



the 2008 venture capital report



the annual survey of venture investing activity
across the cleveland plus™ region of ohio



In 2008, more companies in the Cleveland Plus region received investment than in any of the past four years.

In a year that will be remembered for the national financial and economic slowdown, this positive trend demonstrates that the Cleveland Plus region continues its purposefully conceived role as a nationally significant center for innovation and growth. While nationally there was a four percent decline in the number of investments in 2008, the Cleveland Plus region actually experienced a five percent increase. It is this steady activity that leads us to believe that our regional goal of ensuring that \$1.2 billion of venture capital is raised by Cleveland Plus area companies over five years (beginning in 2007) will be met. Completing the second year of this ambitious goal, companies have raised \$577 million, or 48% of that five year goal.

Other highlights of this report include:

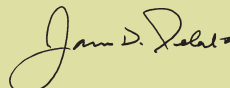
- **73 companies received \$259 million in investment capital.** The dollar amount is a decline from 2007, largely because of a few significant non-recurring later and growth stage investments.
- **60 percent of the capital raised in 2008 was in the Healthcare sector,** demonstrating this region's status as a national center for healthcare innovation and entrepreneurship.
- With **27 Healthcare venture firms now located in Ohio,** the state is one of the top five states in the nation in terms of Healthcare venture firms having offices established within its bounds.
- **Cleantech, which consists of the Energy, Advanced Materials, and Environmental sectors, more than doubled the investment dollars from 2007 to 2008,** leveraging the region's strengths in materials-based sciences and manufacturing.
- **Seed and early stage investment dollars increased by ten percent,** demonstrating a steady pipeline of innovation and continuing development of the venture capital continuum.
- **14 firms from outside the region made their first investment here in 2008.**

Along with these achievements, this report highlights the progress and celebrates the successes of companies and investors in the region in 2008. These stories demonstrate the great opportunity the Cleveland Plus region offers to investors at all stages of the venture capital continuum.

What kind of progress should we expect for 2009? While we remain concerned about the significant national slowdown of the IPO market, and the overall near- and mid-term economic outlook, where crisis lies, opportunity abounds. Entrepreneurs and investors specialize in taking advantage of opportunities (such as the strong market for strategic acquisitions of entrepreneurial companies), and the Cleveland Plus region is no exception, offering continuing opportunities for successful innovation and growth.



Dorothy Baunach
President and
Chief Executive Officer,
NorTech



James Ireland III
Managing Director,
Early Stage Partners, LP
Chair, NorTech Venture Capital
Advisory Task Force



Ray Leach
Chief Executive Officer,
JumpStart Inc.



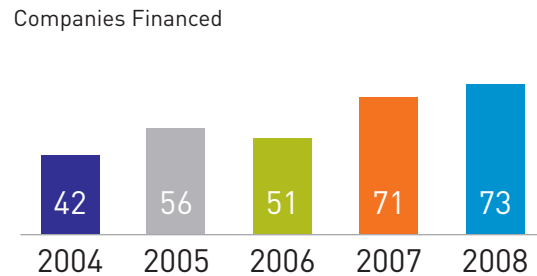
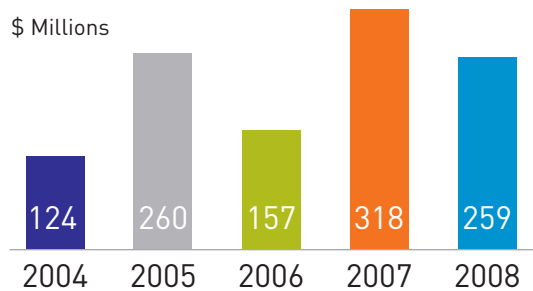
Baiju Shah
President,
BioEnterprise

**VENTURE CAPITAL
ADVISORY TASK FORCE**

Dorothy Baunach, NorTech
Tim Biro, Ohio Innovation Fund
Greg Blonder, Morgenthaler Ventures
Becca Braun, JumpStart Inc.
Melford Carter, Ohio-Midwest Fund
Chris Coburn, Cleveland Clinic
Foundation
Paul Cohn, Fort Washington Capital
Partners
Mark Coticchia, Case Western
Reserve University
Lorelei Davis, Frantz Medical
Ventures
Michael Goldberg, Bridge Investment
Fund, LP
William Grimberg, Consumer
Innovation Partners
Jack Harley, JWH Group, Inc.
Steve Haynes, Glengary Ventures LLC
Joe Hudson, OneEarth Capital
James Ireland III, Early Stage
Partners, LP
Don Knechtges, GLIDE/Lorain County
Community College Fund
Ray Leach, JumpStart Inc.
Floyd D. Loop, M.D., Radius Ventures
Chris Mather, TechLift/North Coast
Opportunities Technology Fund
Kevin McGinty, Peppertree Capital
Management, Inc.
Joe Michael, Fort Washington Capital
Partners
Bill Mulligan, Primus Capital Funds
Don Murfin, DCC Growth Fund
Jonathan Murray, Early Stage
Partners, LP
Clay Rankin, North Coast Angel Fund
Barry Rosenbaum, Akron
ARCHAngels
Scott Roulston, Fairport Asset
Management, LLC
Charlie Schliebs, iNetworks
Bill Seelbach, The Riverside
Company
Baiju Shah, BioEnterprise
Corporation
Chris Sklarin, Chrysalis Ventures
Jon Snyder, Arboretum Ventures
Karen Spilizewski, RiverVest Ventures
Bill Stuart, Portal Capital
Mike Stubler, Draper Triangle
Ventures
Bill Trainor, Mutual Capital Partners
Eric Von Hendrix, MWV Pinnacle
Capital Fund, LP
Brad Whitehead, Fund for Our
Economic Future
Bob Williams, Roulston Ventures
Neil Wyant, Everett Partners, LTD.
Wayne Zeman, MAGNET

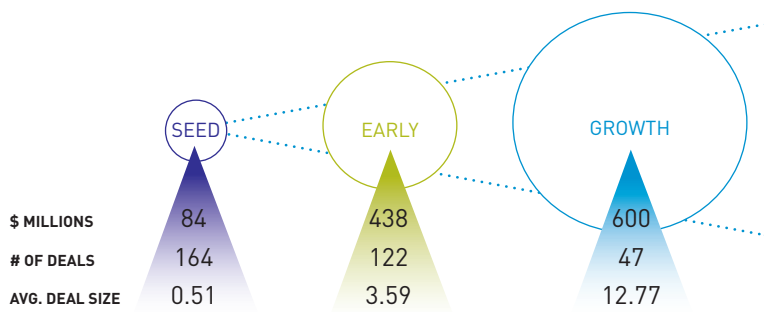
More Northeast Ohio companies received investment in 2008 than in any of the past four years.

Cleveland Area Venture Investments

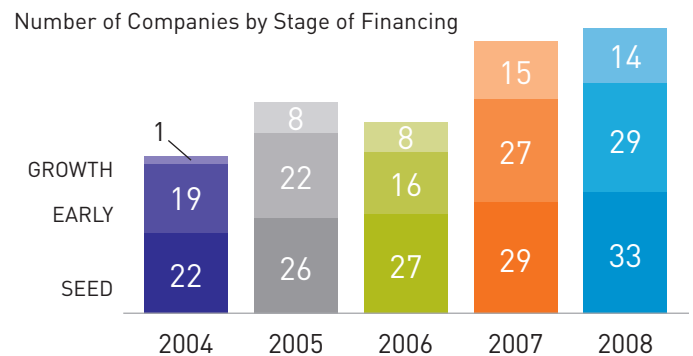


Source: Dow Jones VentureWire; Venture Source; Private Raise, LLC; BioEnterprise; JumpStart Inc.; Ohio Department of Development; TITC

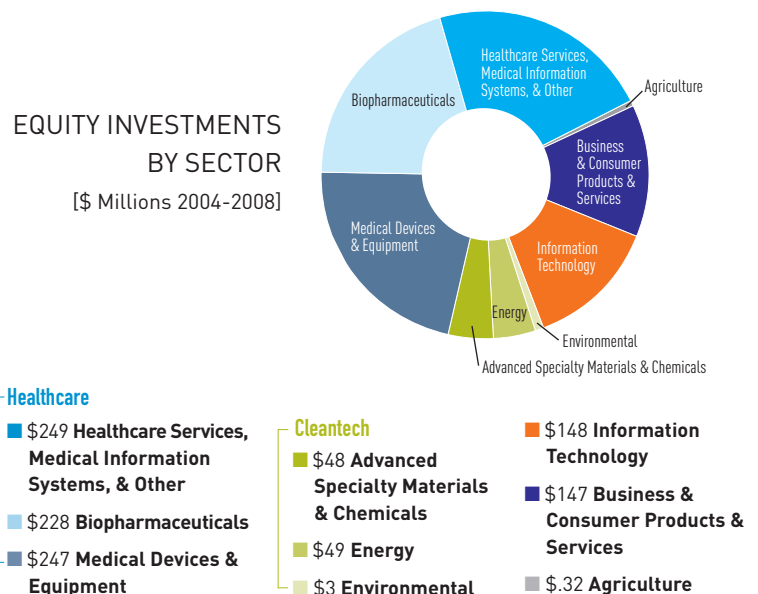
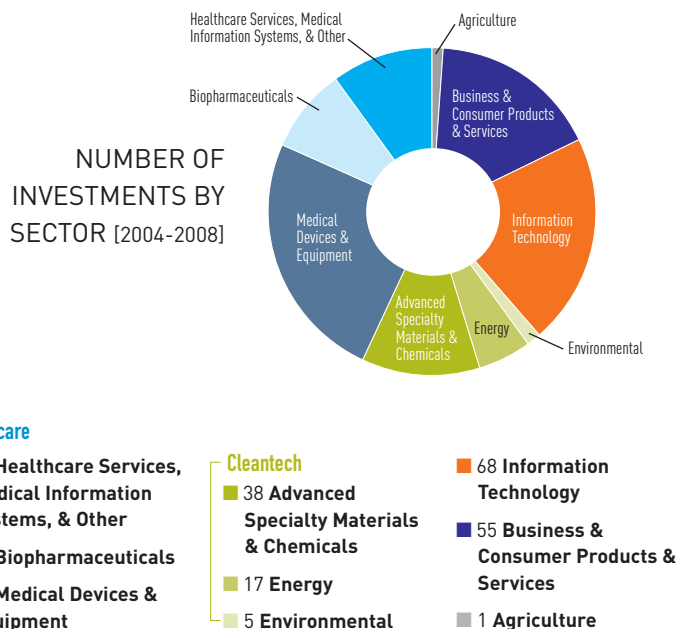
Investments by Stage (2004-2008)



Building Pipeline



Investments by Sector



Incentives for Investors

- The Ohio Capital Fund, supported by the State of Ohio, has committed over \$98 million to 18 venture funds to date. **Eight funds managing over \$600 million have taken advantage of Ohio Capital Fund incentives to establish a new presence in Ohio.**
- The Ohio Midwest Fund, comprised of \$102 million from OPERS and Credit Suisse, has now committed \$72 million to 12 funds.
- The third and newest fund, the NEO Capital Fund, will commit capital to venture capital firms that have or establish a presence in Northeast Ohio.
- The Ohio Technology Investment Tax Credit program allows individual investors in qualified technology-based Ohio companies to reduce their taxes by 25–35 percent of the amount invested.

Opportunity Taken

Funds under management of firms taking advantage of Ohio Capital Fund incentives to establish a new Ohio presence



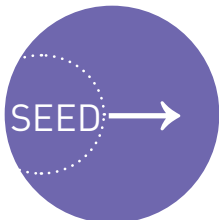
Source: Ohio Capital Fund

Featured Deals

Tursiop Technologies, LLC

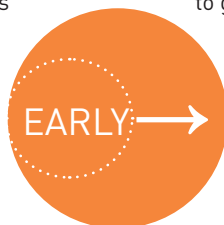
Tursiop Technologies

Tursiop Technologies is commercializing a novel magnetic resonance imaging (MRI) coil that will greatly increase MRI resolution, allowing clinicians to capture more detailed images or use less expensive or smaller MRI machines for the same results. Led by CEO Brad Goldstein, who brings 20 years experience in commercializing advanced technologies, the company raised its \$1.4 million seed round for continued research and development from local investors, RMS Management and JumpStart Inc. Soon after, Goldstein and his team received FDA certification on their initial design and are currently continuing down the path to commercialization.



Ovation Polymers

Ovation Polymers, based in Medina, Ohio, is at the leading-edge of polymer compound innovation. The company's breakthrough polymer products are used in electronics, optical technologies, medical devices, energy production products such as batteries and fuel cells, and products for the wind and solar industries. By creating alliances with their clients and selecting forward-thinking polymer industry partners, the company has continued to grow since

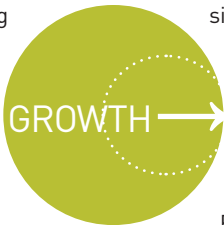


it was founded in 2004 by 30-year plastic veteran, Asis Banerjie. Banerjie and his team have raised over \$9 million in financing to-date from Early Stage Partners of Cleveland, Ohio and other investors, including a Series B round this year.



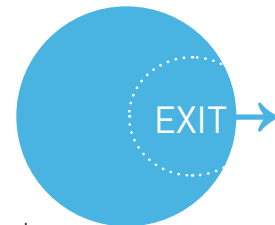
PartsSource

Founded in 2001, PartsSource is the nation's only alternative parts aggregator for hospital equipment parts. The company supports over 2,500 different makes and models of hospital equipment and has automated the process for ordering them through an online interface, saving its customers significant time and money. With a people-oriented, continuous improvement culture forged by serial entrepreneur, CEO Ray Dalton, the company shows a commitment to growth at all levels. A winner of numerous awards for growth, customer service, training and its commitment to humanitarian efforts, PartsSource is a true success story. In 2008, PartsSource raised a \$50 million investment led by Polaris Venture Partners of Boston and joined by Primus Capital Funds of Cleveland.



Brulant

Brulant, a digital marketing firm, has been growing steadily since it was founded in 1989. Brulant provides marketing programs for its clients that—beyond being user friendly and technologically savvy—are differentiated by their stringent focus on being insight-driven and focused on business results. In 2008, Brulant was acquired by Rosetta out of Princeton, New Jersey, with the resulting company enjoying status as the largest and most profitable independent interactive agency in the country, with 30% growth in 2008.



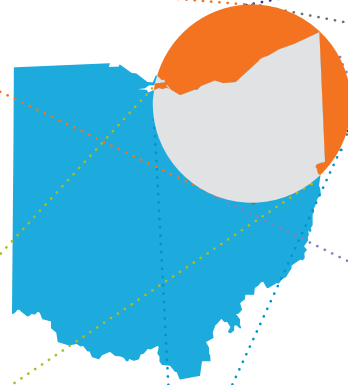
National Investment EXTERNAL EQUITY INVESTORS IN CLEVELAND PLUS AREA COMPANIES [2004-2008]

MIDWEST (OUTSIDE NEO)

Advantage Capital Partners *08
 Apex Ventures
 Beecken Petty
 BioOhio
 Blue Chip Venture Company
 CID Equity
 Entrepreneurs Fund
 Hopen Therapeutics *08
 Hopewell Ventures
 Medtronic
 NCT Private Equity Fund
 Orix Capital
 OTAF
 Southwest Michigan First Life Science Fund *08
 Talisman Capital
 Thomas McNerney Partners
 Triathlon Medical Ventures

WEST COAST

Angiotech Advance
 Chevron Technology Ventures
 Compass Group
 DW Healthcare Partners
 Hambrecht & Quist
 Intel Capital *08
 Kearny Venture Partners *08
 Morgenthaler Ventures
 Palo Alto Investors
 Panorama Capital
 Parker Price Venture Capital
 Roberts Communications Network
 Sierra Ventures
 SV Life Sciences
 Vivo Ventures
 Western Technology



SOUTH

Accipiter Capital Management LLC
 Cordova Ventures
 ExOxEmis
 MB Ventures
 Pappas Ventures
 River Associates
 Symark
 Texas Pacific

OUTSIDE U.S.

Aberne Limited *08

BOSTON

Ampersand Ventures
 Boston Scientific Corp.
 Capital Resource Partners
 Eastward Capital
 Fidelity BioSciences *08
 Fletcher Spaght Ventures *08
 M/C Venture Partners *08
 Norwich Ventures
 Polaris Ventures
 RA Capital Management

NEW YORK/EAST COAST

Aisling Capital *08
 Amphion Innovations *08
 Behrman Capital
 Brown Brothers Harriman & Co.
 CMG Capital
 Columbia Capital
 Cowen Healthcare
 Domain Associates
 GMG Capital
 Greycroft Partners
 Halyard Capital
 Investor Growth Capital
 Johnson & Johnson
 Life Sciences Capital *08
 LSKW Investments
 Midsummer Capital
 MPM BioEquities
 mTerra Ventures LLC
 New Enterprise Associates
 Oak Investment Partners
 OrbiMed Advisors
 Psilos Group
 Radius Ventures
 RLS Investments *08
 StarVest Partners
 Sunrise Equity
 Toucan Capital Corp. *08
 Welsh Carson

*08= FIRST INVESTMENT IN NORTHEAST OHIO IN '08

Ohio Venture, Angel, Seed & Pre-Seed Funds

INVESTMENT CAPITAL FUNDS

Adena Ventures
 Arboretum Ventures *08
 Athenian Venture Partners
 Blue Chip Venture Company
 Bridge Investment Fund
 Charter Life Sciences
 Chrysalis Ventures
 CID Capital
 Consumer Innovation Partners
 Crystal Ventures
 Development Capital
 Draper Triangle Ventures
 Early Stage Partners
 Everett Partners
 Fletcher Spaght Ventures
 Frantz Medical Ventures
 Hercules Technology Growth Capital
 iNetworks
 Isabella Capital
 Key Principal Partners
 Luxemburg Capital
 Max-Ventures
 Morgenthaler Ventures
 Mutual Capital Partners
 MWV Pinnacle Capital Fund
 Nationwide Mutual Capital
 NCIC Capital Fund
 NCT Ventures
 Oakwood Medical Investors
 Ohio Innovation Fund
 Peppertree Capital Management
 Primus Capital Funds
 Radius Ventures
 Reservoir Venture Partners
 River Cities Capital Funds
 Riverside Capital Microcap Fund
 RiverVest Ventures
 Roulston Ventures

Second Generation Ltd.
 SunBridge Partners
 Talisman Capital
 Triathlon Medical Venture Partners
 Walnut Capital Partners
 Xgen LTD
 Zapis Capital Group LLC

ANGEL NETWORKS & FUNDS

Akron ARCHAngel Network
 C-Cap
 Clarion Capital
 CoreNetwork
 Custer Capital
 Findaway Ventures
 Growth Strategies Group
 North Coast Angel Fund
 Ohio TechAngel Fund
 Queen City Angels
 RMS Capital
 Sycamore Partners

SEED & PRE-SEED INVESTMENT FUNDS

Blue Chip Validation Fund
 Case Technology Ventures
 Cincinnati Children's Tomorrow Fund
 Cincytechusa
 Cleveland Clinic Innovations
 Flashline Partners LP *08
 Glengary Ventures
 JumpStart Inc.
 Lorain County Community College Innovation Fund
 Miami Valley Venture Fund
 Rocket Ventures
 Southern Ohio Creates Companies
 TechColumbus

*08= NEW OFFICE IN OHIO IN '08

Companies That Have Raised Capital [2004-2008]

INFORMATION

TECHNOLOGY

ARDC
 AVE Intervention
 Axentis
 Ayalogic
 Banyan Technology
 BlueBridge Networks
 BSK Live
 Clear Image Technology
 ComSense Technology, Inc.
 CutterCroix LLC
 DimpleDough
 DIY Real Estate Solutions
 Embedded Planet
 Employ Media
 Everstream
 Flashline
 FLX Micro
 Myriad Health
 I2C Technologies
 InSet Systems
 Inspherion
 Inspiron
 IQS
 Knotice
 LogiSync
 Monarch Teaching Technologies
 NCRx Optical
 QuickPayNet
 Northcoast PCS
 One Source Technologies
 PC On Call Inc.
 PsiBase
 SageQuest
 SamePage Solutions
 Sypherlink
 Telisys Inc.

Think-a-Move, Ltd.

TOA Technologies
 Unitask
 Vox Mobile
 Workflow.com
 YeboTV

BUSINESS & CONSUMER PRODUCTS & SERVICES

Accessmount
 Aerodynamic Trailer
 Amish Naturals
 Technology Management
 BDC Management Group LLC
 Cleveland Unlimited, Inc.
 Cohesant
 Collaborent
 CoupAd
 DMI Manufacturing, Inc.
 Embrace Pet Insurance
 Fire-Dex Inc.
 Gauntlet Technology Systems
 Hartville Group
 HF Food Technologies
 InnoDesk
 Insurance.com
 Ladies Who Launch
 Learning Horizons Inc.
 Nine Iron Innovations
 NineSigma
 PetsDx
 Pflingsten Publishing
 Predictive Services
 PsyMax
 Stack Media
 Teraphysics
 Tooling University
 Treatment Online

Turning Technologies
 Victory Solutions
 Visual Edge Technology

HEALTHCARE

AccelleRX Therapeutics Inc.
 American Safety & Health Institute
 AnalizaDx
 Aris Teleradiology Systems
 Arterioocyte
 Athersys
 AxioMed Spine
 CardiInsight Technologies
 Cell Targeting Inc.
 Cervilenz
 ChanTest
 Clear Catheter Systems
 Cleveland BioLabs
 CleveX
 Cone Instruments
 Copernicus Therapeutics
 CornerStone Medical
 Critisense
 CSF Therapeutics
 Early Sense
 Endotronix
 Franklin & Seidelmann Subspecialty Radiology
 Freedom Meditech, Inc.
 Fused Multimodality Imaging
 Ganeden Biotech
 Great Lakes Pharmaceuticals
 Icon Interventional
 Imadent
 Imalux
 Improvita Health Products
 IntElect

Interscopic Analysis
 Interventional Imaging
 Lifeline Screening
 m2m Imaging Corp.
 MDG Medical
 MemberHealth
 Merlot OrthopediX
 NDI Medical
 NeoMed
 NextMed Systems
 Ogenix
 OrthoHelix Surgical Designs
 PartsSource LLC
 PeriTec BioSystems
 PrognostiX
 ProPractica
 Ricerca
 Roscoe Medical
 Symbionx
 SpineMatrix
 Symphony Medical
 Synapse Biomedical
 Syncro Medical
 Telerad Express
 Thermedx
 Tolera Therapeutics
 Transcutaneous Technologies
 Trek Diagnostics
 Tursiop Technologies
 Vascular Biogenics
 Vasolux Microsystems
 ViewRay
 WholeHealth Management within3

AGRICULTURE

Delta Plant

Cleantech

ADVANCED SPECIALTY MATERIALS & CHEMICALS

6062 Holdings
 AMTI
 Aria Analytics
 Blue Spark Technologies
 Carbolytic Materials
 Helios Coatings
 MemPro Ceramics Corporation
 MesoCoat, Inc.
 MIMFlow Technologies
 Nanomimetics
 Ovation Polymers
 RSP Tooling
 Stanton Advanced Ceramics
 Stratum Energy Systems
 Trivium Technologies

ENERGY

Arisdyne Systems
 Contained Energy
 Energy Focus
 Five Star Technologies
 Greenfield
 Light Resonance Technologies
 Ocean Energy Systems
 reXorce Thermionics Inc.
 Wireless Environment

ENVIRONMENTAL

MAR Systems
 MORK Process
 Polyflow
 Sorbent Technologies

Private Investments in Public Equities (PIPES) were included in cases where it appeared that venture investors were involved.



www.jumpstartinc.org



www.nortech.org



www.bioenterprise.com



FUND FOR OUR
 ECONOMIC FUTURE

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www.futurefundneo.org