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73 Companies in the Cleveland Plus(TM) Region Attract \$259 Million in Venture Investment in 2008

CLEVELAND, Jan. 15 /PRNewswire/ -- Even in the challenging economic environment of 2008, more companies in the Cleveland Plus region received investment last year than in any of the last five. According to the 2008 Venture Capital Report for the Cleveland Plus region, 73 companies received \$259 million in investment capital in 2008. This Report is compiled by the Venture Capital Advisory Task Force and will be released in printed version in mid-February.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20060209/CLJUMPSTARTLOGO>)

Healthcare was the most noteworthy sector in 2008, with investments in Healthcare Services, Medical Information Systems, Biopharmaceuticals, Medical Devices and Equipment, and Other Healthcare companies representing over 60 percent of the total capital raised. Twenty-six Healthcare startups raised over \$158 million in 2008, with notable successes including ViewRay's \$25 million round, IntElect's \$13.5 million round, and AxioMed Spine's \$10 million round. The largest investment in this group, \$50 million in PartsSource, an area supplier of replacement parts for hospital equipment, was syndicated by [investors](#) both in and outside the region, including Polaris Ventures. "Polaris partners with entrepreneurial teams who have built high growth, market-leading companies where our experience can help them achieve further success. PartsSource is an impressive organization at the intersection of technology, Internet and healthcare and we're thrilled to be partners with them," says Jason Trevisan of Polaris Ventures in Waltham, Massachusetts.

"Healthcare continues to be Cleveland's flagship sector. The success of regional Healthcare startups continues to attract regional and national investors," says Baiju R. Shah, President and CEO of BioEnterprise. "With 27 Healthcare venture firms located in the state, Ohio is now among the top five states for healthcare investors."

The "Clean Tech" category generated increased investment in 2008, mirroring national trends. Within the broad Clean Tech category, investment dollars in the Advanced Materials and Energy sectors more than doubled from 2007 to 2008, while the number of investments remained level. Some of the largest investments included Energy Focus' \$10 million round, reXorce Thermionics' \$5 million round and Arisdyn Systems' \$5.3 million round.

"The number of companies in the region developing advanced materials and alternative energy solutions continues to grow, further leveraged by the region's deep rooted strengths in materials-based sciences, electronics and manufacturing capabilities. Often it's at the intersections of these technologies that ideas for products are created and high growth companies are formed," says Dorothy C. Baunach, President and CEO of NorTech, which launched the Venture Capital Advisory Task Force in 2002.

Information Technology also remained a strong sector in the 2008 regional investment landscape, with 14 companies raising nearly \$27 million. The largest investments were in software companies: TOA Technologies received \$13 million, SageQuest LLC received \$3.7 million, and Axentis received \$3.6 million. Several out-of-

region investors participated in these deals including Intel Capital of Santa Clara, California, Hopewell Ventures, L.P. of Chicago, Illinois, and Panorama Capital of Menlo Park, California.

The Report also examines the type of companies that received funding by stage of investment in the following categories: seed, early and growth. Seed stage investments increased slightly, with over 10 percent growth in both dollars invested and number of investments from 2007 to 2008. Early stage investments continued at a healthy pace, maintaining the number of investments from 2007, but increasing investment dollars by 10 percent, showing the natural progression of the maturing deals in the region. Growth stage investment slowed in 2008, resulting in total investment in the region of \$259 million, a 20 percent decline from 2007.

"The seed and early stage investment numbers set a great foundation for the region's growing entrepreneurial economy," comments Ray Leach, CEO of [JumpStart Inc.](#) "[Entrepreneurs](#) know that all stages of investment are crucial in growing their companies, and they are on the lookout for whether national trends will take hold here in 2009. Nationally, investors are projecting that in 2009 they will use their funds as follow-on to their existing investments more than in prior years, making a moderate shift to growth stage investments a key area to watch as the year progresses."

While the Cleveland Plus region had venture-backed companies realizing exits in 2008, it mirrored the slow national venture-backed exit environment. Several companies in the region did experience exits; a few of the most notable seen this year were Theken Spine, a Healthcare company, acquired by Integra Life in a deal valued up to \$200 million, Sorbent Technologies, an Environmental company, acquired by Albemarle Corp for \$20 million, and Brulant, a digital marketing company acquired by Rosetta, based in Princeton, New Jersey.

In the past five years, nearly 90 investors from outside the region have invested in Cleveland Plus region companies. "These continued market trends demonstrate that our regional and state strategies to increase equity investments in local companies are working," states James D. Ireland III, Chairman of the Venture Capital Advisory Task Force and Managing Partner of Early Stage Partners in Cleveland. "It shows that investors from outside the region and state see potential in the innovative ideas coming out of Ohio and are partnering on deals. Importantly, these results have been furthered by the Ohio-based creation of several new venture capital pools, including the Ohio Capital Fund and the OPERS/Credit Suisse Ohio-Midwest Fund, that have expanded the availability of capital for regional investment."

While the national venture capital environment is uncertain, the Cleveland Plus region remains well on its way to generating the investment capital necessary to accelerate the region's economic growth. In 2006, the region's first Venture Capital Report identified that area companies needed \$1.2 billion in investment capital by 2011 to sustain their growth and continue building a healthy pipeline of future venture deals. Two years into that five year plan, the region's startups have generated over half that investment, a total of \$577 million.

"The number of investments realized in 2008 demonstrates that the region is generating innovative companies offering competitive investment opportunities, and these companies are making progress in accessing the capital they need to grow their businesses and create jobs," notes Ireland.

About the Venture Capital Advisory Task Force

The Venture Capital Advisory Task Force is a group of Cleveland Plus region venture community members who convene to further entrepreneurial investment and success in the region. From 2002 through 2004, the group worked to pass legislation, resulting in the creation of the \$150 million Ohio Capital Fund, which is

now actively investing in regional venture funds around the state. James D. Ireland III chairs the group, while other partner organizations NorTech, JumpStart Inc., BioEnterprise, and the Fund for our Economic Future support ongoing reporting and educational efforts. This collective group publishes the annual Venture Capital Report for the Cleveland Plus region.

About JumpStart Inc.

JumpStart (www.jumpstartinc.org) accelerates the growth of innovative early-stage businesses and ideas into venture-ready companies by delivering vital, focused resources to entrepreneurs and the community of Northeast Ohio. JumpStart identifies and invests in early-stage companies that have strong potential in the marketplace, solid prospects for high growth, and are likely to qualify for later-stage funding. Beyond investing, the JumpStart team provides a continuum of business development services to its client companies to help ensure their success.

About NorTech

NorTech (www.nortech.org), the Northeast Ohio Technology Coalition, is a technology-based economic development organization and catalyst for making Northeast Ohio a global leader in technology, innovation, and entrepreneurship. NorTech works closely with regional technology leaders to build a globally-competitive, innovation driven, technology economy by: Leading technology projects that have an impact on the region's innovation infrastructure; Linking together regional technology leaders and innovation assets to spur collaboration and commercialization; and Leveraging public and private investments to revitalize Northeast Ohio's economy. Through its Venture Capital Advisory Task Force, NorTech seeks to promote increased availability of seed and early-stage capital and greater professionalization of its management.

About BioEnterprise

BioEnterprise (www.bioenterprise.com) is a business formation, recruitment, and acceleration initiative designed to grow health care companies and commercialize bioscience technologies. Based in Cleveland, BioEnterprise's founders and partners are Cleveland Clinic, University Hospitals, Case Western Reserve University, Summa Health System, and the BioInnovation Institute in Akron. Since launching in 2002, BioEnterprise and its partners have accelerated over 70 companies that have attracted \$820 million in capital.

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