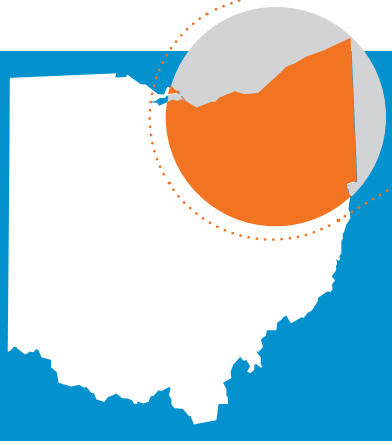
the 2008 venture capital report



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 percent 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 aquisitions 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.

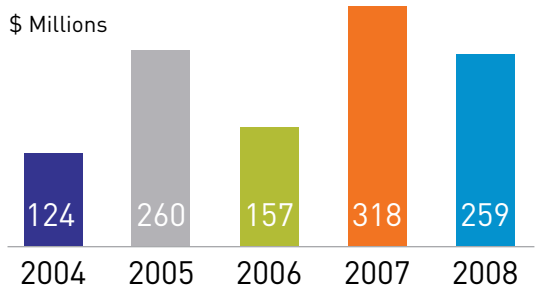
Baiju Shah
President,
BioEnterprise

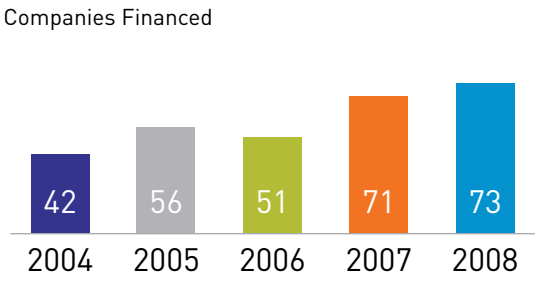
VENTURE CAPITAL ADVISORY TASK FORCE

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.

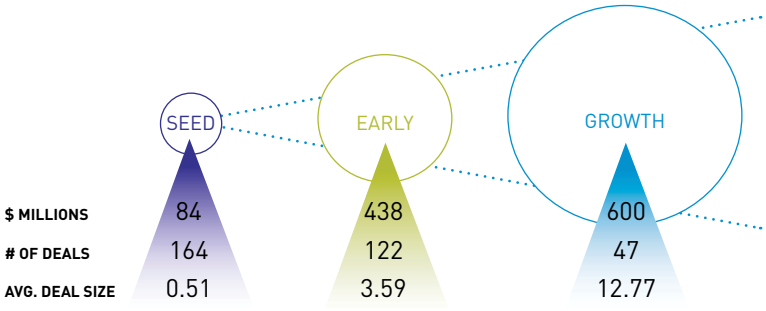
Cleveland Area Venture Investments



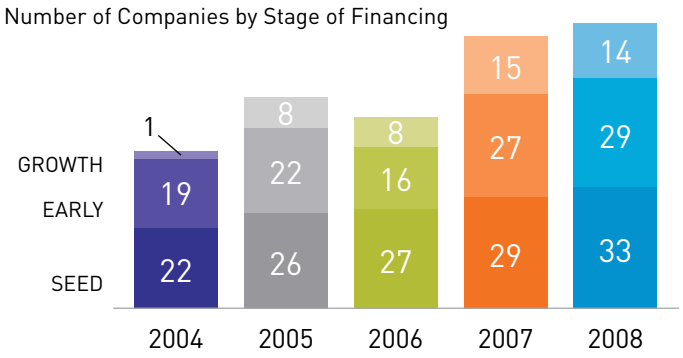


Source: Dow Jones VentureWire; Venture Source; Private Raise, LLC; BioEnterprise; JumpStart Inc.; Ohio Department of Development; TITC

Investments by Stage (2004-2008)

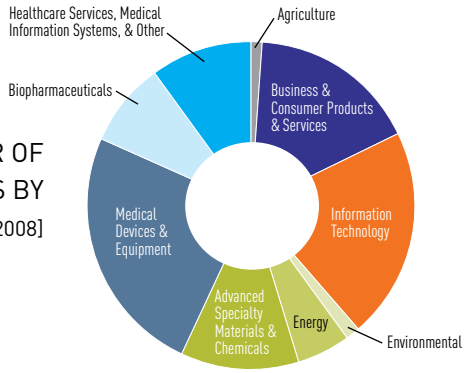


Building Pipeline



Investments by Sector

NUMBER OF INVESTMENTS BY SECTOR [2004-2008]

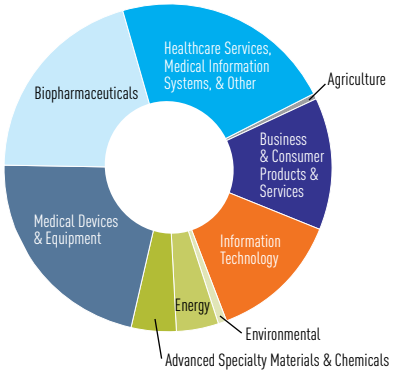


Healthcare
- 33 **Healthcare Services, Medical Information Systems, & Other**
- 28 **Biopharmaceuticals**
- 81 **Medical Devices & Equipment**

Cleantech
- 38 **Advanced Specialty Materials & Chemicals**
- 17 **Energy**
- 5 **Environmental**

- 68 **Information Technology**
- 55 **Business & Consumer Products & Services**
- 1 **Agriculture**

EQUITY INVESTMENTS BY SECTOR [$ Millions 2004-2008]



Healthcare
- $249 **Healthcare Services, Medical Information Systems, & Other**
- $228 **Biopharmaceuticals**
- $247 **Medical Devices & Equipment**

Cleantech
- $48 **Advanced Specialty Materials & Chemicals**
- $49 **Energy**
- $3 **Environmental**

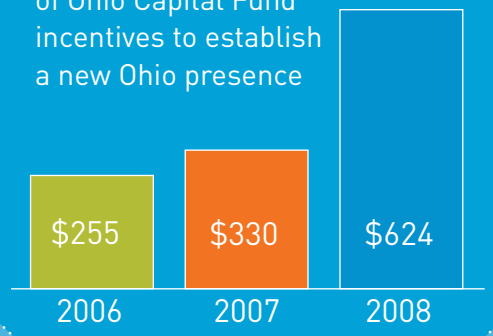
- $148 **Information Technology**
- $147 **Business & Consumer Products & Services**
- $.32 **Agriculture**

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.

SEED

Ovation Polymers — Ovation Polymer Technology & Engineered Materials

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.

EARLY

PartsSource — THE ANSWER IS yes!

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.

GROWTH

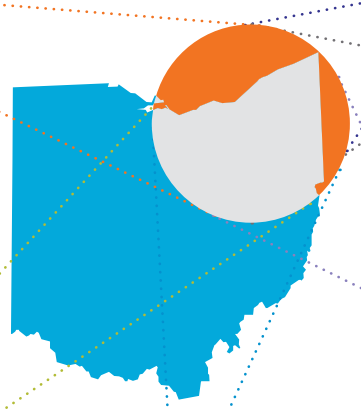
ROSETTA. Interactive. Relevance. Results.

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 percent growth in 2008.

EXIT

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 Intervision
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
Pfingsten Publishing
Predictive Services
PsyMax
Stack Media
Teraphysics
Tooling University
Treatment Online
Turning Technologies
Victory Solutions
Visual Edge Technology

HEALTHCARE

AcelleRX Therapeutics Inc.
American Safety & Health Institute
AnalizaDx
Aris Teleradiology Systems
Arteriocyte
Athersys
AxioMed Spine
CardioInsight 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 Subspeciality 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
Simbionix
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.

jumpstart
www.jumpstartinc.org

NorTech
www.nortech.org

BioEnterprise
www.bioenterprise.com

FUND FOR OUR ECONOMIC FUTURE

Special thanks to the Fund for Our Economic Future for underwriting this report.
www.futurefundneo.org