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THE MICHIGAN VENTURE CAPITAL REPORT

2009



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CAPITAL ASSOCIATION

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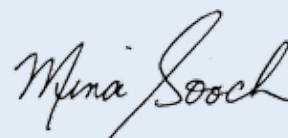
Dear Reader,

The Michigan Venture Capital Association brings to you our third annual Michigan Venture Capital Research Report. The research conducted by the organization is intended to educate and provide vital information regarding venture capital investment activity in Michigan. Venture capital firms either headquartered in the State or with a Michigan presence, were surveyed to provide the data and analysis reported within. This year's report also includes a survey of Michigan's angel investor networks in an effort to create the foundation for future analysis in this area. For several analyses, data were supplemented with statistics from the National Venture Capital Association, PricewaterhouseCoopers MoneyTree, and Dow Jones VentureSource reports. The MVCA uses its best efforts to publish complete and accurate information. If you know of any oversights or inaccuracies, contact: lauer@michiganvca.org.

The MVCA appreciates the support and collaboration necessary to continue this important research effort!



LeAnn Auer
MVCA Executive Director



Mina Sooch
MVCA Chairman

MVCA



Dear Friends:

Michigan's venture capital community is a vital part of our strategy to grow and diversify our economy. Your accomplishments are growing investments across the state and helping to build the emerging companies that offer great promise for all of our citizens.

We are pleased that the 21st Century Jobs Fund has created new channels to build a rich entrepreneurial and investment infrastructure within our state. Your work, along with our public/private collaboration, is helping to transform and diversify our economy. And the research conducted by the Michigan Venture Capital Association is necessary to measure our successes and areas of growth and future need.

We offer our congratulations for the hard work and dedication of the venture capital industry in Michigan this past year.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "J. Granholm".

Jennifer M. Granholm
Governor

A handwritten signature in brown ink, appearing to read "John D. Cherry, Jr.".

John D. Cherry, Jr.
Lt. Governor

A close-up photograph of a hand dropping a gold-colored coin into a white plastic cup filled with dark soil. In the background, a city skyline with tall skyscrapers is visible under a clear sky.

**“Small opportunities
are often the beginning
of great enterprises.”**

—Demosthenes

As Michigan continues to reinvent itself as a technological center for the global economy, it's establishing creative funding support for companies to get the Upper Hand in emerging and expanding markets.

See how we can help you grow your business.
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The Zell Lurie Institute provides business students with a comprehensive entrepreneurial education and serves as a catalyst for new-venture creation by connecting research units across campus with the Ross School network.



Through initiatives such as the annual Michigan Growth Capital Symposium, the Institute provides the platform for the broader financial community to connect with emerging Midwest companies and University researchers.

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Michigan Venture Capital Association

About Us

The MVCA is a trade organization with the mission to grow and sustain a vibrant venture capital community in Michigan. The MVCA continues to focus its efforts to ensure Michigan has the following:

- Abundant and accessible capital
- Abundant and accessible talent
- Many successful venture capital-backed companies based in Michigan
- Many successful Michigan-based venture capital funds that invest both in Michigan and nationally

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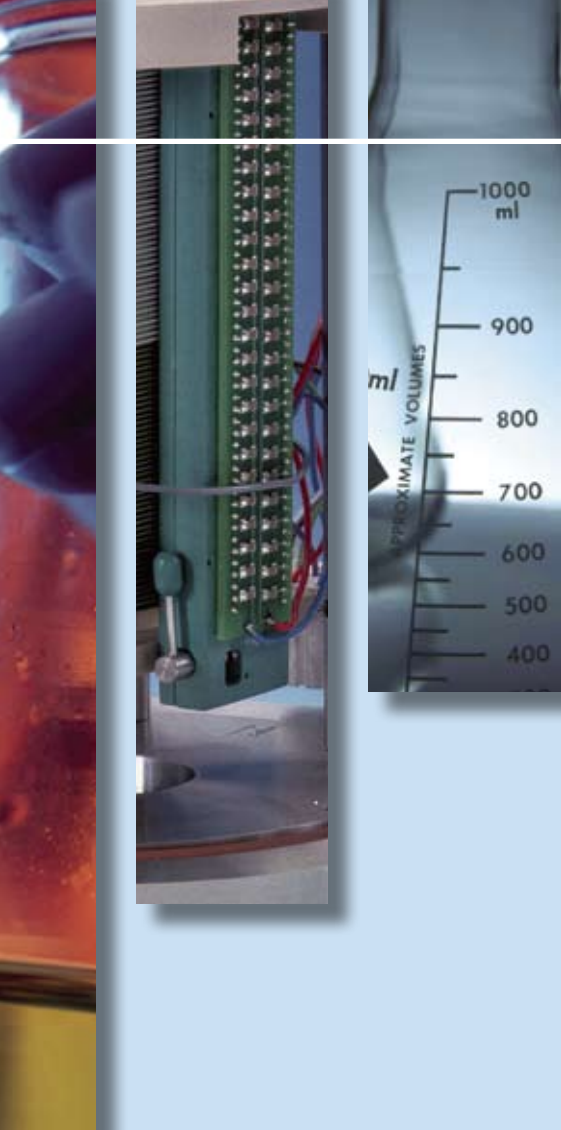
LeAnn Auer

Executive Director
MVCA

Theresa Carroll

Secretary
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The MVCA membership includes private and corporate venture capital firms, angel investors, industry service providers and other entrepreneurial participants.



Executive Summary

Despite the economic woes of 2009, growth in Michigan's venture capital industry remained steady. During 2009, the national venture capital industry experienced a 9% decline from 2008 in the amount of venture capital under management. Michigan-based venture firms, on the other hand, had a 10% increase in the amount of capital under management, now at \$1.1 billion. The amount of capital raised among venture firms nationally declined by 63%. In 2009, four Michigan venture firms completed fund closings totaling \$163 million.

The local venture capital community also continues to experience increased success as several Michigan-based portfolio companies have achieved notable industry exits. Since 2007, seven Michigan-based companies have been acquired by well-established industry names, such as Johnson & Johnson, Becton Dickinson, and General Electric. These successes will drive more success and help to build our venture capital and entrepreneurial communities.


Michigan has grown as an entrepreneurial state as a result of the successes and restructuring events of our recent past, such as the successful exit of Esperion Therapeutics in 2004, and the disappointing closings of the Michigan Pfizer facilities during the latter half of this decade. Many new start-ups have been founded and developed as a result, and the scientific talent present in Michigan will continue to be extremely instrumental in enabling these companies to achieve start-up success. The same transition is beginning to happen in Michigan's mature manufacturing industry. Many new start-ups are being created in the alternative energy and advanced materials and manufacturing industry sectors with the highly-skilled engineering talent base that exists in the state.

During 2009, the growth of high-technology entrepreneurial start-ups in Michigan has continued to largely outpace the growth of the local venture capital industry. The amount of available capital among all Michigan venture firms is approximately \$345 million, while the demand for venture capital from high-technology companies is in excess of \$2 billion. Building a strong continuum of capital in Michigan is critical now more than ever in order to accelerate progress and lay a solid foundation for growth over the next 10 to 20 years.

The MVCA looks forward to improving our environment and remains committed to the cause. The impressive collaboration within our membership makes this work possible!



IIVC



National and Michigan Venture Capital Summary Statistics

National			
	2009	2008	2007
No. of VC Firms in Existence	794	882	741
No. of Investment Professionals	6,828	7,497	8,890
Total Capital Under Management	\$179B	\$197B	\$258B
Avg. Venture Capital Under Management by Firm	\$226M	\$224M	\$347M
Venture Capital Funds Raised	\$15B	\$28B	\$40B
Avg. Venture Capital Fund Size	\$106M	\$144M	\$162M

Source: NVCA

Michigan*			
	2009	2008	2007
No. of VC Firms in Existence	16	15	15
No. of Investment Professionals	44	43	40
Total Capital Under Management	\$1.1B	\$1B	\$900M
Avg. Venture Capital Under Management by Firm	\$76M	\$73M	\$69M
Venture Capital Funds Raised	\$160M	\$173M	\$0
Avg. Venture Capital Fund Size	\$39M	\$38M	\$40M

Source: MVCA

*Data represents venture firms headquartered in Michigan

- Despite national declining trends in the number of venture capital firms, investment professionals, and venture capital raised and managed, Michigan has experienced steady growth in these categories.
- The average venture capital under management among the 16 venture firms headquartered in Michigan is \$76 million, while the average venture capital fund size among the same firms is \$39 million. Both are 1/3 of the national averages.

National and Michigan Venture Capital Venture Capital Investment by State in 2009

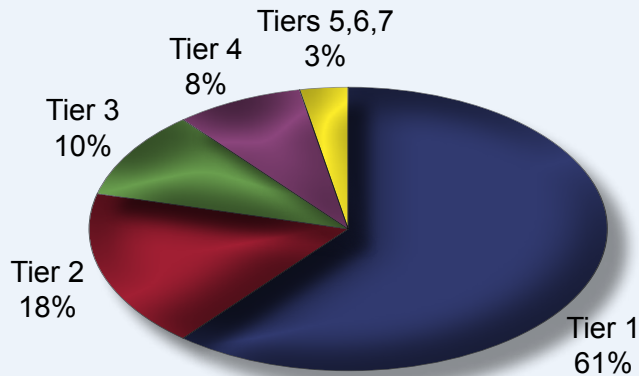
State	Rank	Year Over Year Rank Change	Number of Investments	Amount Invested (\$Million)	Midwest
California	1	0	1,137	\$8,858	
Massachusetts	2	0	303	\$1,985	
New York	3	0	173	\$855	
Texas	4	0	111	\$645	
Washington	5	0	108	\$574	
New Jersey	6	2	74	\$560	
Colorado	7	-1	71	\$529	
Pennsylvania	8	-1	123	\$403	
Georgia	9	5	44	\$302	
Florida	10	7	30	\$295	
Minnesota	13	-4	34	\$255	
Illinois	15	-2	43	\$195	
Indiana	18	4	15	\$151	
Michigan	19	-3	25	\$131	
Ohio	21	-6	50	\$108	
Iowa	23	-1	8	\$84	
Wisconsin	29	-4	11	\$22	
Missouri	30	-6	13	\$19	

Source: NVCA and MVCA

- Total national venture capital investment in 2009 was \$17.9 billion, marking the lowest level of dollar investment since 1997 and a decrease of 37% from 2008. In addition, the number of investments declined by 30%.
- Total venture capital investment in Michigan companies during 2009 was \$131 million and represents 0.74% of the 2009 national total. This is a drop of \$115 million from \$246 million in 2008 and represents 1% of the 37% national drop in venture capital investment, while California accounts for 53%.
- Michigan's national ranking moved from 16 to 19 for total capital invested in companies during 2009.

National and Michigan Venture Capital A Tiered View of 2009 National Rankings

Tiers by Percentage

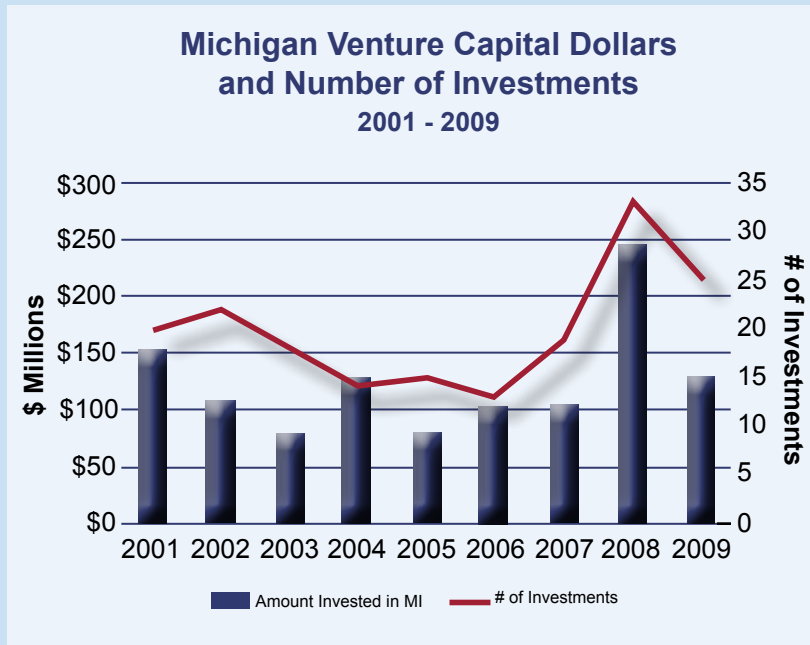


	Tier 1 \$1 Billion +	Tier 2 \$500M-\$1B	Tier 3 \$250M-\$500M	Tier 4 \$100M-\$250M
YoY	-9%	7%	0%	3%
	California Massachusetts	New York Texas Washington New Jersey Colorado	Pennsylvania Georgia Florida North Carolina Maryland Minnesota	Virginia Illinois Utah Connecticut Indiana Michigan Arizona Ohio Oregon

- Due to \$131 million in total venture capital investment, Michigan remains in the fourth tier of state rankings.
- With the decline in venture capital investment, many states moved further down the national ranking tier structure. Michigan held its position in the fourth tier, falling from the top position in 2008 to the sixth in 2009.
- Venture capital investment from the nine states in the fourth tier represents 8% of the national total, an increase of 3% over the previous year.
- Year over year state ranking changes in tiers four through seven are more easily affected by a few million dollar change.

National and Michigan Venture Capital

Michigan Venture Capital Performance



- On average, the total amount of venture capital investment in Michigan from 2001 through 2009 was \$126 million, and the average number of companies funded in this period was 20.
- The 2009 total venture capital investment was \$131 million across 25 investments.

Despite the bad economy, Michigan's 2009 performance in total venture capital investment and number of companies funded did better than this decade's average.



Michigan Venture Capital Summary

Michigan's Venture Capital Firms

Venture Capital Firms Headquartered in Michigan

Arbor Partners
Arboretum Ventures
Apjohn Ventures
Beringea
BioStar Ventures
Bridge Street Capital Partners
EDF Ventures
Hopen Life Sciences
North Coast Technology Investors
Oracle Capital Partners
Plymouth Venture Partners
RPM Ventures
Seneca Partners
SWMF Life Science Fund
TGap Ventures
Wolverine Venture Fund

Out-of-State Venture Capital Firms with Michigan Presence & Interest

Chrysalis Ventures
Early Stage Partners
Fletcher Spaght Ventures
Nth Power
Triathlon Medical Ventures
Venture Investors

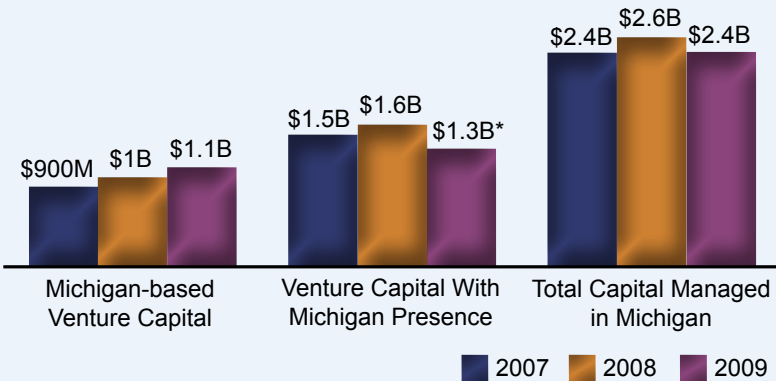
- In 2009, there were a total of 22 venture capital firms operating in Michigan.
- The 22 venture firms have a total of 48 investment professionals located in Michigan.
- There are 16 venture capital firms headquartered in Michigan. Another six firms are headquartered elsewhere, but have a Michigan office.



Michigan Venture Capital Summary

Total Capital

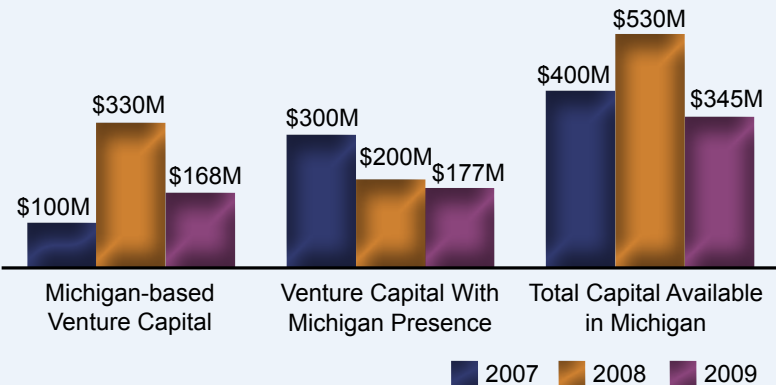
Capital Under Management



*Decrease represents funds no longer in Michigan.

Michigan has a total of over \$2 billion of venture capital under management across all funds operating in the state.

Capital Available for Investment

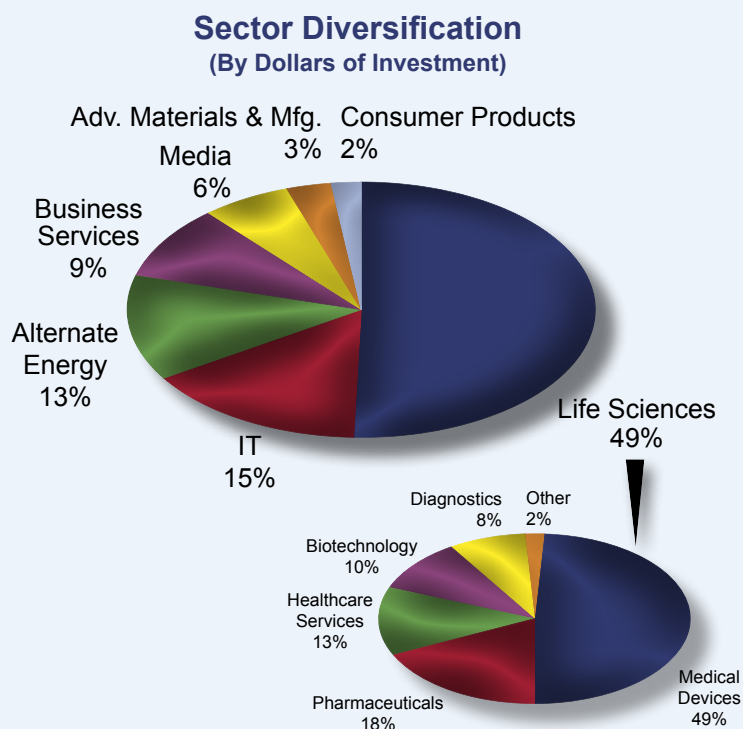
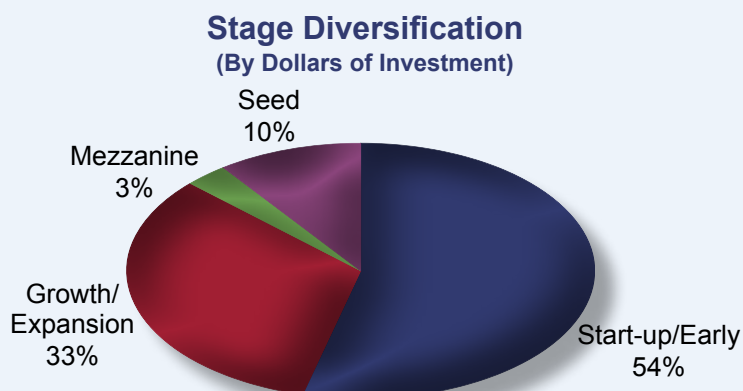


- The amount of capital under management among Michigan-based venture capital firms has increased by \$200 million since 2007. These firms represent nearly half of the total capital managed by all firms operating in Michigan.
- \$345 million of the total capital under management is available for new investment across all stage, industry sector, and geographical strategies.
- Venture capital available for new investment decreased by 35% over 2008 as venture funds held increased follow-on reserves for their existing portfolio company investments or as firms deferred raising new funds until improvements were made in the capital markets.

Michigan Venture Capital Summary

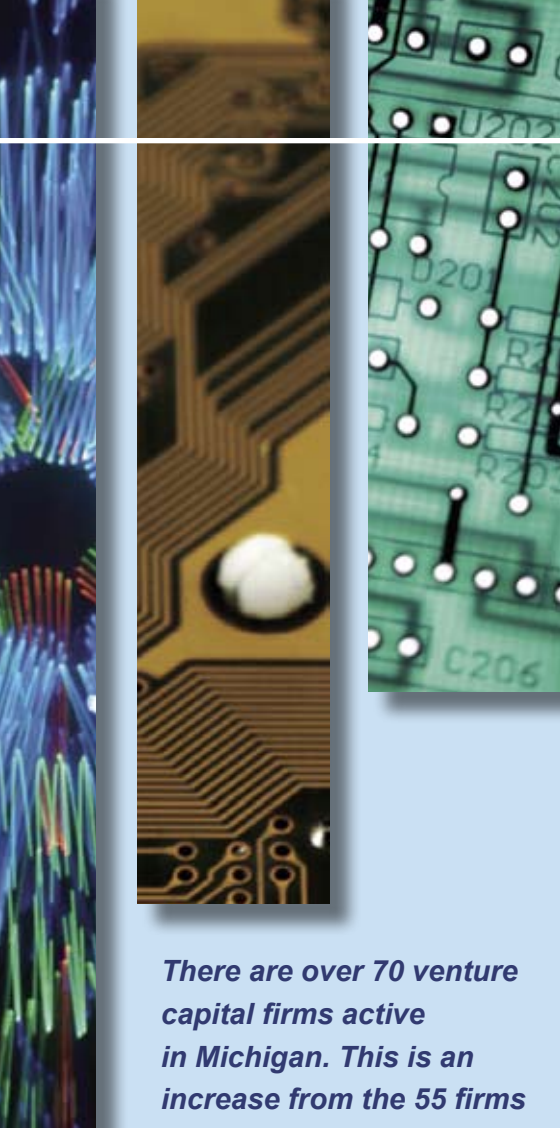
Sector and Stage Diversification

(Across all Capital Managed in Michigan)



Investment stage and sector diversification exists among Michigan venture firms, and is a critical characteristic of a healthy venture capital environment.

- More than half of the total capital managed by Michigan venture firms has been invested in the start-up/early stage of a company's development, while one-third has been invested in the growth/expansion stage.
- Nearly half of total capital under management has been invested in the Life Science industry sector. Nearly 70% of Life Science investment has been focused in Medical Device and Pharmaceutical start-up companies.



There are over 70 venture capital firms active in Michigan. This is an increase from the 55 firms identified in 2008.

Michigan Venture Capital Summary

Out-of-State Venture Capital Firms with Current Michigan Investment

401 Capital Partners	Intel Capital
Aisling Capital	InterWest Partners
Alpha Capital Partners	Investor Growth Capital
Alta Partners	Kearny Venture Partners
ARCH Development Partners	Khosla Ventures
Atlas Ventures	Lightspeed Venture Partners
Aviv Venture Capital	Longboat Partners
Baird Venture Partners	Lurie Investments
BioFund Ventures	Menlo Ventures
Chrysalis Ventures*	MPM Capital
Clarus Ventures	Nth Power*
CMEA Ventures	Nadal Investments
Concentric Equity Partners	NGP Energy Capital
Credit Suisse Group	Open Prairie Ventures
Delta Northern Rivers Fund	Oxford Biosciences
DFJ Mercury	Palomar Ventures
Diamond Capital	Partech International
Management	Perseus
Domain Associates	Pfizer Strategic Investments
Duchossois Technology	Pharos Capital Group
Partners	Qualcomm Ventures
Dunrath Capital	Riggs Capital Partners
Dupont Ventures	River Cities Capital Fund
Early Stage Partners*	Scale Venture Partners
Element Partners	Sigvion Capital
Fidelity Biosciences	Spire Capital Partners
FirstMark Capital	StatoilHydro Ventures
Flagship Ventures	Summerhill Venture Partners
Flatiron Partners	Tera Capital
Fletcher Spaght Ventures*	Thomas Weisel Venture
Frazier Healthcare Ventures	Partners
Hatteras Venture Partners	Triathlon Medical Ventures*
H.B. Fuller Ventures	Twilight Venture Partners
Hercules Technology	Udata Partners
Growth Capital	Venrock
Highlander Partners	Venture Investors*
Hopewell Ventures	VentureLink Diversified
Horizon Ventures	Balanced Fund

*Venture capital firms with Michigan presence.

Michigan Investment Spotlight

Medical Device

HistoSonics, Inc.

Ann Arbor, Michigan

A non-invasive ultrasound therapy that ablates tissue with robotic precision, “Histotripsy” was pioneered at the University of Michigan and in 2008, was optioned out with support from the University’s Technology Transfer Office to form HistoSonics, Inc. The company, based in Ann Arbor, uses Histotripsy to liquefy unwanted tissue without applying heat and uses ultrasound imaging to monitor the treatment in real time. Among its many potential applications is the treatment of Benign Prostatic Hyperplasia (BPH), a prevalent condition that affects over two million mostly senior men.

The HistoSonics management team includes President & COO M. Christine Gibbons, who was the MVCA Entrepreneur in Residence at Venture Investors, a seed and early-stage venture investor with offices in Ann Arbor and Madison, Wisconsin, when she first encountered HistoSonics. She spent a year examining the technology and market opportunity, and she then helped mature the business concept to an “investor-ready” stage.

In December 2009, HistoSonics finalized an \$11 million Series A financing round led by Venture Investors with syndicate investors Fletcher Spaght Ventures, Hatteras Venture Partners, Early Stage Partners, and TGap Ventures. The company will use the capital to develop its product and prepare for the FDA regulatory approval process, including the anticipated start of clinical trials to treat BPH in 2011.

Michigan Investment Spotlight

Advanced Materials and Manufacturing

Arbor Photonics

Ann Arbor, Michigan

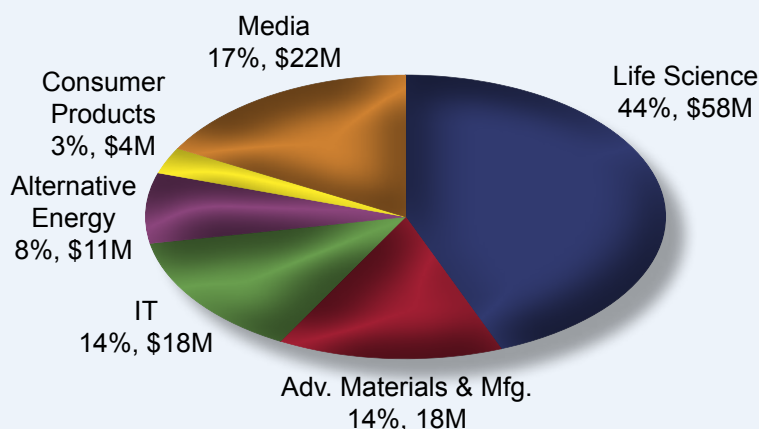
Arbor Photonics, based in Ann Arbor, has created more powerful, more efficient, more compact lasers for use in manufacturing semiconductors and solar cells and for emerging applications in the defense industry. The technology behind the lasers, an optical fiber structure called Chirally-Coupled Core Fiber ("3C fiber lasers"), significantly improves the performance of fiber lasers in industrial manufacturing, a \$2 billion market that grows about 14 percent annually on average. Arbor Photonics CEO, Phillip Amaya, predicts the lasers will enable improved process throughput by 4-10X, reduce electrical power consumption by 3X and enable new applications like directed energy weapons. The company plans to begin shipping its first product - a high power fiber laser amplifier in prototype quantities - by the end of 2010.

A spin-out from the University of Michigan, Arbor Photonics completed its Series A financing round in the first quarter of 2009, receiving \$3.7 million from RPM Ventures, the Frankel Fund, the Wolverine Venture Fund and private investors. The company, currently employing eight people, used the capital to hire additional technical staff, establish a product development facility in Ann Arbor, and develop its first prototype.

Michigan Venture Capital Summary

2009 Michigan Venture Capital Financings

2009 Financings by Industry Sector
(By Dollars of Investment)

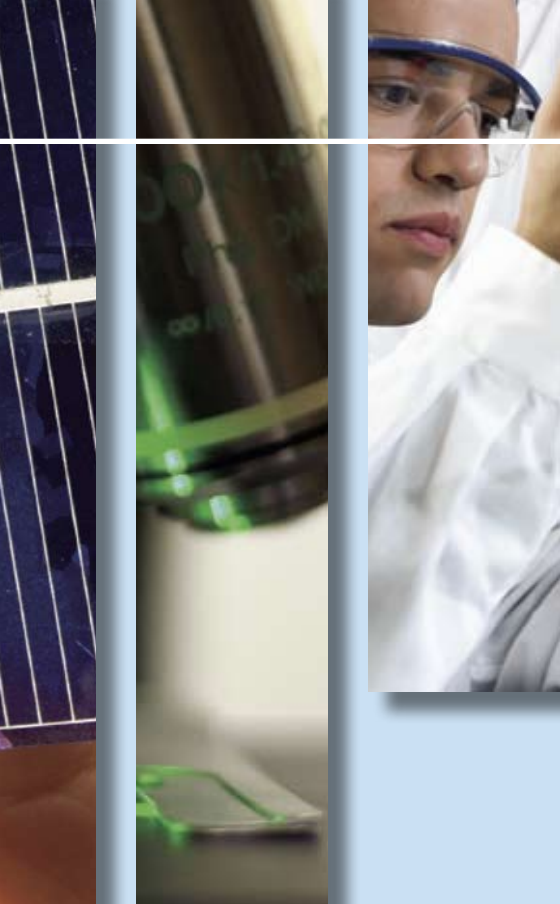


Industry Sector	# of Companies	Company Names
Life Science	8	Accuri Cytometers, CytoPherx, Histo-Sonics, Lycera, Metabolic Solutions Development, NanoBio, Nymirum, RealBio Technology
IT	4	CMS Technologies, Discera, gloStream, MyBuys
Advanced Materials & Manufacturing	3	Arbor Photonics, Danotek Motion Technologies, Microposite
Alternative Energy	2	EcoSynthetix, Relume Technologies
Consumer Products	1	V.I.O.
Media	1	iBiquity Digital Corp.
Total	19	

In 2009, 19 Michigan-based companies received \$131 million in venture capital investment.

Six new Michigan-based start-up companies received venture funding during 2009, while 13 previously funded companies received follow-on investment.

- In 2009, Michigan start-up companies and their Michigan-based venture investors created leverage by raising over three times more capital from out-of-state venture capital funds.
- Eight Life Science companies received \$58 million, or 44%, of the total investment.

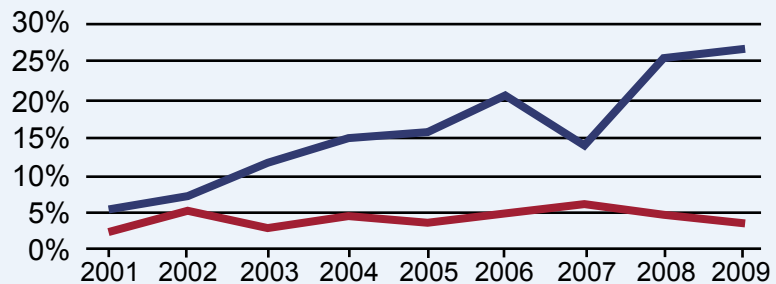


Michigan Venture Capital Summary

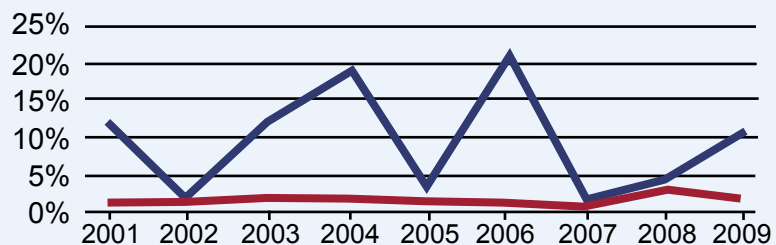
Michigan & Midwest Industry Sector Financing Trends

Although total Midwest financings in Life Science and IT have remained flat or experienced a slight declining trend, Michigan financings in these sectors have trended positively.

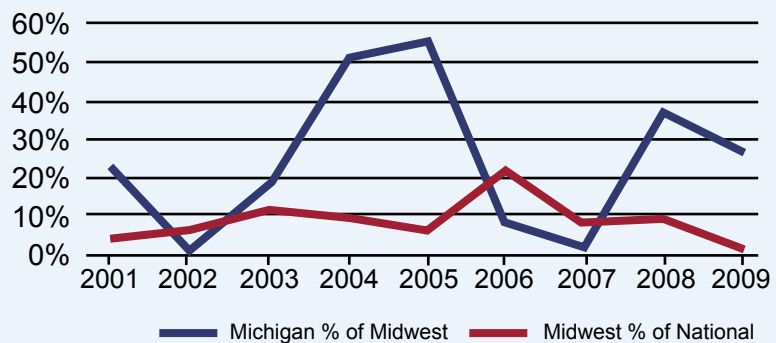
Life Science



IT



Industrial/Energy



Source: PWC

- Since 2007, Michigan Life Science company financings, as a percentage of total Midwest Life Science financings, has increased, surpassing 25% in 2009.
- In this decade, Michigan IT financings have averaged 10% of total Midwest IT financings.
- Since 2001, Industrial and Alternative Energy company financings in Michigan averaged 25% of all Midwest financings in these areas.

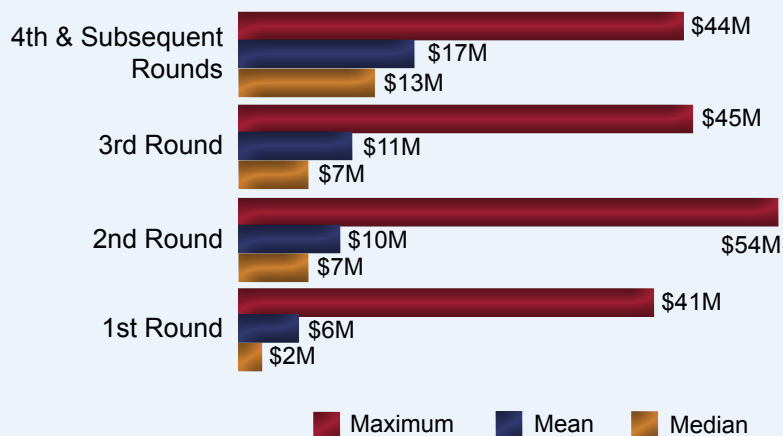
VCA

Michigan Venture Capital Summary

Venture Capital Financings

Michigan Venture Capital-Backed Companies Investment Rounds

All Industry Sectors



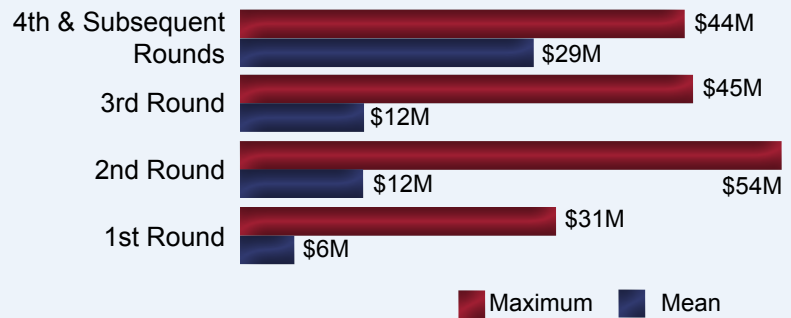
- The median amount raised by Michigan-based venture capital-backed companies was \$2 million in the first round of funding, \$7 million in their second and third round of funding and \$13 million in their fourth and subsequent investment rounds.
- To date, the mean capital raised by Michigan's venture-backed companies is \$15 million, suggesting good capital efficiency relative to coastal companies.



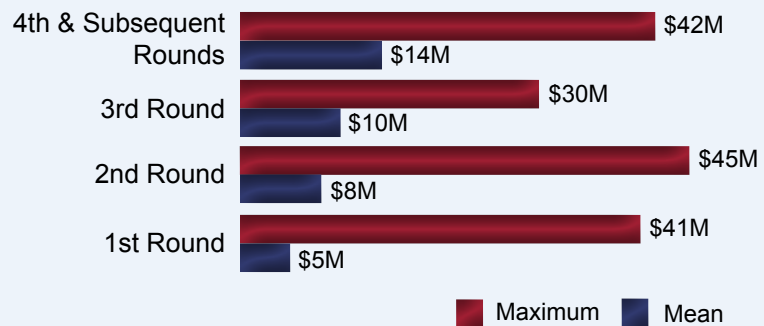
Michigan Venture Capital Summary

Venture Capital Financings

Life Science Sector



Non-Life Science Sectors



- The mean financing raised among Michigan's current Life Science companies is \$17 million. The mean amount raised by all other companies is \$14 million.

Michigan Investment Spotlight

Healthcare Services

Critical Signal Technologies

Farmington Hills, Michigan

Critical Signal Technologies (CST) was founded in 2006 and offers products and services to help clients with disabilities, chronic health conditions, or other infirmities stay safe and healthy in their homes. CST has grown to be the nation's fourth largest independent provider of personal emergency response systems and TeleHealth monitoring services.

CST partners with state health agencies, health insurers, Agencies on Aging, physician groups, hospitals and other health and safety experts who have selected CST's proven ability to provide quality, cost-effective services that improve their clients' lives.

To date, CST has raised approximately \$21 million in venture capital investment. Seneca Partners, a venture capital firm based in Birmingham, Michigan, was a founding investor in 2006 and participated in a recent inside funding round. Other venture investors include Concentric Equity Partners, Duchossois Technology Partners, and Dunrath Capital. The capital was used for an August 2009 acquisition of Link to Life, adding the resources of one of the nation's most respected monitoring and service companies. A pioneer in the field, Link to Life brought more than 30 years of premier monitoring and service experience to CST and its clients. CST employs 80 in its Farmington Hills headquarters and expects to build off the success and talent that is already here.

Michigan Investment Spotlight

Medical Device

TransCorp. Inc.

Grand Rapids, Michigan

TransCorp. Inc., a start-up based in Grand Rapids, develops and commercializes novel minimally invasive surgical instruments and implants for neurosurgical and orthopedic applications. The company's technologies could improve patient safety and outcomes while making surgeries easier and safer for surgeons to perform.

Located in Byron Center (near Grand Rapids), TransCorp is led by co-founder and CEO, Dr. David Lowry. Other company founders include President, Des O'Farrell, Scott Tuinstra, a physician's assistant, and Roger Veldman, an associate professor of engineering at Hope College.

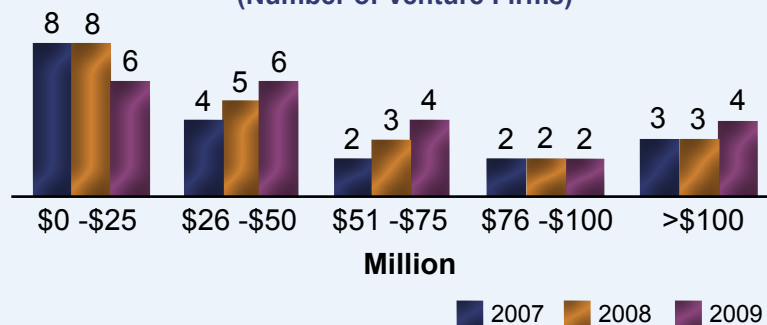
TransCorp received start-up capital in late 2008 from two venture firms—EDF Ventures, Hopen Therapeutics—and the Grand Angels to develop and commercialize neurosurgical and orthopedic instruments and implants. Some TransCorp instruments are already in use in the field, with a full complement of cervical spine surgery devices expected to be commercially available in the third quarter of 2010.

Michigan Venture Capital Summary

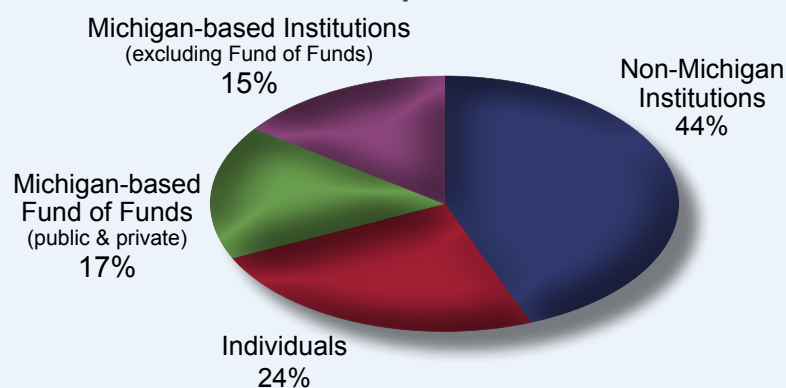
Venture Capital Funds

Distribution of Michigan Venture Capital Fund Sizes

(Number of Venture Firms)



Source of Capital for Michigan Venture Capital Funds



- The average size venture capital fund among Michigan-based venture capital firms is \$39 million, and \$63 million among all funds based or with an office in the state.
- There are ten Michigan-based venture funds greater than \$25 million in size, recently completing the raise of their second or third funds. In 2007, there were seven.
- Nearly all of the venture capital firms headquartered elsewhere, but with an office in Michigan, have fund sizes exceeding \$100 million.
- The survey respondents indicated nearly half of their capital is sourced by institutions outside of Michigan, while a quarter is sourced by high net worth individuals.

Michigan-based fund of funds helped to provide additional capital during recent challenges in raising venture capital funds.

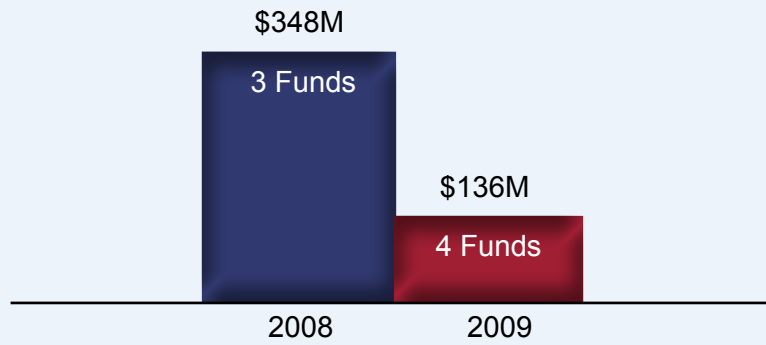
Michigan-based fund of funds include:

21st Century Investment Fund (public)
 Renaissance Venture Fund (private)
 Venture Michigan Fund (public)

Michigan Venture Capital Summary

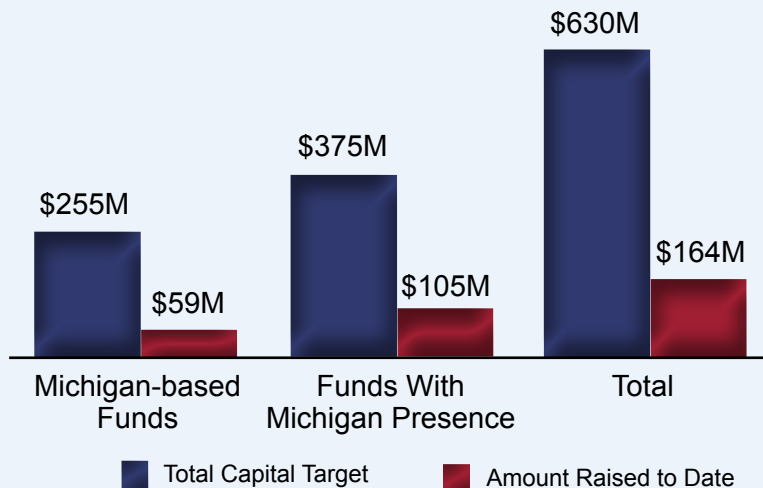
Venture Capital Funds

Michigan Venture Fund Closings



Despite the challenging capital raising environment, four Michigan venture firms completed a final fund closing during 2009.

Michigan Venture Fundraising



- Four Michigan-based venture firms reached final fund closings during 2009, raising a total of \$136 million.
- Of all the venture firms either headquartered in Michigan or with a state presence, six are currently fundraising an aggregate target of \$630 million. There are three firms headquartered in Michigan targeting \$255 million. So far, nearly 25% of the total capital target has been raised.
- In order for Michigan to thrive as a place where high-technology companies can be started and grown, and where high-paying jobs can be created, the size of Michigan-based venture funds must be increased.

VCA

Michigan Venture Capital Summary

Venture-backed Companies Currently Located in Michigan

Advanced Materials & Manufacturing, Alternative Energy

Arbor Photonics
Danotek Motion Technologies
Draths Corporation
Eagle Rotary
EcoDuro
EcoSynthetix
Fulcrum Composites
Limo-Reid
Nanocerox
Performance Fabrics
Relume Technologies
Sakti3
TAG A&D
Weathershield
XG Sciences

Consumer Products, Other

iBiquity Digital Corp.
Mobius Microsystems
Ranir
V.I.O., Inc.

IT

Arbor Networks
CMS Technologies
Foresee Results
gloStream
GuidePoint Systems
Janeeva
MaxFunds.com
MIST Innovations
MyBuys
Nematron
Quantum Learning Technologies
SherTrack
Solidica
Workforce Software

Life Science

Accord Biomaterials
Accuri Cytometers
Cerenis Therapeutics
Critical Signal Technologies
CytoPherx
Discera
Esperion Therapeutics
Gema Diagnostics
HistoSonics
Incept BioSystems
InforMed
Lycera
MedElute
Metabolic Solutions Development
Micronics
Monteris Medical
NanoBio
NephRX
Nymirum
OtoMedicine
Pioneer Surgical Technology
ProNai
QuatRx Pharmaceuticals
RealBio Technology
Tissue Regeneration Systems
Tolera Therapeutics
TransCorp
Translume
Vestaron

In 2009, Michigan had 62 companies that were funded by local and national venture capital firms. Together, these companies have created nearly 900 direct jobs in Michigan.

Six years is the average age among Michigan venture capital-backed companies.

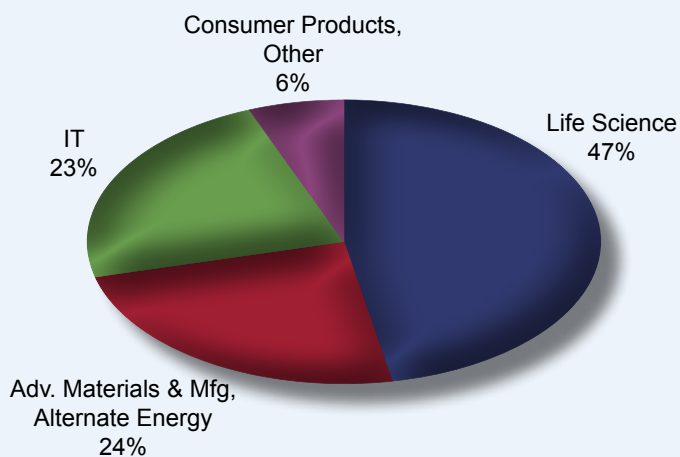
Nearly 45% of Michigan's venture capital-backed companies were a result of University technology transfer processes.

Marquette

V.I.O

Pioneer Surgical
Technologies

Industry Sector Diversification (By Number of Companies)



Midland

Fulcrum Composites

Grand Rapids

Ranir

Performance Fabrics
TransCorp

Lansing

Gema Diagnostics XG Sciences
Drathis Corporation
EcoSynthetix

Kalamazoo

Tolera Therapeutics RealBio Technology
ProNai InforMed Monteris Medical
Metabolic Solutions NephRX
Development Micronics
MedElite Vestaron

Jackson

Eagle Rotary

QuatRx Pharmaceuticals
Pixel Velocity CytoPhex
Solidica Accord Biomaterials
MyBuys Cerenis Therapeutics
Arbor Photonics Forsee Results
Esperion Therapeutics
EcoDuro Nematron
Quantum Learning
Technologies
Ann Arbor
Mobius Microsystems NanoBio
Incept Biosystems Janeeva
Nymrium Accuri Cytometers
MaxFunds.com Nanocerox
Arbor Networks OtoMedicine
Discera WeatherShield
Translume HistoSonics
Tissue Regeneration
Systems

Troy

TAG A&D
Limo-Reid

Livonia

SherTrack
Workforce
Software

Detroit

gloStream
Critical Signal
Technologies
iBiquity Digital Corp.
GuidePoint Systems
CMS Technologies
MIST Innovations

Cities are for general
reference only. Companies
may not be located exactly
in that city.

Michigan's Successful Exits

A Timeline of Michigan Successes

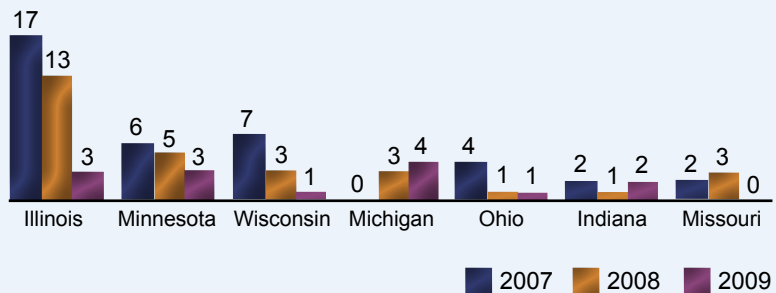


In 2009, there were four notable exit successes in Michigan. Twenty exits have occurred from the over 100 start-ups formed since 2000. There are still over 60 companies with exit potential in the years to come.

Michigan Successful Exits

Michigan and Midwest Exit Activity

Midwest Exits
(Number of Companies)



Michigan's recently exited company investments have delivered IRR's of at least 40%. These successes validate how venture capital is also an important economic development tool, creating many high-paying jobs; in this case over 500.

Michigan Exit Statistics
2007-2009

Number of Exits	7
Total Financings into Exited Companies	\$99M
Total Exit Value	\$564M
Total Exit Value Multiple	6X
Number of Employees	~500

- With a total of seven exits from 2007 to 2009, Michigan ranks fourth among Midwest states in total exits during this period.
- Besides Michigan and Indiana, all other Midwest states had a decline in the number of company exits from 2008 to 2009.
- The aggregate value of Michigan's company exits is nearly six times the total amount of capital raised by the same companies.

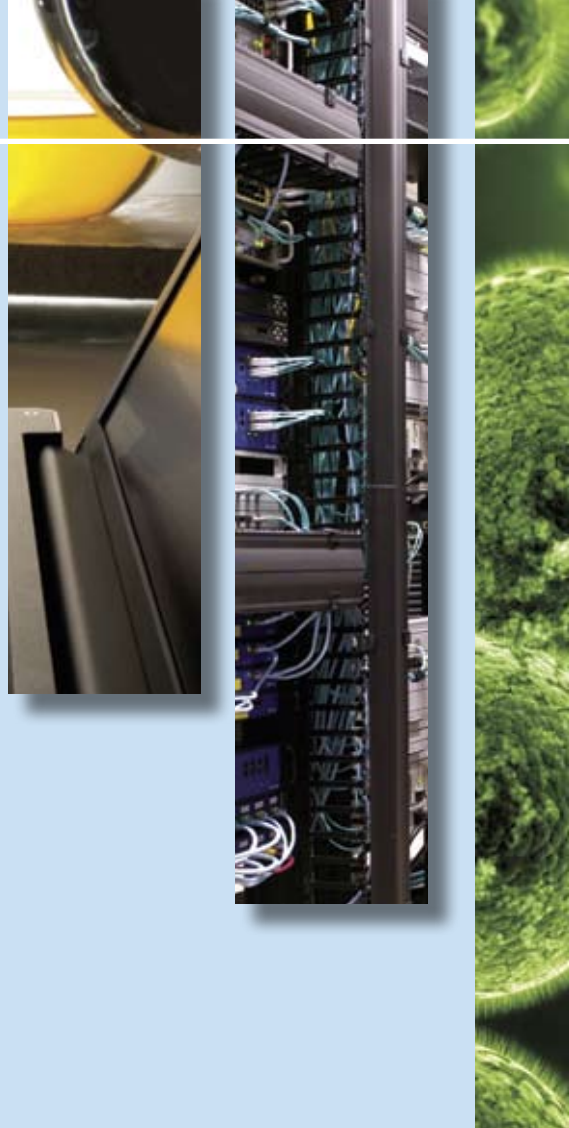
Michigan's Successful Exits of 2009

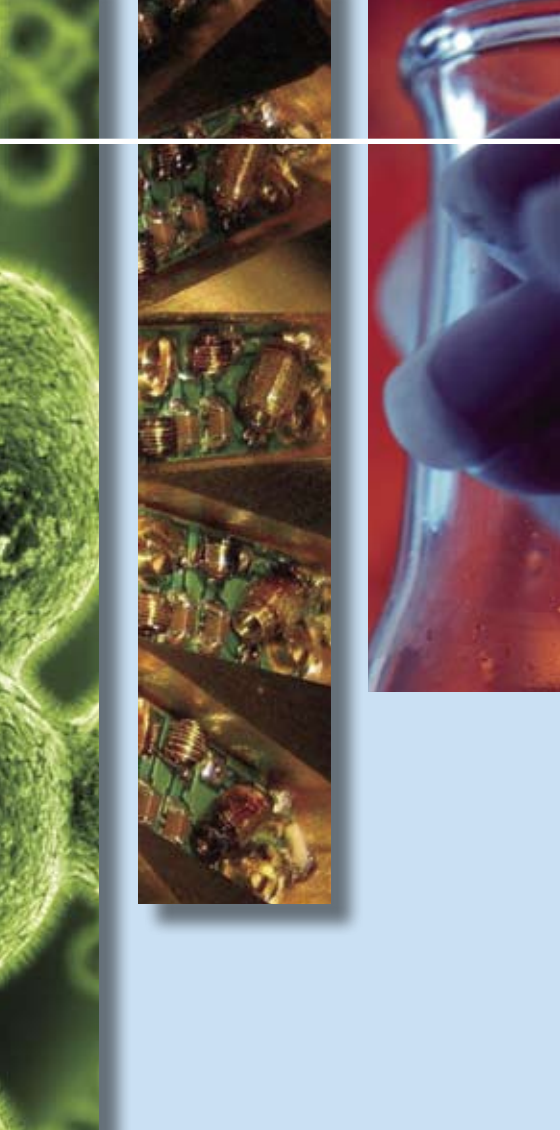
HandyLab

Ann Arbor, Michigan

An Ann Arbor-based developer and manufacturer of molecular diagnostic products, HandyLab was acquired in 2009 by Becton, Dickinson and Co. (NYSE: BDX), a medical technology firm, for \$275 million. The deal, Michigan's largest venture-backed exit in 2009, returned capital to a pool of investors, including Ann Arbor-based EDF Ventures, who helped found the company and provided the seed capital. HandyLab raised a total of \$47 million in four rounds of seed and early-stage equity financing over the course of its nine years, including investments from Michigan-based firms Ardesta, Arboretum Ventures, Dow Ventures, DuPont Ventures, Lurie Investments, SBV Venture Partners and the Wolverine Venture Fund.

The company was founded in 2000 by two University of Michigan chemical engineering doctoral students, Kalyan "Handy" Handique and Sundaresh Brahmasandra. They negotiated an exclusive licensing deal with the University. The company now sells a line of nucleic acid extraction and microfluidic instruments and reagents for molecular diagnostics, allowing hospitals to directly conduct tests that used to be outsourced to outside laboratories. In 2004, Jeff Willams, a successful serial CEO, joined Handylab and was instrumental in their growth and eventual exit. Becton, Dickinson will keep the company's research facility in Michigan where job growth will occur.





Michigan's Successful Exits of 2009

Pump Engineering

New Boston, Michigan

An alternative energy company located in New Boston, Michigan, Pump Engineering, LLC is the lead provider of centrifugal turbine energy-saving technology for seawater and brackish desalination processes. The company customizes hydraulic turbochargers and pumps that reduce energy consumption and increase process efficiency. The executive leadership team at Pump Engineering included Founder and President, Robert Oklejas, and Ariel Sacerdoti, Chief Operating Officer and a 2008 Michigan Venture Capital Association Executive-in-Residence awardee at Plymouth Management Company.

For many years, Pump Engineering was a family run pump manufacturing company that discovered the technology to greatly innovate the water desalination industry. Venture capital investment allowed them to achieve the growth necessary to meet their rapidly growing demand. Ann Arbor based Plymouth Management Company both originated and led the \$2.4 million growth stage investment in early 2009. By December of the same year, Pump Engineering was sold to California based Energy Recovery, Inc. (NASDAQ: ERII) for over \$20 million. Pump Engineering will remain in Michigan and continue to grow their business and jobs in the state.

The success of Pump Engineering is a great example of the ability for Michigan's mature manufacturing base to produce new, innovative technologies. Such companies have access to a highly-skilled workforce and the local entrepreneurial infrastructure necessary to make these transformations possible.



Michigan's Successful Exits of 2009

Assay Designs

Ann Arbor, Michigan

Operating out of an Ann Arbor laboratory, Assay Designs annually sells \$11 million in kits and reagents for the detection and quantification of small molecules and proteins that are important in inflammation and immunity, oxidative and cellular stress, steroid and hormone biology, cell signaling, and bioenergetics.

Hoping to bolster its product lines' international reach, Assay Designs was acquired in 2009 by Enzo Biochem, Inc. (NYSE:ENZ) for a purchase price of approximately \$12.2 million in cash. The company will remain in Ann Arbor and continue to operate as Assay Designs, part of the Enzo Biochem corporate umbrella.

Applimation

Livonia, Michigan

Applimation is an IT industry leader in data management solutions by addressing information lifecycle management (ILM) systems. The company's product suite helps organizations to effectively manage and control their data while considerably reducing their IT costs. Applimation was founded in 1999, and is headquartered in Chicago, with operations in Livonia, Michigan.

RPM Ventures, an Ann Arbor based venture capital firm made their first investment in the company in 2002. Other investors include M Group, Battery Ventures, JMI Equity Fund, and RGB Capital. In February 2009, Applimation was successfully sold to Informatica for \$40 million.

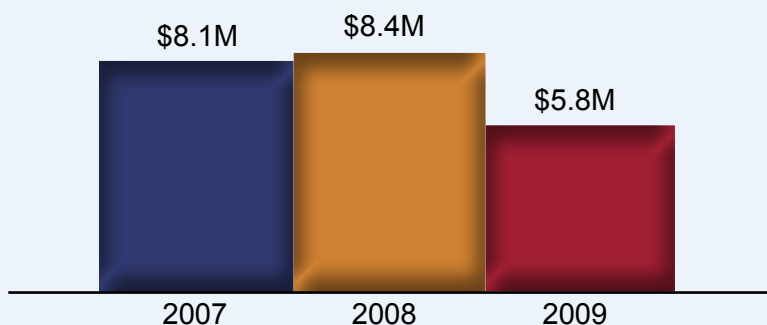




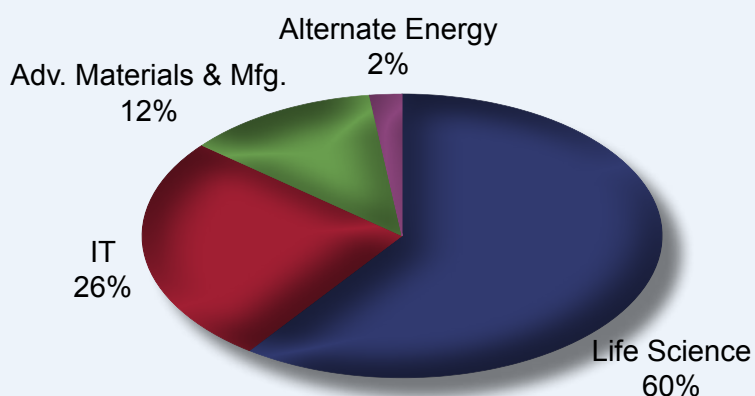
Michigan's Company Pipeline

Angel and Pre-Seed Investment Activity

Angel and Pre-Seed Investments in Michigan



Sector Diversification of Angel and Pre-Seed Investment



- There is a growing number of emerging companies in Michigan that have received angel investment and/or a Michigan Pre-Seed Capital Fund investment.
- Together, angel and the Michigan Pre-Seed Capital Fund have invested between \$5 and \$9 million annually into over 50 companies since 2007.
- More than half of the investment went to Life Science, while over a quarter went to the IT industry sector.

Michigan is working towards building a vibrant angel investment community to grow the number of entrepreneurial start-up companies.

Active Michigan-based Angel Investor Networks with over 100 high net worth members:

Ann Arbor Angels
Blue Water Angels
Capital Community Angels
First Angels
Grand Angels
Great Lakes Angels



Michigan's Company Pipeline

Angel and Pre-Seed Activity

A sampling of the Michigan companies that have received angel investment and/or Michigan Pre-Seed Capital funding.

Life Science

3D Biomatrix
Accord BioMaterials
Accuri Cytometers
AFID Therapeutics
Armune Bioscience
Aursos
Axenic Dental
Biotectix
Cielo MedSolutions
Compendia Bioscience
EAD Devices
Emilem
Hygieia
Incept Biosystems
InformMed
MedElute
Michelle's Miracle
Nymirum
OcuSciences
OtoMedicine
Phrixus Pharmaceuticals
ProNai
RealBio Technology
SensiGen
TransCorp Medical
Vestaron
V.I.O.
White Pine Systems

IT

3IS
Creative Byline
ERT Systems
Janeeva
Mock Draft Central
Pixel Velocity
RazorThreat
Salamander Technologies

Advanced Materials & Manufacturing

Arbor Photonics
BoroPharm
Fulcrum Composites
Jadi
NRG Dynamix
ParkingCarma
SenSound
XG Sciences

Alternative Energy

Accio Energy
Algal Scientific Corporation
Danotek Motion
Technologies
Global Energy Innovations
VIA Wind Energy

About the Michigan Pre-Seed Capital Fund

The Michigan Pre-Seed Capital Fund, a collaborative effort of Michigan's 12 SmartZones, is a \$13 million equity fund that invests in technology-based companies to support business formation and acceleration. Ann Arbor SPARK is the Fund administrator. The Michigan Pre-Seed Capital Fund is a significant resource to help companies in the seed and investigative stages. To date, the fund has made 43 investments and created nearly 300 jobs.

Michigan Angel Investment Spotlight

Homeland Security

Salamander Technologies

Traverse City, Michigan

Salamander Technologies, based in Grand Rapids and funded in part by the Grand Angels in 2007, is the leading supplier of first responder emergency accountability solutions. Its products offer an automatic identification system that accounts for all personnel, verifies responder identities, and enhances situational awareness at an incident, emergency, or field event. Russ Miller co-founded Salamander Technologies, and currently serves as its President and Chief Executive Officer.

Providing agencies nationwide with a fully interoperable emergency incident command structure based upon NIMS operating procedures, Salamander's solutions fulfill an important part of the nation's homeland security imperative for a unified system to identify and track all participants of large-scale emergency incidents. The company's interTRAX barcoded ID tag contains agency specifics, personnel info, rank, qualifications, and vital medical data linking more than 3,000 responding agencies nationwide. Prominent customers of the product include the U.S. Capital Police, Dallas-Ft. Worth Department of Health, City of Richmond, Department of Defense Fire Training Academy, Redstone Arsenal, State of Michigan USAR, Pocono Raceway, and Michigan State Police - Super Bowl Security.



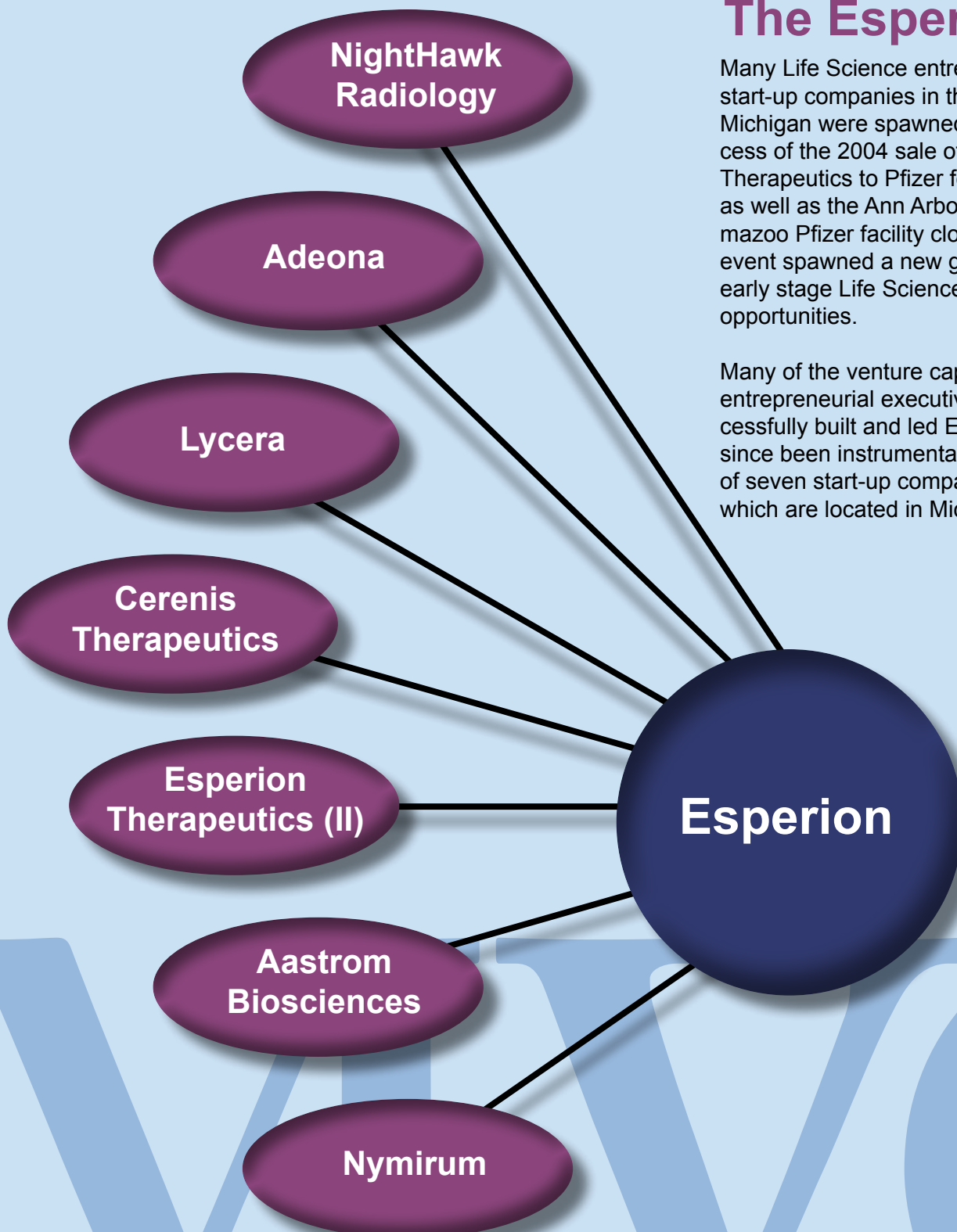
MVCA

Building On Suc

The Esperion & Pf

Many Life Science entrepreneurial start-up companies in the state of Michigan were spawned by the success of the 2004 sale of Esperion Therapeutics to Pfizer for \$1.3 billion as well as the Ann Arbor and Kalamazoo Pfizer facility closings. Each event spawned a new generation of early stage Life Science investment opportunities.

Many of the venture capital-backed entrepreneurial executives who successfully built and led Esperion have since been instrumental in the growth of seven start-up companies, six of which are located in Michigan.



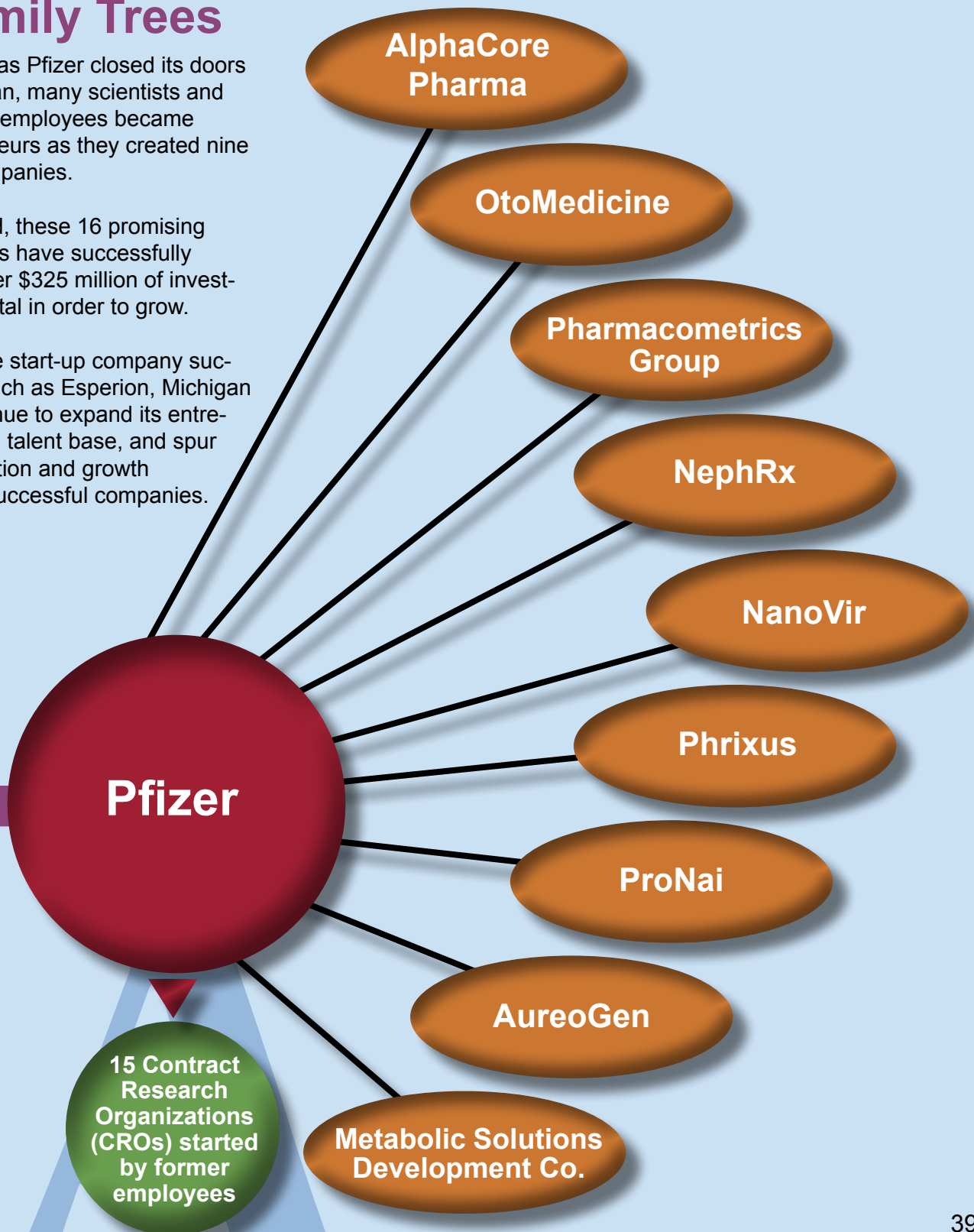
Success and Talent

Pfizer Family Trees

Similarly, as Pfizer closed its doors in Michigan, many scientists and other key employees became entrepreneurs as they created nine more companies.

Combined, these 16 promising companies have successfully raised over \$325 million of investment capital in order to grow.

With more start-up company successes such as Esperion, Michigan can continue to expand its entrepreneurial talent base, and spur the formation and growth of more successful companies.



MVCA Activities

Relationships, Talent, and Education

Leading Legislative Activities...

The MVCA was established in 2002 to be an industry advocate, reaching out to the State's legislators to encourage financial support for the venture capital industry. While this initial outreach was successful, and was instrumental in the establishment of the Venture Michigan and 21st Century Investment Funds, the need for the MVCA to be a public policy advocate continues. The rate of entrepreneurial growth in Michigan far outstrips that of the venture capital industry resident here. The MVCA has and will continue to work to educate the State's leaders about the vital importance of venture capital in Michigan. In addition, the organization collaborates with the National Venture Capital Association to help resolve the various public policy issues affecting the interests of venture capitalists and the broader entrepreneurial community.

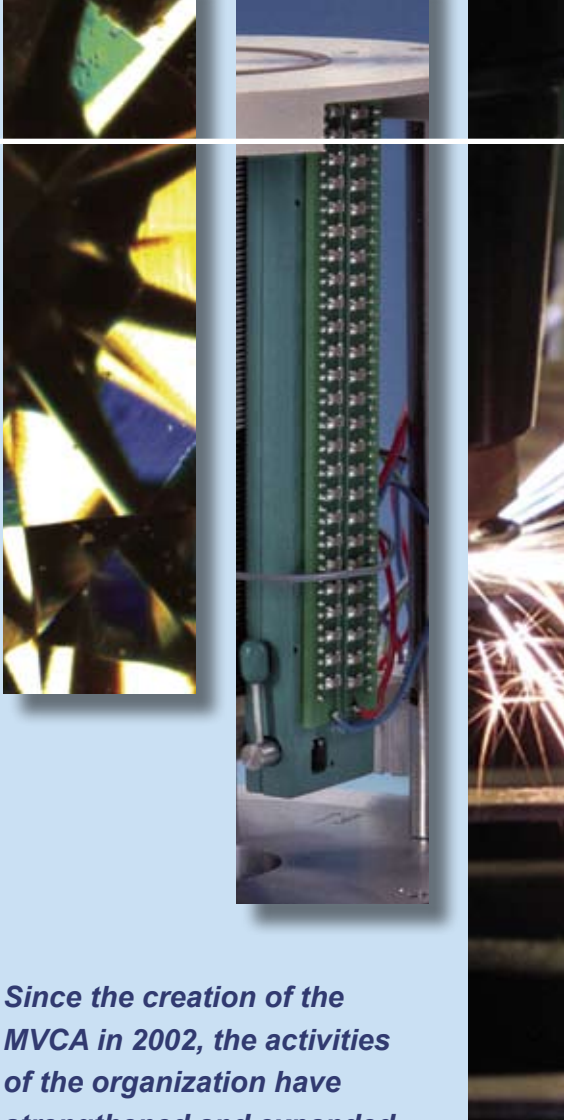
In recent years, our legislative work has included creating a \$1 billion venture fund program, advocating for angel and venture capital investor tax credits, and educating our national legislators about the negative impact of taxing carried interest as ordinary income and changing the criteria to qualify as a high net worth individual.

Making Connections to Limited Partners...

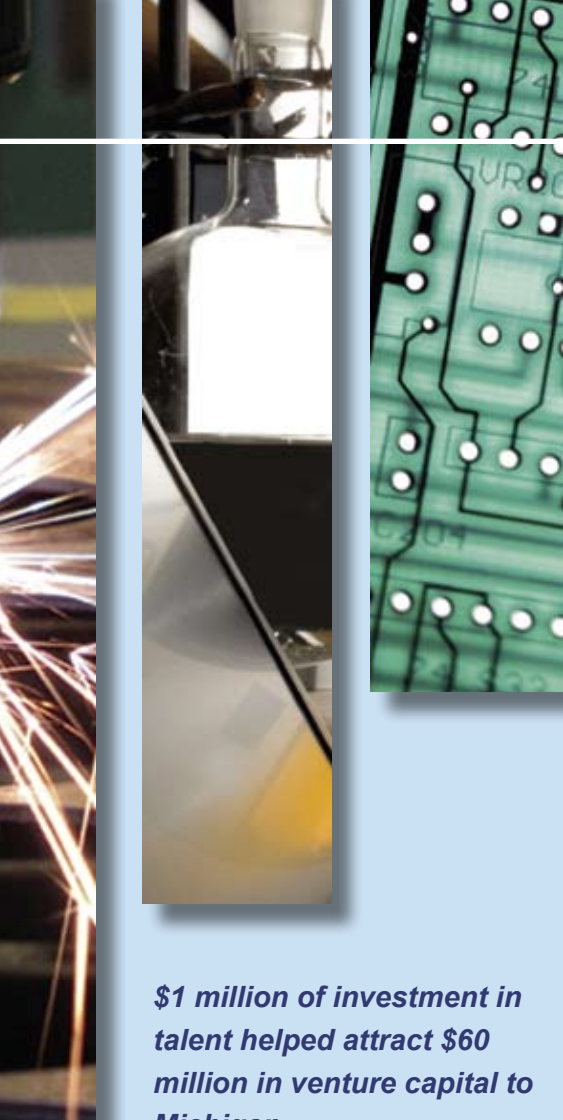
The MVCA established an active capital committee in 2008. This committee is working to connect sources of capital to Michigan-based venture capital firms. Education of local and national sources of capital is a key focus of this committee over the near term. Many potential investors are not adequately familiar either with the venture firms based here or with the breadth and depth of their successes. The MVCA soon will reach out to inform and educate about the Michigan venture community and its surrounding infrastructure as an extraordinary investment opportunity.

Providing High-Value Networking...

The MVCA recognizes the necessity of valuable networking within the venture capital industry. The MVCA held breakfast roundtables across the state with sponsorships from various service provider firms within our membership. Topics of discussion included fundraising, venture and entrepreneurial successes, as well as VC/CEO connections. In 2010, the MVCA plans to further engage Michigan's entrepreneurial executive community as well as other key venture personnel by offering expanded topics.



Since the creation of the MVCA in 2002, the activities of the organization have strengthened and expanded. MVCA members are committed and energized to make Michigan a vibrant venture capital community.



\$1 million of investment in talent helped attract \$60 million in venture capital to Michigan.

MVCA Activities

Relationships, Talent, and Education

Growing Entrepreneurial Talent...

The Executive in Residence (EIR) and CEO Placement Programs were structured to merge capital, talent, and business ideas to produce companies poised to succeed. With a grant from the Michigan Economic Development Corporation, the MVCA created this two-track program to help Michigan-based venture capital firms and their Michigan-based portfolio companies to find and attract executive level entrepreneurial talent.

- **Executive in Residence Program (EIR)**

The EIR Program provides experienced entrepreneurs seeking their next business venture with an opportunity to join a venture firm. While in the program, EIRs provide both experienced management counsel to the venture firm's current portfolio companies and assist the venture firm with the identification of new investment opportunities. The goal of the program is to match the EIR with a leadership need in a new portfolio company jointly identified by the EIR and the venture firm. To date, the MVCA has made five EIR awards.

- **CEO Placement Program**

The CEO Placement Program is designed to increase the number and quality of venture-backed executives in Michigan. The CEO Placement Program provides assistance to an existing portfolio company that is recruiting a CEO by subsidizing the CEO's first year of compensation, assisting with the cost of an executive search, or a combination of both. To date, the MVCA has made three CEO Placement awards.

The MVCA talent programs have produced eight total awards, with seven successes to date and one still in progress. As a result of awarding \$1 million to grow the number of venture-backed executives in our start-up community, the companies have successfully raised over \$60 million in venture capital and have all made positive progress in meeting their growth targets.

Michigan Venture Capital Directory

Arbor Partners

130 S. First Street
Ann Arbor, MI 48104
(734) 668-9000
www.arborpartners.com

Arboretum Ventures

303 Detroit Street, Suite 301
Ann Arbor, MI 48104
(734) 998-3688
www.arboretumvc.com

Apjohn Ventures

350 E. Michigan Ave., Suite 500
Kalamazoo, MI 49007
(269) 349-8999
www.apjohnventures.com

Beringea

32330 W. 12 Mile Road
Farmington Hills, MI 48334
(248) 489-9000
www.beringea.com

BioStar Ventures

560 W. Mitchell Street, Suite 480
Petoskey, MI 49770
(231) 487-9186
www.biostarventures.com

Bridge Street Capital Partners

40 Pearl Street NW, Suite 1040
Grand Rapids, MI 49503
(616) 732-1050
www.bridgestreetcapital.com

Chrysalis Ventures

122 W. Huron Street
Ann Arbor, MI 48104
(216) 453-1299
www.chrysalisventures.com

EDF Ventures

425 N. Main Street
Ann Arbor, MI 48104
(734) 663-3213
www.edfvc.com

Early Stage Partners

201 S. Main Street
Ann Arbor, MI 48104
(734) 214-3007
www.esplp.com

Fletcher Spaght

201 S. Main Street
Ann Arbor, MI 48104
(617) 247-6700
www.fletcherspaght.com

Hopen Therapeutics

3133 Orchard Vista Drive, SE
Grand Rapids, MI 49546
(616) 464-5071
www.hopentherapeutics.com

North Coast Technology Investors

206 S. Fifth Avenue, Suite 550
Ann Arbor, MI 48104
(734) 662-7667
www.northcoastvc.com

Nth Power

One Embarcadero Center,
Suite 1550
San Francisco, CA 94111
(415) 983-9983
www.nthpower.com

Oracle Capital Partners

500 Griswold Avenue, Suite 2450
Detroit, MI 48226
(313) 965-9950
www.oracle-capital.com

Plymouth Management Company

220 E. Huron Street, 3rd Floor
Ann Arbor, MI 48104
(734) 747-9401
www.plymouthvc.com

RPM Ventures

320 N. Main Street, Suite 400
Ann Arbor, MI 48104
(734) 332-1700
www.rpmvc.com

Seneca Partners

300 Park Street, Suite 400
Birmingham, MI 48009
(248) 723-6650
www.senecapartners.com

SWMF Life Science Fund

241 E. Michigan Avenue
Kalamazoo, MI 49007
(269) 553-9588
www.southwestmichiganfirst.com/lifesciencefund.cfm

TGapVentures

259 E. Michigan, Suite 208
Kalamazoo, MI 49007
(269) 760-4570
www.tgapventures.com

Triathlon Medical Venture Partners

250 East Fifth Street
1100 Chiquita Center
Cincinnati, OH 45202
www.tmvpc.com

Venture Investors

201 S. Main Street, Suite 900
Ann Arbor, MI 48104
(734) 274-2904
www.ventureinvestors.com

Wolverine Venture Fund

Samuel Zell & Robert H. Lurie
Institute For Entrepreneurial Studies
Ross School of Business
University of Michigan
701 Tappan Street
Ann Arbor, MI 48109
(734) 615-4419
www.zli.bus.umich.edu/wvf



Michigan Angel Network Directory

Ann Arbor Angels

125 S. Fifth Avenue
Ann Arbor, MI 48104
www.annarborangels.org

Blue Water Angels

Mid-Michigan Innovation Center
4520 E. Ashman Road, Suite M
Midland, MI 48642
989-839-2333
www.midmichiganinnovationcenter.org

Capital Community Angels

1181 Ridgewood Drive
East Lansing, MI 48823
517-242-0972
www.capitalcommunityangels.org

First Angels

241 E. Michigan Ave.
Kalamazoo, MI 49007
269-553-9588
www.southwestmichiganfirst.com/firstangels.cfm

Grand Angels

10720 Adams Street
Holland, MI 49423
616-546-4559
www.grandangels.org

Great Lakes Angels

440 Burroughs Street, Suite 111
Detroit, MI 48202
313-483-1309
www.glangels.org



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A photograph of Michael T. Raymond, a middle-aged man with grey hair, wearing a light blue dress shirt and a yellow and blue striped tie. He is standing in an office, with his hands in his pockets, looking directly at the camera. In the background, there is a bookshelf filled with books and a clock, and a potted plant to the left.

Return on your investment.

*Michael T. Raymond, Head of Dickinson Wright's
Corporate, Securities, Mergers & Acquisitions,
Private Equity and International Law Practice*

Dickinson Wright represents more than a dozen regional venture capital and private equity funds. In the last three years alone, we have handled over 100 investment transactions with total combined deal values in excess of \$1 billion. Because our venture finance team is experienced and efficient, your investment is spent on more important things than learning curves. And with our alternative and flexible fee arrangements, you can be assured that our business interests are aligned with yours.

To learn more, contact **Michael T. Raymond** at 734.623.1663 or mraymond@dickinsonwright.com.

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734-223-3750