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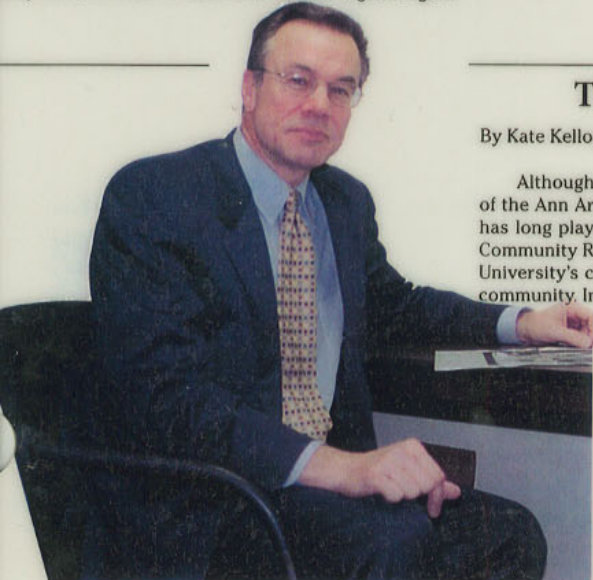
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Bob Chapman, President and CEO of United Bank & Trust of Washtenaw.



Andy Klein, President of Rand Construction Engineering, Inc.



Are Times That Tough?

Local Business Owners Are Looking Ahead With Cautious Optimism

By Stephanie Kadel-Taras

Our annual look at the year ahead for local businesses has been rather rosy in past issues. But as what goes up must come down, this year's business forecast, though optimistic, is tinged with caution and sober reality checks. We asked five local business leaders—representing venture capital, construction, auto sales, banking, and web technology—to share with us their perspectives on what the new year will bring. Most of them found that a discussion on the future necessitated reflecting on the recent past and how the highs and lows in the economy and society have affected where we are now. And while it's not all rosy, their positive visions, excitement about new opportunities, and commitment to success offer inspiration in these challenging times. Here's what they said:

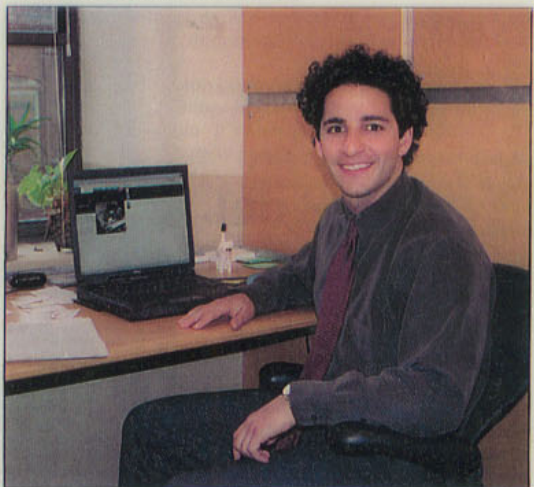
**Ian Bund, President
White Pines Ventures, L.L.C.**

I define venture capital as the business of building businesses. The environment for building companies is dependent on the ability of a company to sell its product or its service. And, as we've seen, the appetite of buyers of products and services throughout the economy is clearly reduced right now.

Forecast (Continued Page 6)



Ian Bund, CEO of White Pine Ventures



Jacques Harbra, CEO of WebElite.

B-TO-B PERSON-TO-PERSON

The U of M's Jim Kosteva To Lead The Chamber's Agenda For 2002

By Kate Kellogg

Although Jim Kosteva is just beginning his year-long term as chair of the Ann Arbor Area Chamber of Commerce Board of Directors, he has long played an active role in Chamber activities. As Director of Community Relations for the University of Michigan, he serves as the University's chief liaison with the City of Ann Arbor and its business community. In that capacity, he has supported area merchants on initiatives such as the Loose Change for Real Change program that benefits addicted panhandlers. Working with the Chamber and Washtenaw Development Council, he coordinates the University's assistance in economic development activities for the area.

Kosteva is originally from Detroit and a graduate of Livonia Franklin High School. He earned a self-designed degree in Metropolitan Studies from North Central College (Naperville, Illinois) in 1974. He served as Director of Planning and Community Development for Canton Township from 1978 to 1984.

In 1985, he entered politics, winning election to the State House as the representative for Western Wayne County. He served in the Michigan Legislature until 1992 when he was defeated after a reapportionment of his district. He then became Director of Central Staff for the Speaker of the House. In that role, he coordinated and supervised a staff of 50 who provided policy analysis and legislative initiatives for the Democratic members of the House.

Kosteva has held his current position with U-M for seven years. He maintains a strong interest in land use and urban planning and is near completion of a Master's degree from the U-M School of Natural Resources and Environment. A track and cross-country runner in college, he continues to run in events such as the Dexter-to-Ann Arbor 10K.

Kosteva (Continued Page 5)

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place, people become more conservative, and as a result, the demand for lending is slowed down.

It's been more and more difficult to gather deposits when the interest rates are at historic lows, because there's less reason for people to want to move their banking relationship-if they're looking for price-when rates are down. Our job is to convince people that we're as competitive as anyone else in the marketplace when it comes to rates. But the real reason they should want to come and see us is because if the high level of service we give our customers, and the fact that we look to build a broad range of services to meet their needs.

We're going to be offering a private banking product in the new year that is a bundle of services for people who need a broader relationship with a bank. If you carry a certain level of deposits with us, you will receive an array of services at no cost that we would normally charge for on an individual basis. Plus you can work with an individual personal banker.

Investing is another area that will need attention in the coming year. We've got a whole generation of the investing public who have only seen the upward trend of the stock market measurements, and that isn't really what happens. Many people made a lot of money on paper and lost a lot of money on paper. Are we going to get back to some normalcy now in how we invest our money? Are we going to see more diversification in investment portfolios-a nice blend of stocks and bonds rather than all growth stocks? We have two full-time trust officers here in our Ann Arbor office that offer individual investment advice and help people understand their risk tolerance. People need to step back and spend time analyzing their risk tolerance and investments now.

Optimistically, I think we'll start to see a turnaround in the economy in the second to third quarters next year. It's too early to tell for sure, but there are positive signs, as long as we don't have another catastrophe. We were already heading into a recession before 9-11, and that just quickened it. I'm concerned about what will be the impetus to drive us out of this. For example, the auto companies, with all the zero-rate financing, does that pull all of the demand out of the early part of next year into this year? We just have to wait and see what will happen. But the consumer has to have some confidence, and we need to see a slow down in the layoffs. Once that happens, hopefully we'll start to see a turnaround, but I'm not sure we've gone through all that pain yet.

Since the federal government has lowered interest rates so much already, I'm not sure there's

much more we can do. I do believe we'll see rates start ticking back up in the second or third quarter next year. My concern here is will the fed be able to manage what's going on? Because the next thing that comes out of this is inflation, and if that starts up and gets out of control, it can have a really negative effect on our overall economy. I wouldn't be surprised if, as fast as rates came down this year, that rates could be moving back up to what I would call more historical norms.

A good thing about Washtenaw County is that we're insulated from some of the slowdown, with Pfizer here and with what's going on with the life sciences. There are a lot of positive things that are still going on in the economy here that I think shelter us a little bit compared to other counties in southeast Michigan. There's still plenty to be concerned about, but I think we need to be optimistic.

Jacques Habra, CEO Web Elite

There's been a huge education of customers about our industry in the last eighteen months. People are now differentiating between (1) using the web only as a tool for e-business and speculative efforts to generate revenue and (2) using the web to communicate and enhance internal business processes, which is what we offer them. When you look at it that way, it's a very logical investment, where you see a return quickly on fixed costs and existing costs. This education has been a real benefit for us, and the word is getting out that we have a proven track record of helping companies cut costs.

While there are a lot of companies that do front-end web site design (what you see on your screen when you visit a web site), the companies that do what we do-replicate businesses processes on-line with internal applications-are few and far between. We strive toward being simple and clear with our customers and try to create web-based applications with easy usability.

This past year, many of our big customers slowed their spending significantly, but since our work drives reductions in their costs, we were one of the last things to be cut. And then we've seen an upswing since November, when our customers again saw our services as an opportunity to save money and improve the bottom line. We had the strongest December in five years, and our outlook for January is even stronger. We expect things to keep getting better throughout the coming year.

For 2002, I'm cautious about the first quarter, but I see the second and third quarters as transitional-where the innovators and risk-takers will be making investments-and then the more main-

stream adopters will come along again by the fourth quarter. Web Elite will continue to grow. We just hired two new people, we will be hiring three more in the first quarter, and the plan is to hire at least four more in the second quarter.

Our strong contracts have also allowed us to invest in research and development. We're now offering two new technologies that we developed here. The first is Web Elite Unplugged which allows e-business applications to be used without an Internet connection, so people can use such things as their web-based calendar or web-based supply-chain management application when they're mobile. We not only offer this directly to our customers, but we can license the software

to other design companies to offer their customers. The second is Phabric, a behind-the-scenes framework that allows us to build customized Web-based applications by reusing code from an existing toolkit of designs. We are now able to develop applications for our customers twice as fast as we used to.

We'll also be launching a new web site by February to give the company a more personal expression and highlight the incredible talent we have here. I owe the success of the company to the talent here. It's great being downtown, within walking distance of U-M, for recruiting talent. Our investment in purchasing this building and establishing ourselves downtown is already paying off for us. Customers realize that we're here to stay.

To sum up, I think you have to be cautious and leery to keep a company profitable when the economy is slow, but as long as you can still have vision and realize that what you're offering is going to bring value and a return on investment, then you have to still plan for the future and plan for the best. We have great opportunities in Ann Arbor and Michigan because of the life sciences investments being made and the automotive industries. The recession has had an impact, but the strength of the automotive community is going to continue to drive our business at Web Elite. And the life sciences investments are an exciting telltale sign that this community is continuing to thrive even in tough times. ■



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Forecast (From Page 1)

Most of our venture capital activity is going into technology-based businesses. We divide our time between (1) the life sciences and health care and (2) the full range of electronic technology activities (IT, software, Internet, telecomm). White Pines has been doing more start-ups than we've done in quite a number of years, where we're putting modest amounts to work in slow build-up situations, fully expecting companies to have good prospects once these demand factors pick up. In the meantime, each of the companies is addressing a serious need or pain in the market, and carefully and quietly putting together the solutions.

But I think the buying influences are going to continue to be sluggish in the economy. We will see some exceptions, and we will see industries that can pull demand forward, like the auto industry has done recently. But the next move upward is going to depend on the confidence of consumers to buy end-products. All the business-to-business activities in between are ultimately dependent on that.

So one of the reasons why the late nineties were so good is because consumers had money in their pockets and were buying things, and in the process commoditizing things that, up to then, might have been considered durables. We almost thought nothing of throwing away a cell phone after six to nine months, without paying attention to all the functionality that went into making it.

Starting in 1999 and topping out at the start of 2001 was the binge of venture capital investing, in which nationally some 80,000 businesses were venture-financed, when in a normal environment you would have seen 20,000 in that period. So there are 60,000 businesses that are soaking up the venture capital community's time playing defense, and people aren't putting their time into new activities.

Now, things are trending back towards normality. We're seeing the result of all sorts of excesses come out now on a daily basis—such as the blow up of Enron. Things are coming home to roost. So, I think, in 2002, we're going to continue to see considerable sluggishness. We're fortunate in Ann Arbor that U-M has become a leader in tracking consumer sentiment and statistics on consumer confidence. This will give us leading-edge indicators of how consumers are feeling about their ability to spend and get themselves into debt.

Where does this take us in the venture capital industry? This is a fabulous environment for venture capital to start new companies. You might not be able to sell much, but you sure can get good product development work done. And the cost factors have come

down—people, goods, rent, telephone. The reality of the environment has also caused people to value their jobs. So this is a good time to get small companies properly launched on a solid foundation.

The demand for venture capital for real businesses is significantly greater now because traditional investors, such as banks, have gotten much tighter. There's a need for more junior capital which is what we provide. Meanwhile, we have responsibilities to our limited partners to make good on what we've already got invested.

For those companies, we will focus on three areas: (1) recruiting good people to solve tougher problems in a tougher environment; (2) developing alliances with larger companies who typically control the channels by which smaller companies come to the market; and (3) making sure that companies have solid information systems so that they're able to make informed and tough decisions when they see significant slippage in their plans.

Competition will not be as much of an issue for us as it had been in recent years. A number of venture capital firms that threw large amounts of money at ideas without substance have gone out of business or are spending all their time solving their problems. Here in Michigan, the venture capital firms have become a lot more collaborative.

I fully expect the first quarter of 2002 to be quite slow. I wouldn't be surprised to see the second quarter show some life, but statistically not much growth. For the last half of the year, I think we'll see signs that the economy is picking up steam, but it will be a long come-back, because it will take a lot of repairing to regain consumer confidence. And the technology industries—where the venture capitalists spend the bulk of their time—will go through quite a period of dealing with issues. I think we will see some deferred activities—people putting off capital expenditures—begin to get filled in later in the year, though cautiously.

I wouldn't be surprised to see some reasonable recovery in the stock market this year, because the fixed income markets are going to continue to give fairly low returns. More money will drift toward higher returns, and some of that will go into the stock market. But with small companies, it will be a long, hard road to restore confidence that they are getting back on their feet, and showing growth patterns that will convince people to invest in those kinds of stocks.

Fortunately, Ann Arbor has been relatively recession-proof because of the mix and diversity of our activities and population. We're not dependent on any one activity that, in a down-turn,

would lead to high unemployment.

Andy Klein, President, Rand Construction Engineering, Inc.

This looks to be a steady year for us as we design and build industrial, office, and commercial buildings. There was a lot of pent-up demand in the market over the last few years, and we're still satisfying that need now. Our current customers are proceeding with projects, but they're doing so cautiously.

We're also cautiously optimistic that new opportunities will come in, so we think that work will remain steady. I think a lot of the past demand for new construction has been satisfied now, but we hope that we will gain momentum later in the year and start to see another steady flow of new work.

We continue to look for new ways to do business. We may have to be a little more creative in the coming year. We see that the west side of Ann Arbor is a growing area, and we are working there to help address the needs of Washtenaw County. Right now, we're looking at an office/research park development on a twenty-acre site in Scio Township. It's going to be a first-class, high-tech facility called Arbor Business Park. The plan is to break ground and get this project on line in the second quarter of this year.

I do expect competition to intensify. This is always a competitive market, but if there's a slow-down, naturally it will be more competitive. But we may see some of the small firms that emerged in the last few years to respond to the higher demand—going a different way now.

My best guess is that things will begin to pick up again in the second to third quarter. We're hearing this from our clients who are being more cautious right now but expect to do more later in the year. After the general slow-down and then the September 11 events, people want to put a little distance between that and themselves. Also, interest rates are low and getting lower, and we haven't yet seen the full effect of that. But as we do, and as people get more optimistic and the economy picks up, that will help fuel continued growth.

We've been twenty-one years in business, based in Brighton but building throughout southeast Michigan. And we're comfortable where we're positioned right now. We're small enough to control overhead, but large enough to meet all of our clients' needs.

**Juanita Bradley
General Manager
Saturn of Ann Arbor**

Success for us is simply based on how many cars we get out. Hopefully, for the coming

year, we'll be doing real well. Everything is different now, with all the things going on in other countries. A lot of people have just stopped buying.

But we've been lucky—all the way through it's been okay. The Saturn Corporation decided to offer the zero-rate financing at the end of 2001, and it's been helping improve sales a lot. Sometimes we've had to go to Saturn Corporation and get extra cars. After the new year, Saturn tells us interest rates should still be a little smaller than normal. It's not going to be zero, but it should be pretty decent.

Even so, things are slowing down, and we know the new year is going to be a little bit slower. That's why we're going to start with something big right at the beginning of the year. We're going to be running a lot of promotions to try to impact sales. Someone will win a new VUE (Saturn's version of an SUV that came out just recently). The Saturn Corporation sends us a lot of new promotions and ideas to help our sales associates.

Every car dealer is going to be doing the same thing—trying to get people in the door. We'll be doing mass mailings to try to get people in. That's the biggest thing. Once we get them in here and talk about the cars, we usually do pretty well.

This is a time that everybody has to work very hard. Everybody has to get busy, and they know it. Because things are a little slower,

so we have to get it right back. The past year has been good, but we have to get busy and get things moving.

**Robert Chapman
President & CEO, United Bank & Trust - Washtenaw**

Because we're new to the Ann Arbor market, our indicators of success are a growth in deposits and a growth in loans. We're very optimistic about the coming year. We're having excellent loan growth, and we're out competing in the marketplace for deposits. Our focus has really been on getting our name known, and then giving a high level of customer service by building relationships with our customers.

In 2002, we'll be continuing to knock on doors, trying to understand what people's needs are and then putting a package together to meet those needs. We'll be having a lot of one-on-one meetings, and we'll be doing mass marketing for the retail side of the bank—checking, savings, money market, those types of consumer products.

With interest rates at a historic low, we're getting a lot of requests for refinancing of business loans and personal mortgages. But since a lot of business has slowed down, we're not getting the demands that there might have been for new loans. Businesses are pulling back and not expanding at this time. Whenever there's uncertainty in the market—



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