

## Venture capitalists invest \$50 million in PartsSource

by [Mary Vanac](#)

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A fast-growing supplier of replacement parts for hospital imaging and biomedical equipment is getting \$50 million from investors.

[PartsSource LLC](#) in Aurora distributes new, used and refurbished parts for 2,500 makes, models and types of medical equipment to hospitals worldwide, said Ray Dalton, the company's founder and chief executive.

The investment was used to buy equity from the company's current shareholders and employees, said Dalton, who continues to be the majority owner of PartsSource shares.

Dalton hopes that the venture capitalists who have invested in his company can help it get ready for an initial public offering of stock in 2012.

A customer starts the PartsSource process by requesting a part online through the company's patented PartsFinder 2.0 software.

PartsFinder searches the offerings of 8,100 suppliers to find the requested part at a price that is lower than what the maker of the equipment charges, Dalton said. PartsSource buys parts in large quantities, so it usually qualifies for discounts, which it passes on to customers.

The company, which employs 200 people and has been hiring at a rate of at least six people per month, ships the part to the customer. Then, it arranges to get the broken or defective part, which it inspects and returns to the supplier

[Polaris Venture Partners](#) in Waltham, Mass., led the company's first round of venture capital investment. [Primus Capital](#) in Mayfield Heights also participated in the round.

"It was really important to me to have a Cleveland investor," said Dalton, who started looking for venture capital for PartsSource about 18 months ago. But the size of investment needed by PartsSource was too large for Primus alone.

"Polaris is one of the largest venture funds that's out there," said Baiju Shah, president of BioEnterprise, the health care company developer in Northeast Ohio.

"It's pretty exciting to get on the radar of funds like Polaris as a community and to have them aggressively looking for opportunities for investment in Cleveland," Shah said.

Jason Trevisan, a principal at Polaris, and Bill Mulligan, a managing director of Primus, will hold two of seven director seats at PartsSource, Dalton said.

Dalton hopes the venture capitalists can help him take PartsSource public.

"We really think that this company's got a great value proposition," he said. "It reduces the cost of health care, saves hospitals money, creates productivity by lowering the cost of parts."

"We think it has enough sizzle to be a great public company."