University of Michigan Wolverine Venture Fund Achieves Record $2 Million Return on HandyLab Acquisition

Ann Arbor, Mich. – Nov. 20, 2009 – The Wolverine Venture Fund (WVF), part of the University of Michigan’s Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies at the Ross School of Business, today announced a record-setting $2 million return on its strategic venture capital investments in HandyLab. An Ann Arbor-based developer and manufacturer of molecular diagnostic products, HandyLab entered into an agreement earlier this fall to be acquired by BD (Becton, Dickinson and Company) (NYSE: BDX). The transaction closed on Nov. 19, handing Michigan business students their third successful portfolio-company exit since the fund’s inception in 1998.

HandyLab was added to the WVF portfolio in 2000 when the fund participated in the company’s Series A round. Between 2000 and 2005, WVF invested $350,000 over six rounds and, upon exit, earned a six-fold, cash-on-cash return. Approximately 100 Ross students participated in the fund’s investment activities over that time span. Overall, HandyLab raised a total of $47 million in seed and early-stage equity financing from a pool of investors, including Ann Arbor, Michigan-based EDF Ventures, who helped found the company and provided the seed capital, as well as Ardesta and Arboretum Ventures.

Tom Porter, director of the Ross School’s Frankel Commercial Fund and former general partner at EDF Ventures, and Mike Partsch, who served his Kauffman fellowship at EDF under Porter’s mentorship from 1998 to 2000, were key players in the formation of HandyLab nine years ago. They negotiated an exclusive licensing deal with the University, and partnered with two U-M chemical-engineering doctoral students, Kalyan “Handy” Handique and Sundaresh Brahmasandra, to co-found the company in June 2000. Porter saw the start-up venture as a prime investment candidate for the WVF and contacted Tim Petersen who was then the Zell Lurie Institute’s managing director.

“In many ways, this was a ‘normal’ WVF investment,” says Petersen. “It involved exciting new technology from the University, two friendly venture-capital funds, EDF Ventures and Ardesta, and two University doctoral students with the right amount of interest and commitment to the company and to being entrepreneurs. It was a tremendous experience for students, who had an opportunity to watch the company’s evolution, track its progress and make investment decisions over time that yielded great results.” Petersen is now managing director of Arboretum Ventures, which became an investor in HandyLab in 2004.

Mary Campbell, a founding WVF advisory board member and founding member and managing director of EDF Ventures, says that investing in HandyLab fit hand-in-glove with the mission of the Wolverine Venture Fund. “It was an opportunity to reap financial rewards that would continue to fund the WVF,” she explains. “It also enabled students to deepen their knowledge and advance their understanding of venture capital and entrepreneurship.” Campbell has served on HandyLab’s board of directors since 2004.

The Zell Lurie Institute oversees WVF, which teaches first- and second-year MBA candidates the fundamentals of the venture capital business by allowing them to make actual investments in early-stage companies under faculty and advisor supervision and to earn venture rates of return. Emerging high-potential companies, such as HandyLab, receive investment dollars from the WVF at critical times during their seed and early-stage
phases. In addition, students provide input by developing and revising business plans, conducting market and product research and writing case studies.

“Our students have an opportunity to work with company founders and co-investors from established venture funds in making critical judgments about whether to invest and re-invest,” said Thomas C. Kinnear, executive director of the Zell Lurie Institute and Wolverine Venture Fund Director. “The greatest benefit is that students get practical experience by using real money to make real investments in real companies in real time.”

Adam Orlov, MBA ’01, served as student chair of the WVF during the fall 2000 term and prior to fall term began due diligence on HandyLab and oversaw the student team assigned to vetting HandyLab. He says his experience on the fund has proven valuable over the long term.

“We learned valuable skills, such as sourcing deals, conducting due diligence, valuing opportunities and gauging what investors are looking for,” Orlov remarks. “It was a prestigious experience to have within the U-M business community and presented an educational opportunity to work with full-time, professional venture-capital investors.” Orlov put his investment know-how to work when he formed Chicago-based Hill Partners with three Ross classmates in 2002. Today, he is a managing member of Anthem Capital.

This is not the first “home run” for the $3.5 million WVF. Students also directed WVF’s investment of $250,000 over four rounds in IntraLase, an ophthalmic medical-device company, which became the first firm in the fund’s portfolio to go public. In 2004, the WVF sold its shares in the initial offering, returning over $1 million in proceeds and effectively expanding the overall size of the fund to $3.5 million. Prior to that, WVF achieved their first investment milestone when portfolio company Versity.com was acquired in 1999.

“Combined, the IntraLase IPO and HandyLab exit have returned more than all of the capital invested in the Fund,” Kinnear explained. “Had WVF been a ‘limited partnership’ fund as opposed to an ‘evergreen’ fund, and were able to look at the return rate of vintage 1998 venture capital funds, we would have returns comparable to well-run venture capital funds, which is another significant differentiator for WVF compared to other student-led venture funds.”

Over its 11-year history, WVF has invested in more than 18 companies across a wide range of innovative industries, and currently manages an active portfolio of thirteen companies.

About the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies / Center for Venture Capital & Private Equity Finance
The Institute and its Center for Venture Capital and Private Equity Finance bring together a potent mix of knowledge, experience and opportunities from the front lines of entrepreneurship and alternative investments. The student learning experience is further enhanced through internships, entrepreneurial clubs and organization and events that serve to provide viable networks and engage the business community. The School’s two student-led investment funds, with over $3M in management, immerse students in the business assessment and investment process. Members of the Advisory Board include Samuel Zell, Chairman of Equity Group Investments; Michael Hallman, former COO of Microsoft Corporation; and Eugene Applebaum, Founder of Arbor Drugs, Inc. For more information, visit the Institute at www.zli.bus.umich.edu.

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