



Membership Newsletter

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Letter from the President

The results are in... and the "Survey Says!"

The results of our second annual member survey are now compiled. (See pages 2 & 3 for graphical results). We have our first comparison to see how the members' view of our association changed from last year to this year. In one word: A Mixed Bag.

Forty-five members completed the survey, amounting to 66% of those solicited. Half of the members said you joined the MVCA for the ability to network through events. The percentage of you that would like more events rose slightly to 36%, and 22% said you would prefer different types of events such as golf outings or banquets. Twenty-nine of the respondents, or 66%, said you would like joint events with other Midwest venture capital organizations.

Two areas stand out where you would like to see the MVCA direct our efforts. Forty-one percent of the members want to

see the Association provide increased interface and support for the entrepreneurial start-up community. And 36% would like the MVCA to be a better information source for Michigan venture capital through our news bureau and media relationships; this measure more than doubled from the previous year.

Certain areas require improvement. It appears that communication needs to improve from the board to the membership. Only 34% of you are very satisfied with the current communication. Also, the percentage of the membership that is interested in serving on a committee dropped from 58% to 45%. Finally, 73% of membership would recommend the MVCA to others, down from 87% last year.

Clearly, the Association is providing value to the membership in a number of ways, most notably by lobbying on behalf of our industry and by providing networking events to bring the industry together. And the survey provides guidance on areas

[President -- Continued on Page 2](#)

Letter from the Incoming President

Dear MVCA Members,

I would like to thank you for the opportunity to serve in the role of MVCA President for the 2006 term. I would like to thank Mitch Mondry for his great leadership over the past few years, and I look forward to working with all of you to make further steps forward. I would like to see MVCA become an organization that is recognized locally, regionally, and nationally as a representative of the Michigan venture capital community.

To accomplish this, I believe we need to work on furthering ties between MVCA and the Michigan entrepreneurial community. Additionally, we need to continue to work together with the State government to expand the level of entrepreneurial activity in our State. It is my belief that such efforts will expand the level of venture capital activity in Michigan and will close the gap between Michigan and geographic locations known today for their level of venture funding activity.

In preparation for 2006 the board of MVCA has developed a

strategic plan with several short-term and long-term goals. These 2006 goals are further detailed below.

Immediate goal: Support the entrepreneurial activities in order to develop more venture-backed companies in Michigan.

- Initiate a program where MVCA members as well as experienced start up management and board members will be accessible to entrepreneurs and start-up companies as mentors. This can be done through an executive and board member directory, business plan competitions and a key initiative for an Entrepreneur in Residence program.
- Encourage initiatives that provide gap funding (\$50,000 - \$200,000) for start-ups. Assist organizations providing such gap funding (e.g. MUCI, MEDC) in selection of recipients of the awards.

Immediate goal: Establish MVCA as a key constituent in the start up community.

[New President -- Continued on Page 2](#)

President -- From Page 1

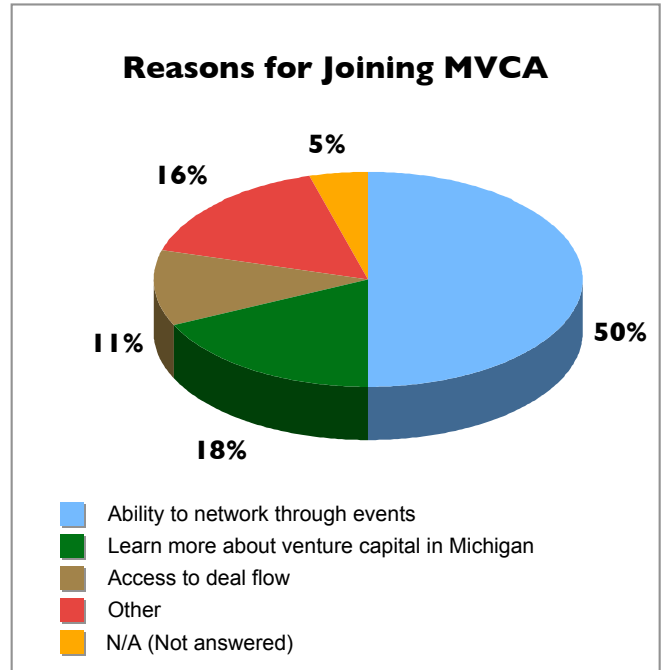
to which you would like more attention devoted.

The Association could not be in a better position in terms of leadership to act on this information. We have an outstanding incoming President in Jan Garfinkle and a fantastic board of directors, which will be joined by four new members this November. Jan and the board have already agreed on short-term and long-term goals, and they are ready to act on them and measure our progress. You will hear about these in this newsletter and at the Annual Event on November 10th. We have an exciting evening planned, and I look forward to seeing you there.

It has been an honor and pleasure to be your President for the past two years. I have truly enjoyed working with all of you to improve the state of our industry and to establish the footings of this Association for the future. I look forward to seeing the Association continue to grow under your leadership.

Sincerely,
Mitch Mondry

Survey Results - Highlights



Survey Results -- Continued on pg. 3

New President -- from Page 1

- MVCA should be viewed by all the relevant stakeholders, including MUCI, entrepreneurs, MEDC, and the Michigan legislature, as a proactive, high value information source with regard to the Michigan start-up community. Programs run by MVCA may include quarterly roundtable discussions between venture capitalists, start-up executives, academics, and legislative representatives.

Long term goal: Advance venture capital investment in Michigan to the point where there are at least three Michigan headquartered funds with assets valued at \$100 million or greater within 5 years.

Encourage institutions to join Michigan venture funds as Limited Partners (LPs) because:

- 1) Michigan funds provide excellent returns. MVCA members should seek to provide the best returns in the industry.
- 2) Michigan funds are known for their success stories. MVCA members should publicize their successful deals locally and nationally to seek better awareness among potential LPs and co-investors.
- 3) The only way to access these returns and success stories is to become an LP in a Michigan fund.

Long term goal: Establish MVCA to be the go-to organization with regard to state-wide venture capital activity, as perceived by both venture capitalists and entrepreneurs.

MVCA should be known as the go-to organization because:

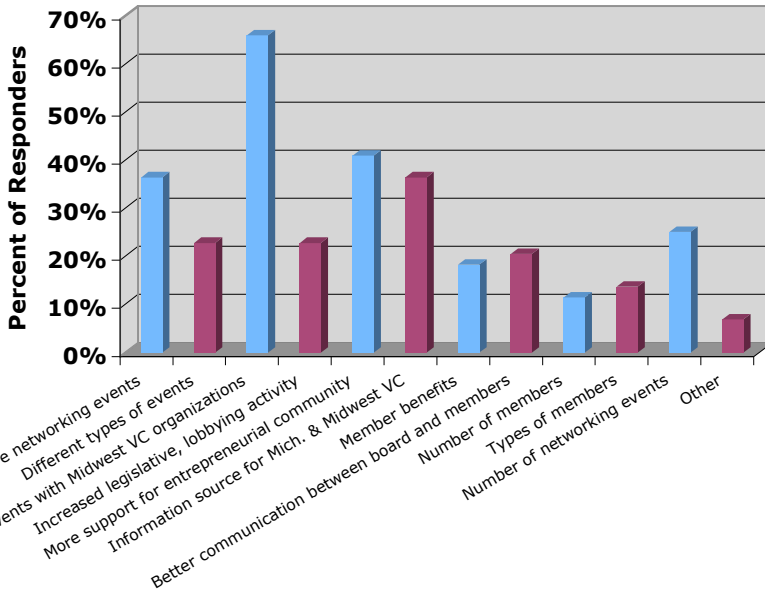
- 1) It has the accurate and timely data with regard to Michigan venture funding activity.
- 2) It is well known by relevant constituencies including the legislature, the press, and the National Venture Capital Association (NVCA).
- 3) Leaders of the Michigan venture capital community serve as committee and board members of the NVCA.
- 4) The leaders of the MVCA member firms are often quoted in local, regional, and national press.
- 5) Every venture capital firm is a member of the MVCA, and MVCA membership is listed in every firm's standard descriptor.

I hope that you are equally excited about MVCA's prospects and that you will join me in our efforts to reach the goals outlined above.

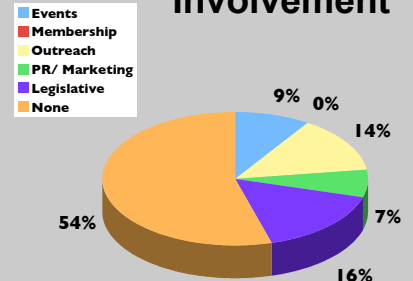
Sincerely,
Jan Garfinkle

Survey Results – from pg. 2

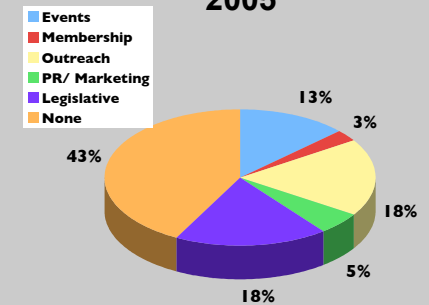
What members would like to see offered/improved by MVCA



Committee Involvement

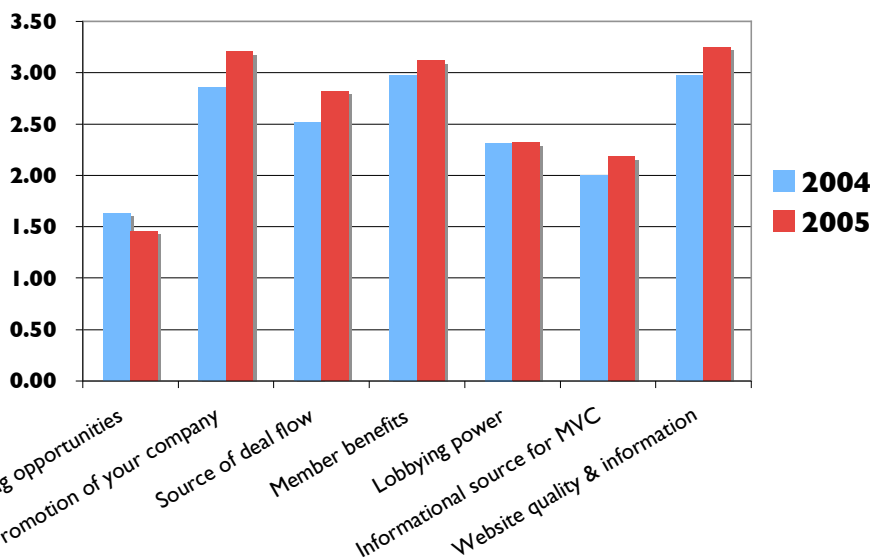


2005

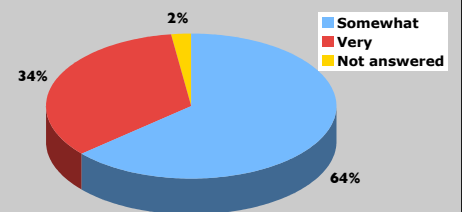


2004

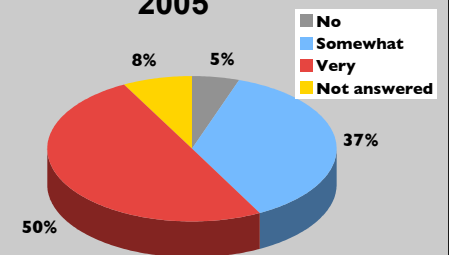
How well MVCA meets members' needs



Communication Effectiveness



2005



2004

Wanted: Entrepreneurial Talent, Mid-Sized Venture Funds

The following Q & A with MVCA Incoming President Jan Garfinkle was published in the October 13-19 issue of the Business Review.

Jan Garfinkle, founder of Ann Arbor-based venture capital firm Arboretum Ventures, will become the new president of the Michigan Venture Capital Association Nov. 1. Garfinkle, a former California medical-devices entrepreneur, formed the company in 2002 with partner Tim Petersen, thanks in part to a \$300,000 state grant. The company's first \$18 million fund specializes in life sciences and has Ann Arbor companies HandyLab Inc. and HealthMedia Inc. among its seven investments. Below are excerpts of an interview with Business Review reporter Brian Hamilton, about the MVCA and the state's \$150 million Venture Michigan Funds, among other topics.

Q. As MVCA president, what would you like to see the organization accomplish?

We want to continue to focus on entrepreneurial activities and doing whatever we can...to continue to support the entrepreneurial community...with management, capital, etc... Venture capital is a food chain...there's early-stage investors, middle-stage investors and late-stage investors and ... they tend to get bigger in dollars as you go up the food chain. A big venture fund, the kind you find on the coast...Michigan has 15 venture funds but they all tend to be very small and early-stage...So our longer term goal is to figure out how we fill that middle level... the \$100 million to \$200 million fund.

Q. What are some of the things you can do to encourage that?

Getting the Venture Michigan Fund fully done and getting some of the capital into these funds will really help...I don't know what all the activities are that would help us get, say, three \$150 million funds. Do we need more legislation? Do we need more (limited partner) activity, getting the University of Michigan and the Fords and the Dows to commit more capital? Getting a couple of bigger venture funds here will be a challenge. Do we grow it organically with some of the funds that are already here? Do we attract some of the coastal funds to come here...Maybe that's a route.

Q. What do you hear about this issue when you go to talk to people on the coasts? How do they perceive Michigan?

When I started Arboretum, I went to some of the biggest well-known life sciences venture funds...The problem on the coast is they're all fighting for the same deals...they would love to be able to find some deals in the Midwest that are not as competitive. But one requirement they have is they like to have a local investor. So they need to have some trust and respect for the local venture groups. Having a local group of investors here who are very well respected will significantly help attract more dollars from the coast...and keep the companies here.

Q. So somebody like you can go to a firm on the coast and say I think there's a potential deal for you, and they will listen?

Absolutely. And they would like to invest...It's a lot of relationship building and it takes time but it will ultimately help Michigan to have these fingers to these other venture funds that are on the coast. I think every venture fund we have right now is trying hard to get Michigan on the map and we're all doing it in our area of expertise.

Q. A lot is made about Michigan's image as a rust-belt state. How does the venture community outside Michigan see the state?

They view us as having a lot of brilliant researchers here...and having a lot of core competency in basic research, but they also see a culture that isn't quite as entrepreneurial and therefore a little bit harder to work with. And I see that too. There are a lot of brilliant people but not a lot of understanding about what it takes to start a company...and they're risk averse...It's going to take a while, but if the venture funds with their core competencies can help these startup companies be successful, ultimately everybody is going to win. But it takes a smart venture capitalist with a smart scientist with a smart CEO all working together to make this happen.

Q. What would you like to see happen with the Venture Michigan Fund in the next year?

To be a success, I think three or four venture funds have to receive funds from the Venture Michigan Fund. I hope they don't put out all the money in one year. What you'd like to have happen is three or four funds a year get funded...because funds are raising money at different times, and you don't want everyone out there in a frenzy trying to do it all at one time.

Q. What would make your first year as president of MVCA a success?

If we could figure out a way to recruit more people back to Michigan...If we could keep more of the students here in some really exciting companies. If we could recruit in some VP- and CEO-level folks for some really great companies, or entrepreneurs in residence or whatever...The Venture Michigan Fund will help us jump start the capital side of it, now we need to jump start the management side a little more.

Q. California is investing \$3 billion in one area, stem cell research. Would that kind of an approach for alternative energy or life sciences or auto technology do more for Michigan than spreading the funds around as the state has done?

Personally, I think so, yes. When Gov. Granholm pushed her \$2 billion bill she asked for feedback and we basically said, 'focus, focus, focus.' Don't try to be everything for everybody...We need to pick one, maybe two, and be totally focused on that area. We were ahead of the game (in life sciences) seven years ago when (former Gov. John) Engler did the Life Sciences Corridor. Now every other state's doing it and we're kind of pulling back. We ought to pick one and stick with it and I think...(perhaps) medical devices as opposed to the broader life sciences, because of the engineering base that we have in Michigan...and ... alternative energy...We've got to take some risk and go for it.