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universe, discover the
next big thing, read
about politicians and
community leaders
actually working together,

The Fund For Our Economic Future
2005 Annual Report

see NE Ohio as you've
never seen it before.



FUND FOR OUR
ECONOMIC FUTURE

FUND FOR OUR ECONOMIC FUTURE
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The Fund For Our Economic Future is a multi-year collaboration of organized philanthropy in Northeast Ohio formed to encourage and advance a common and highly focused regional economic development agenda that can lead to long-term economic transformation in ways that recognize the importance of core cities, inclusion/diversity and quality of life. This will be accomplished by convening key stakeholders, tracking overall regional progress and backing key initiatives.



Dear Friends of the Fund,

What a difference two years can make! Since the region's philanthropic community came together in 2004 to help transform Northeast Ohio's economy, the region has gained significant ground.

Formerly ranked by *Entrepreneur Magazine* as the 61st most desirable metropolitan area for entrepreneurs, **Akron/Cleveland now ranks 24th, ahead of Los Angeles, Minneapolis, San Diego and Seattle.** Venture capital investments in Northeast Ohio's bioscience companies have soared, tripling since last year and putting the region on par with recognized bioscience hubs like Minneapolis and North Carolina's Research Triangle. And thanks to new collaborations among Fund grantees, such as NorTech, JumpStart, BioEnterprise and MAGNET, our region is very well positioned to meet the funding requirements for Ohio's Third Frontier Project, which is distributing its first \$50 million this summer.

Through all of this progress, **the spirit of collaboration is sweeping across the region**, as municipal and county governments, the manufacturing community, technology leaders, universities and healthcare institutions are developing partnerships to jointly move the region forward. The following pages are filled with stories about people and organizations that are working to transform our region's economy and whose efforts have in some way been helped by the Fund For Our Economic Future.

Our progress against the Fund's three key strategic initiatives – **grant making, public engagement and economic measurement** – has been impressive. Just last year alone, we:

- *Attracted 27 new members*, raising our total membership to 80.
- *Reached our three-year goal of raising and deploying \$30 million*, thanks to grants and in-kind donations from member foundations and corporate sponsors. Additionally, more than \$4.6 million has been pledged directly to fund initiatives by our members and other local and national foundations.
- *Successfully launched Voices & Choices*, already engaging more than 5,000 citizens who are passionate about, and committed to, Northeast Ohio's resurgence.
- *Established the Dashboard of Economic Indicators*, a key tool that will help us direct economic development resources and measure the progress of our regional economy over time.
- *Granted an additional \$6 million for economic development initiatives*, including programs to help boost the biosciences, commercialize the region's most promising technologies and leverage Northeast Ohio's strength in manufacturing.
- *Launched a minority business development initiative*. While we have much more work to complete on this front, we're beginning to plant the seeds for a program geared toward growing the number of mid- and large-sized minority-owned businesses in the region.

All of these efforts would not have been possible without the contributions of our member funding organizations and the volunteers who have tirelessly moved our initiatives forward.

While we have much to be proud of as an organization and as a region, now is not the time for rest. We have much more work to do.

Findings from the Dashboard of Economic Indicators tell us that challenges linger from our industrial past. **We need to build a skilled workforce**, increasing the number of residents with college degrees to meet the demands of our new, evolving industries. **We need to create a culture of inclusion** – an environment in which minorities have equal access to business opportunities, education, housing and healthcare, and one that capitalizes on our diversity. **We need to create strong and vibrant urban centers**. And we need to strive for a region where collaboration between government and the private sector is not news, but a standard way of operating.

Yes, we have difficult challenges to overcome. Yet, I'm optimistic about the future. I've seen what can happen when we pool our resources and **work together toward change**. As we continue down this new road, I'm certain that a bright future lies ahead for Northeast Ohio. But we cannot achieve our goals without help from you – the citizens of Northeast Ohio. We must think and act regionally in everything we do. **And, above all, get engaged in our effort!**

Warm wishes,

A handwritten signature in black ink that reads "Rob Briggs".

Robert Briggs
Chairman



Peter Broer, MAGNET Board Member and CEO of Lumitex, believes manufacturers should take a lesson from kindergarten and share their toys.

NORTHEAST OHIO ACTS REGIONALLY

When the Fund formed in 2004, it created an unprecedented collaboration among the region's philanthropic foundations to make a transformational impact on the economy. Today, similar collaborations are forming across the region, be they to advance manufacturing, grow our technology industries, spur minority business development or create government efficiencies. Momentum for regionalism is building.

As one of his first acts as Cleveland mayor, Frank Jackson signaled his interest in regional economic development and cooperation with suburban governments, naming the city's first regional economic development director. Last year, the Northeast Ohio Sourcing Office was formed to encourage and enable government organizations in 13 Northeast Ohio counties to collaborate, share resources and leverage buying power. And Akron Mayor Don Plusquellic has proposed a multi-city fund to support regional economic development in Summit County.

On the technology front, the Fund has convened technology leaders from across the region, including the biomedical research and technology transfer programs from competing universities and healthcare institutions to explore ways Northeast Ohio can build critical mass in technology sectors.

And, in an effort to increase and expand the number of middle- to large-sized minority-owned businesses across the region, the Fund has united a dozen nonprofit organizations that regularly interface with minority-owned firms in Northeast Ohio.

The news media have been quick to celebrate regionalism's new currency. "Focusing Better on Big Picture; Concept of Regionalism Grows on Local Leaders," a recent headline in *The Plain Dealer* reads. And in a 2006 news series called "Beyond the Limits: The Regional View," public radio station WKSU investigated the many ways that cities and towns throughout Northeast Ohio are bound by economic, ecological and societal issues.

THE MOVEMENT FOR REGIONAL COOPERATION

REGIONAL MANUFACTURERS FORM A UNITED FRONT

When Peter Broer, CEO of Lumitex, needed a spectrum analyzer for an infrared medical application, he turned to Dr. George Haritos, dean of engineering at the University of Akron, who steered him in the right direction. Broer gained access to a piece of equipment his small company could never afford to buy.

That's the idea behind the Manufacturing Advocacy and Growth Network (MAGNET), a collaboration of 100 manufacturers, chambers of commerce, government entities, the World Trade Center Cleveland, CAMP, Team NEO and NorTech. The objective of the group is to improve the business climate and range of opportunity for manufacturing growth in Northeast Ohio, a much needed priority when you consider that our region's manufacturing sector sheds jobs at more than twice the national average. And yet, manufacturing employs 323,000 people in the region and accounts for 20 percent of the economy.

Broer is among MAGNET's 22 board members who recently completed a road map to develop five key strategy areas. He is enthusiastic about the possibilities.

"This has the potential to open resources to small- and medium-sized manufacturers well beyond what they have known before," said Broer. "I'm talking about resources hard and soft that are behind the walls at major institutions."

With a \$1.7 million start-up grant from the Fund, MAGNET aims to provide direction to the region's manufacturers and facilitate a collaborative relationship that will allow them to share capital equipment and R&D resources, develop educational programs, improve international trade practices, bolster productivity and create a unified voice for community and regulatory affairs.

A CONSTITUENCY FOR CHANGE TAKES SHAPE

With a \$3 million grant from the Fund, Voices & Choices was launched in 2005 to engage tens of thousands of people in building a regional identity, setting economic development priorities and creating a mandate for change.

At the halfway point in an 18-month process, Voices & Choices is already producing a constituency committed to improving the region's economy and quality of life. Familiarity is growing, and connections are materializing among diverse communities from Wayne to Ashtabula counties. Average citizens, elected officials, economic development experts, educators, business leaders, faith-based organizations and other stakeholders are collaborating to set the region's agenda for economic improvement.

Ultimately, Voices & Choices will produce a prioritized set of actions to be implemented by the region's citizens and leaders. Toward that end, citizen interviews, leadership workshops and the first regional town meeting have identified six emerging challenges – inequitable public school funding, government fragmentation and inefficiency, preparing the workforce for the new business environment, unfavorable environment for business growth and competitiveness, racial isolation and income inequalities, and unsustainable land use and development (i.e., flight from core cities, sprawl, environmental issues, inadequate natural resources preservation).

In the coming months, participants in hundreds of community conversations, online dialogue, a second regional town meeting and a final series of leadership workshops will refine the list of challenges and prioritize a final set of solutions for implementation, just prior to the gubernatorial elections in November.

NORTHEAST OHIO SPEAKS

A VOICE FOR NORTHEAST OHIO

Like many participants in Voices & Choices, Cathy Davis is devoted to Northeast Ohio and determined to see it turn around.

But Davis was a long time in coming to the region. And, for this reason, she may be more appreciative of its virtues and more dedicated to its cause. The daughter of an Air Force officer and former wife of a corporate executive, Davis has lived in dozens of cities, including Seattle, Detroit, Chicago and three stints in the Stow-Hudson area. Finally, in 1995, she wanted a permanent place to call home and came back to her favorite place, Stow, to raise her children as a single parent.

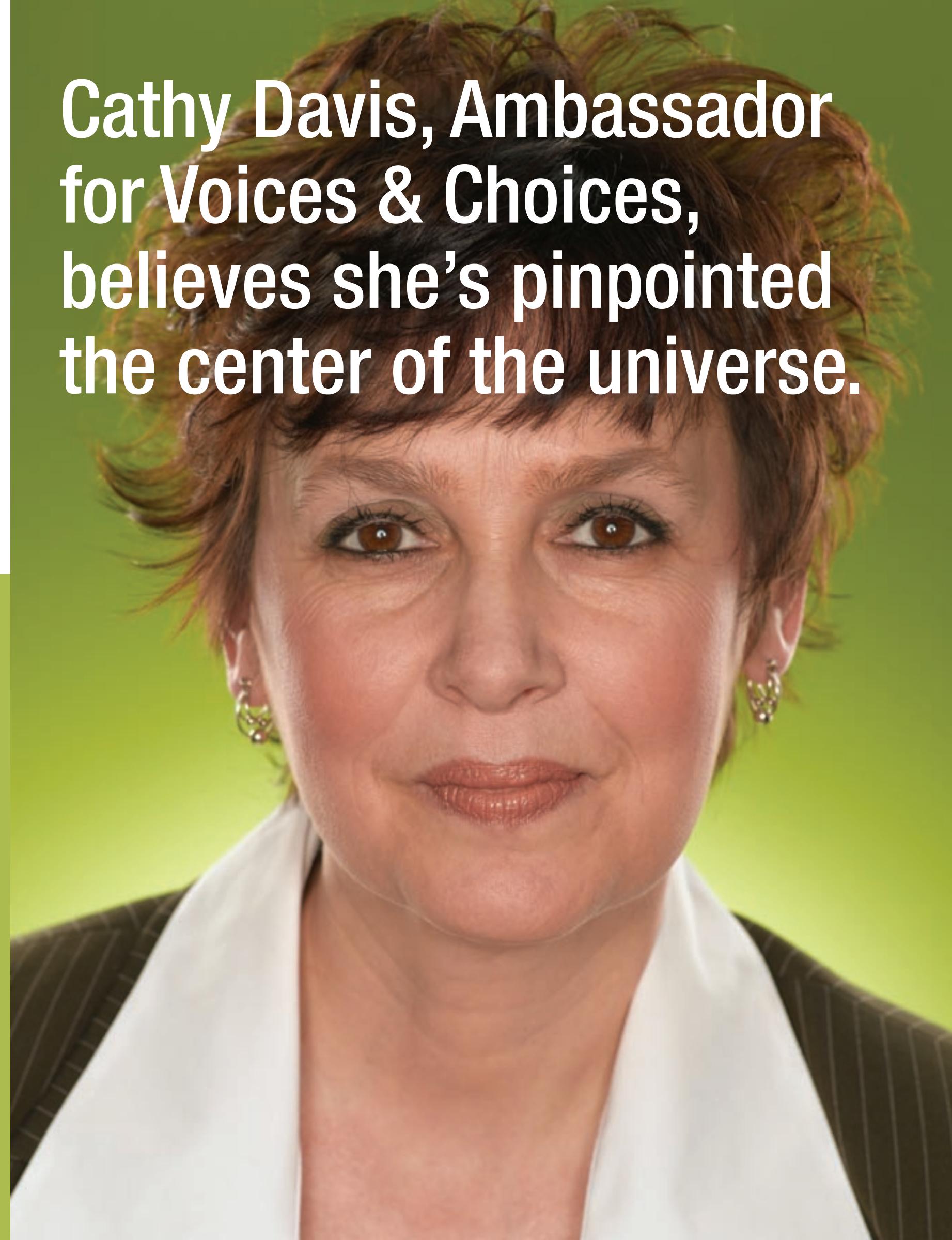
But anchoring herself in Northeast Ohio wasn't easy. And she quickly learned what happens to families when they lose their place in an economy. She went back to school and earned an M.A. from the University of Akron, but had a difficult time finding a job after graduation. Along the way, she hung wallpaper and worked in a recruitment firm, helping to place middle managers who had been laid off during the recession of 2000.

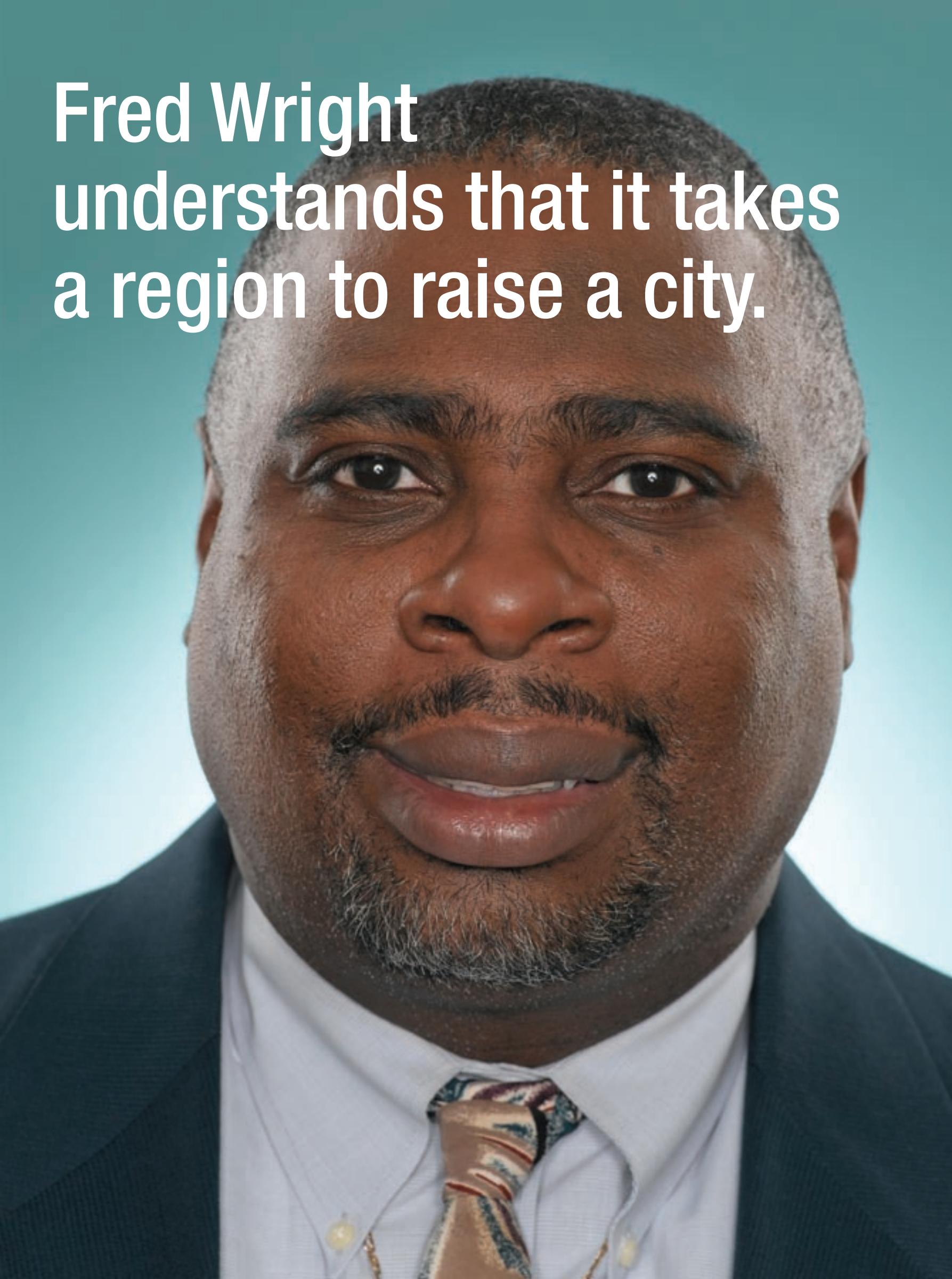
Today, she sells commercial real estate for NAI Cummins, loves her career and is devoted to Northeast Ohio. She feels most at home riding her bike on a 25-mile section in the Cuyahoga Valley National Park.

As an ambassador for Voices & Choices, she believes in the power of dialogue to bring about change. She worked as a facilitator at leadership workshops and at the regional town meeting. An instructor at the University of Akron, she facilitated citizen interviews among her students and, most recently, she hosted a community conversation in her home.

"Any time you talk about something you're passionate about, it creates a spark. And, if you get a few people together who are on fire and they're idealistic enough, it will lead to change. We can reinvent ourselves, come up with new ideas and help our economy to grow," Davis said.

Cathy Davis, Ambassador for Voices & Choices, believes she's pinpointed the center of the universe.



A close-up portrait of Fred Wright, a Black man with a beard and mustache, wearing a dark suit, white shirt, and patterned tie. He is looking slightly to the right of the camera with a neutral expression.

Fred Wright understands that it takes a region to raise a city.

DASHBOARD PROVIDES DIRECTION AND FOCUS

What drives growth in successful regional economies? Where should civic and philanthropic resources be invested first and foremost to ensure a long-term impact on the economy? Completed at the end of 2005, *Dashboard Indicators for the Northeast Ohio Economy* has the answers.

The authors of the Dashboard, the W.E. Upjohn Institute for Employment Research and Kleinhennz and Associates, with assistance from the Federal Reserve Bank of Cleveland and the Universities Collaborative, a coalition of six regional universities, have identified eight indicators that statistically correlate to a region's economic growth. In other words, regions that score highly on these indices also score highly in economic growth.

In order of their impact on an economy, the eight indicators are:

- *Skilled workforce* – Regions fare best when a large percentage of the population holds college degrees and works in professional occupations.
- *Urban assimilation centers* – In successful regions, foreign-born populations quickly assimilate into mainstream society, owning businesses and homes.
- *Racial inclusion* – In high-growth regions, minorities have equal and fair access to education, health care, employment and home ownership.
- *Legacy of place* – Older urban centers, with an aged housing stock, higher crime index and a workforce trained only for old-economy industries, struggle most.
- *Income equality* – Lagging economies have a high ratio of poverty to wealth and a higher percentage of children living in impoverished neighborhoods.
- *Locational amenities* – Proximity to a major university, strong healthcare facilities, arts and cultural organizations and recreation correlates positively to a strong economy.
- *Business dynamics* – Stronger regions are entrepreneurial environments, with a high volume of business start-ups (and failures) in diverse, high-growth industries.
- *Urban/metro structure* – Prosperous regions have vibrant core cities with low concentrations of segregated poverty.

The study suggests that Northeast Ohio's top priorities should be developing a skilled workforce, encouraging diversity and improving business dynamics.

The indicators will continue to be tracked over time, helping to direct and measure the effectiveness of philanthropic, civic and other targeted programs.

MEASURING THE REGION'S PROGRESS

MOVING IN THE RIGHT DIRECTION

Elyria, like many of Northeast Ohio's urban centers, was once a thriving manufacturing town now troubled by plant closings and downsizings in the automotive industry and other industrial sectors – challenges the Dashboard identifies as Legacy of Place. But Fred Wright, executive director of the Lorain County Urban League, is not willing to accept that the city's brightest days have passed. That's why he and other civic leaders are in the process of developing a new 10-year vision and strategic plan, called Elyria 2015. Though the process is still in its infancy, findings from the Dashboard and Voices & Choices are guiding the team in its efforts.

"We need to create the right kind of jobs, improve educational opportunities and create upward mobility for all of our residents," said Wright. "And we know that Elyria can't do this alone. We're intricately connected with the rest of the region."

Wright firmly believes that educational improvement should be at the center of any economic development initiative – both to better prepare students for the new economy and to ensure that local schools are attractive to companies wanting to locate in Northeast Ohio. But he also wants to make sure that these improvements address the needs of a diverse population.

President of the Ohio Council of Urban Leagues and a chief advocate for minorities in Lorain County, Wright wants to ensure that issues of equity and fairness take a front seat in the process – a priority that both the Dashboard and Voices & Choices support.

"My hope is that Elyria will be a community that not only values diversity, but that we exhibit this value in our decision-making, in who we elect to office, and by the number of citizens with good jobs."

GRANTS WITH TRANSFORMATIONAL POWER

By design – not happenstance – a structured business network that supports and nourishes new enterprises is being established in Northeast Ohio. Compared to just two years ago, small companies here now have more access to venture capital, to talented and skilled personnel and to technology and expertise at world-class institutions.

The Fund's grantmaking targets organizations and programs with the potential to transform the region's economy, benefiting a broadly inclusive, diverse population. A three-pronged strategy promotes competitiveness among established employers, high growth in new industry clusters and accelerated entrepreneurship and business formation.

The Fund has awarded new grants to the following:

- MAGNET, a regional network of resources that will help improve the competitiveness of Northeast Ohio's manufacturing industries;
- Minority Business Development, a new planning initiative aiming to increase and expand the number of middle- to large-sized minority-owned firms; and
- Technology Leaders Group, which will pursue strategies to build the region's technology base and commercialize technology applications.

CREATING A BETTER BUSINESS CLIMATE

BIRTH OF A MEDICAL IMAGING CLUSTER

If Jerry Cirino, President and CEO of Imalux has his way, Northeast Ohio will soon be home to the next big breakthrough in imaging technology. His company is now in the process of commercializing a device employing Optical Coherence Tomography, which may become the next broad medical imaging technology, like X-ray, CT scanning or ultrasound.

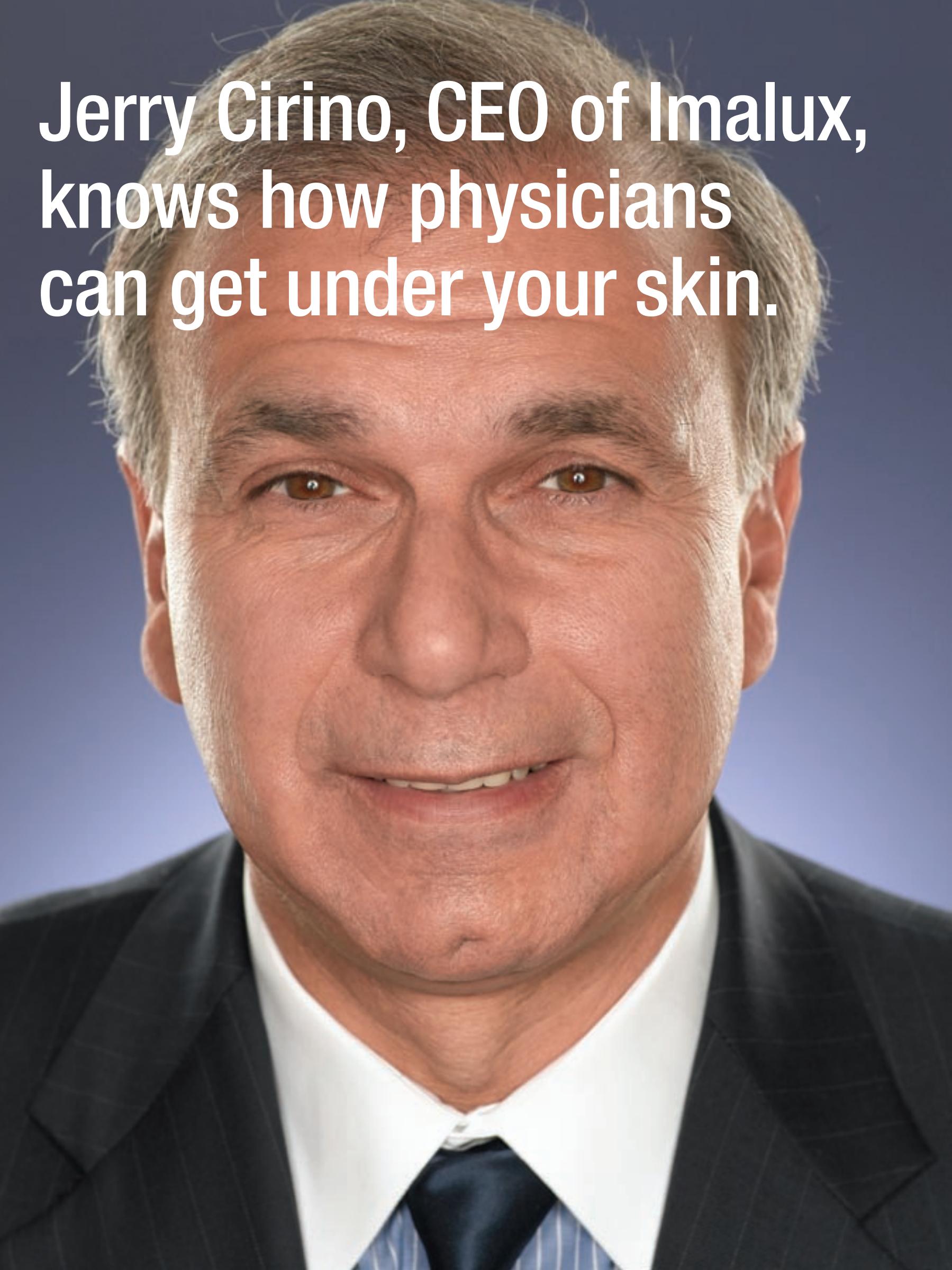
The technology employs a low-energy infrared light to generate a cross-sectional image of body tissue to the depth of 1-2 mm. Using a small, pen-sized wand, physicians can survey sections of tissue on the human body and receive real-time images showing normal and abnormal structures. Under trial at The Cleveland Clinic and University Hospitals of Cleveland, the Neris™ Imaging System has applications in detecting and removing cancer of the bladder, prostate, stomach and esophagus.

An imaging industry veteran, Cirino is just the person to commercialize this new technology and push Imalux from an emerging company to an imaging giant, according to Baiju Shah of BioEnterprise, a Fund grant recipient focused on growing Northeast Ohio's bioscience industry. Though new to Imalux, Cirino brings 20 years of experience working for major imaging players like Marconi Medical Systems and Royal Philips Electronics.

Imalux, which originated in Russia but came to Northeast Ohio to incubate, is one of many companies leveraging Northeast Ohio's strong medical imaging industry and clinical capabilities. Of nearly 400 bioscience companies in Northeast Ohio today, more than 30 (including several start-ups) are focused on medical imaging. According to Michael Lang of BioEnterprise, any one of the start-ups could become the next Philips or Hitachi. Imalux is one of the most promising.

Medical imaging is one of several sub-clusters in Northeast Ohio's bioscience industry. In 2005, Northeast Ohio topped \$170 million in private equity funding to private bioscience companies, which approximates the level of funding in Minneapolis and the Research Triangle. This figure represents a five-fold increase over average biomedical funding for the region between 1998 and 2002.

Jerry Cirino, CEO of Imalux, knows how physicians can get under your skin.



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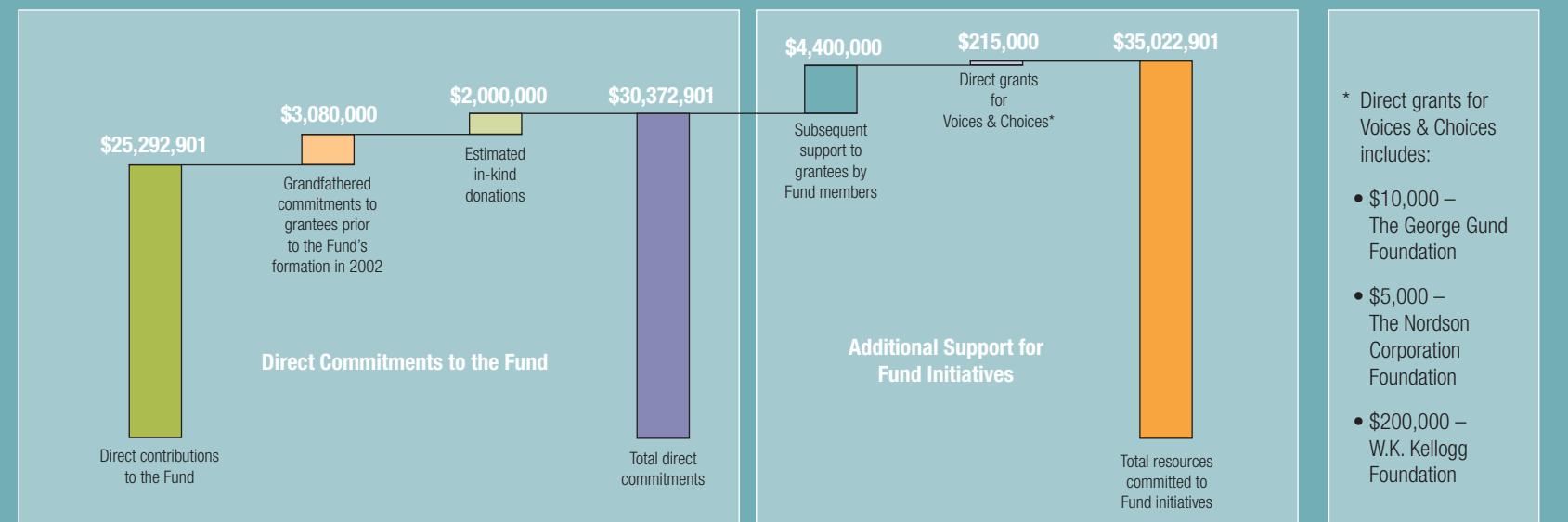
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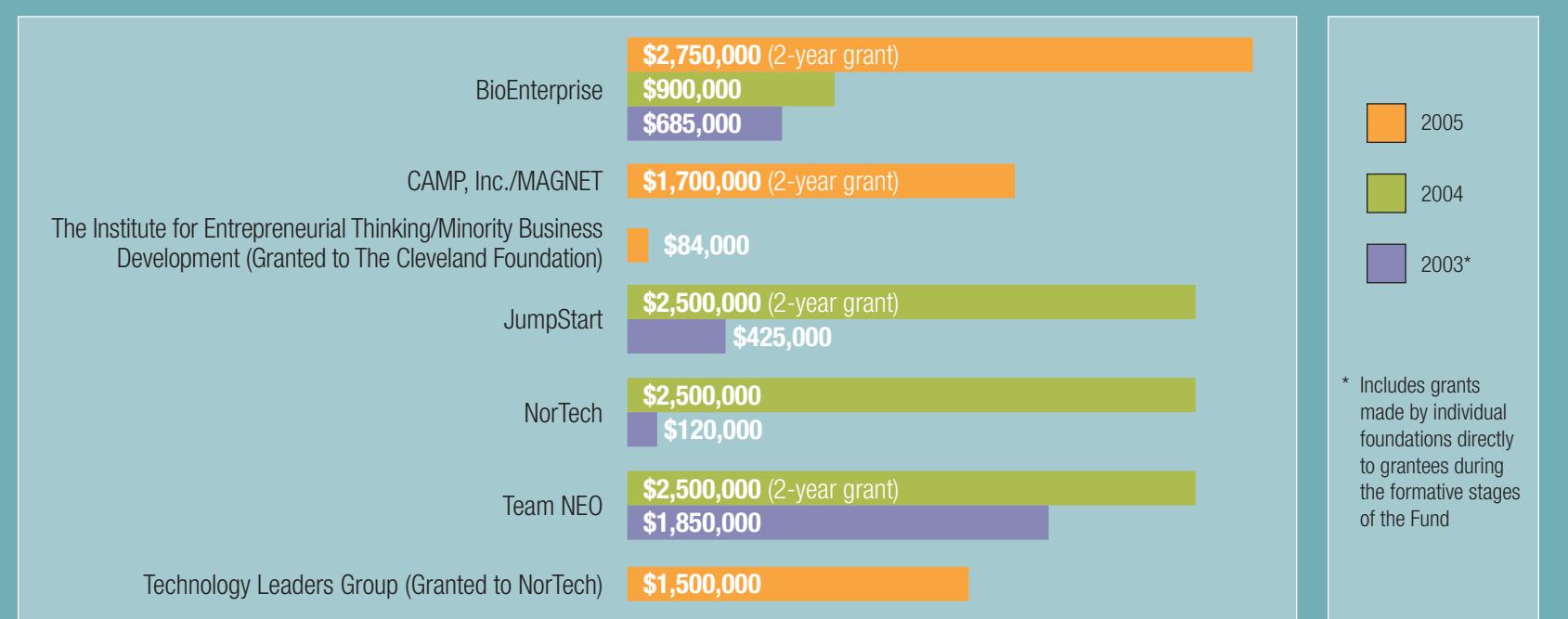
(Unaudited as of February 28, 2006)

FUNDRAISING



TOTAL FUNDRAISING – \$35,022,901

GRANTMAKING



TOTAL GRANTS FOR ECONOMIC DEVELOPMENT INITIATIVES – \$17,514,000

Other Fund Initiatives

Voices & Choices

AmericaSpeaks.....	\$3,000,000	(2005)
Tough Choices Grants (Center for Community Solutions – \$4,500, Team NEO – \$4,500, Universities Collaborative* – \$21,000).....	\$30,000	(2005)
Universities Collaborative.....	\$44,500	(2005)

Dashboard of Economic Indicators

Universities Collaborative.....	\$70,000	(2005)
W.E. Upjohn Institute for Employment Research	\$100,000	(2004)
Universities Collaborative	\$100,000	(2004)

Barometer of Economic Attitudes

Cleveland State University for contract work with the Gallup Organization	\$80,000	(2005)
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Fund Performance Evaluation

Mt. Auburn Associates.....	\$275,000	(2004)
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TOTAL GRANTS FOR OTHER FUND INITIATIVES - \$3,699,500

TOTAL GRANTS – \$21,213,500

* The Universities Collaborative includes Case Western Reserve University, Cleveland State University, Kent State University, Lorain County Community College, University of Akron and Youngstown State University. Dollars are allocated to individual members by project. In addition to direct grants made to the collaborative by the Fund, AmericaSpeaks allocated \$296,000 of its \$3,000,000 grant to the collaborative to support Voices & Choices activities.