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## State's VC rank rises to 20th after \$54.2M investment in 2Q

By Tom Henderson

3:01 am, August 13, 2007

Michigan ranked 20th for the amount of venture capital invested in companies during the second quarter, according to figures released last week by the Washington-based **National Venture Capital Association** and by the national accounting firm **Pricewaterhouse-Coopers**.

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That's up from a ranking of 28th for the first quarter.

Four state companies received a total of \$54.2 million in the quarter, up from \$22 million in the first quarter and the most since \$81.8 million was invested in the fourth quarter of 2004.

But the state's total was dwarfed by California, which again finished No. 1, with 397 deals totaling nearly \$3.5 billion, about half of all the money invested by VC firms nationwide.

Massachusetts was second with 123 deals for \$785.3 million, followed by Texas (\$347.4 million), Washington (\$266.6 million) and New York (\$217 million).

Ann Arbor-based **QuatRx Pharmaceuticals Co.** got \$44 million from a consortium of 15 VC firms, none of them Michigan-based.

**Accuri Cytometers Inc.** of Ann Arbor, a maker of devices for cell analysis, got \$5 million, including \$2 million from Ann Arbor-based **Arboretum Ventures L.L.C.** and \$2 million from Chicago-based **Baird Venture Partners**.

Ann Arbor-based **Meditrina Pharmaceuticals Inc.** got \$4.4 million from the state's **21st Century Jobs Fund** and **Western Michigan University's Biosciences Research and Commercialization Center**. Meditrina develops therapies to treat reproductive disorders in women.

Kalamazoo-based **Venomix Inc.** got \$750,000, in part from the **Southwestern Michigan First Life Science Venture Fund L.P.** Venomix, a spin-off from the **University of Connecticut**, hopes to make insecticides with reduced environmental impact.

Michigan should start appearing higher in the ranks soon, said Kelly Williams, managing director of New York City-based **Credit Suisse First Boston** and co-leader of its customized fund investment group, which manages the \$109 million **21st Century Investment Fund** and the \$95 million **Venture Michigan Fund**.

The first fund has made six investments for a total of \$55 million in venture capital or private-equity companies with a Michigan focus since the beginning of the year. The Venture Michigan Fund has made four investments of an undisclosed amount in venture-capital funds.

"We are already starting to see dividends from these programs," Williams said. "Michigan-based capital is already being leveraged with money from other funds. That should assist in moving Michigan up the rankings."

For example, the 21st Century Investment Fund invested up to \$7.5 million in Arboretum Ventures and an undisclosed amount from the Venture Michigan Fund. Those were the first investments in Arboretum's just-launched second fund, which then made its first investment of \$2 million in Accuri, in partnership with Baird.

"There's a multiplier effect," said Williams, who said Credit Suisse is in the final stages of due diligence for what it expects

to be an investment in the next two or three weeks from both state funds in a Michigan investment firm.

The \$44 million for QuatRx was the second-biggest VC investment ever in a Michigan company. In November 2006, \$53.5 million was invested in **Cerenis Therapeutics Inc.**, a maker of cholesterol-fighting drugs. The NVCA didn't include that in its totals for Michigan because the company is based in Ann Arbor and France.

QuatRx also has the third-biggest VC round in state history, \$31 million in December 2004. It is testing drugs to treat endocrine, metabolic and cardiovascular diseases. Its most advanced drug, Ophena, is in Phase III clinical trials to treat vaginal atrophy.

QuatRx had planned on an initial public offering last year but withdrew its filing with the **U.S. Securities and Exchange Commission** on July 7, choosing to wait for a better IPO market while seeking additional private funding.

Nationally, \$7.1 billion was invested in 977 deals in the second quarter, the highest level since \$8.1 billion in the third quarter of 2001, before the bottom fell out of the VC industry following the crash of equity markets post-Sept. 11.

Seed and early-stage deals showed the greatest increase, reversing a trend in recent years by VC firms to look for safer, later-stage deals. VCs invested \$1.6 billion in seed or early-stage companies, and the 378 deals, up 31 percent from the first quarter, made up 39 percent of deal volume.

About \$2.2 billion was invested in 223 biotechnology and medical device companies nationwide, with \$1.5 billion in software, \$897 million in Internet companies, \$482 million in media and entertainment, and \$451 million in clean technologies, such as alternative energy and recycling

U.S. VC firms invested \$408 million in 34 deals in China in the quarter and \$119 million in 18 deals in India.

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