

## Navigating Tough Times

# Seven Pittsburgh companies get \$41 million infusion for 3Q

by *Patty Tascarella*

Seven Pittsburgh companies received a combined \$41.36 million in venture capital, angel and government funding during the third quarter, the largest third-quarter infusion in five years.

During the same time period last year, 10 Pittsburgh companies received \$40.61 million, according to a MoneyTree report, which is produced quarterly by PricewaterhouseCoopers and the National Venture Capital Association, based on data provided by Thompson Reuters.

Almost all of the Pittsburgh companies receiving capital were in the life sciences/biotech category.

The combined funding rounds of two companies accounted for close to two-thirds of the total raised. Aethon Inc., a Robinson-based developer of delivery robots used in hospitals, raised \$14.16 million. Immunetrics Inc., a South Side-based computer simulation company whose technology assists the drug development process, tallied \$13 million.

Other funding recipients included: Knopp Neurosciences Inc., a South Side-based developer of a treatment for Lou Gehrig's disease that raised \$7.5 million; ClearCount Medical Solutions Inc., a Ross-based developer of RFID technology to track surgical sponges that brought in \$4 million; and Akustica Inc., a South Side-based digital microphone manufacturer that raised \$2.5 million. Two companies each received \$100,000 — Entermedia Corp., an Oakland-based developer of social network Qlique.com, and Cognition Therapeutics Inc., a South Side-based biopharmaceutical firm targeting the toxic proteins that cause the cognitive decline associated with degenerative brain diseases.

Third quarter 2008 investors were largely venture capital firms, in contrast to past quarters when the most active backer of Pittsburgh companies has been Innovation Works, the state-funded economic development organization that devotes cash and resources to young firms. Its sole third quarter deal was Cognition Therapeutics.

Draper Triangle Ventures, Downtown, participated in three financing rounds — Aethon, ClearCount and Entermedia. Also active were Mobius Venture Capital, Boulder, Colo., and Saturn Venture Partners, Boston, both prior investors in Pittsburgh companies.

"VCs have raised money to invest, and the money they can put to work is not dependent on the debt markets or other liquidity," said Michael Stubler, Draper managing director. "But they will only finance companies that can grow and thrive in this environment."

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In an economic downturn, said Stubler, who is president of the Pittsburgh Venture Capital Association, early stage funding “will be harder to come by.”

Nationally, 907 companies received a combined \$7.1 billion in venture capital funding during the third quarter, compared with 979 receiving \$7.8 billion last year.

“It’s too soon to see in this cycle, but you’ll see some drying up of seed capital and that dynamic will put pressure on people who are starting businesses,” Stubler said.

John Taylor, NVCA research director, was concerned about first-time fundings.

“There’s money out there to be deployed,” Taylor said. “What’s (stalling) the industry is the fact that there are no exits through public offerings. There’s a backlog of companies in VC portfolios that can’t get onto the runway, so investors have to keep plugging money back in and, even more importantly, time and attention.”