



**Letter from the President**

MVCA Members,

We continue to make progress on the legislative front despite a few delays with our committee hearing. We are working with Michigan's Treasurer, Jay Rising, Senator Mike Bishop and his staff and various representatives of the MEDC to structure the legislation to be the most beneficial to the State's economy and its start-up companies. Tireless effort by Mitch Mondry of the M Group and Jason Burr of Arbor Partners kept this important draft legislation moving. Well done.

Our September networking event in Bloomfield Hills was very well attended. We certainly appreciate our sponsor, Ronnie Iacobelli from UBS Paine Webber, for his support and for arranging to have Jack DiFranco of Stout, Risius & Ross speak to us about the environment for alternative exits strategies.

It's looking like our annual event, scheduled for November 18, will be at the University of Michigan. The plan is to spend some time presenting the current and future activities of the association, while also facilitating discussions amongst our members on topics that are germane to our industry and our state. Please look out for more details in the weeks to follow.

Let me also take a moment to recognize Mahendra Ramsinghani of the MEDC without whom our current legislative initiative would never have gotten off the ground. Thanks Mahendra for all your legwork on the efforts of other states and for pointing us in the right direction.

We are excited about the accomplishments of this young organization and hope you are too. We ask that you please contact us if you would like to get more involved with the association as we enter our second full year. There is so much we can do, so much more with your help.

Sincerely,

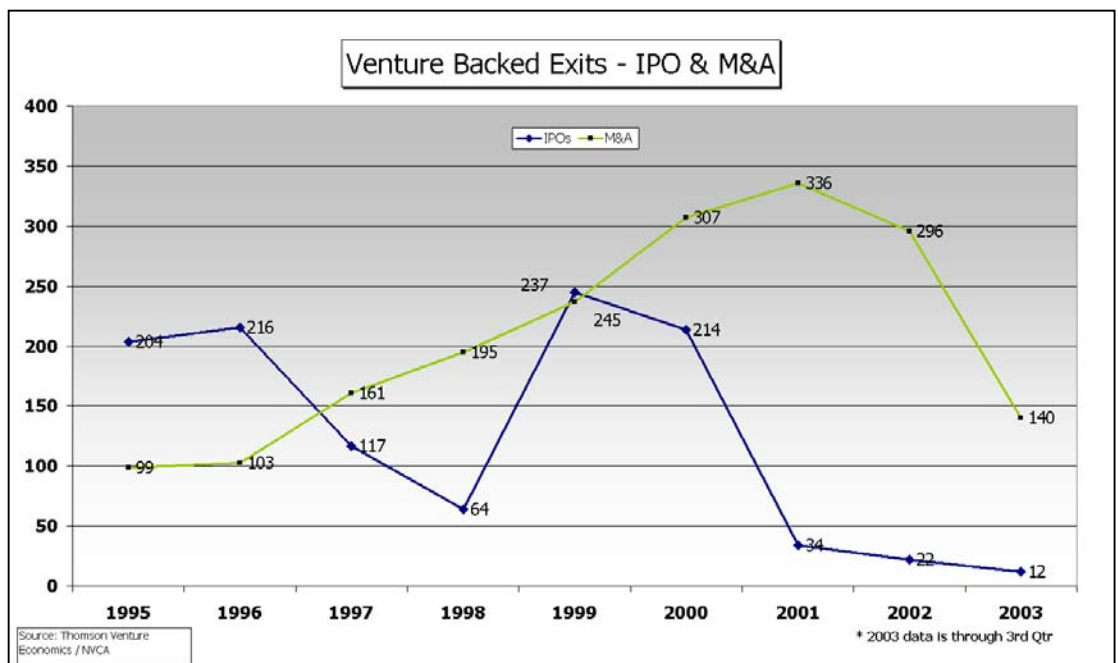
Richard Eidswick

***Did You Know?***

Michigan was ranked #9 in the nation, up two spots from last year, for best policy environment for small business and entrepreneurship - **Small Business Survival Committee (SBSC) Washington DC**

***Chartology***

The exit markets for venture capital may be coming back to life. While 2003 is shaping up to be the worst year for venture-backed IPOs, the 3<sup>rd</sup> Quarter was the ahead of 2001 and 2002. 9 IPO's occurred in the Q3 and there are more in the pipeline foreshadowing improved liquidity opportunities.



## MVCA Committee Updates

### Events Committee Update

The first Annual Meeting for the Michigan Venture Capital Association is being planned as we speak. Please keep your calendars open for Tuesday, November 18<sup>th</sup>. The meeting will be from 3:30pm to 7:00pm at the University of Michigan Business School. Join us as we spend some time discussing the future plans for the MVCA and how we as a group can affect our main objective for next year – to increase the quality and quantity of investment opportunities in Michigan. In addition to a roundtable discussion on deal flow, we will also be featuring a panel discussion on licensing and commercialization with representatives from some of the state's larger corporations. We encourage you to participate as we work together to further refine the objectives of this organization and improve the environment in which we operate. Your input in these issues is greatly appreciated. Details on the event including the agenda and specific location will be sent to all members in the coming weeks.

### Legislative Committee Update

The Legislative Committee continues to actively meet with all of the parties involved in the creation of the authorizing legislation for the Michigan Early Investment Act of 2003, which would provide for the Michigan Early Stage Fund of Funds. The Committee now is confident that the language in the legislation is acceptable to all of the interested parties, such as the Treasury, Senator Bishop's office, the MEDC and the MVCA. The hearing that was originally scheduled for late September had been delayed and is now scheduled for December.

An e-mail was recently sent out to all MVCA members to provide an update and to ask for your assistance in supporting this effort. That assistance continues to be needed, as broad based support within the state legislature is important in the success of these efforts. The following is paraphrased from that e-mail as a description of the request being made.

“We are fortunate to have received strong support from just about everyone we have spoken with, and we have generated significant positive media attention. We have a core of legislators and others who have expressed an understanding of the need and support for the solution we have been crafting. Now we need to broaden the list of those who will urge the legislature and the Governor's Administration to pass this into law... We need to build strong support in the Senate now, followed soon thereafter by the House..... We ask that you assist the MVCA by asking the people on this list (list of influential legislators was attached) and any other legislators with whom you have influence to

support this Act. A phone call, a letter or both from you can make the difference in a successful effort to create a law that will benefit the business community and the citizens of Michigan far into the future.”

If you have any questions about the process, or if you would like an example of a letter that you could send to your legislator, please contact Mitch Mondry or Jason Burr.

### Membership Committee Updates

It's hard to believe the Michigan Venture Capital Association is now moving into its second year. Much has already been accomplished in terms of developing a single voice for the industry in Michigan, in promoting the concepts and benefits of venture capital to the broader community, and improving the communication and collaboration within the industry in the state. It is now of paramount importance that we build upon this early momentum. To do this, we need the continued support and involvement of all who became inaugural members of the MVCA. The Membership Committee recently sent out renewal notices to all existing members. Some of you have already responded back positively. Please keep an eye open for an electronic letter from the Committee. There will be no increase in dues this year. Please send you renewal in before the Annual Meeting.

### Board of Directors

|                                 |   |
|---------------------------------|---|
| Richard P. Eidswick, President  | Arbor Partners  |
| David Brophy                    | U of M Business School<br><b>Chair: Education</b>     |
| Raj Kothari                     | Seneca Capital Partners                               |
| Birgit Klohs                    | The Right Place Program<br><b>Chair: Economic Dev</b> |
| Mark McCammon                   | Strength Capital Partners                             |
| John McIlwraith                 | Blue Chip Venture Co.                                 |
| Mitch Mondry                    | The M Group<br><b>Chair: Legislative</b>              |
| Peter Pintar                    | DTE Energy  |
| Jim Plonka                      | Dow Chemical Corp                                     |
| Skip Simms                      | Ralph Wilson Equity Fund<br><b>Chair: Membership</b>  |
| Jeff Sloan                      | Sloan Ventures<br><b>Chair: Marketing and PR</b>      |
| Sam Valenti                     | Valenti Capital                                       |
| Marc Weiser                     | Waypoint Ventures                                     |
| <b>Officers</b>                 |   |
| Mike Bernard, Secretary         | Dykema Gossett  |
| Scott Stangeland, Gov't Affairs | Dykema Gossett<br><b>Chair: Events</b>                |
| Jason Burr, Treasurer           | Arbor Partners  |
|                                 |   |

## Member News & Notes

### CLARITY CLOSES MAJOR VENTURE FINANCING

Clarity Technologies Inc. (Troy) announced an \$11.3 million venture financing, led by Motorola Ventures, the venture capital arm of the Schaumburg, IL telecom company. Other investors include Plantronics Inc. of Santa Cruz, Calif.; Reservoir Venture Partners in Columbus, Ohio; ISherpa Capital of Denver; Morris Ventures of Kansas City; Sloan Ventures of Birmingham; Duchossois Technology Partners of Chicago; AFA Fund Advisors, Dyson Kisner Moran and Alpha Investment Management, all of New York City. Also involved in the funding were a number of individuals including New York investment heavyweight Henry Kaufman and former Masco President turned investor Frank Hennessey, who will become Clarity's new board chairman. Donnelly Penman & Partners of Grosse Pointe were financial advisors to Clarity on the transaction. Clarity, which has developed software that cancels out background noise in a variety of voice communications devices, has now received total investments of more than \$25 million, and expects to announce a dozen major contracts for its technology between now and the end of the year. More information is available at [www.claritytechinc.com](http://www.claritytechinc.com).

### QUATRx PHARMACEUTICALS COMPLETES PRIVATE EQUITY FINANCING

QuatRx Pharmaceuticals (Ann Arbor) announced the completion of a \$28.0 million oversubscribed Series C round of funding, led by MPM Capital with additional investments by InterWest Partners, Frazier Healthcare Venture and TL Ventures. In conjunction with the funding, two partners from MPM Capital were added to the Board of Directors. QuatRx is developing novel compounds beginning in the late pre-clinical stage, through the completion of phase II clinical studies. Their areas of focus are on endocrine, metabolic and cardiovascular diseases.

### NOVODYNAMICS RECEIVES FUNDING

NovoDynamics (Ann Arbor) announced a development and investment agreement with InQTel, a venture organization funded by the Central Intelligence Agency, which is the first institutional investment the company has received. This is the first investment in the state by InQTel, and no Michigan venture firms were involved. NovoDynamics proprietary pattern recognition and data mining technology allows for the conversion of large hardcopy document collections into electronic form and the searching of those documents to discover what's important with greater speed and accuracy.

NovoDynamics was founded in March 2001 through the merger of two companies: Ann Arbor-based Non-Linear Dynamics, which had been around in 1997, and a Mountain View, Calif. company called Catalytica Novotech. It has 28 employees, and besides document management, sells its software to the pharmaceutical and chemical industries. More at [www.in-qtel.org](http://www.in-qtel.org) or [www.novodynamics.com](http://www.novodynamics.com).

### SENSICORE CLOSES NEW ROUND OF FINANCING

Sensicore (Ann Arbor) announced a new \$10 million round of equity financing. The new round was led by NGEN Partners of Santa Barbara and included investment from Topspin Partners (NY), Firelake (CA), Ardesta (MI, previously the sole Sensicore investor) and a large corporate partner. Sensicore's innovative micro-sensor research has successfully developed a lab-on-chip

multi-sensor device for a wide variety of water and wastewater applications from potable water, wastewater and environmental monitoring to industrial process control. The core technology focuses on a disposable silicon based chip the size of a small button that incorporates chemical selective sensors and physical measurement devices to chemically profile a sample as small as a drop. Sensors can be used with a simple handheld device for one-off in-field on laboratory analysis or can be placed on-line for continuous monitoring. Sensicore's first products will be in the marketplace next year.

### HEALTHMEDIA GETS FUNDING, NEW STAFF, NEW MARKETS

HealthMedia, Inc (Ann Arbor) received \$3.0 million in new venture capital from a consortium led by Louisville, Ky.-based Chrysalis Ventures. HealthMedia uses University of Michigan health research to develop online and offline customized health programs for employers, insurers and other groups. The company says it's using that money to add 10 staffers in health content development, graphic design, client services, project management, marketing and technical specialties. The company also says it will enter a new health care market in the coming months.

### EDF VENTURES ANNOUNCES PERSONNEL CHANGES

EDF Ventures (Ann Arbor) announced some changes in its personnel. Tom Porter, one of EDF's founding partners announced his desire to transition to emeritus status beginning in early 2004, though will remain as a member of their Health Care Advisory Board and on the Boards of IntraLase Corp and Selective Genetics, Inc. EDF Ventures also announced the addition of Mike DeVries as a Venture Partner and Bill Wood as an Entrepreneur in Residence. Mike began as an Entrepreneur in Residence with EDF after roles as CEO at a venture backed biomedical device company and as Director of Ventures at Medtronic. Mike holds an MBA from Grand Valley State University and a BA from Calvin College. Bill Wood brings 30 years of experience in a variety of business roles as he will work with EDF's Information Technology group to guide start-up companies through their early development so they are able to achieve key milestones and attract top-flight long-term executives. Bill holds an MBA and BS from the University of Michigan.

### VELCURA GETS SBIR AGING GRANT

Velcura Therapeutics Inc. (Ann Arbor) earned a \$224,000 Phase 1 Small Business Innovation Research grant from the National Institute on Aging, part of the National Institutes of Health. The grant enables Velcura to extend and refine its studies into the molecular processes underlying human bone formation, Velcura CEO Michael W. Long said. The research will be done in collaboration with Proteomic Research Services of Ann Arbor, a company spun out of Genomic Solutions.

### ASTERAND, WAYNE STATE GET BIG LIFE SCIENCE GRANT

Asterand (Detroit) was awarded a \$2.3 million grant by the Michigan Life Sciences Corridor in partnership with Wayne State University to build a Detroit-based human tissue research bank. Under the grant, a university research team led by Dr. Richard Everson will use genomics technology to speed the discovery of new treatments and diagnostics for cancers and other major

human diseases. This will include genotyping of blood, mouthwash and tissue samples. All the data generated by the research will be marketed by Asterand, a company that operates a global tissue research bank on the campus of Wayne State. More information is available at [www.asterand.com](http://www.asterand.com).

### GREAT LAKES ENTREPRENEURS' QUEST CONTINUES

Again this fall, the Great Lakes Entrepreneurs' Quest business plan competition seeks to encourage and educate entrepreneurs on the creation, start up and early growth stages of high-growth businesses within the state of Michigan. This is done by linking entrepreneurs pursuing high-growth opportunities to a statewide network of community resources, expert advice, high quality education, management talent and capital at every stage of development. The Quest's business plan competition will provide a venue for feedback from successful entrepreneurs and investors on plans submitted and will recognize the most promising entrepreneurs and their businesses. Deadline for entries is November 15<sup>th</sup>, though events and meetings are already underway. More information is available at [www.gleq.org](http://www.gleq.org)

### DIGITAL DRIVE CONFERENCE 2003

The Digital Drive Conference 2003, co-sponsored by Digital Detroit and the Detroit Regional Chamber, was held on October 8<sup>th</sup> & 9<sup>th</sup> at the Ford Conference Center in Dearborn. Over 450 people registered and attended the 2-day conference, which included a Business Leaders Gala at the Henry Ford Museum. The Conference had keynote presentations by Jeremy Rifkin, noted author of "The Hydrogen Economy", and Jeff Boyd, CEO of Priceline. Of special note was a "Cool Cities" panel of Governor Jennifer Granholm, Wayne County Executive Robert Ficano, and Detroit Mayor Kwame Kilpatrick. Governor Granholm again showed her support for the venture capital community by making note of the need for the state to work with the industry to bring more venture capital to the state. More information at [www.digitaldetroit.org](http://www.digitaldetroit.org).

### T/J TECHNOLOGIES CEO TESTIFIES ON FEDERAL R&D FOR SMALL COS

Maria Thompson, president and CEO of T/J Technologies Inc., (Ann Arbor) testified recently before the U.S. House of Representatives' Committee on Small Business, to promote the need for Federal Government grant programs for small companies. Her testimony noted that federal statistics show small firms produce more new products per million dollars of research and development funding than do large firms; produce two and a half times as many innovations per employee as do large firms; and accomplish all of this at a cost of about half of that for large firms. She praised federal programs such as those from the National Institutes of Standards and Technology's Advanced Technology Program grants from the federal Small Business Administration. However, she also complained of a "critical market failure" when it comes to providing R&D funding to small tech companies. T/J is working on advanced materials for batteries, fuel cells and capacitors that could radically change how we generate, store and manage electricity.

### CAMELOT VENTURES PORTFOLIO COMPANY SOLD

Camelot Ventures (Livonia) announced the acquisition of Kintana, Inc (CA) by Mercury Interactive Corp. (Nasdaq: MERQ) for \$225 million. Kintana, a Camelot portfolio company

founded in 1995, produces software that manages companies' Information Technologies systems and e-business initiatives.

### AUTOMATION ALLEY HIRES TECH CENTER DIRECTOR

Automation Alley has hired Thomas Anderson as the first director of the Automation Alley Technology Center, the business incubator and accelerator that the tech trade promotion group plans to develop in Troy. Anderson has a Ph.D. in neuroscience from the University of Michigan and an MBA from Michigan State University. His background includes managing research and development efforts at General Motors Corp. He is also an advisor for EDF Ventures. More information is available at [www.automationalley.com](http://www.automationalley.com).

### ARBORTEXT EXPANDS INTO LATIN AMERICA

Arbortext Inc. (Ann Arbor) announced it had a new reseller agreement with EMC International Group, also of Ann Arbor, to provide sales and support for Arbortext in Latin America. EMC is Arbortext's first reseller for this region and has offices in Brazil, Chile, Colombia and Mexico. Arbortext develops publishing software that allows organizations to create, edit, publish and distribute content to all media, from print to Web to CD, from a single source of content. More at [www.arbortext.com](http://www.arbortext.com).

## MVCA Administrative News & Notes

### CALENDAR OF EVENTS

Every quarterly newsletter will include a list of the upcoming events that may be of interest to our members. Due to space considerations, we are not able to include all events in the state. A more comprehensive list of events can be found at [www.theglance.com](http://www.theglance.com). If you are aware of any other events that may be of interest to our members, please forward that information to us at [info@michiganvca.org](mailto:info@michiganvca.org).

| <i>Calendar of Events</i>   |  |                      |
|---|--|----------------------|
| Comprehensive event calendar can be found at <a href="http://www.theglance.com">www.theglance.com</a> |  |                      |
| <b>Event in Bold sponsored by MVCA</b>  |  |                      |
| <u>Date</u>   | <u>Event</u>   | <u>Location</u>      |
| 2-Nov   | Wisconsin Life Sciences & Venture Conf<br><a href="http://www.wisconsinbiotech.org">www.wisconsinbiotech.org</a> | Madison, WI          |
| 12-13 Nov   | iBio Marketplace<br><a href="http://www.ibio.org">www.ibio.org</a>   | Chicago, IL          |
| <b>18-Nov</b>   | <b>MVCA Annual Meeting</b><br><b><a href="http://www.michiganvca.org">www.michiganvca.org</a></b>                | <b>Ann Arbor, MI</b> |
| 25-Nov  | IT Zone 4th Birthday Bash<br><a href="http://www.annarboritzone.org">www.annarboritzone.org</a>                  | Ann Arbor, MI        |
| 2-Dec   | Venture Tuesday<br><a href="http://www.southwestmichiganfirst.com">www.southwestmichiganfirst.com</a>            | Kalamazoo, MI        |
| 2-Dec   | Sprouts<br><a href="http://www.michbio.org">www.michbio.org</a>  | Ann Arbor, MI        |
| 4-Dec   | DRC Small Business Tech & Security Conf<br><a href="http://www.ultralevel.com">www.ultralevel.com</a>            | Detroit, MI          |
| 8-Dec   | Economic Outlook Meeting<br><a href="http://www.econclub.com">www.econclub.com</a>                               | Detroit, MI          |
| 9-Dec   | Great Lakes Entrepreneur Quest Awards<br><a href="http://www.gleq.org">www.gleq.org</a>                          | East Lansing, MI     |
| 15-16 Jan   | 6th Annual FuturTech Conference<br><a href="http://www.futurtech.org">www.futurtech.org</a>                      | Ann Arbor, MI        |