



SEASON 3 EPISODE #10

MICHELE COLUCCI
DIGITALDX VENTURES

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What is up, everybody? It's Gui Costin, founder, CEO of Dakota. Welcome to the latest edition of the Rainmaker Podcast. And boy, do we have a treat in store for you today. I'm joined by Michele Colucci. Welcome.

Michele Colucci: Thank you so much.

Gui Costin: Digital DX Ventures. She is the founder and managing director. So thrilled to have you on board.

Michele Colucci: Thank you so much for inviting me.

Gui Costin: You got it. OK. Michele is a venture, capital thought leader, lawyer, investor, serial entrepreneur, and philanthropist. She's authored five patents in the technology space and founded companies in the legal, technology, retail, and entertainment space. As a Silicon Valley venture capitalist, Michele is committed to impacting the health field by applying AI to health care. Her investments focus on personalized medicine diagnostics, enabling doctors to identify illness earlier, more accurately, and less invasively. She has board of directors' experience with public and private firms, including Global Indemnity Group, Optina Diagnostics, Aeena Dx,

GLX Analytix, Biotia, and Delphi Diagnostics. She has been frequent guest lecturer at Stanford University School of Engineering. In 2019, Michele was named West Coast Ambassador by the Nobel Laureate Foundation. She earned her BA and JD from Georgetown University and an MFA from the AFI. Michele, welcome.

Michele Colucci: Thank you so much.

Gui Costin: Even though I might have butchered some of those names of those companies a little bit. So, tell us, obviously, we're living in this amazing world of AI and AI in health care. Can you just tell us a little bit about the mission for Digital DX?

Michele Colucci: Yes. So, if-- I mean, you have to be under a rock if you haven't seen what's going on with AI, and data, and how it is changing every vertical out there. I think it was Accenture did a study. They thought in the next five to 10 years, the two areas that were undergoing the biggest change and growth were going to be AI and health care. And the area that I was going to have the biggest impact on is health care, and that is because there are so many methodologies that you use with AI and data that are applicable and can overlay beautifully on your body. Your body is a big data problem. We have billions of telomeres, exosomes, cells, et cetera. And so, to be able to take artificial intelligence, and data, and be able to see by digitizing signals, by amplifying signals, by cross purposing data sets, we're able to see what's going on in our body before symptoms. So, diagnostics, "dia" means symptom based. Gnosis is knowing what we are doing is technology based knowing, tech-gnosis. That's our focus of our fund.

Gui Costin: I love it. And so, what is the investment approach, and how are you going out and sourcing investment ideas? And then let's talk about the investment opportunity, as well as what you're looking for today.

Michele Colucci: The investment approach is really to identify earlier, least-invasive, more accurate, and faster diagnostics. There's no reason why people should take months or years to figure out what's wrong with them. The journey is horrible. Somebody comes, I have dizziness, my blood pressure is going up. And you spend so much time in the doctor's office and in tests to try and figure out what is causing that, or basically how to treat the symptom, not necessarily what the cause is. What we're focused on is being able to use AI and technology to identify what's happening and why. Fast, very fast.

Over the counter. We have a company that has first FDA approved over-the-counter syphilis test. 10 minutes, it'll tell you, quick blood prick, you do or don't have it. There's medication. We can use for that. So being able to really take technology and use it either for aggregating data, for parsing data, for processing, for sequencing, all these different ways to be able to see what we physically can't see inside our body, especially in places like neurology and neurological conditions, where it's in the brain. You can't image just easily your brain. So being able to identify either imaging through the eye, the fundus, or being able to take a blood test and see what's going on neurologically, that's all the future of medicine.

Gui Costin: Yeah, that's amazing. And tell us about your team that you've put together at Digital DX?

Michele Colucci: Yeah. So, we're very excited. We have a great team. I was actually pulled into this business by my former partner, who's retired since then, Ted Driscoll, who was the most successful investor in this area. And it was through him, by me sending him companies, he finally looked at me one day, he was an investor in my company and said, what are you doing running companies?

Great company, I love it, I invest in it, but I'd rather you be looking, and supporting, and investing in other companies, like a lot of them. And so, I'll back you if you want to start. And so, I started with him, and that was very exciting. And then we brought on my partner Eric Weiss, who was the head of Emergency Medicine at Stanford for Concierge Medicine, doctor in Silicon Valley. We brought on David Kirk, who was the chief scientist architect at NVIDIA, built all the technology underlying generative AI. So, we really-- when we say we do AI, we don't just do AI, we really understand it. And we understand the health care system as well. We put together such a team. And Aaron, who was at JP Morgan, is phenomenal individual when it comes to the fundraising, and understanding financing, and so forth. So, we have people for each area. We also have a very unique setup. We have two groups that we've created. One, it's called an entrepreneur in residence group, expert and entrepreneur residence. That's former chief scientist at Marriott, former chief medical officer of Siemens.

All the different, incredibly wonderful men and women, who have the best expertise that money can't even buy in technology, in regulatory, in reimbursement, go to market, in the science, in the really in depth lab stuff, whatever you need, and the growth, and then the exit to be able to holistically look at each one of these companies and not only help us with the diligence and parsing, just

which one do we want to look at, which one are we excited about, but also help our existing portfolios get through those milestones. And the second piece-- and we get deals from them also, a lot of deals we incubate. Some actually now we just started incubating. And the second piece is a fellowship I started in 2018, 2019, I guess it was. I was looking for two interns. It was unpaid, and I got over hundreds of the most amazing resumes.

From all over the world, MD, MBA, PhD students, just at the top of their game. And I thought, what's wrong with this picture? None of them should be working for free. They're all-- I would love to be able to pay them. I didn't have the money when I started the fund. But I thought, why can't they get a job in this industry?

And it's all because it's a very insular industry of who you know. And these were primarily a lot of women, and foreign born, and minorities that didn't have a connection into the venture capital ecosystem. So, I started a fellowship back in 2019 because I had done that-- I'd been guest lecturer and mentor at Stanford, the engineering school for global marketing entrepreneurship, for seven years. And so, I knew how to do a program. So, I started a program, and we've now graduated about 220 fellows all over the world that are now working in venture. They're working in corporate. They're working in consulting in all these areas send us deals now. And so, we get-- I don't know. We have about 100 deals a month that come to us, half from the fellowship alone. Because they're sourcing these labs all over the world, and then half from our own team, and our own relationships, where we have deep relationships all over the place, medical schools, and Silicon Valley, and overseas, all over. So, we have a very robust pipeline. Put it that way.

Gui Costin: What are the characteristics of the companies that you invest in? So, if we're looking at it, I mean, is it people just working in a lab that's true, no revenue?

Michele Colucci: Yeah. So, it's interesting because it's a morphed a little bit. But primarily, we want to see a test that tells you something insightful in a big disease that has enough of a sample size that we think it can scale. Because 90% of the papers, and journals, and so forth, they can't be replicated.

There's 4, or 5, or 10. We want to see the sample size that's 300, or 250, or it's 1,000, whatever the appropriate number is to validate that test. That's what we want to see. And we want to see the expansion of that done under the same terms and conditions. If it's not-- because anything you do brings in risk along the way. So, the key is to try and de-risk the strategy as much as you can in early stage

investing, which is actually a decent amount. So, you start with that, do they have something? Is it enough people to be a statistically significant sample that will scale? And is this a really big disease? And do we believe this team can execute? And are they coachable? It's very important piece.

Gui Costin: Right. And do you always invest in the early stage exclusively?

Michele Colucci: So, the definition of early stage has changed a lot. With the markets struggling, companies that were too late for us have come to us now, and they're appropriate for us. We like to be under \$20 million if we can pre-money. Because we have a smaller fund, relative. We're not billions of dollars. And so, our money has to enjoy a decent multiple and not be too diluted along the way. So, we've kind of put-- we've modeled this out, and our sweet spot is to be in a company, own 10% of it, exit ideally, and over the lifetime, maybe you're putting in \$7 million, something like that. But you're starting with 100, 250. You're on the board, you're active. You're really helping to de-risk the milestones that the company has, and then you're putting and leading sometimes next round. And we do lead. And then you're bringing other investors in. LabCorp's come in three times with us. Other great strategic investors, as well as funds. Excuse me. So really trying to, at every stage, from the science to the team, to the marketing, to the scaling, to the investors, trying to de-risk the opportunity that we have deemed to be exciting.

Gui Costin: And it seems like you have this amazing team that then-- so you had a lot of value post-investment. Can you talk to us a little bit about that?

Michele Colucci: In fact, that's why people-- a lot of people come to us. And when we talk about who are we competing with deals, actually, we're not competing that much because of the deep bench we have. Very few funds that active. Very few funds lead. And so, we found that that's a very interesting and exciting piece for founders when they come to us. Because they see, wow, you have the person who wrote the regulations for AI enabled for CMS. Wow, you have this person. It's helpful. It's hard.

When you're starting a company, and you're a few people, and you're struggling, and you're trying to do 10 things, and you're trying to manage cash. You're raising money. Raising money takes so much time for a company and a fund. I mean, it's exhausting. And it completely takes time away from the things you need to do, which is

why actually we use a lot of technology enablement in our fund. We have to be able to bench above our weight. But we have to punch above our weight. Because as a smaller fund, we have to be able to deliver what much larger funds can deliver on a fraction of the cost. And so, it's through a lot of people that are passionate about what we do, not that are just looking for I have to have the salary, and I have to this. No, these people want to see these things come to market. They've had success in their careers. What gives them hope, and excitement, and inspiration is helping these entrepreneurs get to where they need to go. So, it's inspiration-driven, which also helps on the economics at the end of the day. Because you're not spending a lot of money for consultants and expensive team members. We're an extension of that team.

Gui Costin: So, unpack that a little bit, if you don't mind. Because we know the deal costs at private equity are extremely expensive. And so, you're saying your team of experts can really-- I mean, be those consultants, that unpaid consultants, if you will.

Michele Colucci: So that's really what we've had to do. So, I came into this. I have a background. I have some technology background. I'm a lawyer. So legal background deals. I have a good network. I am not a scientist. I'm not a biologist chemist. I don't code. And the idea with this area is it's a very complex area. And people-- the reason people have-- few people are successful in this is because you need to have a very thorough understanding of technology, biology, chemistry, science, medicine, all of these areas and more, scaling, businesses, et cetera at a level to be able to unpack what this company is going to have potential. And so, what I did, honestly, was I didn't have-- I started the fund. I didn't have resources. You put so much money into a fund as it is. When you start a fund, it's expensive. So, I found kindred spirits, people who are very inspired to make this happen, and see these companies get to market, and have had success financially and otherwise, and really prize the value that we bring to society. Our system of Medicare is not going to survive. It's ridiculous. 2/3 of the spending is in the late stage. People should not die that die. You can change the chance of survival from 20% to 80% if you catch disease in the early stage. And oftentimes, that's pre symptoms, or there are no symptoms, or doctors get it wrong. If we can make it more accurate earlier, faster, and least invasive, so there's more access to people all over the world who don't have the financial resources to have very expensive machinery equipment, then we will have reached our goal, which is to impact collectively \$2 billion lives.

Gui Costin: Wow. That's amazing. And how many investments did you make in fund one?

Michele Colucci: We have 9 in fund 1, and we've got 4 in fund 2.

Gui Costin: Oh, beautiful. So, one question I love to ask, and I know you prepared for this. Walk me through because you have a contagious personality. So very-- so positive. What is your-- how would you characterize your leadership style? Because clearly, you're doing some really high-end things with some super smart people and leading. How have you just brought them all together? So how would you characterize your leadership style?

Michele Colucci: I think it's important for people to engage through passion and conviction. And so, the people I've surrounded myself with have that. And I enable them to be able to do what they do best. Because understanding what your strengths are and what you know, what you don't know is 90% of all of it. So, trying to say, where do we have a hole? Who fits that? And how are we going to create the energy? What does this person bring to the energy of the fund.? What I like about what we've created is we have a very positive energy. We are there to support these companies. We're there to build them up. So, when people come in to meet our EIRs and go through our process, I don't appreciate when people are-- I don't mind them being negative in the sense of this doesn't work because I don't like the negative energy.

I like the positive energy. Look, this has potential here. Or you know what, this really doesn't have potential. Here's why. That's OK. But keeping the emotion out of it and being contributing what gifts you were given, and what you spent your career honing, and being able to learn from each other, that's the energy we've created.

Also, we've done something very different in our fund. When you're a venture partner, you take a piece of everything in the fund. You don't just eat what you kill. Because it puts you in a position, where partners compete against each other, number one, which some people will say, good. I would say it's not good. Because oftentimes, they make deals. You support my deal, I support yours, but it might not be the best deal. So having everybody's skin in the game with every company that we all decide we want to invest in, which we do together, is I think, a better way to build the mousetrap, in my opinion, because we are all championing. When that company needs support, it gets it from everybody.

Gui Costin: So, a very team-based approach.

Michele Colucci: Yes.

Gui Costin: Yeah. And so, Jeff Bezos, which we follow at Dakota, he calls it, there are no no's at Amazon. So, we coined that no no's at Dakota, get to yes. Because we all know why something can't work, right?

Michele Colucci: That's it.

Gui Costin: Right.

Michele Colucci: That's it.

Gui Costin: The collective energy focused on-- I know what the idea was there. Just that might not work, but maybe we could do it this way. So, let's get to a yes.

Michele Colucci: Yes.

Gui Costin: Such a more positive energy way to behave.

Michele Colucci: Yes. And its problem solving. They say that the two degrees that have a lot of revenue attached to them when people graduate are engineering and philosophy. And I studied philosophy and English when I was in school. And it's because there are different ways to look at a problem. And to be able to look at a problem from multiple angles, not just from where I sit, and that's part of what you're doing here with selling. Things are not really sold as much as they're bought. So, thinking about it from the standpoint of, how can I make the person I'm talking to successful, what do they care about that I can offer? How can I make them successful? I think is a very important piece of how we approach this. If I'm a fund, and I'm \$100 billion fund, and I can't write checks more than \$250 million at a time, that's not for me. It's OK. No matter what I do to dance around, to try and say, you should invest in us, they're not going to. Because they can't write a check size that's small enough, and they can't be over a certain percentage of our fund.

Gui Costin: Do you know what we call that?

Michele Colucci: What's that?

Gui Costin: We call that we grow apples, and we sell them to apple buyers. We don't try to convince orange buyers to buy apples.

Michele Colucci: Correct. Exactly.

Gui Costin: That's one of the key things--Very important in sales.

Michele Colucci: Yeah, that's exactly right.

Gui Costin: You got to call people that know your customer.

Michele Colucci: Yeah. Yeah. And I love the reference to Jeff Bezos. I think what he's built is brilliant. And I really also a couple of things that he has instituted, such as when you go into a meeting, you get the first 10 minutes to review the documents before your talk. I love that. Because we are so busy. All of us are so busy. And so, what we do with our year group is we send them in advance, and we have them-- links to everything in the chat. So, when they first arrive, they can be referring to them. They can be-- as we're listening to the presentation, they can be looking at their notes. They can provide ideas and thoughts in advance, as well as at the time of the meeting. And we get the feedback at the time of the meeting at the end of each presentation. Because people forget. If things go well, company was that now, because we see so many. The ER, 6 to 8. Our team sees hundreds. So sometimes, it's hard to keep track of it all. And you have to recognize, these are busy people. They're on boards. They're doing other things.

So, they also need to help. And that's one of the growth strategies I've been working around a lot. Because we started small. And now, we're trying to grow. And so, one of those growing pains is how do I and how do we, as a fund, make the process more efficient and effective? And my ER have come to me and said, hey, we have suggestions about that. So, I've incorporated those suggestions because it's their problem as well as mine. So, it's been a great process of really understanding how to grow with our size.

Gui Costin: That's beautiful. So, as we close out, I have two final questions for you.

Michele Colucci: OK.

Gui Costin: OK. What would you tell a young person getting into the venture business today? What advice would you give them?

Michele Colucci: Well, one of them I touched on briefly, which is find something that you care about, and make it your own. So, when I look for my team, what I look for in my team to do is connect our vision with their experience and let them tell their own stories. Don't take my stories. Create your own. Because you're here for a reason. And so, I think young people should really look at what speaks to them, in terms of strategies, in terms of verticals. Because inspired work, I did a blog on this many years ago on the Huffington Post blog when I had that, is what carries you through those really tough times, AK fun too, right, it carries you through those times when it's hard to raise money, it's hard to get your strategy out there. It's hard to be able to get visibility in a world, where large funds have so much money to spend on PR and do all that. We don't. So, it's important that whoever is speaking on our behalf have a reason why they're there. So that's one of the things I would definitely suggest. And the other piece I would say is technology is your friend. We have part of our strategy. We have a 72 data point algorithm, where we identify outliers and companies, and we market map everything out there. We have everything by vertical specific, by disease state, what are the new startups, what's the standard care, what's this, and what are the main things, the data points that we care about in the company to identify the level of opportunity and success that they could enjoy. Same thing with the gentech AI. We can use that to create so many of our sales processes. So, understanding how technology can make you better, I just did a post that Eric Schmidt did a talk at PARC. And he was talking about, the future is human intelligence alongside technology and AI intelligence. Because there are some things that humans can do better, some things that AI can do better. And together, 1 on 1 is 3. So really understanding how to use technology to your benefit and also recognizing that you need to approach this out of passion and that will cross the line, right?

Gui Costin: Right. I love it. OK, final question.

Michele Colucci: Yes.

Gui Costin: In today's market environment, what is your number one challenge?

Michele Colucci: Number one challenge would probably be fundraising. Because we have a lot going on, initially. We were looking at the election as a time for capital to shake loose. Because it reduces uncertainty and risk. The first several months since the

election has been anything but that. It's actually increased the risk because there's tariff potential, there's this, there's that. So, people and then the tariffs actually made the public markets outsize. So, the venture capital, allocation goes down. So, uncertainty is really our enemy. So, our biggest challenge is to tell investors and explain to them, make them understand why you can't just go with that flow. You have to invest out of conviction. You have to recognize where the forces are going in the market, the AI in health care. You have to understand what a team brings in terms of level of sophistication, not just how many funds have you done before. Because the reality is a lot of the brand name funds, their returns are not good. But you don't realize that because they have a brand name.

Some are great. But some are not. And every new fund like ours is going to be a big fund. And so, getting in at that level early, whereas you grow, you would try and get an allocation to a big fund. You can't. You can when you start in early. And early-stage managers are far hungrier. So, the numbers show how the level of success is much greater under \$100 million funds. And so, I'd say that the market is a big risk, but being a couple steps ahead of it is really where the returns are going to-- instead of being reactive, you need to be proactive. You need to invest out of conviction instead of out of fear. And that's I think, my biggest takeaway.

Gui Costin: I love it. Well, Michele, this has been such a treat to have you on the podcast. So fascinating.

Michele Colucci: Likewise Thank you.

Gui Costin: And best of luck going forward.

Michele Colucci: I appreciate it. Thank you so much.

Gui Costin: You got it. OK.

Michele Colucci: Yeah.

Gui Costin: So that's a wrap for the latest episode of the Rainmaker Podcast. Thanks so much for joining, and I can't wait to see you on the next episode of the Rainmaker Podcast.

Moderator: You can find this episode and others on [Spotify](#), [Apple](#), or your favorite podcast platform. We are also available on [YouTube](#) if you prefer to watch while you listen. If you would like to check up on past episodes, check out our website, [dakota.com](#). Finally, if you like

what you're hearing and seeing, please be sure to like, follow, and share these episodes. We welcome all your feedback as well. Thank you for investing your time with Dakota.

Gui Costin: Thanks so much for joining Rainmaker Podcast. Hope you enjoyed the show, enjoyed the interview. I know I loved it. And hey, if you wake up in the morning, and you raise money for an investment firm, you do cold outreach, whether you're a sales leader or salesperson, and you don't know about Dakota Marketplace, we would love to show it to you. It's world class. It's used by over 880 investment firms and over 3,600 individual salespeople. To learn more, go to dakota.com, and click on a free trial.