



Robert Ramey

Panelists at the roundtable, clockwise from far left: Ian Bund, David Parsigian, Linda Fingerle, LeAnn Auer, Tim Petersen and Chris Rizik.

Ten years ago, there was virtually no venture capital financing available from Michigan-based firms.

That has changed dramatically, as 17 VC firms have emerged - 10 of which are located in Ann Arbor - and tech companies have discovered a new avenue for financing deals.

Local investors acknowledge that the area still faces challenges.

Michigan has more than \$1 billion in capital, according to statistics from the Michigan Venture Capital Association. Some \$150 million is available for new investments - and about half of that is directed toward Michigan.

Nonetheless, Ann Arbor's burgeoning sector of life sciences, alternative energy and IT companies is drawing the attention of VC investors here and elsewhere.

VC firms are ramping up fundraising initiatives in an effort to expand their investment capabilities and capitalize on the technological opportunities in this area. But for now, local startups are still forced to compete for a small pool of funds compared with VC hotspots such as Silicon Valley and Boston.

"There are going to be good deals that don't get funded around here for the near term," said Chris Rizik, co-founder of Ardesta, a \$100 million firm based in downtown Ann Arbor.

Nonetheless, Rizik is optimistic that the entrepreneurial opportunities in the region will continue to attract more capital. *Business Review* recently conducted a roundtable discussion with six key players in the local VC community.

Business Review: How has the current crisis in the financial markets affected venture capital and your investment strategies?

Tim Petersen: Short answer for me, not at all. We're health care. We're ... investing for longer time horizons, investing in big trends. ... I think it might affect fundraising around the edges, because people's asset allocations might change relative to alternatives.

Chris Rizik: The depression of the stock market ... changes fundraising because typically investments made by institutional investors in venture capital funds are a percentage of total assets and so, unfortunately, as their stock market holdings go down, the amount that's allocable to other areas goes down. ... The one other way it's affected us: Whenever you make an investment, you're looking at what your exit's going to be. Back (in the late 1990s and early 2000s) there was a far greater chance that your exit was going to be an (Initial Public Offering). Now, as you invest in a company, you have to anticipate that your exit will be usually a (merger & acquisition) situation rather than an IPO.

Ian Bund: This is one of the great times in the cycle to be making investments. ... When the stock market comes down you also expect some of the M&A valuations to come down.

Roundtable Participants

Leann Auer

Executive director of Michigan Venture Capital Association
Members: 28 investment firms, including 17 VC firms, 10 services companies, eight other organizations; and 11 individuals

Web site: www.michiganvca.org

Ian Bund

Chairman of Plymouth Venture Partners

PVC's capital under management: \$21 million
Investment focus: Technology, services, manufacturing

Web site: www.plymouthvc.com

Linda Fingerle

Vice president for finance and Principal at EDF Ventures

EDF's capital under management: \$170 million
Investment focus: Health care, IT

David Parsigian

Managing partner of the Ann Arbor office of Honigman Miller Schwartz and Cohn

Law firm's Ann Arbor focus:

Corporate, VC, intellectual property, mergers and acquisitions, real estate, labor

Web site: www.honigman.com

Tim Petersen

Managing director of Arboretum Ventures

Arboretum's capital under management: \$73 million
Investment focus: Early-stage health care

Web site: www.arboretumvc.com

Chris Rizik

Co-founder of Ardesta LLC

Ardesta's capital under management: \$100 million
Investment focus: "Small tech's role" in products related to communications, energy, environmental safety and security, and medical diagnostics and treatment

Web site: www.ardesta.com