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Michigan Venture Capital Association gives \$75,000 loans to 2 Ann Arbor funds

BY TOM HENDERSON
CRAIN'S DETROIT BUSINESS

The Ann Arbor-based **Michigan Venture Capital Association** has made the first two loans as part of a **21st Century Jobs Fund** grant to help defray the cost of raising new venture-capital funds.

The \$2 billion, 10-year Jobs Fund initiative was created by the state Legislature in 2005 and funded by tobacco-settlement money. The MVCA received a \$2.1 million grant last year for this and two other programs.

Plymouth Venture Partners and **MacBeedon Partners L.L.C.**, both based in Ann Arbor, have each received \$75,000 and, based on progress reports, can get up to \$75,000 each next year.

The money can be used for legal expenses, documents, travel and office costs. It cannot be used to pay salaries.

Once the funds finish their fundraising, they are required to pay the money back. They have two years to reach a final close on a fund of at least \$10 million.

The MVCA will make at least two more loans of the same size and is currently winnowing down its applicants.

The MVCA also will use the grant to fund an executive-in-residence program to help pay the salary for upper management of companies who have received VC funding, and a survey of Michigan VC firms by the MVCA to find out which out-of-state VC funds they co-invest with, how many jobs their investments have created and what kind of return on their investments they have garnered.

The association is now accepting applications for the executive-in-residence program.

"The MVCA support is very valuable to us from a fundraising perspective," said Mahendra Ramsinghani, senior vice president of Plymouth Venture Partners. "It gives us some leeway to not worry about cash flow."

He said the firm's first fund, **Plymouth Venture Partners Fund I L.P.**, has raised about \$18.5 million and should reach its target of \$20 million by the end of August. He said he and Plymouth founder and chairman Ian Bund will begin raising **Plymouth Venture Partners II L.P.** in September, with a target of between \$20 million and \$40 million.

Ramsinghani, who prior to joining Plymouth Venture Partners last October was director of venture capital initiatives at the **Michigan Economic Development Corp.**, said the second fund will be similar to the first fund, targeting

Michigan companies across a broad range of industry segments.

"We don't get very fixated on industries, say on medical devices," he said. "We want to keep the bar low in terms of what comes in the door and the bar high in terms of the quality of the deal."

He said the fund will typically invest between \$700,000 and \$1 million in companies that need no more than \$5 million in funding and will also be a secondary lender to banks looking to share deals.

Said Dick Beedon, founder and CEO of MacBeedon Partners: "It's nice getting a big chunk of change, but you still have to spend it wisely."

"We want to keep the bar low in terms of what comes in the door and the bar high in terms of the quality of the deal."

Mahendra Ramsinghani,
Plymouth Venture Partners

MacBeedon was formed in January with the goal of being a small fund of \$3 million, doing modest seed-stage investments to help startups grow. The "Mac" part of the name comes from Beedon's wife, Martha MacKenzie.

Beedon has founded and sold a handful of companies, including Calsbad, Calif.-based **University Net-casting Corp.**, which

ran Web sites for large universities. It was merged into Boston-based **Student Advantage Inc.** in 1999 as part of an initial public offering that saw the company hit a market

capitalization of \$1 billion before the dot-com bust.

In 2004, he bought Ann Arbor-based **Intyre Doc Prep Inc.**, a Web-based provider of documents for the mortgage industry and sold it in 2005 to Netherlands-based **Wolters Kluwer**.

Based on his track record, Beedon said, his friends convinced him to think larger. His first fund is now targeted at \$70 million to \$100 million.

He said the general partner of a large West Coast firm that funds VC firms has recommended to his board that it become the lead investor in MacBeedon, with an investment of \$20 million to \$25 million. Beedon said the firm's board will vote on the investment in mid-August.

"You can say we have a big fish on the hook we're very excited about," he said.

Beedon said MacBeedon will target Michigan companies, "in clean, green, IT and power and energy. We're going to be the one fund that focuses almost exclusively on Michigan. There are plenty of deals here."

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Beedon

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