Nationally, everyone recognizes the staggering successes of Yahoo!, Amazon.com, eBay and the like. In Illinois, they laud the rise of home-grown companies such as Morningstar, Archipelago, Ovation Pharmaceuticals and DeVry. What often gets lost is the critical role that the private equity and venture capital community plays not only in funding, but in providing advice, expertise and other invaluable assistance to these rising stars in their formative stages.

It seems like only yesterday that we celebrated the debut of the Illinois Venture Capital Association at a gala party, distributing the poster “Dawn of America” that the late Chicago artist Ed Paschke made especially for IVCA as well as chocolate gold coins bearing the IVCA logo. It was the start of a new century. We sought to stir some excitement into the state’s private equity and venture capital industry and the entrepreneurial community and, in the process, foster a great deal more networking.

That was seven years ago – and what a difference those anuing years have made. We have grown from an organization with 28 members to 129 members. We have become an active – some might say activist – trade association, lobbying arm and meeting place. We have widened our net, too, embracing academic members and service providers essential to our industry and association, and forging close ties to the National Venture Capital Association.

Our thanks to the association’s early members, especially since two previous attempts to get a similar group going had failed for lack of interest. This time we poured a strong foundation, with many from the private equity and venture capital community and the IVCA’s passionate staff devoting time and services to nurture the young organization.

Before the IVCA, our city and state lacked the informal network that fuses venture capitalists, emerging enterprises, academics and government officials. These networks are essential to create work and wealth – work for many new employees in our state and wealth for those innovators and investors that forge and launch successful start-ups.

The IVCA has become that nurturing network as well as an organization regarded in the state legislature and in the media for getting things done. Just glance at our calendar of events.

Through this initial report of the IVCA, I think you will quickly recognize that our voice is the voice of our members – and this united voice grows stronger and more powerful every year.

Carl D. Thoma
Founding Chair
Since May 2000, connect best describes what the Illinois Venture Capital Association accomplishes as it bonds Illinois’ vigorous private equity and venture capital professionals with entrepreneurs, government leaders, investors, the media and others with mutual interests in economic growth and innovation.

At critical junctures in a company’s development are where the IVCA’s members matter. On their behalf, the nonprofit association has developed a concerted voice to stimulate and enhance the state’s $100 billion venture capital and private equity community. IVCA accomplishes this through an ever-expanding education, legislative and networking agenda. The IVCA’s mission is to foster the development and growth of Illinois’ private equity and venture capital ecosystem by:

- Increasing awareness and communicating the benefits of the private equity industry both locally and nationally.
- Promoting investment in and by Illinois-based private equity firms.
- Encouraging investment in Illinois-based companies.
- Creating opportunities for local firms to share best practices and learn about one another’s ventures and investment opportunities.
- Collaborating with government entities to remove disincentives to investing in Illinois.
DEAR MEMBERS:

It is with great pleasure that we enclose the Illinois Venture Capital Association's (IVCA’s) first Annual Report that highlights some of our many recent accomplishments and articulates the goals for the upcoming year.

The IVCA’s success reflects dedicated members and their tireless efforts to continue to build the association’s reputation as the best source of information on the positive impact that the private equity and venture capital community has on the Illinois and national economies.

Our organization and members are making a difference. During 2007, we have:

• Continued to build a strong relationship with Illinois legislators, working to educate them about the merits of capital formation in Illinois and working with them to craft important legislation that does not unintentionally hurt our industry's ability to generate jobs, energize the economy and cultivate innovation.

• Created an internship scholarship program for minority undergraduates to interest them in pursuing a venture capital or private equity career. Three University of Illinois business majors spent 10 weeks last summer at three IVCA member firms, each receiving $15,000, and the program will continue this summer.

• Buoyed the calendar of premier events related to private equity and venture capital with the Midwest Venture Summit showcasing promising Midwest companies seeking capital; the annual IVCA CFO Summit; the annual IVCA and National Venture Capital Association luncheon; a technology-commercialization forum featuring leading academic institutions; and the IVCA Annual Awards Dinner that honors recipients who represent the breadth and depth of our industry.

• Built up a library of IVCA Private Equity Profiles for Illinois venture capital and private equity investments that articulate the ways VC/PE firms support portfolio company growth beyond an infusion of cash. These profiles spotlight both proven success stories and emerging successes. This effort underscores the significant research resources we are applying to become the place to go for information on the role the private equity and venture capital community plays in Illinois.

While our organization has enjoyed tremendous success over the past seven years and during 2007, we feel much more lies ahead to accomplish in serving our various audiences – including other private investors, entrepreneurs and innovators, local and state lawmakers, the limited partner community, the media, academia, professional service providers and future investors, among others. In 2008 we will continue to build the organization’s reputation as the primary resource for private equity and venture capital in Illinois by:

• Identifying the future leaders of our industry and actively recruiting them to become more active in the IVCA family

• Offering opportunities for the limited partner community to get to know Illinois VC/PE investment funds better

• Expanding the Midwest Venture Summit to include even more interesting companies and attract additional investors

• Continuing the wide range of initiatives, events and programs for which the IVCA is known.

We are excited that the IVCA is truly becoming a sounding board and the first call that people make when they have questions about private equity and venture capital. It has been a pleasure working with so many of you over the past year. We hope that you will continue your efforts and involvement with the IVCA in 2008 and help to encourage new membership with your colleagues.

Thanks for a great 2007 and for propelling the IVCA into what we expect will be an equally stimulating and successful 2008 and beyond.

Keith L. Crandell
Chairman – 2006-2007

Daniel Rosenberg
Chairman – 2008-2009
ANNUAL INITIATIVES & ACCOMPLISHMENTS

Connected. It’s the right word to describe the Illinois Venture Capital Association’s track record in 2007. As the leading voice for the state’s vibrant venture capital and private equity community, the IVCA recorded another year of strong growth and achievement. And our members continue to gain recognition for their role and the value they add to the state’s economic well-being.

IVCA’s progress in 2007 reflects an energetic membership, an activist staff, a roster of industry issues that require a dialogue, local innovators seeking collaboration and first-tier service providers with whom the IVCA forges important relationships.

During its seventh year, the association filled its calendar with stellar events for achieving connectedness. Among them:

- 2007 Annual Awards Dinner, at which hundreds of IVCA members and guests honored Samuel B. Guren, of Guren Capital Management LLC; Steven N. Kaplan of the University of Chicago Graduate School of Business; and John R. Willis, of Willis Stein & Partners
- The seventh annual IVCA CFO Summit that focused on various tax, accounting and finance issues as well as advice on information technology and other topics.
- The annual IVCA/NVCA Luncheon, where Jack Levin, the Kirkland & Ellis LLP legal expert on private equity and venture capital investing, assessed new developments in private equity and venture capital.
- A Transitioning Fund Management panel discussion that showcased different approaches to managing succession by noteworthy founders of their respective firms, John A. Canning, Jr., Brian P. Simmons and Carl D. Thoma.
- The annual Cubs Rooftop with Family and Friends outing when 170 members and others watched a Cubs victory

The IVCA also created an internship scholarship program for minority undergraduates and named the first three recipients, all from the University of Illinois. The $15,000 scholarships include a $5,000 tuition award and a 10-week paid internship with an IVCA member firm. Intern Peter Alonso, who worked with Thoma Cressey Bravo, has accepted a job with Morgan Stanley’s investment banking division in Chicago, beginning next summer. The other interns were junior Lesley Winbush, who interned with ARCH Venture Partners, and sophomore Ashton Clark, who interned with Baird Private Equity

Also during the year, the IVCA continued its active monitoring of legislative issues on the state and national levels. It provided legislators input on issues that could potentially impact our membership.
At the 2007 Annual Awards Dinner, Chairman Keith Crandell underscored the importance of the people of the Illinois Venture Capital Association.

All of our success is only possible because of the involvement of our members who help to develop and sponsor events, serve on our committees and support us via in-kind services. Our event chairs and co-chairs have helped us present a varied schedule of activities for our members and others interested in venture capital and private equity.

Our 10 “Sponsoring Members” have each provided the IVCA with extraordinary support for programs and operations throughout the last year.

Our officers and (Executive Director) Maura O’Hara deserve a great deal of credit, too, for helping guide the organization. Thanks to Vice Chairmen Danny Rosenberg and John Willis, Treasurer Darren Snyder and Secretary Ellen Carnahan.

And, of course, the IVCA heartily thanks its outgoing chairman, Keith Crandell.
THE IVCA PEOPLE

Committed people – dozens of them – ensure that the Illinois Venture Capital Association accomplishes its mission to foster the development and growth of Illinois’ private equity and venture capital community. From its board and executive committees, to its working committees and its committed staff, the IVCA relies on these individuals to continue to grow and prosper. These are the people with a purpose:

IVCA Internship Scholarship Program Aids Minority Undergraduates

In 2007 the Illinois Venture Capital Association established an internship scholarship program for undergraduate business students and named the first three interns, who spent 10 weeks at three prestigious firms last summer.

The program seeks to interest minority students in a venture capital or private equity career. “We realized minorities are underrepresented in our business and we could and should do something about it,” explains IVCA Executive Director Maura O’Hara. Merrick Axel, a Thoma Cressey Bravo principal terms the program “a great opportunity for any young student to be a part of the inner workings of private equity and see the thinking that goes along with being an investor.”

Intern Peter Alonso, who interned with Thoma Cressey Bravo, has already accepted a job with Morgan Stanley in Chicago, beginning next summer. The other interns were junior Lesley Winbush, who interned with ARCH Venture Partners, and sophomore Ashton Clark, who interned with Baird Private Equity. The program will continue this summer with additional IVCA scholars.

John Hedeman, an assistant dean at the University of Illinois, screened the initial scholarship applications. Final applicants were interviewed by the hiring firms; Dan O’Connell, director of The Golder Center at the University of Illinois College of Business; and the IVCA’s scholar committee:

IVCA Scholar Committee
Merrick Axel
Thoma Cressey Bravo, Inc.

Ellen Carnahan
Seyen Capital

Keith Crandell
ARCH Venture Partners

Dan Howell
Mesirow Financial Private Equity

Dan O’Connell
The Golder Center,
University of Illinois College of Business
Our Officers

In 2007, IVCA-PAC distributed $43,500 in contributions to state officeholders

Inaugural Scholar Program awarded $15,000 scholarships to 3 U of I students

IVCA OFFICERS

Keith Crandell
Chairman: 2006-2007
Vice Chairman: 2008-2009
ARCH Venture Partners
Member since 2001

John Willis
Vice Chairman: 2006-2007
IVCA-PAC Chairman: 2004-2007
Willis Stein & Partners
Member since 2001

Danny Rosenberg
Vice Chairman: 2006-2007
Chairman: 2008-2009
Sterling Partners, LLC
Member since 2001

Darren Snyder
Treasurer: 2006-2009
Prairie Capital
Member since 2001

Ellen Carnahan
Secretary: 2006-2007
Vice Chairman: 2008-2009
Seyen Capital
Member since 2001

James TenBroek
Secretary: 2008-2009
Wind Point Partners
Member since 2001

In 2007, IVCA-PAC distributed $43,500 in contributions to state officeholders

Inaugural Scholar Program awarded $15,000 scholarships to 3 U of I students
DeVry University
Aided by Frontenac, DeVry Built a Higher-Education Empire

DeVry illustrated the classic case of a “corporate orphan” – an undermanaged division of a larger company that could thrive independently.

Over the years, Bell & Howell also increased DeVry’s degree and class offerings, adding business and telecommunications management specialties. Ultimately, though, financial difficulties emerged and, in 1987, Bell & Howell was ready to sell DeVry.

Enter Keller, Taylor, and Frontenac
Dennis Keller and Ronald Taylor, two former DeVry executives who had co-founded the Keller Graduate School of Management, viewed a DeVry purchase as a prime investment opportunity. They approached the Frontenac Company about leading a group in acquiring the business. Chicago-based Frontenac favors working with proven executives like Mr. Keller and Mr. Taylor when it acquires middle-market businesses. DeVry also offered a large market opportunity and excellent growth prospects.

These attributes and the belief DeVry could pare its overhead costs convinced Frontenac to help finance the $147 million buyout. Frontenac Chairman and Managing Director Rodney L. Goldstein, a former nine-year DeVry director, says DeVry illustrated the classic case of a “corporate orphan” – an undermanaged division of a larger company that could thrive independently.

After the acquisition, DeVry upgraded its operating capabilities and expanded into new programs and geographies. It quickly began to thrive as its new owners improved its investment of resources. At the time of the buyout, DeVry had $150 million in annual revenues; 20 years later in 2007, it generated $933 million and today its equity market capitalization exceeds $3.7 billion.

DeVry also has expanded geographically and now has nearly 90 locations in the U.S. and Canada. It reaches even more students via the Internet, offering many of its courses and degree programs online.

DeVry now employs more than 5,400 people worldwide, including 1,300 at its Oakbrook Terrace headquarters. Add the thousands of students who attend DeVry University and receive degrees in Illinois (85 percent of whom seek employment in the state after graduation), and it’s clear DeVry has a significant impact on the state’s employment.

For the complete DeVry profile, go to www.illinoisVC.org.

The number of locations, coupled with online options, gave DeVry University a student population of 57,000 in the fall of 2007.

DeVry supplemented its organic growth through acquisitions of three other educational companies: Becker Professional Review, which provides professional education and exam review for accounting and finance professionals; Ross University, a Caribbean-based medical and veterinary medical school; and Chamberlain College of Nursing. Together with DeVry University, these schools served more than 100,000 students in 2007. DeVry went public in June 1991. A follow-up offering came in March 1993 and a secondary offering by venture capital holders in April 1997.

Nine years after the DeVry acquisition, Frontenac left the fold of DeVry investors.

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2006-2007 IVCA EXECUTIVE COMMITTEE

Keith Bank
Former Chairman
KB Partners

Steve Beitler
Former Chairman
Dunrath Capital

Ellen Carnahan
Secretary, Research Co-Chair
Seyen Capital

Keith Crandell
Chairman
ARCH Venture Partners

James Dugan
Former Treasurer
OCA Venture Partners

Robert Fealy
PAC Treasurer
Duchossois Technology Partners

Robert Finkel
Former Chairman
Prism Capital

Mark Glennon
Research Co-Chair
Leo Capital Holdings

Bret Maxwell
Former Chairman
MK Capital

Matt McCall
Legislative Co-Chair
DFJ Portage Venture Partners

Maura O’Hara
IVCA Executive Director
Illinois Venture Capital Association

Laura Pearl
Institutional Investor Committee
Ceres Venture Fund, L.P.

Daniel Phelps
Events Co-Chair
Opus Capital Ventures

Benedict Rocchio
Marketing Co-Chair
Baird Venture Partners

Danny Rosenberg
Vice Chair, Events Co-Chair
Sterling Partners, LLC

Adam Schecter
Membership Chair
WHI Capital Partners

Darren Snyder
Treasurer, Legislative Co-Chair
Prairie Capital

James TenBroek
Institutional Investor Co-Chair
Wind Point Partners

Stephen Vivian
Institutional Investor Co-Chair
Prism Capital

John Willis
Vice Chair, IVCA-PAC Chair
Willis Stein & Partners

Jeffrey Zilka
Marketing Co-Chair
Edelman
Zorch’s venture-capital partner is Ceres Venture Fund L.P., a women-owned venture capital fund based in Evanston.

A desire by founder Nicole Loftus to stay in Chicago rather than move to San Francisco explains why Zorch International Inc. – the 28th fastest-growing small company in INC magazine’s 2007 annual ranking – calls The Windy City home. The branding agency helps large companies buy branded merchandise and print by creating a customized online store for each. Chicago, she says, is “a great place in terms of travel and logistics, both for people and merchandise.”

While at a major promotional-products company, Ms. Loftus decided she could provide better branding service to large companies so, in 2002, she quit her job. Her research indicated that ample opportunity existed for her in the industry and that the typical profit margin for a distributor allowed her leeway to offer better services at a lower price.

Today, Zorch is able to offer its clients products at a much lower price. While its gross margin is about 10 percent, the company’s costs are lower as it leverages manufacturers and their significant investment in infrastructure (such as sourcing and customer service). In addition, Zorch often is the exclusive provider for a client.

Today, Zorch does just that for large companies that, for the most part, spend at least $2 million a year on merchandise. Under the Zorch model, the company focuses on the brand and working with customers to ensure that everything positively promotes the brand.

Zorch lets the manufacturers do what they do well, including customer service, manufacturing and the like. This means that manufacturers are in direct contact with the customers. Such direct customer contact is something the manufacturers really like and this makes them vocal fans of Zorch.

Enter Ceres Venture Fund
Zorch’s venture-capital partner is Ceres Venture Fund L.P., a women-owned venture capital fund based in Evanston. It has a particular interest in financing women-led businesses. Zorch drew the interest of Ceres Managing Director Laura Pearl. In December 2006, Ceres invested in Zorch’s initial institutional round of financing. Ms. Pearl, now a Zorch board member, has helped the company in other ways as well. She put Ms. Loftus in touch with its banker, American Chartered Bank, and offered her advice on choosing legal counsel.

Today, Zorch employs 27 people, nearly double the 14 employed at the time of the Ceres financing, and new hiring continues as the company moves beyond promotional products. Among Zorch clients are AT&T, for which it is the company’s exclusive provider of branded products; Aon, BP North America, Citigroup, J P Morgan Chase and Motorola.

As for the name “Zorch,” which means “to propel something very quickly,” Ms. Loftus worked with a naming agency. Today, her clients use the word “Zorched” to ask if their employees have gone through the company to make sure the brand is being used appropriately.

For the complete version of this profile, visit www.illinoisVC.org.
Venture Capital/ Private Equity deals in Illinois were 171 in 2006, up 3.5% from 2005
TEN SPONSORING MEMBERS COLLABORATE WITH IVCA TO HELP IT SUCCEED

Ten sponsoring members in 2007 have collaborated with the IVCA through generous contributions of their money, time and expertise. Without their support, the IVCA wouldn’t be as successful an organization as it is.

**Edelman**
The leading independent global public relations firm

**Prism Capital**
A niche alternative investment firm with two funds, the Prism Opportunity Fund and the Prism Mezzanine Fund

**Ernst & Young**
Quality in Everything We Do
A global leader in assurance, tax, transaction and advisory services

**Silicon Valley Bank**
A Member of SVB Financial Group
Provides commercial banking services to emerging growth and mature companies in the technology, life science, private equity and premium wine industries

**Kirkland & Ellis LLP**
A 1,300-attorney law firm representing global clients in complex corporate, restructuring, tax, litigation, dispute resolution and arbitration, and intellectual property and technology matters

**Sonnenschein Nath & Rosenthal LLP**
Sonnenschein Nath & Rosenthal LLP serves the legal needs of many of the world’s most admired businesses, nonprofits and notable individuals

**KPMG**
A global network of professional firms providing Audit, Tax, and Advisory services

**SpencerStuart**
One of the world’s leading executive search consulting firms

**Mayer, Brown**
A leading international law firm with more than 1,500 lawyers across the Americas, Europe, and Asia

**Wildman Harrold**
A 200-attorney business law firm based in Chicago representing Fortune 500 companies and private businesses in Litigation, Business Transactions and Intellectual Property
From July 2006 through 2007, IVCA newsletter ran 24 interviews with notable members of our community.

IVCA MEMBER LIST
All Investor Firms are shown in bold.

Adams Street Partners, LLC
Allied Capital
American Capital
Apex Venture Partners
ARCH Development Partners, L.L.C.
ARCH Venture Partners
Baird Venture Partners
Baker & McKenzie
Beecken Petty O’Keefe & Co.
Bell, Boyd & Lloyd LLC
Blackman Kallick Bartelstein
Burke, Warren, MacKay & Serritella, P.C.
CapX Partners
Centerfield Capital Partners
Ceres Venture Fund, L.P.
Chicagoland Entrepreneurial Center
Charter One Bank
Chrysalis Ventures
Chubb Insurance
CIVC Partners
Code Hennessy & Simmons, LLC
Conversus Asset Management
Credit Suisse
Deloitte & Touche
DFJ Portage Venture Partners
DN Partners
Duchossois Technology Partners
Dunrath Capital
Edelman
The Edgewater Funds
Empower HR
Ernst & Young LLP
Financial Investments Corporation
First Analysis
First Trust Capital Partners
Frontenac Company
Golder Investment Management LLC
Greenberg Traurig, LLP
Greyrock Capital Group
GTGCR Golder Rauner, L.L.C.
The Hilco Organization
Hopewell Ventures
Horwood, Marcus & Berk Chtd.
IIT Jules F. Knapp Entrepreneurship Center
Illinois Municipal Retirement Fund
Illinois State Treasurer
Illinois Teachers Retirement System
Illinois VENTURES, LLC
J K&B Capital
Jones Day
JPMorgan/JPMorgan Private Bank
Katten Muchin Rosenman LLP
Kaye Scholer LLC
KB Partners
Kelley Drye & Warren LLP
Kinsale Capital Partners
Kirkland & Ellis LLP
KMK & Associates
KPMG LLP
Kutchins, Robbins & Diamond, Ltd.
Lake Capital
LaSalle Capital Group
LaSalle Investments
Lazard Middle Market
Leo Capital Holdings
Linden LLC
Madison Dearborn Partners, LLC
Martin Partners
Mayer Brown LLP
McDermott, Will & Emery
McGuireWoods LLP
Mesirow Financial Private Equity
MFC Capital Funding
Mid Oaks Investment LLC
MK Capital
Motorola Ventures
MVC Capital
Neal, Gerber & Eisenberg, LLP
New World Ventures
NewEllis Ventures
Northern Trust Global Advisors
Northwestern University - The Larry and Carol Levy Institute for Entrepreneurial Practice
OCA Venture Partners
Ocean Tomo
Opus Capital Ventures
Origin Ventures
The Plexus Groupe
Prairie Capital
PricewaterhouseCoopers
Prism Capital
Quarles & Brady LLP
Randolph Street Partners I, LLC
Reed Smith LLP
The Revere Group
River Cities Capital Funds
Robert W. Baird & Co.
RoundTable Healthcare Partners
RSM McGladrey, Inc.
Russell Reynolds Associates
Seneca Partners, Inc.
Seyen Capital
The Plexus Groupe
Prairie Capital
PricewaterhouseCoopers
Prism Capital
Quarles & Brady LLP
Randolph Street Partners I, LLC
Reed Smith LLP
The Revere Group
River Cities Capital Funds
Robert W. Baird & Co.
RoundTable Healthcare Partners
RSM McGladrey, Inc.
Russell Reynolds Associates
Seneca Partners, Inc.
Seyen Capital
SVB Silicon Valley Bank
Sonnenschein Nath & Rosenthal LLP
Spencer Stuart
State Universities Retirement System
Sterling Partners, LLC
Svoboda, Collins L.L.C.
Thoma Cressey Bravo, Inc.
Thompson Flanagan & Co.
TrinNet
UBS
UIB Capital
Ungaretti & Harris
University of Chicago GSB
University of Illinois
Vedder Price Kaufman and Kammholz, P.C.
Virchow, Krause & Company, LLP
WestLB Mellon Asset Management (USA), LLC
WHI Capital Partners
Wildman, Harrold, Allen & Dixon LLP
William Blair & Co.
Willis Stein & Partners
Wind Point Partners
Winston & Strawn LLP
WP Global Partners
Wynnchurch Capital, Ltd.
Zebra Technologies Inc.
Zen Investments
2000: After two earlier attempts failed, the Illinois Venture Capital Association was formed with 27 founding members.

2002: The IVCA creates its Political Action Committee IVCA-PAC.

2002: Mayor Daley attended the IVCA’s annual awards where the first Richard J. Daley Medal was awarded to Martin J. Koldyke of the Frontenac Company.

2003: The Illinois legislature passed the Technology Development Fund that allows the state treasurer to diversify the state’s portfolio to include Illinois technology-based private equity funds; several IVCA board members were named to its investment review board.

2004: The first Midwest Venture Summit, co-sponsored by the IVCA, was held on April 29.

2005: The IVCA secured protection under the state’s Freedom of Information Act of commercially sensitive information of private portfolio companies that receive private equity funding from public pension funds.

2006: IVCA documents the history of venture capital and private equity in Illinois with the completion and release of the Private Equity Tree. New IVCA web site is launched.

2007: The IVCA established an internship scholarship program for minority undergraduate business students and named the first three interns.
MINDING THE MISSION: IVCA COMMITTEES

Each year the IVCA’s committees deliver the heart of the association’s activities and achievements. Nearly five dozen members comprise these active committees and help plan the annual schedule of programs and events.

Research Committee Seeks To Make IVCA the Resource For Private Equity News

The Research Committee took major steps in 2007 to make IVCA the place to go for information on the contributions that the private equity and venture capital community make in Illinois. In a key initiative, the 10-member committee launched a continuing series of private equity profiles of Illinois venture capital and private equity investments.

The series highlights a dozen or so companies that are proven or emerging success stories. Each profile includes information on the company and the venture capital or private equity firm partner. The research committee expects the profiles to illuminate the important role that venture capital and private equity firms play in nurturing and growing Illinois companies.

Other reference data gathered by IVCA show the benefits of private equity in driving growth and innovation, with venture capital serving as the economy’s innovation engine and private equity driving companies to work more efficiently.

IVCA issues regular summaries and points of view on the state of the industry in Illinois. It is developing an investment map identifying all companies that have received venture capital and private equity funding in Illinois. It also has created a searchable repository of data on its Web site, www.illinoisVC.org.

Research Committee Co-Chairs:
Ellen Carnahan
Seyen Capital

Mark Glennon
Leo Capital Holdings

Members:
Tom Gladden
Adams Street Partners, LLC

John Hoesley
Prism Capital

Steve Kaplan
University of Chicago GSB

Adam Koopersmith
New World Ventures

Heidi Levin
Northern Trust Global Advisors

Garrick Rice
Sterling Partners LLC

Brad Schmarak
Reed Smith LLP

Bruce Zivian
Bell, Boyd & Lloyd LLP
IVCA Stays Atop Legislative Issues to Give Private Venture Sector a Voice

In keeping with IVCA’s overall government affairs objective—to educate Illinois government officials about the positive effects that private equity investment in Illinois has on economic and job growth—IVCA has maintained an active relationship building and educational program for several years in Springfield and Chicago.

IVCA and its members have held a series of individual meetings with key elected officials. In December 2007, IVCA also hosted a seminar on private equity and Illinois public investing attended by several legislators with oversight responsibility for public investing. Also in attendance were representatives from three state pension funds and Illinois Treasurer Alexi Giannoulias.

In 2007, IVCA was successful after more than a two-year effort in helping to have new legislation enacted that resolved the unintended consequences of a 2005 law, the Sudan Divestment Act, which had severely restricted the state’s underfunded pensions’ ability to invest in venture capital and private equity.

The new law should provide a workable compliance system for pension funds and private equity/venture capital firms that

**Legislative Committee**

**Co-Chairs:**
- Matt McCall
  DFJ Portage Venture Partners
- Darren Snyder
  Prairie Capital

**Members:**
- Wayne Boulais
  Apex Venture Partners
- Connie Capone
  formerly with JK&B Partners
- Penny Cate
  IVCA
- Keith Crandell
  ARCH Venture Partners
- Danny Rosenberg
  Sterling Partners, LLC
- Mike Rosenthal
  Sonnenschein Nath & Rosenthal LLP
- Saul Rudo
  Katten Muchin Rosenman LLP
- Mark Tresnowski
  Madison Dearborn Partners, LLC
- John Willis
  Willis Stein & Partners

**TAXONOMY OF PRIVATE EQUITY**

From the Greek *taxis* meaning arrangement and *nomos* meaning law, taxonomy is the science of classification that offers a conceptual framework for discussion and analysis. Like any good taxonomy, this one of the private equity market is simple, easy to remember and easy to use.

**Venture Capital**

**Cash Flow**

<table>
<thead>
<tr>
<th>Company Stage of Development</th>
<th>Type of Financing*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product development, market research</td>
<td>Seed Stage</td>
</tr>
<tr>
<td>Key mgmt, in place, initial marketing, pre-Sales</td>
<td>Start Up Financing</td>
</tr>
<tr>
<td>Product in development or available, first institutional financing</td>
<td>Other Early Stage</td>
</tr>
<tr>
<td>Product shipping, funds needed for working capital or plant expansion. Stable growth rate, likely to be profitable, cash flow positive.</td>
<td>Expansion Stage</td>
</tr>
<tr>
<td>Stable growth rate, likely to be profitable, cash flow positive.</td>
<td>Later Stage</td>
</tr>
</tbody>
</table>

**Type of Investor**

- Angel
- Venture Capital
will achieve the intent of the legislation without restricting Illinois pension funds from investing in private equity funds that do not invest in Sudan.

IVCA also remained in active discussions with key lawmakers regarding possible pension fund ethics reform to ensure that such legislation, if enacted, would not include unintended obstacles to continued pension fund investment in private equity.

**Institutional Investor Committee Revises Database**

Institutional Investor Committee members spent much of their efforts in 2007 developing the second version of the Limited Partner (LP) Database in the IVCA’s content-management system. Seventy-four LP firms are included in the database, including 42 corporate pensions, 9 endowment/foundations, 6 funds of funds, 16 public pensions and 88 contacts at LP firms.

The members also have pulled together information that supports a greater allocation to private equity by the Illinois Public Pension Fund. It also hosted an event with the city and county pension fund executive directors and trustees.

**Institutional Investor Committee**

**Co-Chairs:**
- Jim TenBroek
  - Wind Point Partners
- Steven Vivian
  - Prism Capital

**Members:**
- Kevin Callahan
  - Adams Street Partners, LLC
- Matt McCall
  - DFJ Portage Venture Partners
- Andy McDonough
  - Winston & Strawn LLP
- Alex Miller
  - Svoboda, Collins L.L.C.
- Laura Pearl
  - Ceres Venture Fund, L.P.
- Annie Terry
  - Madison Dearborn Partners, LLC

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Institutional Investor Committee members spent much of their efforts in 2007 developing the second version of the Limited Partner (LP) Database in the IVCA’s content-management system. Seventy-four LP firms are included in the database, including 42 corporate pensions, 9 endowment/foundations, 6 funds of funds, 16 public pensions and 88 contacts at LP firms.

The members also have pulled together information that supports a greater allocation to private equity by the Illinois Public Pension Fund. It also hosted an event with the city and county pension fund executive directors and trustees.

**Institutional Investor Committee**

**Co-Chairs:**
- Jim TenBroek
  - Wind Point Partners
- Steven Vivian
  - Prism Capital

**Members:**
- Kevin Callahan
  - Adams Street Partners, LLC
- Matt McCall
  - DFJ Portage Venture Partners
- Andy McDonough
  - Winston & Strawn LLP
- Alex Miller
  - Svoboda, Collins L.L.C.
- Laura Pearl
  - Ceres Venture Fund, L.P.
- Annie Terry
  - Madison Dearborn Partners, LLC

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**Private Equity**

- **Company to go public in 6-12 months**
- **Company is publicly traded.**
- **LBOs, acquisitions, recapitalization**
- **Mgmt acquiring a product line or business at any stage of development.**
- **Operationally or financially troubled**
- **Bridge Financing**
- **Open Market**
- **Acquisition**
- **Mgmt/Leveraged Buyout**
- **Turnaround**

**Growth Equity**

**Product development, market research**
MARKETING/PR COMMITTEE HELPS BOOST VALUE OF IVCA WEB SITE TO MEMBERS

For the past two years, the Marketing & Public Relations Committee has expended much of its efforts maximizing the value of the IVCA Web site, www.illinoisVC.org, to members.

Since the Web site’s July 2006 relaunch, traffic to the site has grown substantially in every major category. For instance, total sessions on the site climbed to 17,115 in October 2007 from 7,336 a year earlier, representing a 133 percent increase, while page views rose nearly 70 percent.

More importantly, the Web site includes much more unique IVCA information, including accessible data on Illinois equity investors and institutional investors and the ability to search for investor or service provider information. In addition, the site incorporates Thomson Quarterly data in the “Private Equity Monitor”, press releases from member firms and other events of interest.

The committee members also are working to create stronger ties with other IVCA committees such as Research. It is helping that committee develop its case studies of successful Illinois enterprises backed by private equity or venture capital funds. Further, the committee is maintaining the IVCA’s external visibility, such as publicizing the IVCA Scholar program that places minority business students in IVCA member companies for summer internships.

Marketing/PR Committee Co-Chairs: Benedict Rocchio Baird Venture Partners J eff Zilka Edelman

Members: Ryan Harris McDermott Will & Emery Christine Jacobs Edelman

Jeffrey Moss Sterling Partners, LLC Troy Phillips Beecken Petty O’Keefe & Company
IVCA-PAC ACTIVELY INVOLVED IN HELPING SUPPORT KEY CANDIDATES IN 2008 ELECTIONS

The Illinois Venture Capital Association’s Political Action Committee (IVCA-PAC) has identified and will be contributing to Illinois candidates in the 2008 elections who are likely to support a climate in the state that will help strengthen the private equity and venture capital industry in Illinois. This follows IVCA-PAC’s mission to support the election of candidates to Illinois state, county and city offices who support the IVCA’s programs, initiatives and philosophy – regardless of party affiliation.

Through strategic contributions to key candidates, IVCA-PAC has helped provide access to and build relationships with key elected officials. As part of this outreach effort, IVCA members and staff have worked to educate these officials about the private equity and venture capital community in Illinois and its important contributions to the state’s economy. Positive legislation that recognizes and supports strengthening private equity and venture capital investing in Illinois is vital to the continued health of the state’s private equity community.

A strong IVCA-PAC, based solely upon IVCA member support, is essential to help elect those officials who share our industry’s pro-investment philosophy and who seek to provide a climate in the state that fosters increased private equity investing.

IVCA-PAC seeks to gain full participation by member investor firms, starting with strong support by the IVCA-PAC Board and the full IVCA Board of Directors. Much progress has been made, but more is needed.

IVCA Investor Members can contribute an unlimited amount to IVCA-PAC without restrictions as individuals, partnerships, corporations or LLC’s. Illinois law allows for unlimited contributions. Contributions to any PAC are a matter of public record.

Membership dues cannot be used to fund IVCA-PAC.

IVCA-PAC Board
Chairman:
John Willis
Willis Stein & Partners
Treasurer:
Bob Fealy
Duchossois Technology Partners

Members:
Steve Beitler
Dunrath Capital
Keith Crandell
ARCH Venture Partners
Mark Glennon
Leo Capital Holdings

Matt McCall
DFJ Portage Venture Partners
J.B. Pritzker
New World Ventures
Darren Snyder
Prairie Capital
MEMBERSHIP COMMITTEE CONCENTRATES ON GROWING INVESTOR RANKS

The Membership Committee has focused its attention on increasing the IVCA’s roster of investor members — and, as a result, their ranks have risen nearly 20 percent.

Investor members totaled 69 at year-end 2007, up from 58 on June 30, 2006, and 68 as of June 30, 2007. The latest number exceeds the 65 investors who were members in December 2002, a previous high point. Investor membership dropped to 44 the following year but has increased every year since.

Total IVCA membership — including service providers, universities and honorary members — climbed to 129 by the end of December from 114 in June 2000 and 98 in December 2002, when the ranks of service providers were much slimmer than they are today.

Committee members maintain a list of prospective investor members, and they have asked other IVCA members to help reach out to those prospects.

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<th>IVCA Membership Chart</th>
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<td>IVCA Membership</td>
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<td>June 2006</td>
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<td>December 2007</td>
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Source: Illinois Venture Capital Association
Medical devices are life changing, but at the end of their lifecycle, they can pose risks in the pathogens and chemicals they carry. To eliminate these threats, hospitals and clinics turn to Stericycle, Inc., for help.


In its first four years, Stericycle – whose earliest investors included Marquette Ventures, a Chicago-area firm active during the 1990s – prospered from organic growth. In 1993, however, it began to focus on acquisitions. That took capital so, in 1996, Stericycle filed for an initial public offering.

After going public, the company began to benefit from its purchases. Both shareholder equity and revenues served to fuel more acquisitions and technology advances. But Stericycle’s interest in the medical-waste divisions of Browning-Ferris Industries and Allied Waste Industries led it to connect with private equity partners Bain Capital and Madison Dearborn Partners.

To finance the acquisitions, Stericycle issued new convertible stock representing about 22 percent of the company, with each firm receiving half the new stock. In exchange, it received funds to help finance its acquisitions. The deal closed in August 1999 with Stericycle President and Chief Executive Officer Mark Miller calling it an “historic milestone.”

Eight Years Later
With the addition of the two new medical-waste operations, Stericycle continued to thrive. Today its service territory reaches beyond the United States and into Canada, Mexico and South America. It also has established itself in the United Kingdom, Ireland, Australia and Asia.

Stericycle now encompasses 50 processing facilities and 96 transfer/collection sites in North America. Factoring in its international presence, Stericycle provides its various services to more than 375,000 customers, and provides more than 5,000 jobs. It continues to focus on growth by bringing in new customers and expanding systems.

It has a market capitalization of more than $4 billion. In its most recent fiscal year, sales exceeded $789 million—a growth rate of 30 percent—and net income was $105 million—growth of more than 56 percent. It operates with more than $70 million in net cash.

In less than 20 years, Stericycle has completed quite a journey. From a small, independent medical waste company, to the continent’s largest, it has expanded beyond the country’s borders. In an industry that shows no signs of slowing.

Its stock trades on the NASDAQ and both Bain and Madison Dearborn continue to hold stock in it.

For the complete Stericycle profile, go to www.illinoisVC.org.
2007 CALENDAR OF IVCA EVENTS

January 22, 2007
Fair Value Accounting Luncheon

March 15, 2007
Transitioning Fund Management Luncheon

May 9, 2007
Annual IVCA/NVCA Luncheon

June 15, 2007
Tech Transfer Series: How can Angels & VCs Build Companies out of Research Institutions?

June 15, 2007
Cubs Rooftop with Family & Friends

September 13, 2007
Financial Technology Investing: Chicago’s Homegrown Successes

October 9, 2007
Sarbanes-Oxley Discussion with Rep. Mark Kirk

October 18, 2007
7th Annual CFO Summit

October 23, 2007
LP Luncheon: Current Issues in Venture Capital and Private Equity Investing

December 3, 2007
2007 Annual Awards Dinner

December 10, 2007
Legislative Luncheon: Private Equity and Illinois Public Investments
EVENTS COMMITTEE DELIVERS FEWER, MORE IMPACTFUL ACTIVITIES

One thing that IVCA members can expect each year is a unique calendar of events. The 2007 datebook incorporated a rich variety of programs that included the 7th Annual CFO Summit, the 2007 Annual Awards Dinner, the annual IVCA/NVCA luncheon, several special events on key private equity topics and even a Cubs rooftop outing with friends and family.

Here are the 2007 highlights:

March 15: Panel Discusses Transitioning Fund Management

Three different approaches to managing succession at private equity and venture capital firms and funds highlighted a March 15 panel discussion by three founding members of their firms. Panelists included industry leaders John A. Canning, Jr., Madison Dearborn Partners; Carl D. Thoma, Thoma Cressey Bravo, Inc.; and Brian P. Simmons, Code, Hennessy & Simmons. Bruce Ettelson, Kirkland & Ellis LLP, served as moderator.

The discussion covered several key issues in developing a transition plan for founding and senior partners to the firm’s next generation. Among the eight founding partners at Madison Dearborn, Canning said he has presided over a “benevolent dictatorship” where he ultimately is in charge. Five years ago, he “started thinking about transition” and ultimately turned over the investment process to current co-presidents Paul Finnegan and Sam Mencoff.

Simmons, who with his founding partners has not reached 50 years old, says his firm has created an organizational template because, “just because the people change, the process doesn’t have to.” And Thoma, who established his firm in 1980, said retiring partners “get to earn from the fund raised (while they were with the firm) as long as they spend time on boards” and manage the firm’s investment interests.

All of the panelists noted that the issue is largely predicated on firms self-policing themselves. “This is probably the last financial service that is unregulated,” said Canning.
May 9:
At IVCA/NVCA Luncheon, Jack Levin Gives Overview

Nearly 180 IVCA members and investors attended the annual IVCA/NVCA luncheon and heard Kirkland & Ellis LLP’s Jack Levin present a comprehensive overview of new developments in private equity, venture capital and fund formation.

Among other issues, Levin – who teaches at both Harvard and University of Chicago law schools on structuring entrepreneurial transactions – discussed the trend of private equity firms selling shares of themselves and/or their funds to the public markets. While going public can lead to a windfall for existing fund managers, he noted that it could limit long-term incentives for other investment professionals involved with a fund.

He said firms going public are more likely to acquire other private funds and, ultimately, the pressure to monitor an investment portfolio on a quarterly basis may limit the types of deals a publicly traded fund can make. He said this may lead to better investment opportunities for private firms.

NVCA President Mark Heesen also updated attendees on legislation that the national association has been following, and IVCA Executive Director Maura O’Hara, in opening remarks, noted that the IVCA online database includes non-investor members and more than 75 pension funds.

The event was sponsored by Kirkland & Ellis LLP and Virchow, Krause & Company, LLP.

June 15:
IVCA Hosts Tech Transfer Discussion, Then It’s Off to Cubs Game

The ides of June certainly weren’t unlucky for IVCA members and others as the association hosted an educational program about tech transfer and then joined other IVCA members, friends and family at a Cubs rooftop venue for an afternoon of fun, sun and a Cubs victory.
More than 40 IVCA members and others gathered for the program on “Equity Investment in Research Spinouts.” Five panelists explained how their entities manage the technology-transfer process, with the discussion moderated by Armando Pauker, Apex Venture Partners, who helped organize the event.

The panelists were Larry Gilbert, director of technology transfer at the California Institute of Technology (Caltech); John Banta, managing director of IllinoisVENTURES; David Tiemeier, deputy director of UChicagoTech; Jean Schelhorn, associate vice president of commercialization at The Ohio State University; and Keith Crandell, co-founder and managing director of ARCH Venture Partners.

Caltech’s Gilbert called the process of technology transfer there “a function of market pull rather than technology push,” and noted that since 1996, the university has cultivated more than 80 startups. Its Grubstake Program, funded by alumni and trustees, provides up to $50,000 in grants to proof-of-concept projects with commercial potential. In exchange, participating faculty must allocate half of royalties to the lab and the balance of royalties to sustain the fund.

IllinoisVENTURES’ Banta, who also serves as managing principal of the Illinois Emerging Technology Fund, described the historical origin of the Offices of Technology Management at the University of Illinois at Urbana-Champaign as well as the funding mechanisms.

The University of Chicago’s Tiemeier said that since 1986, the university has created 46 companies that have raised more than $615 million in capital combined. Ohio State University’s Schelhorn cited her mission to forge partnerships between private and public entities in her region. And ARCH Venture Partners’ Crandell reminded attendees that firms should commit to finding and rewarding the “best people” at universities, and he noted that, ultimately, it will take continued public/private partnership to succeed.

For the Cubs game, nearly 170 IVCA members, friends and family attended the afternoon of networking and fun and a Cubs victory over San Diego. HSBC sponsored the event.
Sept. 13:

**IVCA, ITA Team Up to Host Financial Technology Investing Event**

The IVCA and the Illinois Information Technology Association collaborated to present “Financial Technology Investing: Chicago’s Home-Grown Successes.” The event was sponsored by William Blair & Co. and cohesiveIT.

The event looked at trends and emerging markets in financial technology private equity investing. The panel examined how venture capital and private equity investors view the opportunities and how local companies are using the Midwest’s combination of financial markets expertise, technological acumen and fintech-oriented angel capital to lead the charge.

Rob Metzger, William Blair & Co., presented a study that tracked the growth of the financial technology sector. A panel of Chicago-area founders and chief executives of financial-technology companies then shared their insights and experiences with raising venture capital and private equity.

Devon Mathews, Baird Venture Partners, moderated the panel, whose members included Tom Sosnoff, founder of thinkorswim, Robert McCullen, CEO of TrustWave; Sam Mele, CEO of Firm58; and Ajay Singhvi, co-founder and chief technical officer of Arroweye Solutions.

Oct. 18:

**Annual IVCA CFO Summit Attracts Nearly 100 to Full-Day Event**

The Seventh Annual IVCA CFO Summit drew nearly 100 people to the full-day event that included presentations and panels on myriad issues affecting chief financial officers from both large and small firms.

Topics covered issues relevant to venture and buyout firms. They included tax-and-accounting matters, fund-formation structuring issues, a market-terms update, non-cash compensation, and information-technology.

Silicon Valley Bank was presenting sponsor and its Senior Relationship Manager Bob Blee hosted a dinner the night before for out-of-state firms and local CFOs. Committee
members included CFOs John Abernethy, Dunrath Capital; Amy Coleman, Quinten Road; Mark McDonnell, ARCH Venture Partners; Mike Keesey, Code Hennessy & Simmons; and Mary Kay Wik, Mesirow Financial Private Equity.

Participating sponsors included Mayer Brown LLP, Mesirow Financial Insurance Services and PricewaterhouseCoopers.

Dec. 3: Another Stellar IVCA Awards Dinner

The Grand Ballroom at the Four Seasons was the place for the who’s who of private equity and venture capital in Illinois to rub elbows at the 2007 IVCA Awards Dinner on Dec. 3, presented by Kirkland & Ellis LLP.

Music from the motion picture “Star Wars” alerted some 500 attendees that the evening was set to begin. IVCA Executive Director Maura O’Hara joked that she had received a call from Star Wars director George Lucas wondering if the IVCA could squeeze him in at the sold-out event. Lucas was in Chicago for another event.

Maura introduced the new IVCA chairman, Danny Rosenberg of Sterling Partners, who introduced prior award recipients, recognized the events’ platinum sponsors and thanked all of the sponsors for their support throughout 2007.

Robert Finkel of Prism Capital read a short poem he wrote entitled “Ode to Maura”, followed by Ellen Carnahan of Seven Capital who presented Maura with an engraved crystal vase and a bouquet of flowers in recognition of her IVCA accomplishments.

Keith Crandell of ARCH Venture Partners, outgoing IVCA Chair, reviewed the year’s major accomplishments, citing a revised law correcting the negative unintended consequences to the private equity community in the Sudan legislation, work toward educating Illinois legislators on the contributions private equity has made to the Illinois economy and the establishment of the IVCA Scholar program that provides internships to minority undergraduate business students.

In awards presentations, Samuel B. Guren of Guren Capital Management LLC received the Stanley C. Golder Medal from
David Golder of Golder Investment Management; Professor Steven N. Kaplan of the University of Chicago Graduate School of Business received the Richard J. Daley Medal from Kirkland & Ellis LLP senior partner Jack Levin; and John R. Willis of Willis Stein & Partners was given the Fellows Medal from Keith Crandell.

While the award presentations ended promptly at 8:10 p.m., as is the event’s custom, many guests lingered at the dessert reception for hours.

As for 2008, the events calendar already is shaping up and promises another year of rich and rewarding experiences, including a new “IVCA Toolkit Series.” These programs will provide participants with tools to help them manage the portfolio company due-diligence process more effectively and support company management post-investment. In addition, this year’s Midwest Venture Summit will be held over two days, March 17-18.

Our Staff

Maura O’Hara
Maura has been Executive Director of IVCA since 2003. She oversees all aspects of the Association and represents IVCA in the community.

Kathy Pyne
Kathy is the IVCA’s Association Coordinator and is responsible for events, member communications and database management. Kathy joined IVCA in 2005.

Penny Cate
Penny is IVCA’s Government Affairs representative. Since 2004, Penny has led IVCA’s legislative efforts and develops strategies for IVCA’s Legislative Committee and IVCA-PAC.
Nationally, everyone recognizes the staggering successes of Yahoo!, Amazon.com, eBay and the like. In Illinois, they laud the rise of home-grown companies such as Morningstar, Archipelago, Ovation Pharmaceuticals and DeVry. What often gets lost is the critical role that the private equity and venture capital community plays not only in funding, but in providing advice, expertise and other invaluable assistance to these rising stars in their formative stages.

It seems like only yesterday that we celebrated the debut of the Illinois Venture Capital Association at a gala party, distributing the poster “Dawn of America” that the late Chicago artist Ed Paschke made especially for IVCA as well as chocolate gold coins bearing the IVCA logo. It was the start of a new century. We sought to stir some excitement into the state’s private equity and venture capital industry and the entrepreneurial community and, in the process, foster a great deal more networking.

That was seven years ago—and what a difference those- ensuing years have made. We have grown from an organization with 28 members to 129 members. We have become an active—some might say activist—trade association, lobbying arm and meeting place. We have widened our net, too, embracing academic members and service providers essential to our industry and association, and forging close ties to the National Venture Capital Association.

Before the IVCA, our city and state lacked the informal network that fuses venture capitalists, emerging enterprises, academics and government officials. These networks are essential to create work and wealth—work for many new employees in our state and wealth for those innovators and investors that forge and launch successful start-ups.

The IVCA has become that nurturing network as well as an organization regarded in the state legislature and in the media for getting things done. Just glance at our calendar of events.

Through this initial report of the IVCA, I think you will quickly recognize that our voice is the voice of our members—and this united voice grows stronger and more powerful every year.

Carl D. Thoma
Founding Chair