, ranging from public policy development, capital formation strategies,

university and corporate-driven innovation initiatives, and entrepreneurial development programs and organizations supported through public and private sources. Collectively, decades of intentional efforts have built a strong foundation for the venture community development activities in Indiana which focus on a particular set of startups and scaleups: innovation-driven high-growth enterprises backed by venture capital firms.

According to series of reports published by the Kauffman Foundation on indicators of entrepreneurship, Indiana moved from 43th to 34th in states ranking between 2017 and 2019. Most notably, out of the four indicators, Indiana scored 90.3% in the percentage of entrepreneurs driven by opportunity (as opposed to necessity), compared to 86.9% nationally, 87.4% in California, 78.6% in Massachusetts, and 89.3% in New York.

Source: Kauffman Indicators of Entrepreneurship: Early Stage Entrepreneurship in the United States, National and State Report.

NATIONAL VENTURE CAPITAL TRENDS

The U.S. venture capital activity has seen strong growth over the last decade, culminating in 2019 being a record year nationwide. California, Massachusetts, and New York have consistently generated or attracted a majority of the capital invested and are on track to lead again in 2020.

Nearly \$70B in venture capital was invested in 4,000+ companies in 1H 2020. Though this indicates that the U.S. could match or surpass its 2019 year-end record, lagging effects of COVID-19 still present some capital market

uncertainties. Initial data also suggests divergence of COVID-19's impact on deal counts and deal value at different stages. Seed-stage deals experienced a decrease in deal count, while later stage deals continue to drive growth in overall deal counts and in deal value. As observed by Hyde Park Venture Partners, there appears to be a VC flight to quality. Proven companies with strong track records received investor attention while others experienced fundraising challenges.

2020 STATE BUSINESS TAX CLIMATE INDEX



Note: A rank of 1 is best, 50 is worst.

Sources: Tax Foundation, Indiana Department of Revenue

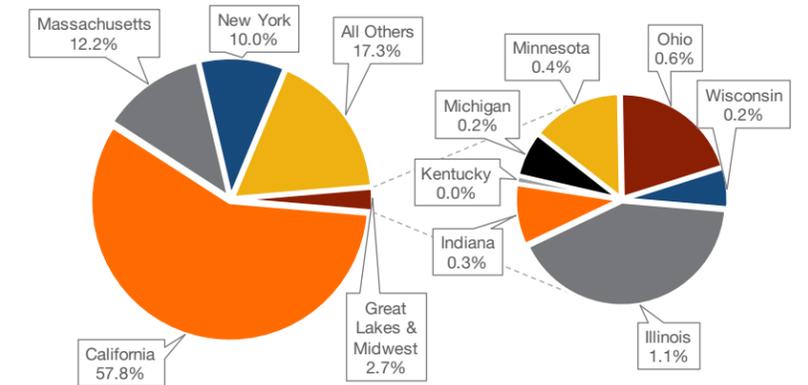
California, New York, and Massachusetts led the first 6 months of the year with nearly 80% of all dollars while Indiana accounted for just 0.26% of dollars invested.

Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

Note: "Venture capital deals" only include Seed Round, Early Stage and Later Stage VC deals, based on the deal type reported by PitchBook Data, Inc.

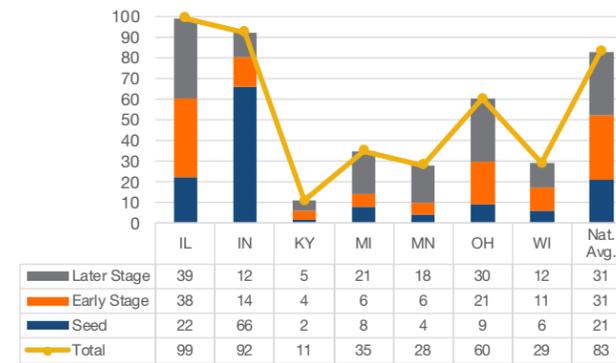
Sources: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

VENTURE CAPITAL INVESTED IN 1H 2020 - U.S.



REGIONAL VENTURE CAPITAL COMMUNITY

VC DEAL COUNT BY STATE - 1H 2020



1H 2020 reported 92 deals, a 74% increase over the same period last year.

Indiana's deal count through 1H 2020 was strong with 92 deals reported, a 74% increase over 1H 2019. This is the 2nd highest in the Great Lakes and Midwest region, behind only Illinois. Despite strong deal count, venture capital dollars invested in Indiana lagged behind others both in median deal size and dollars invested.

VC DOLLARS INVESTED BY STATE - 1H 2020



Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

COVID-19 IMPACT ON VENTURE INVESTING ACTIVITY

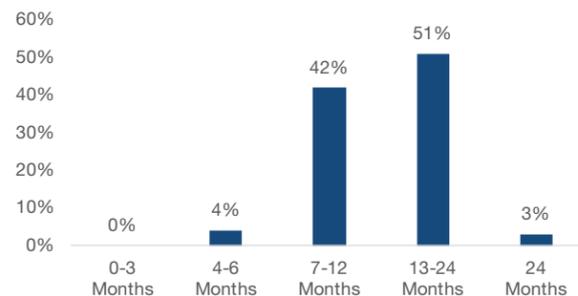
The COVID-19 pandemic undoubtedly disrupted day-to-day operations for businesses across the nation and venture investing was no exception. Based on anecdotal data as well as VC survey results, venture funds and their activities, both nationally and regionally, have shown consistent trends:

- Over half of the VCs experienced slower pace of deploying capital in Q2 2020, compared to Q2 2019.
- Nearly half of the VC investors surveyed plan to retain at least 25% of capital to support their portfolio companies through the overall economic slowdown.

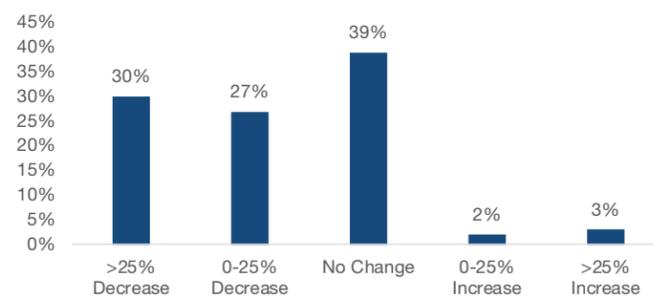
- Nearly 70% of the 110 respondents to a national survey noted that the inability or difficulty to meet face-to-face with entrepreneurs did not prevent their firm from making new investments.
- Over half of the VCs made new investments in Q2 2020. That said, new investment activities could have been deals already in their pipeline before COVID-19. It's unclear how many new investments in Q2 2020 were originated in the same quarter.
- Well over the majority of VCs shifted focus to their current portfolio.

- While VC investors still prefer up rounds, most of them anticipate more flat and down rounds.
- Top investment criteria shifted from founder pedigree and hyper-growth to capital efficient business models, path to profitability and growth during the current market conditions.
- Nearly all venture funds are seeing headcount reductions in their portfolio.
- Majority of the VC investors saw at least 50% of their portfolio companies tapping into governance assistance programs.

AVERAGE PORTFOLIO COMPANY RUNWAY, NATIONALLY



2ND QUARTER INVESTMENT PACE CHANGE RELATIVE TO Q2 2019, NATIONALLY

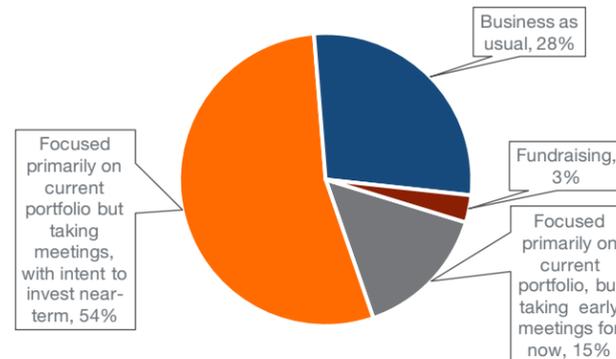


For the VC investors active in Indiana, a similar trend carries. The top three deal factors were team, capital efficient operating plan, and traction. Portfolio needs in response to COVID-19 were particularly prevalent in the following areas:

- Cash runway extension
- Negative impact on new customer acquisition
- Negative impact on customer retention
- Team well-being

The majority of the VC investors active in Indiana saw deal flow on par with 2019 and are expecting similar deal volume and dollar invested for the remainder of 2020, at valuations comparable to 2019.

MIDWEST INVESTOR STATUS



Sources: PitchBook and Collision from Home, Industry Ventures Sandalphon Capital

VENTURE CAPITAL INVESTMENTS IN INDIANA

Looking back at the last 10 years, Indiana has seen a lot of venture capital growth. Deal count has been consistently trending up, pointing to the increasing number of companies getting started and receiving investments in the state in general.

While startup activities are a key lead indicator, a community's share of venture capital dollars is primarily driven by larger deals typically raised by later stage companies. That's consistent with the venture capital dollar distribution nationally, and also explains why 2019 was a blockbuster year for venture investment in Indiana.

1H 2020 witnessed strong venture capital momentum in Indiana and already surpassed mid-year activities compared to many of the pre-2019 years. If such

momentum holds for the remainder of 2020, Indiana has a reasonable chance of being on par or even exceeding 2019's record-breaking venture capital investment activities.

The hope is as the pipeline of Indiana startups recovers into 2021 and grows into more venture-backable scaleups, more

later stage deals will feed the aggregate growth in total venture capital investment due to larger deal sizes.

Moreover, the effects of the COVID-19 crisis could present new opportunities for entrepreneurs to address new pain points and continue building the startup pipeline here in the Hoosier state.

INDIANA HISTORICAL VC DOLLARS & DEALS



Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

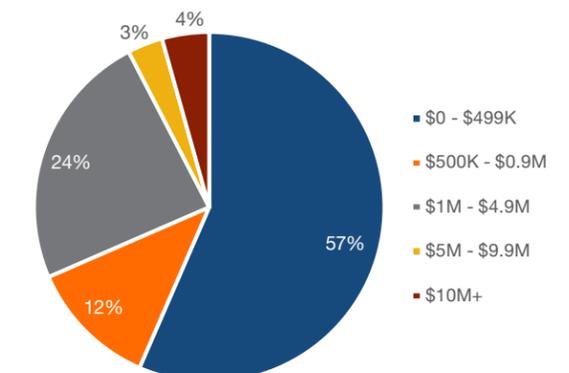
DISTRIBUTION OF DEALS BY DEAL VALUE



Compared to 2019, the breakdown of 1H 2020 Indiana VC deals shows similar trends. Deals valued under \$500K continue to represent the majority of all deal activity (nearly 60% in 2020) and deals between \$1M-\$4.9M (nearly 25% in 2020) still represent the second highest distribution of deals. Deals valued over \$5M accounted for over two-thirds of VC dollars invested, but only 7% based on the deal count.

Strong pre-seed deal count (<\$500K rounds) was largely driven by the number of investments made through the Elevate Nexus Pitch Competition. Seed through later stage deal counts (\$500K-\$10M+ rounds) remain on par with 1H 2019 activities.

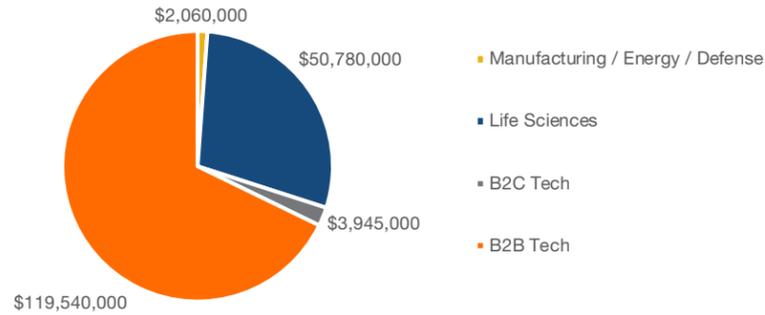
INDIANA VC DEALS BY DEAL SIZE



DISTRIBUTION OF DOLLARS INVESTED BY SECTOR

B2B tech remains strong in Indiana, pulling in nearly 70% (~\$120M) of all venture capital dollars in 1H 2020. B2B tech's upward trend relative to other industries in venture capital is being driven by globalization, automation, and the utility of artificial intelligence, all of which are providing opportunities in B2B tech for entrepreneurs and investors. Compared to other sectors, B2B tech is also attracting more venture capital due to more investor preference, lower capital requirements, and shorter timeline to reaching customers/profitability.

INDIANA VC DOLLARS INVESTED BY SECTOR



Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

DISTRIBUTION OF DEALS BY REGION

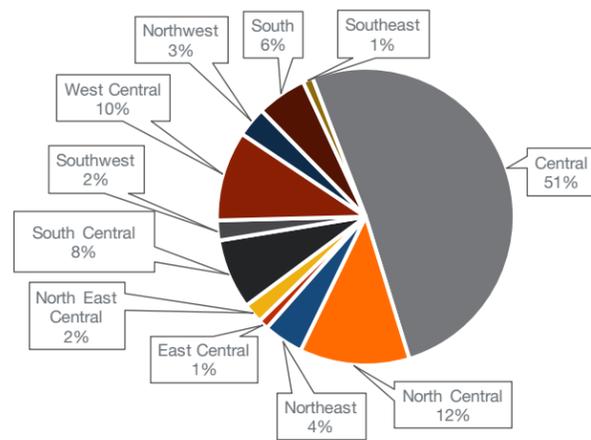
B2B tech pulled in nearly 70% of VC dollars; 51% of deals were in central Indiana

The central Indiana region continues to make up the majority of venture activities within the state overall. More than half of all 1H 2020 venture deals occurred in central Indiana and almost 60% of dollars invested were within the same region. The presence of the state's largest metro within the central Indiana region gives Indianapolis and surrounding counties an advantage based on size and the vast

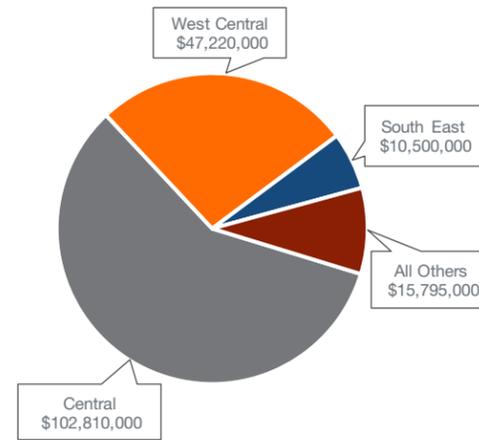
talent pool that resides there compared to other regions across the state. Having a history of previous startup exits and serial entrepreneurs in the region also make this community a prime destination for venture activity within the state. A 2020 Global Genome study on over 300 global communities ranked Indianapolis 38th amongst top 100 Emerging Ecosystems.

Source: The Global Startup Ecosystem Report GSER 2020.

DEAL COUNT DISTRIBUTION BY REGION



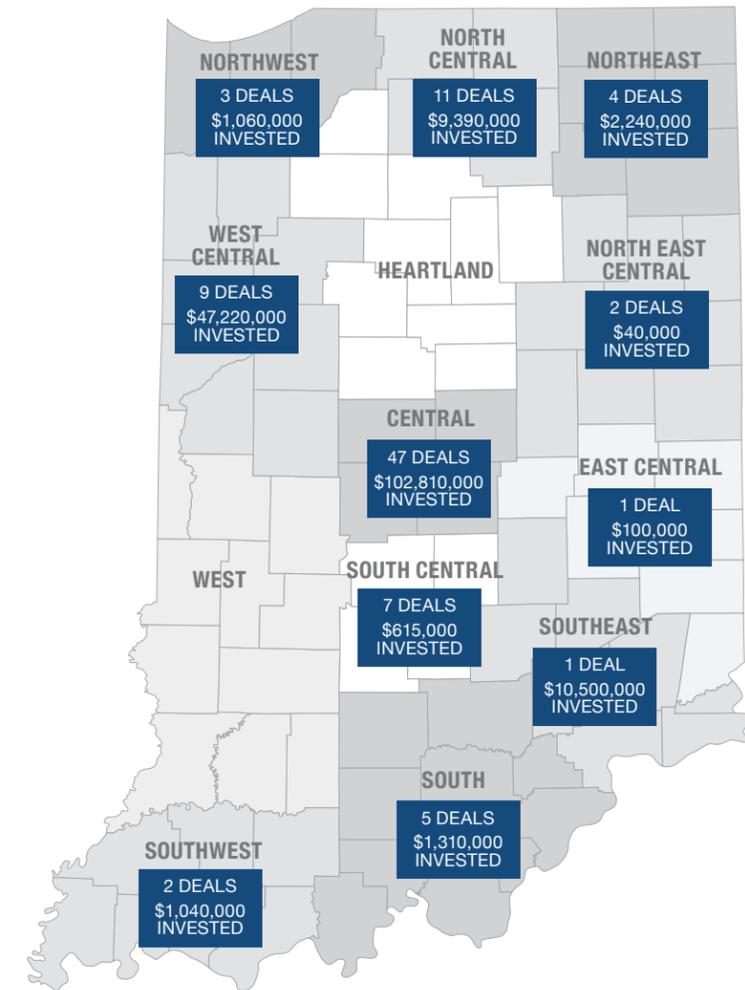
DOLLAR INVESTED BY REGION



Note: The pie chart on the left is a breakdown of the number of deals by region while the second chart compares dollars invested. Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana

The map to the right shows the geographic distribution of venture capital deals in Indiana based on deal count and dollars invested. The pockets of activity noted in north central, northeast, west central, and south central are likely due to entrepreneurial activity and support provided within large local universities present within those regions, as well as ongoing venture development efforts.

Source: PitchBook Data Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint



NOTABLE INDIANA VENTURE CAPITAL DEALS

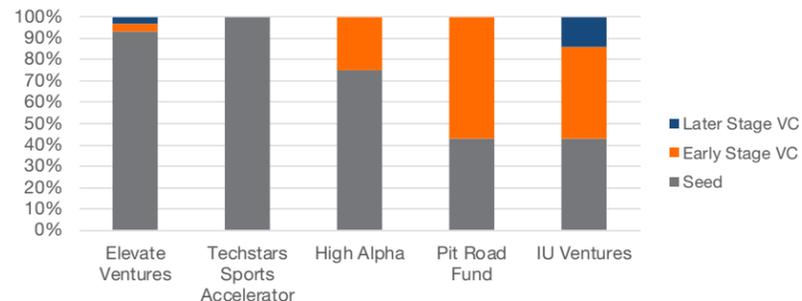
TOP 10 INDIANA VENTURE CAPITAL DEALS (1H 2020)		
COMPANY	SECTOR	DEAL SIZE
Inari Agriculture*	B2B Tech	\$45M
Lessonly	B2B Tech	\$22M
Brickell Biotech	Life Sciences	\$20M
Innovative Health Solutions	Life Sciences	\$10M
Encamp**	B2B tech	\$10M
Orthos	Life Sciences	\$7M
Vibonomics	B2B Tech	\$6M
Gate Neurosciences	Life Sciences	\$4M
Conversight.ai	B2B Tech	\$4M
Sharpen Technologies	B2B Tech	\$4M

* Founded in Cambridge, Massachusetts, Inari has majority of its current operations in Indiana. | **Total of multiple rounds.

MOST ACTIVE FIRMS BY DEAL STAGE

The chart to the right presents the distribution of investments for the top five most active venture capital firms based on the number of deals in Indiana made in the first half of 2020. Elevate Ventures and Techstars Sports Accelerator were most active in seed stage deals, while High Alpha and Pit Road Fund backed a number of both seed and early stage VC deals. IU Ventures notably had greater activity in later stage VC deals compared to the other four firms.

TOP 5 VC FIRMS BY NUMBER OF 1H 2020 DEALS IN INDIANA



Source: PitchBook Data, Inc., Elevate Ventures Proprietary Data, BioCrossroads, Gener8tor, TechPoint and fund managers active in Indiana.

ACTIVE VENTURE CAPITAL FIRM LISTING

NAME	TOTAL ASSETS UNDER MANAGEMENT	# OF MANAGING PARTNERS/MANAGING DIRECTORS	# OF OTHER INVESTMENT PROFESSIONALS	INVESTMENT STAGE
1517 Fund	\$52M	2	4	Seed
Allegion Ventures	\$50M	1	0	Seed, Early Stage VC
Allos Ventures	\$116M	3	5	Seed, Early Stage VC
BioCrossroads	\$24M	1	5	Seed, Early Stage VC
Black Hatch Fund	\$100K	2	0	Seed
BlueSky Capital	\$20M	1	1	Seed, Early Stage VC
Boomerang Ventures	\$10M	2	3	Early Stage VC
Charmides Capital	\$5M	3	1	Early Stage VC
Elevate Ventures	\$125M	3	10	Seed, Early Stage VC
Graham Allen Partners	\$400M	6	4	Later Stage VC
Heartland Ventures	\$20M	2	6	Seed, Early Stage VC
HG Ventures	\$65M	2	5	Seed, Early Stage VC, Later Stage VC
High Alpha	\$135M	4	7	Early Stage VC
Hyde Park Venture Partners	\$190M	4	7	Early Stage VC
IU Ventures	\$21M	1	5	Seed, Early Stage VC
Lilly Ventures	\$350M	3	3	Seed, Early Stage VC
M25	\$33M	2	3	Seed
Pit Road Fund	\$23M	3	4	Seed, Early Stage VC
Purdue Ventures	\$30M	2	2	Seed, Early Stage VC
Techstars Sports Accelerator	\$6M	1	2	Seed, Early Stage VC
Velis Ventures	\$2M	2	2	Seed
VisionTech Partners	\$18M	3	1	Seed, Early Stage VC, Later Stage VC

1H 2020 VENTURE HIGHLIGHTS – FUNDS NEW OR ACTIVE IN INDIANA

ACRE VENTURE PARTNERS

Acre Venture Partners invests in companies creating systemic change in the food system to address the growing problems of human and environmental health. Acre makes venture-stage investments in highly disruptive platform businesses across the food value chain, with a particular focus on the agriculture, food tech, and consumer verticals. Taken together, these investments have the ability to form the foundation of an integrated new approach to food system evolution – one in which positive outcomes for human and environmental health are prioritized.

Founded in 2016 and based in Santa Monica, California, Acre is led by an experienced team with over 70 years of deep domain operating experience in the food space and over 40 years of venture capital investing and management experience. Acre is currently investing its second fund, which represents a continuation of strategy and mission from its first vehicle.



ELEVATE VENTURES SAM FUND

Governor Eric J. Holcomb announced in June that the Indiana Economic Development Corporation, in partnership with Elevate Ventures, would launch a \$3M fund focused on smart and advanced manufacturing in Indiana.

Managed by Elevate Ventures, the Smart and Advanced Manufacturing Focus Fund (SAM Fund) seeks to invest in high-potential manufacturers or manufacturing entrepreneurs with new ideas and disruptive innovations.

Smart manufacturing includes any technologies that improve safety, quality, productivity, or reduces cost, including technologies such as 3D printing, data analytics, and augmented reality/virtual reality. Advanced manufacturing uses cutting-edge technology and processes to gain a large competitive advantage in the market.

As a sector-specific fund, SAM co-invests with individual or institutional investors, and in the case of corporate spin-offs, the sponsoring corporate entity.

M25 GROUP

M25 is a Chicago-based Midwest-focused venture capital firm run by partners Victor Gutwein and Mike Asem, with an office in Indianapolis run by Katie Birge. Since the firm's inception in 2015, M25 has invested in over ninety early stage tech startups in over 24 cities across 11 states in the Midwest, including 11 Indiana-based companies. M25's objective, analytical model and collaborative, forward-thinking approach has created a large portfolio spanning several industries across the entire region and allowed them to establish M25 as a key node in the Midwest startup ecosystem.



“Mike and I are both from Indiana and are no strangers to the thriving tech ecosystem. This state is one of our most active markets, and we were thrilled to open our Indiana office with Katie Birge in January.”

-Victor Gutwein, Managing Partner of M25

OBSERVATIONS

The impact of the COVID-19 pandemic has notably impacted venture ecosystems both nationally and regionally based on recent surveys conducted earlier this year. Startups are faced with tough decisions, while navigating losses in revenue, potential supply-chain disruptions, and an overall economic downturn among other challenges. Venture investors shifted much of their time and often capital supporting their portfolio companies, in addition to greater investment focus on capital efficiency, business model and go-to-market viability, and path to profitability.

Despite the impact of the COVID-19 pandemic, Indiana has shown strong momentum at the start of 2020. The state has seen deal count grow by 74% compared to 1H 2019, while early and later stage venture deal activities were comparable to 1H 2019. If such momentum holds for the remainder of 2020, Indiana has a reasonable chance of being on par or even exceeding 2019's record-breaking venture capital investment activities.

It's not surprising that Indiana's startup activities have been trending up. Almost

all the deal count growth occurred at the pre-seed stage (<\$500K rounds), in part spurred by Elevate Ventures' statewide initiative focused on university-affiliated startups. Compared to other states in the Midwest and Great Lakes regions, however, Indiana still lags in median deal sizes and overall dollars invested. Venture capital follows quality companies and for our emerging ecosystem to develop and mature, it is imperative that we increase the number of scaleups at a higher velocity.

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Elevate Ventures is a private venture development organization that nurtures and develops emerging and existing high-potential businesses into high-performing, Indiana-based companies. Elevate Ventures accomplishes this by providing access to capital, rigorous business analysis and robust advisory services that connect companies with the right mix of resources businesses need to succeed long term. To learn more about Elevate Ventures, visit elevateventures.com.

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