

BUSINESS

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SUBURBAN BUSINESS LEADERS

Peggy J. Fields of Rochester Hills was named senior account manager on the General Motors account for Solvay Automotive Inc. in Troy. She had worked in several product and account management positions at General Electric and Eaton Corp.



Fields

Keith Ulrich of Birmingham was promoted to vice president/account supervisor on the Cadillac national advertising, Cadillac merchandising, and the General Motors Protection Plan accounts at Darcy Masius Benton & Bowles/Bloomfield Hills. He joined the advertising agency in 1982 as a traffic coordinator.



Ulrich

David Cameron of Birmingham received fellowship status in the American College of Healthcare Executives. He holds a bachelor's degree in economics and business administration from Albion College and a master's degree in hospital and health service administration from Ohio State University.



Cameron

Andrew D. Appleby was promoted to vice president of sales for The Palace of Auburn Hills, New Pine Knob Music Theatre and Detroit Pistons. Appleby will be involved in selling sponsorships and signs for The Palace, New Pine Knob and Detroit Pistons in-game TV and radio advertising. He had been director of advertising sales since 1990.



Appleby

David J. Shea joined the Southfield law firm of Sommers, Schwartz, Silver & Schwartz. An associate, Shea will specialize in personal injury, product liability and mass litigation. He had been a product liability lawyer with Plunkett & Cooney in Detroit.



Shea

Dr. Sante D. Bologna of Bloomfield Hills was awarded first place by the Michigan Gastrointestinal Endoscopy after competition recently at the King's Inn in Bloomfield Hills. Bologna finished his fellowship in gastroenterology at Henry Ford Hospital in June. He works in Troy with Dr. Anthony DiGiovanni.

To submit materials to this column, please send a brief biographical summary along with a black-and-white photo, if possible, to: Business Editor, Observer & Eccentric Newspapers, 36251 Schoolcraft, Livonia 48150.

It's a winding path to financial backing

■ Securing capital is essential for entrepreneurs struggling to get a product to market. For Troy-based Somanetics, manufacturer of computer-based medical diagnostic and monitoring equipment, the question was how to gain more visibility for shareholders and would-be investors.

By DOUG FUNK
STAFF WRITER

An idea, a plan, the money. Financial backing is the big stumbling block when it comes to birthing new businesses.

Unless they're exceptionally rich, entrepreneurs can go only so far on their own resources and by tapping family, friends and other kindred spirits.

Then they have to hook up with a bank (highly unlikely without a track record), make connections with a venture capital group (still difficult with strings attached) or sell shares of stock to the public.

Somanetics, started by Gary D. Lewis in 1982 and subsequently located in Troy, went public in April 1991. Last week, the company moved from the NASDAQ small cap issues to the regular NASDAQ national exchange, gaining more visibility for shareholders and would-be investors.

Somanetics makes and sells computer-based medical diagnostic and monitoring equipment. It recently received clearance from the Federal Drug Administration to market its product. It has yet to post a profitable year.

"Management teams usually are so strained for cash that they will take money under any terms," said Raymond Gunn, chief financial officer. "Gary said no to a lot of people. Strings were prohibitive."

Lewis said he raised upwards of \$250,000 from his own resources, family and friends during initial research. Money from other high-profile individuals, whom he declined to identify, pro-



ILLUSTRATION BY JIM JACOBUS/STAFF PHOTOGRAPHER

duced another \$4.4 million as the concept evolved.

Then it came down to taking the prototype to the production phase and more money was needed.

Enter a Boston venture capital group that provided some \$500,000 and a New York underwriter that provided a bridge (temporary) loan of \$1.45 million.

But a year later, Lewis, looking for the best financing plan to move forward, exercised an escape clause, paid off the underwriter and venture group, and issued stock and warrants — options to buy stock.

Somanetics went public.

"The primary reason was not so much the control issue, but with ven-

ture capital we weren't going to really raise enough to get the job done," Lewis said.

"Venture people want to know up front what their exit vehicle is. They want to take their money out at very nice returns, which is fine. We were concerned it would force us to create an exit vehicle sooner than we wanted," he said.

The initial public offering netted some \$6.5 million. Warrants called for redemption in May brought in an additional \$11.8 million. Redemption of additional warrants in February can potentially raise another \$15.5 million.

Somanetics has 4,000 stockholders. Lewis is the single largest stockholder

but does not own a majority of shares. The stock closed at 4 1/2 on Tuesday.

"We wanted to build a business," Gunn said. "We look for more long-term players."

But there are both advantages and disadvantages to going public.

"It improves the overall financial position, debt-to-equity ratio," Gunn said. "It cleans up the balance sheet and enhances the ability to raise capital. Presence in the marketplace gives credibility . . . and helps you attract quality people (employees)."

The down side?

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Highland turns to Chapter 11 to retrench

By GERALD FRAWLEY
STAFF WRITER

It's still a war out there in the appliance retail industry, and Highland Superstores is falling back to regroup.

With the intention of beefing up its remaining stores in Michigan, Ohio and Indiana, Highland Superstores is concentrating its resources by closing its 19 stores in the Chicago-area market.

Company officials hope the move will allow the firm to bounce back to profitability after several years of financial turmoil that has seen Highland Superstores weather store closings in Texas, Minneapolis, Minn., and New York.

The Plymouth-based electronics and appliance retailer filed a petition to reorganize under federal bankruptcy laws, Chapter 11, in United States

Bankruptcy Court for the Eastern District of Michigan Monday. The company is seeking protection from its creditors and permission to exit the Chicago market.

Danette Wineberg, vice president of Highland Superstores, said in concentrating its resources on its remaining stores, the retailer will continue to offer "outstanding buys, the most sought-after

brands and the most professional customer service organization."

"We have traditionally been well-trenched in Michigan, Ohio and Indiana, while Chicago, as one of our newer markets, was still in the developmental stage," Wineberg said.

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