



InCompany

UNIVERSITY OF MICHIGAN BUSINESS SCHOOL

Samuel Zell & Robert H. Lurie INSTITUTE FOR ENTREPRENEURIAL STUDIES

SPRING 2002
www.zli.bus.umich.edu



**FROM THE EXECUTIVE DIRECTOR,
TOM KINNEAR**

Our spring news publication provides you with insight into the entrepreneurial experiences of Michigan students and alumni. Over the last year we launched several new initiatives including the 'Dare to Dream' grant program for student start-ups, and assumed the leadership of Great Lakes Venture Quest, a state-wide Business Plan competition originally created by McKinsey & Company. These new programs provide our students with unique hands-on experiences and are producing graduates who are adept at turning knowledge into entrepreneurial action. We are pleased to share with you the many successes of our students and to highlight the continued support of the many alumni and entrepreneurial business leaders that enrich our program.

IN THIS ISSUE

Wolverine Venture Fund

Entrepreneurial Alumni

Challenging the Entrepreneurial Mindset

Mega Networking Events

Paths of an Entrepreneur

In the Press



WOLVERINE VENTURE FUND

The Challenge in Making Successful Real World Investments

The multimillion-dollar Wolverine Venture Fund (WVF) is the portal through which a select team of MBAs pursue their degree while weighing-in on real world venture capital investment opportunities. This year saw 16 students seek and screen potential investment opportunities in companies ranging from energy to biotechnology. The decision to invest in a company is made jointly by the Fund's student members (who conduct the due diligence) and the WVF's external advisory board of experienced VCs and entrepreneurs. Both successful and unsuccessful investments provide students with invaluable insights into the intricacies of the venture capital process.

“ Student-driven Investment Group Tries to Learn How to Pick Business Winners”

Excerpted from *Michigan Today*, Spring 2002.

For the complete article, see www.zli.bus.umich.edu/news_events/

You may not have heard of IntraLase Corporation or HandyLab, but if either of these companies makes it in the marketplace, part of the credit—not to mention part of the revenue—will go to U-M Business School's Wolverine Venture Fund.

First, some introductions. IntraLase, based in Irvine, California, is using technology developed by ophthalmologist Ron Kurtz and bioengineering Prof. Tibor Juhasz and U-M's Kellogg Eye Center to create the next generation of lasers for use in surgery to correct nearsightedness. HandyLab is an Ann Arbor company, also based on U-M technology, that is miniaturizing an array of medical tests so they can be conducted on a handheld computer in a doctor's office.

And the Wolverine Venture Fund, part of the Samuel Zell & Robert H. Lurie Institute for Entrepreneurial studies at the U-M Business School, is a student-driven and primarily student-managed venture capital fund that has invested in both of them, as well as in at least six other companies, since its establishment in 1997.

Like any other venture capital enterprise, whether private or university-based, the Wolverine Venture Fund (WVF) consists of money in search of potentially profitable risks. The 16-member student board makes investment decisions with the assistance of faculty and an eight-member external advisory board of professional venture capitalists and entrepreneurs. Investments go to nascent enterprises, usually in return for part ownership or some other stake in their future success. The goal is, in entrepreneurial lingo, a “liquidity event.” As Dr. Kurtz of IntraLase puts it: “When the companies go public or are purchased, that is the ‘liquidity event’ the investors or those who have an equity interest, like the University, are waiting for.”

Although the Fund's primary purpose is educational, the money is quite real—\$2.6 million, no more than 10 percent of which can be invested in any one venture. The group prefers to back companies with a management team member who is a U-M alumnus, faculty or staff member, or student.

The challenge of making real-world investments during a two-year stint with the Fund prompts roughly 10 times as many entering MBA students to apply than the board can accommodate. The current 16 student board members include two PhDs in biochemistry, a student who's completed three years of medical school en route to a joint MD/MBA degree in a collaborative program he helped found, another who was with Intel for 10 years as an engineer and program manager, and several who had already started companies of their own before going to business school.



David Shelby and Adam Conrad



WVF Team Leaders: David Carrel, Mekhala Vasthare, Adam Conrad and Chris Schwalbach

WVF Advisory Board, Faculty and Students



Wolverine Venture Fund Student Testimonial

Alex Virgilio, MBA2

"The WVF does not assign board seats nor does it distribute carry to its student advisors, but it does almost everything else a venture fund does. My experience began with the evaluation of submitted business plans, and while this a valuable skill, the real fun and learning came from interacting with others--my fellow WVF students, the WVF advisory board, and the CEO's and entrepreneurs who wanted our support. I've expanded my network; I've gained insight into what professional VC's look for; and, most importantly, I've acquired the confidence to sit across the table from and relentlessly press aspiring entrepreneurs and CEO's to dissect and prove their business models. Thanks to my experience with the WVF, I'll hit the ground running when I start in May as an associate with Frazier & Co.'s healthcare investment group in Seattle."

The Wolverine Venture Fund Establishes the David T. Shelby Award

The David T. Shelby Award was created to honor Mr. Shelby for his role in creating the Fund and for his passionate commitment as an Advisory Board member. This year's recipient, recognizing outstanding student performance and leadership, was Adam Conrad, MBA2.

Michigan Takes First Place at the 2002 Venture Capital Investment Competition

An outstanding team of Wolverine Venture Fund students brought home the first place prize of \$10,000 after competing among eight teams of the nation's finest entrepreneurial-minded MBA students in the Venture Capital Investment Competition (VCIC) Finals at the University of North Carolina at Chapel Hill on April 4-6. Michigan's team was comprised of Jonathan Ives, David Carrel, Chris Schwalbach, Adam Conrad and Max Jacob. At the competition, teams of students play the role of VCs, reviewing five real business plans, interviewing the entrepreneurs and preparing term sheets. Actual members of the venture community judge the MBA teams' abilities to evaluate the start-up companies and to appropriately allocate funding. To eliminate any school bias, the teams are not identified by school until after the competition is completed. Schools represented at the competition were from among the nation's top twenty business MBA programs including Harvard, Duke and Cal-Berkeley. This is truly an outstanding achievement and provided an extraordinary opportunity for the Michigan team to put their VC acumen and skills to the test.

"The VCIC competition is a great opportunity to go through the entire Venture Capital process within a compressed timeframe. Being a member of the Wolverine Venture Fund and having worked with Koch Ventures this last summer gave me a solid understanding of the venture capital process. It was very helpful to be able to compare some of the companies that were presented at the competition to companies that we have evaluated over the year in the WVF. This was an incredible advantage as other members of the WVF fund were able to explain different spaces like the life sciences that I did not fully understand. I was able to leverage the comparable evaluation to a company that we looked at during the year to provide a framework that I could use in the competition."

Max Jacob, MBA2

"They were rock solid on most everything. It made a huge difference because they had practical experience. In this business you have to."

Ruth Taylor of IBM Venture Capital and Strategy

Portfolio Investments

Intralase Corporation, May 1998, November 2001
HandyLab Inc., August 2000, November 2001
Silverpop Systems (formerly Avienda), August 2000
Avail Networks, December 2000
eCognita Technologies, November 2001

Investment Partners

EDF Ventures, Brentwood Venture Capital
EDF Ventures
Draper Fisher Jurvetson
EDF Ventures, Blueprint Ventures
Resolution Capital Group

Congratulations to the WVF Graduates

Dan Bloomgarden
David Carrel
Adam Conrad
Max Jacob
Chris Schwalbach
Mekhala Vasthare
Alex Virgilio
Dana Wang
Mark Wenger

WVF Advisory Board

Mary Ann Alger, CFO, Osteomics
Paul S. Brentlinger, Partner, Morgenthaler Ventures
Mary L. Campbell, General Partner, EDF Ventures
Hal Davis, CEO, BlueGull Network
William D. Johnson, Associate, JP Morgan Partners
James D. Price, Managing Director, CompanyCrafters
Margot S. Shapiro
David T. Shelby, Alumni Fund Manager
Richard C. Slayton, Chairman, Slayton International, Inc.

ENTREPRENEURIAL ALUMNI

Class of 2001:

Bob Fan, Chad Mulder, Jennifer Hunt, Ricahrd Lui and Venkat Nagaswamy

MVent a Singapore-based anytime, anywhere wireless payment resource company, was founded in 2001 by four recently minted MBAs: Bob Fan, Chad Mulder, Jennifer Hunt and Richard Lui. The students pitched their business concept to Citibank a year before graduation while enrolled in Professor Andy Lawlor's fall "New Venture Creation" course. In December 2001 fellow MBA student Venkat Nagaswamy was invited to come onboard as the company CEO. The five-member team then continued to spend many extra hours together polishing their business concept while keeping an open line of communication with Citibank.

The team's due diligence paid off and in January 2001 Citibank awarded seed funding to the students. Accenture was then contacted to build the proof of concept. Then in June 2001 the first of 10 summer interns from Michigan and Stanford were sent to Singapore to assist with developing the company. The internship projects varied from bank and merchant integration to process flows and value-add services.

"MVent benefited from the assistance of UMBS faculty, especially Professors Lawlor, Borphy and Afuah, and from the vast UMBS Alumni network," says Mr. Nagaswamy. "My Michigan education gave me the confidence to run my own business and to succeed in a competitive environment even in a down market." The 'Fab Five' team is still onboard and is working to create a global network between banks, merchants and consumers, with the goal of MVent becoming associated with ubiquitous payment and information capability. The team's vision is for MVent is to become a payments what Microsoft is to operating systems. MVent recently merged with Mobile Solutions and Payment Services, a Singapore Technologies Group company, and continues to work towards the realization of that vision.



Chad Mulder and Richard Liu at Signing of the Merger

Keith Alessi, MBA '79, Specializing in Turnaround Management

Not only is Keith Alessi well known for his expertise in turnaround situations but also for his savvy teaching style that keeps his "Turnaround Management" class packed to capacity. Mr. Alessi travels to Michigan one day a week to impart his knowledge and to challenge students on issues pertinent to turnaround situations. Mr. Alessi has given his time to Michigan as a member of the Alumni Board of Governors and currently serves as an Advisory Board member to the Institute and as an Adjunct Professor at both the Washington and Lee University School of Law and the University of Michigan Business School.

"Most of our classes at UMBS address how to turn a good company into a great one, or how to keep a great company well positioned for the future. The best feature of Professor Alessi's Turnaround course is that we have an opportunity to look at corporate environments where there are very serious problems to begin with and address what steps senior managers can take to stop the destruction and set the company on a new track. This is a course about making hard decisions when you know peoples' lives will be affected by the choices you make. In Professor Alessi's class we have a valuable forum to discuss how and when to select the best option among limited alternatives and the value of leadership in difficult times."

Anthony Boardman, MBA2

KUDOS!

Michael R. Hallman, BBA '66, MBA '67, was presented with the 2002 Bert F. Wertman Alumni Service Award. Established in 1989, this award recognizes an alumnus or alumna of UMBS for outstanding service to the School. Mr. Hallman is the founder of The Hallman Group, a management consulting firm located in Kirkland, Washington. In addition to his business activities, he serves on the Visiting Committee to UMBS and as an Advisory Board member to the Institute.



Michael Jandernoa, BBA '72, has been selected to receive UMBS's Alumni Entrepreneur of the Year Award. Mr. Jandernoa will be presented the award and honored as the opening keynote speaker on September 13 at this year's "Entrepalooza 2002" Entrepreneurship symposium. Mr. Jandernoa currently serves as the CEO and Chairman of the Board of Perrigo Company, the nation's largest manufacturer and marketer of store brand over-the-counter drug and nutritional products. In addition to his service on Perrigo's Board of Directors, he also serves on the Board of Directors of 5th/3rd Bank, the NACDS Associate Member Advisory Board, the Michigan Economic Development Corporation, the Michigan Life Sciences Corridor, and the UMBS Visiting Committee.



Cleveland Christophe, MBA '67, has been selected to receive the David D. Alger Alumni Achievement Award. Established in 1989, this award recognizes an alumnus or alumna of the Business School whose attainments in their professional field have brought distinction to themselves, credit to the School, and benefit to their fellow citizens. Mr. Christophe is the Managing Partner of TSG Capital Group, a private equity investment firm. In addition to his leadership at TSG, Mr. Christophe is a member of the Board of Directors of various private companies and is a member of the Visiting Committee to UMBS and an Advisory Board member to the Institute.



Luncheon with Samuel Zell Raises \$4,000 for Habitat for Humanity

On Friday, March 29 eight students attended a private luncheon in Chicago with Samuel Zell. The students were afforded this opportunity by bidding a total of \$2,000 at the School's annual Habitat for Humanity auction, which Mr. Zell generously matched, for a total donation of \$4,000. The UMBS Habitat for Humanity thanks Mr. Zell for his generous contribution.

During the luncheon, in his boardroom, Mr. Zell provided students insight on creating value in real estate, the state of the economy and success. "Success is due to understanding and avoiding competition," says Mr. Zell. "Go where others won't; there's a lot of opportunity out there, you just need to look for it." The students who attended the luncheon were: Nikki Arisumi, Zach Browder, Ira Hall, Jon Ives, Max Jacob, Joe Llamas, Sam Sorokin and Alumnus Ty Bash.

UMBS Habitat is building their seventh house this year and is seeking to raise \$50,000 by September 1, 2002. Please contact Zach Browder, President, UMBS Habitat for Humanity, at zbrowder@umich.edu if you would like to support this year's program and community outreach at UMBS.



Samuel Zell



From left to right: Ira Hall, Joe Llamas, Sam Sorokin, Jon Ives, Samuel Zell, Nikki Arisumi, Zach Browder, Max Jacob and Ty Bash

CHALLENGING THE ENTREPRENEURIAL MINDSET

The 2002 UM Pryor Hale Business Plan Competition

And the winners are...

The winners of this year's 19th annual UM Pryor Hale Business Plan Competition were announced in February. The Competition saw an increased number of business plans submitted, ranging from an innovative Mexican eatery to a provider of sensors that measure changes in the acceleration of an object. The Competition, hosted by the Institute and moderated by Paul Kirsch, is a University-wide effort to promote new business development. A select panel of judges, comprised of entrepreneurs and venture capitalists from the Michigan business community, take into consideration the quality of the idea, the strength of the management team, and the clarity and persuasiveness of the written plan and oral presentation to determine the winners.

Best Business, the Pryor-Hale Award (\$10,000) – Xoran Technologies

Best Graduate Student Presentation (\$1,000) – Xoran Technologies

Predrag Sukovic

Xoran Technologies has identified an untapped \$1.5 billion market for a compact, portable, inexpensive, and high-quality CAT scanner for specific fields of human medicine and dentistry. CAT scanners create three-dimensional anatomical images that depict tumors, clogged arteries, and other abnormalities and diseases. Many health professionals are prevented from purchasing conventional CAT scanners due to the exorbitant cost (typically over \$1 million) and large size (typically requires a room of 5x7 meters). Xoran will market its small, portable, and inexpensive (\$150,000 - \$200,000) line of mini-CAT scanners. Practitioners in Xoran's target markets have expressed great enthusiasm for Xoran's CAT technology and its proposed price range. In fact, Xoran has already acquired a respected reference customer for its mini-CAT product in the dental field.

Best Undergraduate Student Plan (\$2,000) – Golden Rubber

Gabrial Gerenstein, Justin Golden, Eddie Kong, Adam Oakley and Joseph Ravitsky

Millions of rubber tires are added to stockpiles every year adding to the already hundreds of millions of waste tires with no clear use in sight. Golden Rubber LLC has found a technology that will address the struggle to make efficient use of these obsolete tires, as well as a significant portion of other excess and wasted rubber products. This technology will process obsolete rubber products into a usable rubber powder. The powder can be sold as a raw material for rubber product manufacturers or used for the production of their own rubber components.

Best Graduate Student Written Plan (\$1,500) – New Solutions

George Farley III and Joe O'Malley

New Solutions Incorporated (NSI) is a Chicago-based chemical sales company that holds the exclusive rights to market and distribute a line of chemical products, including vertical masonry waterproofers and horizontal concrete treatments. Although competitors exist in each product category, NSI's chemicals are unique in their formulation and in the benefits they deliver to the customer. NSI's strategic marketing approach, both Direct-to-Applicator and through retail channels, will further differentiate the products from their competitors.

Congratulations to the Pryor Hale Finalist Teams

Juanita Juanita

Susan Bernstein, Chandus Jackson, Clint Perez, Eva Skidmore and Samantha Sturhahn

Pixel Velocity

Eric Sieczka, Heather Brzoznowski and Joshua Patterick

Rhythm Source

Mike Lee and David Shayman

Sirius Microsystems

Haluk Kulah, Junseok Chae and Michael McCorquodale



Xoran Technologies - Predrag Sukovic, Jackie Vestevich, Neal Clinthorne

New Solutions - Joe O'Malley and George Farley

Golden Rubber - Joe Ravitsky, Adam Oakley, Gabe Gerenstein, Justin Golden and Eddie Kong

Judges - Brian Khoury, Waypoint Ventures; Karl Lapeer, Peninsula Capital Partners; Beau Laskey, EDF Ventures, L.P.; Ellen Clark, Deloitte & Touche; Andy Lawlor, UMBS (advisor); J. Michael Davis, First of Michigan; Mary Campbell, EDF Ventures, L.P.; Steve Stimson, FX Coughlin Co.; and Paul Kirsch (moderator)

Dare to Dream: A Funding Program for Student Start-ups

The purpose of the newly created Dare to Dream funding program, made possible through a grant from the Community Foundation for Southeastern Michigan, is to encourage entrepreneurial creativity and risk-taking by our students. Any UM student with a business student on their management team is able to apply for financial assistance of up to \$20,000 to validate their business concept and/or to commence operations. In addition to funding, the program also provides for business incubator space.

On March 8 six teams from among an outstanding set of 24 applications were chosen to receive funding and will also receive independent study course credit for their participation in the program. The next round of awards will be in September.

Award Recipients

Robert Mazur – B.A. Maze, Inc.

Concept: launch a patent-pending medicine opener branded as the Mollimouse.

Award: \$10,000 for product development, business development, and intellectual property protection activities.

Ben Hassing and David Wolowiec – Blueback Seafoods

Concept: apply the current technological advancements in crustacean aquaculture to soft shell blue crab production.

Award: \$5,000 to acquire necessary licensing, permits and insurance, retain legal counsel for incorporation, and web development.

Jeff Wilkins and Wade Rushing – Mobius Microsystems

Concept: commercialize and market several new patent-pending, mixed signal technologies that enable a next generation of silicon products to deliver high-performance, low-noise, mixed-signal solutions.

Award: \$20,000 to establish a marketing platform and product commercialization framework for a successful launch of the company in June 2002.

Heather Brzoznowski – Pixel Velocity

Concept: use smart video technology to revolutionize the accuracy and efficiency of processing video data. The first application is in the burgeoning security markets.

Award: \$20,000 to continue prototype development efforts, pursue relationships with potential marketing and distribution partners, and meet with customers to better understand their requirements.

John Gary – Roger, Inc.

Concept: become the premier supplier of software solutions to the fitness market.

Award: \$5,000 to develop and implement a test marketing campaign.

Mark Wenger and Alex Virgilio – Xoran Technologies

Concept: offer a miniaturized alternative to current CAT scan technology that allows the benefits of scanning technology to be available on demand in doctor and dentist offices instead of specialized labs and clinics.

Award: \$20,000 to hire a healthcare consulting firm, contract for accounting services, and pay salaries to its management team.



CHALLENGING THE ENTREPRENEURIAL MINDSET

Intercollegiate Business Plan, Case Writing and Venture Capital Competitions

Each year the Institute sponsors teams to compete with enterprising students from the nation's top business schools. Each event provides an opportunity for the teams to network with entrepreneurs and VCs and to compete for prizes ranging from \$5,000 to \$100,000.

Sponsored Teams

Ball State University & University of Hawaii – Enterprise Creation
Justin Golden, Joe Ravitsky and Adam Oakley - Golden Rubber
\$500 for Best Entrepreneurial Effort

Indiana University – Spirit of Enterprise
Michael McCorquodale and Jeff Wilkins – Mobius Microsystems
\$10,000 for First Place, National Champions

Kauffman & Angell Center for Entrepreneurship – Case Writing Competition
Chris Schwalbach – Avail Networks Case
\$1,000 for Runner-up

MBA Jungle Business Plan Competition
Predrag Sukovic and Mark Wenger – Xoran Technologies
Will participate in the finalist round on April 29

Rice University – Southwest Business Plan Competition
Heather Brzoznowski, Josh Patterick and Eric Siczka – Pixel Velocity
Finalist

San Diego State University – New Venture Challenge
Susan Bernstein, Clint Perez and Samantha Sturhahn – Juanita Juanita
\$1,000 for the Craig P. Dunn Award for Social Innovation in Entrepreneurship

University of Nebraska – Duncan Aviation International
David Shayman – Rhythm Source
Excellent job presenting your plan!

University of North Carolina Venture Capital Investment Competition Finals
David Carrel, Adam Conrad, Jonathan Ives, Max Jacob and Chris Schwalbach
\$10,000 for First Place, National Champions
\$5,000 for Western Regional Champions

University of Oregon – New Venture Championship
\$10,000 for Second Place
University Texas at Austin – MOOT Corp Competition, May 1
Xoran Technologies will compete for up to \$100,000 in prizes

Wake Forest University – Elevator Competition
Jeff Carnevale, Joe Chang and Steve VanMetre – Axis Systems
Thanks to Axis Systems, Golden Rubber and Pixel Velocity for a great showing!

Indianapolis Bound—The Mobius Experience

Jeffrey Wilkins, MBA1

Traveling to Indianapolis to compete in the semi-finals of a business plan competition is not something anyone really plans on doing during their business school career, nor is it something that you can necessarily envision. Our team had no expectations of what the experience would entail, however we were definitely looking forward to see where the path might take us—oh yeah, and ten grand wouldn't be bad either.

Arriving at the cocktail hour early, we naturally did what any group of Michigan students would do: we went straight for the free beer. As other teams began to trickle in, it became extremely clear that we were there for a competition—and everyone wanted to win. Despite the competitive aura, we enjoyed meeting many entrepreneurial students and learning about their businesses.

Each group slipped away after the cocktail hour to prepare for the next day's events. Around midnight we finished practicing with our ever-patient advisor and decided to see what downtown Indianapolis had to offer. Many hours of "discussing the vision" and few hours of sleep later, we headed to the competition site to get down to business.

The format consisted of three tracks of three teams presenting to three different panels of judges—mainly VCs and entrepreneurs. One team from each track and a fourth "wild card" team would be selected for the finals in the afternoon. When it was our time to present, we nailed it. Unlike what seemed like all of our previous practices, where we fumbled our words and had to keep looking at the projected slides, we came together and really gave a great presentation.

Late that morning we received word that we were selected to move on to the finals. At lunch we drew for presentation order and received valuable feedback from our initial group of judges. We were the first presentation of the afternoon so we had a short wait and then we were on again. This time we presented in front of the other teams as well as a panel of five judges, all VCs. The presentation went well again but the Q&A session this time was much more difficult. It was obvious these judges had dug into our financials and had some serious questions. After we answered their questions as best we could, we spent the next two and a half hours watching the other groups present.

When the waiting was over, we received the good news that we had won! The other teams were all extremely gracious and encouraging when the results were announced, despite their initial competitiveness. All of us enjoyed learning from one another and going through the competition together. For the Mobius team, the experience at Indiana was definitely the highlight of our education!

"From a strict business perspective, these competitions are a great opportunity to introduce a business concept to other entrepreneurs and venture capitalists from around the U.S. That kind of exposure is crucial for building a business. Furthermore, this is a wonderful way to network and to get our name circulated."

Heather Brzoznowski, Evening MBA

MEGA NETWORKING EVENTS

Great Lakes Venture Quest: A Statewide Business Plan Competition

The second annual Great Lakes Venture Quest Business Plan Competition, which began in October 2001, culminated on April 8, 2002 when three companies walked away with \$100,000 in prize money. The statewide Competition involved 111 entrants and is used as a means to help educate and support entrepreneurs in the creation and growth of successful technology-based businesses in the State. The structure of the Competition involves two phases. Phase I began in mid-October and culminated on December 5, 2001 when nine teams were awarded a total of \$60,000 from among three regions throughout the state. Prior to the Phase I Awards presentation, participants were provided the opportunity to work with coaches who offered their expertise to help the entrepreneurs develop their business concept summary and an analysis of the competitive situation—the required deliverable for Phase I. The Phase II entry requirement was a complete 20-page business plan. Throughout both phases of the competition, participants received feedback from a panel of Venture Capital judges and had many opportunities to network with other entrepreneurs and investors. In addition, weekly training sessions were offered on topics ranging from "Identifying & Quantifying Market Segments" to "In-depth Financial Analysis and Forecasting."



Phase II Winners

TJ Pulse – Bill Orabone, Maria Thompson and Jason Burr
Orthopedic Development – Mike Blowers and Alan Halpern
PowerLaser LLC – Ralph Davis and Ken Kinzler

Phase II Winners

Grand Prize (\$50,000) – TJ Pulse

The company is developing an ultracapacitor electronic component that discharges power like batteries, only much more quickly—for use in portable devices, autos and power plants.

Runner Up (\$25,000) – Orthopedic Development

The company is working on magnetic technology to prompt regrowth of neurons, to repair spines and possibly leading to a treatment or cure for paralysis.

Runner Up (\$25,000) – PowerLaser LLC

The company is working on laser technology as an alternative to sandblasting for removing paint and other foreign materials from a surface.

Phase I Winners

East Region

Grand Prize (\$10,000 ea.) – Neural Intervention Technologies
Runner Up (\$5,000 ea.) – Mobius
Runner Up (\$5,000 ea.) – Adaptive

West Region

Grand Prize (\$10,000 ea.) – Orthopedic Development
Runner Up (\$5,000 ea.) – Smart Writer
Runner Up (\$5,000 ea.) – SiteLive

North Region

Grand Prize (\$10,000 ea.) – Agen BioSense
Runner Up (\$5,000 ea.) – TJ Pulse
Runner Up (\$5,000 ea.) – Intellicon

2001–2002 GLVQ Phase II Participants

5nQ, Inc.
Adventure Video Game
Agen BioSense
Araphel
AuctionWiz
Autopoll
BARCODENEXUS
Bodyguard Products
campusinteraction
Cijen
COGNICE
Crusecom
Digital Dictionary
Elationship Builders
Enterprise Console
First Step Telecommunications
Frontier Medical, LLC
FunctionArt.Com, Inc.
IGI, Inc.
ip telephony
Keweenaw Nanoscience Center
Mobius Microsystems
NanoMed Pharmaceuticals
Neural Intervention Technologies
Orthopedic Development
PatentEmail.com
Pixel Velocity
Portable Fuel Cell Development
PowerLaser LLC.
Purechem
ReSpectrum
Secure-24
Sirius Microsystems
SmartWriter
TJ Pulse
Unitech Pharmaceuticals

2001–2002 GLVQ Sponsors

Platinum Sponsors

Herbert H. & Grace A. Dow Foundation
W.K. Kellogg Foundation
Michigan Economic Development Corporation

Gold Sponsors

Grand Valley State University

Samuel Zell & Robert H. Lurie
Institute for Entrepreneurial Studies
and
UM Tech Transfer,
both at the University of Michigan

Silver Sponsors

The Apjohn Group
Ardesta
Defrost Design
Digital Detroit
Eiler Communications
Esperion Therapeutics
MPI Research
Michigan Small Business Development Center
Michigan State University
Miller, Canfield, Paddock and Stone, P.L.C.
National City
PR Newswire
Southwest MichiganFirst
Stryker Corporation
Wayne State University

Other Sponsors

EDF Ventures
Eastern Michigan University
Michigan Technological University
North Coast Technology Ventures
Silicon Valley Bank

21st Annual Growth Capital Symposium – June 4-5, 2002

Dr. David Brophy, Professor of Finance, teaches the UMBS's highly regarded Venture Capital and Private Equity courses, and is also the Director of the Center for Venture Capital and Private Equity Finance (CVP). The Center organizes programs geared toward educating business leaders about weathering today's tough venture-capital market and the intricacies of entrepreneurial finance. This June the Center will host the 21st annual Growth Capital Symposium which features panel topics ranging from research commercialization and venture capital to entrepreneurship and corporate management. In addition, the symposium presents a set of established, high-growth firms each an example of the commercialization of cutting edge research. Keynote speaker Howard Cox, Partner of Greylock and Chairman of the National Venture Capital Association (NVCA), will set the tone for the symposium by addressing the current state of financial markets for emerging technology companies.

To register for the two-day event, see www.umich.edu/~cvpumps/

MEGA NETWORKING EVENTS

Emerging Industries Symposium Life Sciences: An Industry in Transition

The wealth of statewide start-ups are quickly producing a concentration of talent, technologies, and capital that has the potential of making Michigan a major center for biomedical discovery and for the conversion of those discoveries into products that will benefit society. Current market dynamics at play in the Life Sciences sector such as the culture clash issues that are cropping up between major pharmaceutical companies and tiny biotechnology outfits provided the foundation for the half-day public Life Sciences symposium held on February 8, 2002. The event, presented by the UM Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies, UM Tech Transfer, UM Life Sciences Institute and the Michigan Economic Development Corporation, drew approximately 325 attendees and provided an opportunity for businesses in the Midwest to learn about biopartnering from industry experts.

"The pharma industry is in crisis," said Dr. Erling Refsum, Equity Analyst for Nomura International. Dr. Refsum opened Friday's symposium, "Life Sciences: An Industry in Transition," with this sobering statement. He backed up his opening statement by discussing the current role of 'Big Pharma' as largely financial vehicles that are failing to deliver new drugs to the marketplace. Dr. Refsum explained that as pharma patents expire on existing drugs, startups and small biotech firms are increasingly being relied upon to provide the research and development for new drugs. In addition, small biotech companies often need the backing of big pharmaceutical companies and their steady cash flows from established products in order to bring new products to the marketplace. "Biotech alliances are the real solution to the problem," said Dr. Refsum. "Biotech is THE industry for the new millennium which needs knowledgeable people in both science and business to grow the industry!"

Dr. Alison Taunton-Rigby spoke about the biotech business and building a successful biotech company. "The goal of the biotech industry is to improve human lives in healthcare, agriculture and the environment by using biology," said Dr. Taunton-Rigby. She explained the importance of business models and the balance of short and long term needs to make money. In addition, she reiterated Dr. Refsum's point that biotech needs pharma as a source of financing operations and that pharma needs biotech as a source of new products and technology. Dr. Taunton-Rigby summarized by saying that to build a successful biotech company, "know your technology, think about the market cycles, and raise money when you can, not when you need it."

Several panel discussions rounded out the symposium. "Business Reality: Lessons Learned in Biopartnering," discussed relationship management, strategy and planning, and the importance of each in formulating alliances. "Spawning Michigan Biotech Start-ups: Linking Academia, Industry and State," discussed the many components needed to spawn Michigan Biotech start-ups including: the tax structure to foster entrepreneurial activity, wet labs, VC money, good management and talent. The symposium ended with a panel discussion on "The Partnering Perspective From Michigan Biotech Start-up Companies," where start-up company representatives shared their experiences in the partnering process.

Entrepalooza 2002!

Mark your calendars for September 13. The "Entrepalooza 2002" entrepreneurship symposium has been expanded to include six panel discussions. Panel topics include: young entrepreneurs, angel investing, venture capital late-stage investing, franchising, entrepreneurship in emerging economies and growing your business. Michael Jandernoa, CEO and Chairman of the Board of Perrigo Company, will be presented with the Alumni Entrepreneur of the year award and will be one of the two keynote speakers featured at this year's event. Registration will begin July 30. Email announcements will be sent out through the twice-monthly MichiganMail Alumni e-newsletter and directly from the Institute. The symposium will be held from 8:15 a.m. to 1:00 p.m. at the UMBS and will take place in Assembly Hall and William Davidson Hall. We hope you will join us for this exciting annual event.



(1)



(2)



(3)



(4)



(5)



(6)

(1) **Dr. Erling Refsum**, Nomura International

(2) **Dr. Alison Taunton-Rigby**, Forester Biotech

(3) **"Business Reality" panelists** (from left to right): Stephen Bent, Foley & Lardner; Evan Facher, Ph.D., Athersys, Inc.; Richard Eichholz, Ph.D., bioStrategies Group; John Osborn, Cephalon; and Ravi Kiron, Ph.D., MBA, Pfizer, Inc.

(4) **"Spawning Michigan Biotech Start-ups" panelists** (from left to right): Marvin Parnes, University of Michigan Research; Elaine Brock, University of Michigan Medical School; Steven Goldstein, Ph.D., University of Michigan Medical School; and Lyle Hohnke, M.A., Ph.D., Tullis-Dickerson, Inc.

(5) **"The Partnering Perspective From Michigan Biotech Start-ups," panelists** (from left to right) Thomas Collet, Rubicon Genomics; Thomas Stribling, DermaCo; Roger Newton, Ph.D., Esperion Therapeutics; Jan Garfinkle, Strategic Marketing Consultant; and Jan Gensheimer, Michigan Biosciences Industry Association.

(6) Audience

PATHS OF AN ENTREPRENEUR

Getting out Into the Entrepreneurial World

Benzi Ronen (MBA '98), CEO and Co-Founder, Octago, Inc.

Entrepreneurs Anonymous. This is the association that should be created for the numerous passionate individuals that have seen their great companies diminish as a result of not receiving additional funding. Innovation has taken a beating as investors run for cover in this economy. These harsh times have provided perspective for us at Octago to appreciate our investors and their commitment to ensure we have the means to become a very profitable company.

In early 2001, just as the economy was really beginning to suffer, I decided to start a company called Octago, which provides software that enables law firms to recruit attorneys more efficiently and effectively. Octago's software has already been adopted to the satisfaction of some of the biggest law firms in the world. Our next hurdle is to increase the number of law firms using the product. We have yet to encounter a law firm that has not been impressed with the OctagoLAW system. It is time for the ABC mantra—"Always Be Closing".

Octago continues to build its team of amazing individuals. There are not a whole lot of advantages to running a company in this economy. But one of them is that we have been able to hire people that are much smarter than we are. People that offer both the passion and years of experience to ensure Octago's success.

No one in Professor Lawlor or Bantel's class ever said that starting a company would be this challenging. But then again, those were the good old days when all ideas seemed to be getting funding. There are still smart investors out there that believe in innovation and are willing to take the risk to become leaders. All said, I highly encourage everyone to get out there into the entrepreneurial world. There is no high like it!

For more information about Octago, Inc., see www.Octago.com or contact Benzi Ronen at benzi@octago.com

Interview With Benzi Ronen

When did you get the idea for the company?

I left Microsoft to start a company not knowing what the company would do. In the end, the idea was a mixture of discovering an unmet need in the market and finding a business partner that would complement my skill set and feel passionate about the idea.

What was the impetus for actually taking the steps to start your own company?

I was driving home after playing tennis and relaxing in the sauna. I thought to myself that life was really getting cushy in the corporate world. I either had to make a break for it or I would lose the scrappy attitude that is vital to an entrepreneur. I resigned from Microsoft the next day.

You are leading a one year old start-up, now what? What is your vision for the company? Growth / expansion plans?

Now the fun really begins. We have an amazing team in place, a track record, and the resources to take the company to the next level. My dream was not just to create a company but to build a learning organization with the will to expand into additional segments.

How important has your UMBS experience been in your entrepreneurial endeavor?

I have made my share of mistakes running the business but I am convinced I would have made many more had I not completed my MBA. In this economy where every business is in a race to reach cash flow positive, there is very little room for decisions that defocus a company. UMBS provided me with the ability to analyze a business from a multidisciplinary perspective.

What advice do you have for UMBS students that would like to become entrepreneurs?

Upon graduating, I spent a long time debating whether to start a company right out of business school or first join a Fortune 1,000 company and gain additional experience. Had I not gone to Microsoft directly after UMBS, I would not have had enough credibility with investors, an understanding of how to build a company infrastructure, and the needed familiarity with the dynamics of the software industry. I strongly recommend that entrepreneurs first work at a Fortune 1,000 company before starting their company.

In addition, I suggest students take as many courses as possible that will enable them to excel in selling. In my experience, the ability to sell is the key success factor of an entrepreneur. An entrepreneur is selling their value proposition 24 hours a day to investors, customers, employees, and vendors.

IN THE PRESS

Experts in Entrepreneurship: Tom Kinnear and Tim Petersen "Recession Session – Read everything you need to know to beat the down turn in one sitting"

Excerpted from *Entrepreneur Magazine*, March 2002, by Mark Henricks

Money Matters

During a recession, companies that fail to hang on to cash often don't survive. Those that do may live to see better times. Sound simple? It's not. For instance, entrepreneurs who hope to hang on to cash by delaying payments to suppliers and creditors are deluding themselves and may be making matters worse, according to Tom Kinnear, executive director of the Institute for Entrepreneurial Studies at the University of Michigan in Ann Arbor. If stretching out payments is the only way to get through, you're already in so much trouble that you should consider liquidating, Kinnear says. "We're talking about basically financing the company with short-term debt," he says. "And that always fails in the end."

Marketing Sense

Sales, advertising and marketing are early targets for entrepreneurs navigating recession. And it's not a bad time to trim efforts to sell to marginal accounts. Take a fresh look at existing customers and new markets to winnow out the least profitable and reliable. "You shouldn't have all your eggs in one basket, but you can have more eggs in the baskets you have the most confidence in," says Hoffman. Also, focus on finding quick sales rather than long-term marketing. "You want orders," says Kinnear. "[Don't] waste time at trade shows where people aren't buying anything at the moment."

Technology Tactics

For some entrepreneurs, investing in new technology is an imperative in good times and bad. Hoffman has spent heavily on computers for training and networking as well as designing and managing construction projects. Sharing that attitude may be essential for you to come out of the blocks strongly when the starting gun fires for the next expansion, says Tim Petersen, managing director of University of Michigan's Institute for Entrepreneurial Studies. "If you get out of control on cost-cutting," he warns, "you're going to lose out on the next cycle."



Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies

701 Tappan Street, 9th Floor
Ann Arbor, Michigan 48109-1234
(734) 615-4419

www.zli.bus.umich.edu

EXECUTIVE COMMITTEE

Faculty of the University of Michigan Business School

Tom Kinnear	(ex-officio), Department of Marketing
Tim Petersen	(ex-officio), Department of Corporate Strategy and International Business
David Brophy	Department of Finance
Mike Gordon	Department of Computer and Information Systems
Andy Lawlor	Department of Corporate Strategy and International Business
Len Middleton	Department of Corporate Strategy and International Business

STAFF

Tom Kinnear	Executive Director
Tim Petersen	Managing Director
Paul Kirsch	Program Manager, Student Programs
Mary Nickson	Public Relations and Marketing Coordinator InCompany Editor
Anne Duncan	Program Manager, Great Lakes Venture Quest
Carolyn Maguire	Administrator

ADVISORY BOARD

Keith Alessi, Washington and Lee University School of Law
Eugene Applebaum, Arbor Investments Group
Jonn Behrman, Beyond Interactive
Theodore Berghorst, Vector Securities International L.L.C.
Ken Buckfire, Dresdner Kleinwort Wasserstein
Mary Campbell, EDF Ventures, L.P.
Dwight Carlson, Onset Management Company
Cleveland Christophe, TSG Capital Group, L.L.C.
Paul Courant, University of Michigan
Thomas Darden Jr., Reliant Equity Investors
Hal Davis, BlueGull Network
Dixon Doll, Doll Capital Management
Richard Eidswick, Arbor Partners, LLC
Russell Epker, Berkshire Partners, LLC
Marcel Gani, Juniper Networks
Michael Hallman, The Hallman Group
George Isaac III, GAI Capital, Ltd.
Bradley Keywell, Equity Group Investments
Hans Koch, HK Vision
Ann Lurie, Lurie Investments
Joel Martin, Forward Ventures
Steven McKean, BuyTelco.com
André McKoy, DME Interactive Holdings, Inc.
Barbara Mowry, Business Consultant
Marvin Parnes, University of Michigan
Jim Price, CompanyCrafters Inc.
Richard Rogel, Tomay Inc.
Douglas Rothwell, Michigan Economic Development Corporation
David Shelby, Northport Private Equity Investment Companies
Richard Snyder, Ardesta, L.L.C.
Michael Staebler, Pepper Hamilton LLP
Jeffrey Williams, Genomic Solutions Inc.
Samuel Zell, Equity Group Investments

