



MVCA
MICHIGAN VENTURE
CAPITAL ASSOCIATION

Venture Capital: An Engine For New Economy Jobs

New Economy and Quality of Life Committee

February 25, 2009

Venture Capital: *An Engine for Michigan's New Economy Jobs*

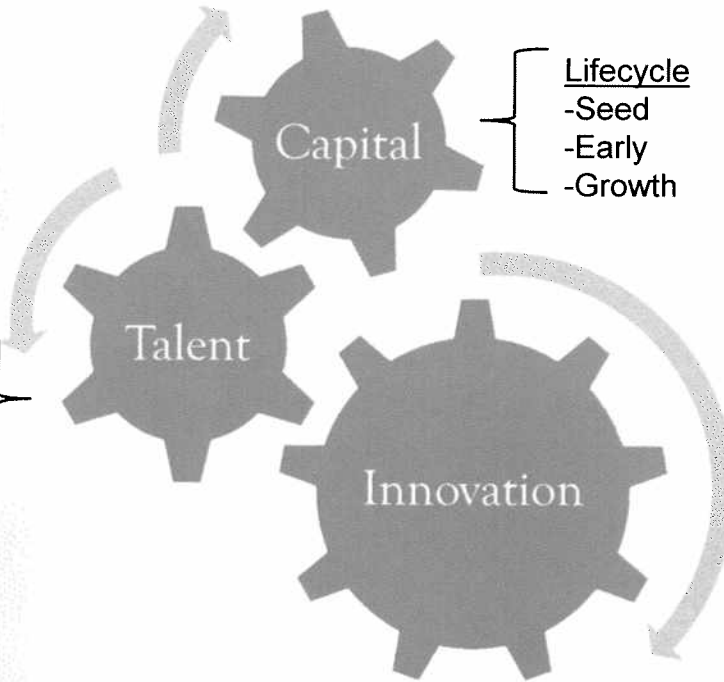
**1 in 10 jobs created are from
venture backed companies**

Source: Global Insights

Entrepreneurs
Highly Skilled
High Value

**VC creates 50% higher paying
jobs than the median salary -
\$70,000 per employee and
even higher in Life Sciences
companies**

Source: NVCA



**For every \$24,000 in
venture capital
investment, one job is
created**

Source: NVCA

Michigan is RICH with IDEAS...

- Michigan ranks #2 in the nation in R&D spend
- Michigan universities rank #11 with \$550M in NIH grants
- Michigan ranks #7 in patents filed
- Over 200 companies have been created in MI in last 5 years

Source: NIH, USPTO, MVCA



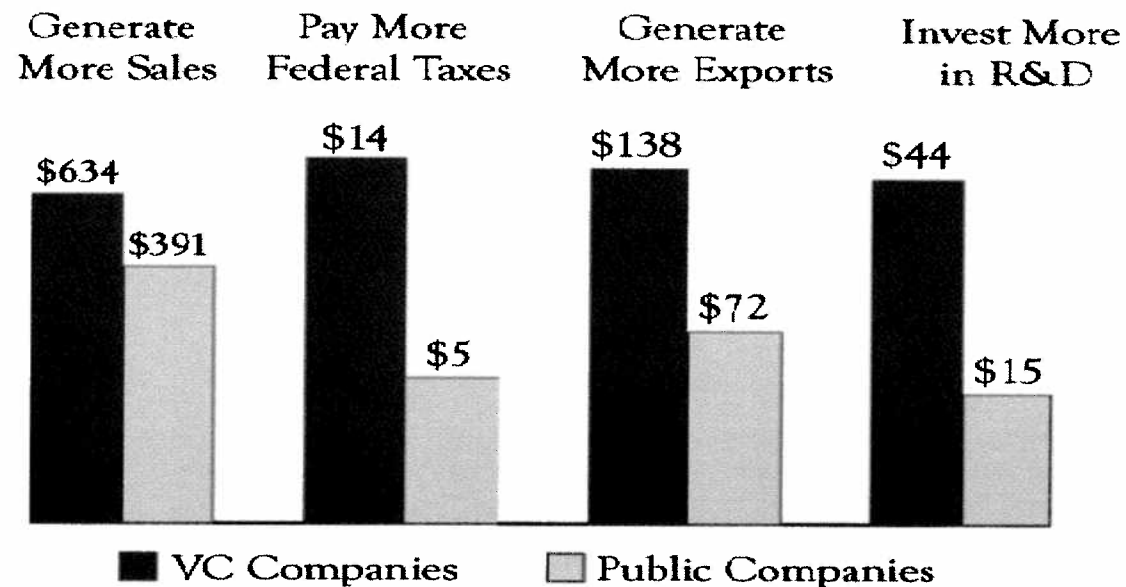
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The VC Model Has Been Successful Nationally

VCs are Company Builders...Creating Jobs & Prosperity

Venture Capital Backed Companies Contribute More to the U.S. Economy Than Average Public Companies
For every \$1000 in assets between 1980 and 2000, VC backed companies;



Source: DRI-WEFA

Michigan Venture Capital Examples

HealthMedia – Exit Success

- A University of Michigan Technology Spin-Out
- MI-based VC and angels were first investors, followed by VC investment from non-MI firms. A total of \$17M was raised.
- Acquired by Johnson & Johnson and will keep and grow operations in Michigan.
- Company currently employs over 250 people with average salary of \$80k.

Compendia Bioscience – Start Up example

- A University of Michigan Technology Spin-Out
- Michigan entrepreneurs angels and VC firm working together to navigate the earliest stages of developing a company using capital from various programs.

Both are examples of the need for a flexible continuum of capital that starts with angel capital and continues with professional venture capital

Definitions of Company Stages by Venture Capitalist

Pre-Seed/Seed

- **Definition:** 1-10 employees, Pre-revenue, University Spin-Outs, Concept/Product
- **Company Examples:** Armune Bioscience, ParkingCarma, Fulcrum Composites

Start-Up/Early

- **Definition:** 1-100 employees, pre-revenue to revenue, product commercialization
- **Company Examples:** Asterand, Esperion, Sircon, Arbortext, QuatRx, Neogen

Growth/Expansion

- **Definition:** 50+ employees, building revenues, achieving profitability
- **Company Examples:** Pioneer Surgical, ReCellular, Power Panel

Note: Company examples placed when they were originally venture backed



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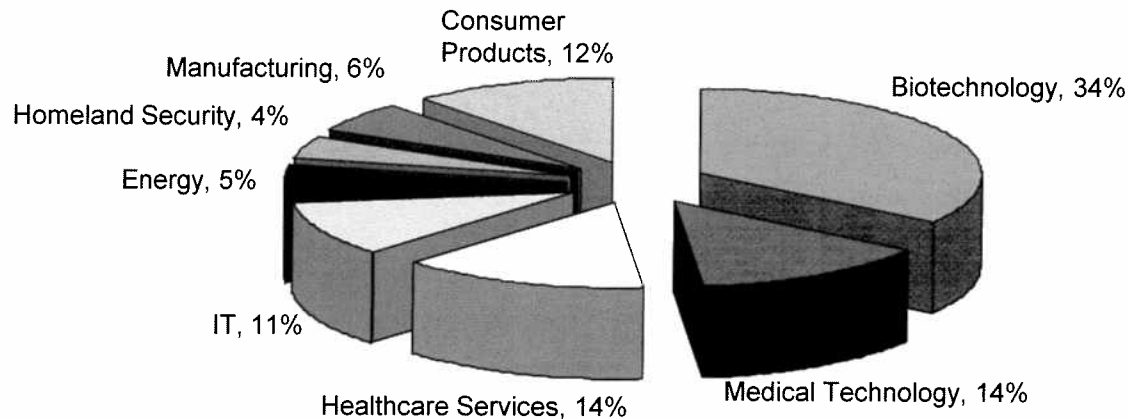
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Snapshot of 2008 Venture Capital Demand

Industry	Company Stage							
	Pre-Seed/Seed		Start-Up/Early		Growth/Expansion		Grand Total	
	\$ Demand	# Companies	\$ Demand	# Companies	\$ Demand	# Companies	\$ Demand	# Companies
Grand Total	\$50M	100+	\$1,102M	196	\$455M	14	\$1,607M	310

70% of MI VC demand is in the Start-Up/Early Stage

MI Demand by Sector



Note:- MVCA is still collecting additional deal flow from MI venture firms; used over six local VC and organization sources for the current snapshot

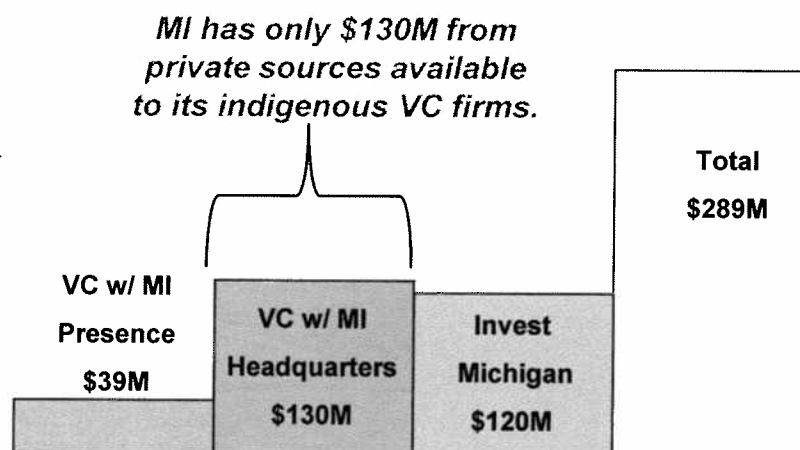
Snapshot of 2008 Venture Capital Available Supply

National Average
VC Fund Size =
\$175M

Essentially the
Total MI VC
Supply

“Dry Powder”

Available VC Targeted for MI Investment



Available Capital Breakdown

Fund 1: \$120M (Invest Michigan)

Fund 2: \$70M

Fund 3: \$25M

Fund 4: \$20M

Fund 5: \$15M

Fund 6: \$15M

Fund 7: \$10.5M

Fund 8: \$5M

Fund 9: \$4M

Fund 10: \$2.5M

Fund 11: \$1.5M

Funds 12-21: \$0

Total: \$289M

Venture Firms with MI Presence - 8

Blue Chip Venture Company
Chrysalis Ventures
Early Stage Partners
iNetworks
Midwest Venture Partners
Nth Power
Sigvion Capital
Venture Investors

Venture Firms Headquartered in MI -13

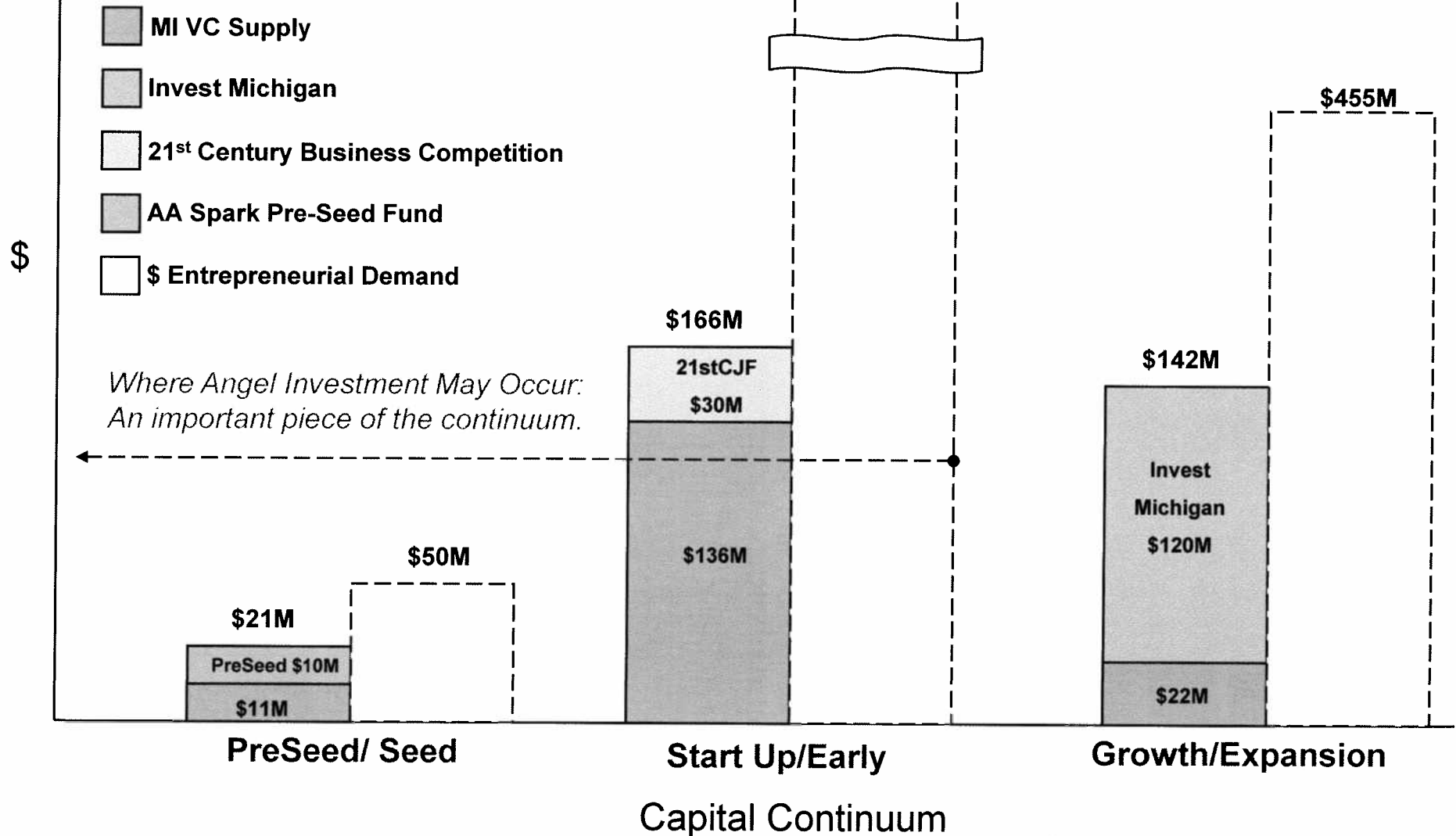
Apjohn Ventures	Oracle Capital Partners
Arbor Partners	Plymouth Ventures
Arboretum Ventures	RPM Ventures
Beringea / Credit Suisse	Seneca Partners
Bridge Street Capital	SWMF Life Science Fund
EDF Ventures	TGap Ventures
North Coast Technology	



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Michigan's Capital Gap (at 12/31/2008)



Note: Fund of Funds \$ commitments are included once committed to VC funds.

Productivity & Return of \$1 from State into VC

- \$1 invested sustains new economy jobs over many years in the State
- \$1 invested is leveraged by additional private dollars in a VC fund
- \$1 invested is leveraged by \$1-\$10 non-MI VC dollar in a deal syndicate
- \$1 invested brings in substantial State revenues from new company wage/property/income/other State taxes
- \$1 invested is returned to State to re-invest again or return to the taxpayer
- \$1 invested can deliver 2-3x returns to State on top of the original \$1
- \$1 invested fuels the engine like in PA, CA, MA, and other states that have used VC to grow their states back to world-class competitiveness for companies, jobs, and families to reside



Exceptional returns compared to Other Economic Development Investment

What Next in MI VC?

- Stay tuned for the MVCA to set a vision of what the Next Michigan economy could look like with a prosperous indigenous venture capital community. Jobs and investment return for the State.
- Without the state's support, the MVCA estimates that half of Michigan's venture capital community will fold due to a lack of fundraising successes.
- Many states have built prosperous venture capital/entrepreneurial infrastructures by providing a pool of capital directly to venture capitalists. It is a venture capitalist's job to build successful new technology companies, resulting in job creation. They are highly incentivized to deliver return.

We thank you for your time.

MVCA Attendees

- LeAnn Auer - Executive Director, MVCA
- Ron Reed - Managing Director, Seneca Partners; MVCA Legislative Committee Chair
- Skip Simms - Manager, Ann Arbor SPARK Pre-Seed Fund; MVCA Member