

# The 2009 Venture Capital Report for the Cleveland Plus™ Region For Policy Makers

Over \$1 Billion of Venture Capital Invested in the last Five Years has Created Thousands of Jobs, with Thousands More Projected.

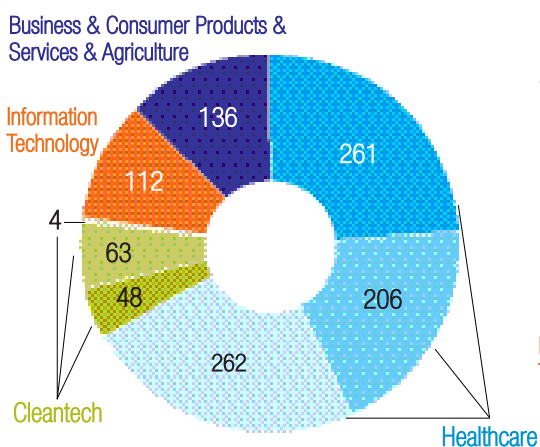
## Today: A Thriving Pipeline of Growing Companies

\$1.1 billion dollars have been invested by angel and venture capital investors in 183 unique Cleveland Plus region companies since 2005\*, demonstrating that our region is starting and growing the innovative companies and large scale employers of our future. **In 2009, during a year in which venture capital investing was down 38 percent nationally, our region saw seed stage investment at its highest level in the last four years.** Over the past five years, more than 170 seed stage investments have been made, continuously filling the Cleveland Plus region's pipeline of growing companies.

These investment dollars are funding companies in globally competitive, high tech industries such as Healthcare, Cleantech, and IT.

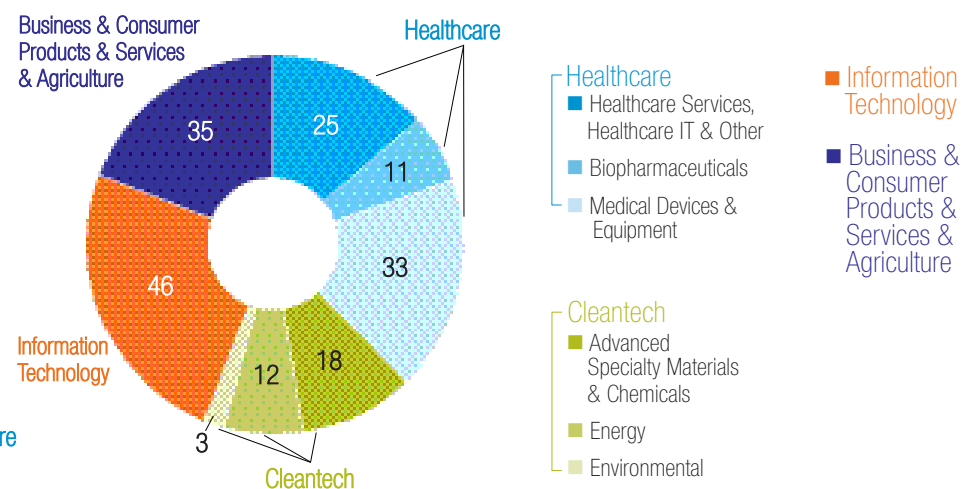
EQUITY INVESTMENTS BY SECTOR

[\$ Millions 2005-2009]



NUMBER OF COMPANIES BY SECTOR

[2005-2009]



## Today and Tomorrow: Thousands of Jobs Created

According to the National Venture Capital Association, **a job is created for every \$26,435** of private sector capital invested, **which equates to 40,700 jobs** that have been and will be created from the \$1.1 billion raised by Cleveland Plus companies in the last five years. These jobs feed into an ecosystem of growth in the high tech sector in Northeast Ohio:

- **Ohio is in the Top 10 for medical device jobs in the country** and venture-backed Cleveland Plus area companies such as AxioMed Spine, CerviLenz, IMALUX, Orthohelix Surgical Designs, Synapse BioMedical, Trek Diagnostics, and ViewRay are the types of firms that will continue to keep Ohio ranked highly.
- **Ohio has the 4th highest number of cleantech jobs in the country** and venture-backed Cleveland Plus area companies such as Five Star Technologies, Logos Energy, MAR Systems, Ovation Polymers, rexorce Thermionics, and Sorbent Technologies are the types of firms that will keep Ohio standing strong on this front.
- **Ohio's high tech employment has grown faster** than almost all other Midwest states – 6.4 percent versus an average of 4.3 percent in other Midwest states. Nowhere is this more true than in the Cleveland Plus region.

\*Annual Equity Capital Raised by Cleveland Plus Area Companies: 2005: \$259 million, 2006: \$158 million, 2007: \$317 million, 2008: \$260 million, 2009: \$99 million

## Jobs Are Being Created at Every Stage of Growth

### SEED



BSKLive is an IT company whose flagship product, StaffKnex, is a web-based application that combines staff scheduling and other functions into an automated staff management system. The company, led by serial entrepreneur Mark Woodka, raised \$550,000 of seed funding in 2008, followed by a \$1.3 million Series A round in 2009, and has grown its team to nine full time employees.

**StaffKnex**  
Staff Response Management

### EARLY



MAR Systems' process for removing mercury and other metals from water has already proven over 100 times more effective than competitive methods. The company has grown due to seed investment, followed by a \$1 million Series A round in 2007, and a \$1.5 million Series B round in 2009. With this funding, the company plans to grow its current seven-person team to 50 people in 2010.

  
**MAR SYSTEMS**

### GROWTH



PartsSource is the nation's only alternative parts aggregator for hospital equipment parts. The company is led by Air Force veteran Ray Dalton, currently employs over 200 people, and hires an additional four to six people per month. The previously angel-backed company raised a \$50 million growth capital round in 2008, and its revenues grew by 338% in 2009.

**PartsSource**  
THE ANSWER IS *yes!*

### EXIT

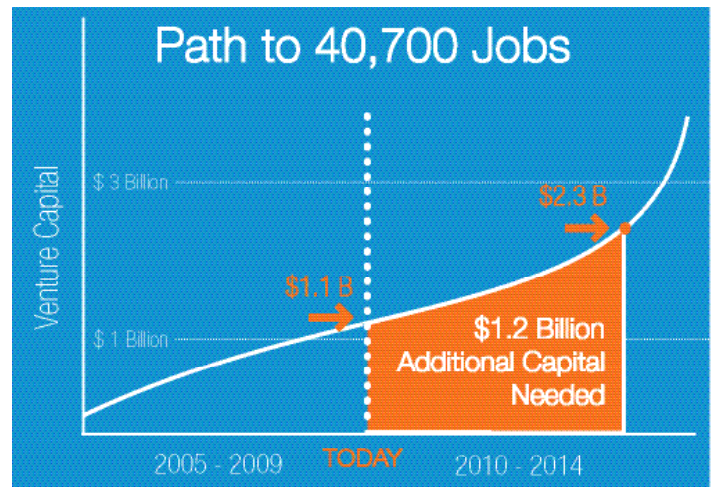


MemberHealth, a pharmacy benefits management company, grew rapidly and was acquired by Universal American in 2007 for \$630 million. Prior to the acquisition, MemberHealth employed 160 people; now, Universal American's Cleveland office employs 250 and the company ranks 494 in the Fortune 500.

**MemberHealth**

## Tomorrow: \$1.2 Billion in Venture Capital Will Be Needed to Deliver Growth and Thousands More Jobs

The Venture Capital Advisory Task Force, comprised of over 40 investors in the Cleveland Plus region, has determined that at least an additional \$1.2 billion in private sector venture capital investment will be needed over the next five years to continue the growth of the companies in the pipeline and create thousands of additional jobs.



Current investment incentives and funding programs of the State of Ohio, **some of which are currently pending approval in the state legislature**, are critical to maintaining this projected flow of private sector venture capital into the Cleveland Plus region.

### Ohio Third Frontier

Third Frontier has funded four pre-seed and seed funds and supported the growth of over 800 innovative companies in the Cleveland Plus region directly and indirectly. Statewide, it has catalyzed innovation and created 41,300 jobs already, with the potential to create thousands more.

### Technology Investment Tax Credit

This tax credit is for taxpayers who invest in small, Ohio-based technology companies.

Over \$20 million in private sector capital has been invested in over 200 Cleveland Plus area companies as a result of the tax credit.

### The Ohio Capital Fund

This fund provides capital to investment funds to increase investing in Ohio companies.

10 Cleveland Plus area investment funds have received monies from which \$64 million has been invested in Cleveland Plus area companies for their growth.