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## Market Opportunities Today

**From the Deal Team Desk, by Maneesh Sagar**

One of the questions CI's investment team is asked most frequently is **what we look for in an investment opportunity**. The answer to that question isn't cut-and-dry, given the fluid environment in which we operate, but we do apply some general guidelines when considering a potential investment.

### **"Pain Point"**

The first criterion we look for is whether the product or service addresses a "pain point" or solves a pressing problem in the marketplace. We look at the company's value proposition; that is, why would customers pay for this product or service? Is the pain acute enough that customers will purchase the product?

For example, one of our portfolio companies—Retail Optimization—answers the pain point for existing supermarket planners. Their problem is that there are too many products—more than 100,000 and growing in the average supermarket—available from myriad vendors, but shelf space in a supermarket is constant. So the battle is between using better science to allocate space across all categories or use intuition. Retail Optimization uses its proprietary TSO (Total Store Optimization) software to help retailers optimize their space and inventory to maximize sales per square foot across all categories while minimizing stock-outs, overstocks, etc.

### **Competition**

We also look at the competition that exists in the market by asking, "Who else's product or service would customers buy in order to solve the problem?" And there's *always* competition. Even when automobiles were being invented, the horse carriage was competition.

In Retail Optimization's case, the competition is the "not invented here" or NIH syndrome. This arises from the fact that internal IT departments are using complex spreadsheets to tackle this issue and are resistant to enterprise software that focuses on this problem. In the case of another of our portfolio companies, Premise, which offers software solutions to optimize patient flow and streamline bed management, the competition was white boards with bed management charts drawn on them.

### **Underlying Business Model**

When evaluating the underlying business model, we evaluate such things as the segments of customers to whom the company wants to offer value,

## Message from the President and Executive Director

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Thanks to support from Gov. M. Jodi Rell and the Connecticut General Assembly, a **bond package passed recently will provide**

**Connecticut Innovations with \$24 million over two years.** This is great news for Connecticut's economic competitiveness, because it will enable CI to invest in even more promising technology firms. The bonding decision supports the message that we are trying to send to technology entrepreneurs here and abroad: that Connecticut is *the* place to be for emerging technology companies.

The funding comes at a time when numerous firms, both domestic and foreign, are approaching CI for financing and support. CI has had a very successful year. We have closed numerous deals, and even more are already in the pipeline. Many companies we're talking with plan to locate in Connecticut precisely because of the financial support CI can offer them. So, many thanks to our state's elected officials for their forward-thinking decision.

As I mentioned, CI had a very successful year. Here are some highlights of our accomplishments during 2007:

**We invested more than \$13 million in 18 technology companies, 15 of them new to our portfolio.**

**We attracted seven companies to Connecticut** from other states and from overseas.

We successfully **launched our new Seed Investment Fund and our Pre-Seed Support Services Program**, both aimed at filling the gap in financing and support for very early stage companies.

Several of our **portfolio companies achieved major milestones.** These included

- Nufern is to be acquired by Rofin-

bundles of products and services and how they create value for customers, various channels the company intends to use to sell and deliver to customers, and the distinctive capabilities unique to the company that enable it to execute the business model.

### **ROI – Return on Investment**

We also focus on companies whose products or services represent a potentially high return on investment for customers purchasing them. For example, Retail Optimization, mentioned earlier, leverages existing assets and infrastructure of retailers in the form of point-of-sale (POS) data and the Planogram layouts to help them optimize sales per square foot. This ability to leverage existing POS data enables Retail Optimization to demonstrate a fast ROI and successfully sell to leading retailers.

### **Focus on Big Markets**

The size of the potential market is critical. Companies that serve the mobile communications device market, for example, have substantial opportunities. The mobile market is more than 1.2 billion handsets and more than 2 billion subscribers, and those numbers are increasing at a rapid clip. Smartphones continue to replace all communication, productivity and organizational tools and have increasingly become the user's portal to both the professional and personal world. However, the limited form factor and existing user input technologies tend to negate the possible productivity gains. And the market has pain points, including spam, security and data input, that emerging technology companies can address.

One new portfolio company, Keisense, addresses the limitations and challenges of text and data input in today's mobile electronic devices with their unique, patent-pending technology that reduces ambiguity and increases the speed of text entry. Another portfolio company, LegiTime Technologies, targets existing and emerging pain points such as mobile spam and security with their patent-pending DoL (Demonstration of Legitimacy) technology. DoL allows mobile and wireless industry customers to organize and prioritize their subscribers' messages. LegiTime is the first to offer this as a low-cost, low-management, self-regulating and scalable solution that is distributed and can be activated quickly and easily.

Finally, we are interested in companies that apply new technologies to existing markets. For example, one of the opportunities we are evaluating uses radio-frequency identification (RFID) and online mapping technology to enable businesses to track inventory more effectively. This saves businesses time and money and improves their customers' experiences.

### **Automating Manual Processes**

Companies need to demonstrate that they are eliminating inefficiencies from the system or automating manual processes. Premise, as mentioned earlier, focuses on automating the previously manual task of patient flow in a hospital. With Premise, hospitals can optimize patient flow and streamline bed management, leading to increased hospital capacity and accelerated bed turnover. This leads to higher ROI and increased utilization of the hospital's existing assets (beds, operating rooms, etc.) and allows administrators to visualize and leverage complex data for resource-planning purposes.

Automating manual processes, as Premise and Retail Optimization do, provides for a high and fast ROI to their customers, thus removing barriers to entry and accelerating the sales cycle at potential customers.

### **Focus on an Underserved Market**

Most companies we evaluate focus on the Fortune 500/Global 2000 as their target market, which leaves the small- and medium-business market

- Sinar Technologies, Inc.
- Bristol Technology was acquired by Hewlett-Packard Co.
- Perimeter Internetworking closed an over \$100 million private equity deal with Goldman Sachs, Bessemer Ventures and Stripes Group.
- Alexion Pharmaceuticals received FDA approval for an important new drug.
- SignStorey, a NextGen portfolio company, was purchased by CBS Corp.

Some of these developments have resulted in our exiting our investments, thus making additional capital available for investments in emerging technology companies.

All of us at CI look forward to another busy and successful year in 2008.

Peter Longo  
President and Executive Director

## Portfolio Company News

### Perimeter eSecurity Earns Award

Milford-based Perimeter eSecurity, the leading provider of



security on demand, is the recipient of the **2007 Frost & Sullivan "North American Entrepreneurial Company Award for Managed Security."** The award is presented each year to the company that demonstrates superior entrepreneurial ability in its industry during the research period. Frost & Sullivan, a global growth consulting company, chose Perimeter for the award "for its exemplary execution of an original market strategy resulting in extraordinary growth."

### Nufern Achieves ISO 9001:2000 Certification

Nufern, a leading U.S. manufacturer of specialty optical fibers and fiber lasers, has achieved ISO 9001:2000



certification of its quality-management system at its headquarters and manufacturing facility in East Granby, Conn. The certification, which was awarded after a registration audit by TUV

underserved. One of our portfolio companies, Perimeter, took this strategy to market successfully. Now they are the leading provider of complete security-on-demand solutions, serving more than 2,000 financial institutions. Perimeter leverages the resources and expertise of best-of-breed technologies in areas such as email defense, network defense and intrusion detection to meet the unique regulatory-compliance, security and uptime needs of community financial institutions. Its clients benefit from a single-source provider that offers all services through one pre-integrated platform and web portal.

### Leveraging the Existing Value Chain

In each industry there are key players who, if they don't buy in for whatever reason, can leave you out in the cold. For example, in the mobile industry, especially in the United States, the two main players in the value chain are the handset manufacturers such as Motorola, Samsung, Nokia and the wireless network operators such as AT&T, Verizon Wireless and Sprint.

Realizing this paradigm, Keisense tailored its product, PriText, to offer benefits for all the constituents in the mobile device value chain. PriText increases data traffic for the network operator, which translates into higher data revenues per user. Handset manufacturers also greatly benefit from PriText, as it engenders greater brand loyalty in the user due to its ease of use. Most of all, it makes engaging with the device much easier for consumers. Due to this pervasive spread of value to all the players, each of them has a compelling reason to speed up user adoption.

They say that good judgment in business comes from experience—which comes from bad judgment! While making investment decisions we strive to leverage our past *learning experiences* from different industries, companies and history to maximize the probability of making a good investment. With these general guidelines in mind, we are always looking for outstanding opportunities to invest in promising technology companies that will start, grow and thrive here in Connecticut.

In our next blog we will give you our perspective on one industry in depth: the mobile industry. Stay tuned!

*Maneesh Sagar is director, investments, for Connecticut Innovations.*

## Investment Update

By investing in Connecticut companies, CI invests in Connecticut's future. Here's a look at CI's most recent investments.

### Xlerant, Inc., \$850,000

Xlerant, Inc., is an **early stage software company** that offers BudgetPak, its initial product, as a powerful tool to finance professionals to help manage and control a company's budget process. BudgetPak uses a guided approach much like the "Turbo-Tax Approach" to cost center budgeting that actively assists line managers in creating valid cost center budgets, saving countless hours of budget validation and rework.

Connecticut Innovations ("CI") invested \$850,000 from its Eli Whitney Fund. CI led the larger Series A round that included private investors. Xlerant will use the funding for further product development and for sales and marketing.

### Keisense, Inc., London, England, \$500,000

The British are coming! United Kingdom-based Keisense, Inc., soon will be relocating to Connecticut, in part because of CI's investment of \$500,000

Rheinland of North America, demonstrates **Nufern's commitment to exceeding customer expectations through intelligent, controlled processes.**

### **IPSOGEN Reaches Agreement with AstraZeneca**

IPSOGEN, a molecular diagnostic company with headquarters in Marseilles, France, and New Haven, Conn., has entered into a **pilot agreement** with AstraZeneca, one of the world's leading pharmaceutical companies. Under the pilot agreement, the companies will **collaborate to evaluate molecular services and products in cancer research.** The study will help determine the viability of a test that could be utilized by AstraZeneca in future clinical trials.



### **RemoTV Garners IPA Award**

New Haven-based RemoTV, the first company CI selected for investment through its Seed Investment Fund, recently received **one of the first Innovation Pipeline Accelerator awards presented by the Connecticut Technology Council.** This was the first time that the council presented the IPA awards, which honor emerging technology companies considered to have some of the best potential for future success. RemoTV won as the **Most Promising Seed Stage Venture of 2007.**



The IPA awards were presented at a special celebration at the New Haven Lawn Club on Nov. 8. CI President and Executive Director Peter Longo presented the award to RemoTV CEO Christopher Penner.

### **Cara Therapeutics Hosts Grand Opening**

A \$4 million investment from CI's BioScience Facilities Fund persuaded biotechnology firm Cara Therapeutics to **relocate from Tarrytown, N.Y., to Shelton, Conn.** On Nov. 15, Cara unveiled the result of that move, hosting a celebration to



from its Seed Investment Fund.

Keisense, a **mobile electronics technology company**, will use the funding to further develop and commercialize its unique, patent-pending technology, PriText. PriText can be deployed on a wide range of devices—such as cell phones, smartphones and ultra-mobile PCs—to reduce ambiguity, increase the speed of text entry and enhance the user experience.

Keisense CEO Santosh Sharan notes that PriText offers benefits for all the constituents in the mobile device value chain. He adds that Connecticut is a good choice for his company because it provides immediate access to large metropolitan markets, as well as a growing network of technology entrepreneurs.

### **frevvo, Inc., \$500,000**

CI has made its fourth seed investment since launching the Seed Investment Fund less than a year ago. The \$500,000 investment in frevvo, Inc., will help the company further develop and market its Live Forms product, which is already in use at several customer locations.

Located in the New Haven, Conn., area, frevvo is an innovative Internet application for **creating multi-functional, Ajax forms** using just a web browser. Using frevvo, one can build rich, Web 2.0 forms for real business applications that provide a rich user experience far beyond that of typical web forms. Forms built using frevvo can easily be added to websites, and because of the SaaS model, all anyone would need is a web browser to create and deploy professional forms in minutes.

### **Seed Investment Fund**

The success of the Seed Investment Fund was confirmed earlier last month when the CI Board of Directors voted to approve an **additional allocation of \$2 million to the fund.** Launched less than a year ago, the Seed Investment Fund has already closed four deals and has several exciting deals in its pipeline.

### **CI Wins CURE Award**



Connecticut Innovations was honored with an **Award of Merit** at the Dec. 4 annual meeting of CURE (Connecticut United for Research Excellence). In presenting the award, CURE President and CEO Paul Pescatello noted, "Work with emerging companies in the high-tech arena has been instrumental in attracting bioscience companies like Cara Therapeutics (Shelton) and IPSOGEN (New Haven) to Connecticut."

### **CI Salutes Fast 50 and Fast 500**

Several companies recently recognized as among the fastest growing in the state and in the nation are or once were CI portfolio companies. **Nine companies named to the 2007 Connecticut Fast 50 and four companies placing among the national Technology Fast 500 have a CI connection.** CI congratulates them on their success and is proud to have played a role in it.

**formally open its new 41,000-square-foot, state-of-the-art research facility.** The company's relocation created more than 40 new, high-paying jobs in the state, 14 of which have been filled by displaced Bayer employees.



Pictured above, from the left, are Derek Chalmers, president and CEO, Cara Therapeutics; Peter Longo, president and executive director, Connecticut Innovations; Kevin Crowley, director of investments, Connecticut Innovations; Bill Purcell, president, Greater Valley Chamber of Commerce; Ned Bowman, chairman of the board, Connecticut Innovations; Paul Pescatello, president and CEO, CURE; Mayor Mark Lauretti, City of Shelton.

Cara is developing the next generation of "peripherally selective," or localized, therapeutics to treat pain and inflammation associated with diverse medical conditions. It is also working on the discovery and development of fundamentally new types of analgesics.

## Stem Cell Funds in High Demand

Connecticut Innovations has received a whopping **87 grant proposals totaling \$41.2 million** from academic institutions and businesses seeking funding under the **Connecticut Stem Cell Research Grants Program**. The program is managed by the Connecticut Department of Public Health. Connecticut Innovations serves as the administrative staff for the Connecticut Stem Cell Research Advisory Committee.

A total of \$10 million is available through the program this year. Grants may be used to conduct embryonic and human adult stem cell research. The committee, with recommendations from an international panel of peer-review experts, will review the proposals and select this year's grant recipients this

## 2007 Connecticut Technology Fast 50:

### CI portfolio companies

Premise Corporation (Farmington) - #3  
Nufern (East Granby) - #4  
Perimeter eSecurity (Milford) - #15



### Past CI portfolio companies

Distributed Energy Systems (Wallingford) - #6  
Open Solutions, Inc. (Glastonbury) - #8  
ATMI, Inc. (Danbury) - #23  
TranSwitch Corporation (Shelton) - #26  
CuraGen Corporation (Branford) - #30  
Memry Corporation (Bethel) - #48

## 2007 Technology Fast 500:

### CI portfolio companies

Premise Corporation - #71 (right behind Google @#70 !!)  
Nufern - #120

### Past CI portfolio companies

Distributed Energy Systems - #186  
Open Solutions, Inc. - #209

## Staff Spotlight: Donna Connolly



Donna joined Connecticut Innovations in 2005 as senior accountant and was **promoted to accounting manager** this past November. In this role, she supports both Connecticut Innovations and the Connecticut Clean Energy Fund. Her responsibilities include overseeing and approving financial statements and supervising staff. In addition, she is spearheading a major project focused on transitioning CI and CCEF to a new accounting system.

"I'm enjoying this project," says Donna. "It's new and exciting—and very challenging."

Donna holds a bachelor's degree in accounting from Central Connecticut State University. She served as senior accountant with Shelton-based chemical firm Rhone Poulenc for seven years, and then devoted several years to rearing her young children before joining CI.

"This looked like a good opportunity to get back into the work force in accounting," Donna says.

When she's not spending time with her young family or pursuing her passion for cooking, Donna, who has completed one marathon, enjoys almost daily runs with her two Labrador retrievers.

## Staff Spotlight: Daniel Wagner

Dan came to CI this fall after more than 10 years in the Connecticut biotechnology arena. He was formerly with Branford-based CuraGen Corp., where he held a variety of scientific and operational management positions. Areas in which he gained expertise included scientific instrumentation, genomics, proteomics and drug development. As an **investment associate**, he is **responsible for analyzing and monitoring investment**



spring.

In November 2006, \$19.78 million was awarded for 21 stem cell research proposals to researchers from the University of Connecticut, Yale, and Wesleyan. The Connecticut Stem Cell Research Grants Program, designed to encourage stem cell research in Connecticut, was established by the Connecticut General Assembly and signed into law by Governor M. Jodi Rell in 2005. The state has made a 10-year, \$100 million commitment to this program ending June 30, 2015.

## opportunities for CI .

Dan earned his bachelor's degree in biology at the University of Dayton and holds master's degrees in business administration and health sciences from Quinnipiac University.

"I was attracted to the CI position because it was an opportunity to use both my professional and educational backgrounds," Dan says. "I also like the idea of helping high-tech venture companies grow here in Connecticut."

Dan says that working with a variety of companies and opportunities is one of the things he enjoys most about his position. With new investment opportunities coming into CI every day, Dan has his hands full. Fortunately, he says, "I like this fast-paced environment."

## Event Calendar

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Date	Event	Location
Jan 24	Connecticut Venture Group sixth annual Venture Capital Forum	Stamford Marriott - Stamford, CT
Jan 30	CTC Women of Innovation Awards Gala	Aqua Turf - Southington, CT
Mar 26	CI Annual Technology Celebration	Aqua Turf - Southington, CT
Apr 29	Crossroads Venture Fair	Stamford, CT
June 17	BIO 2008	San Diego, CA

For complete details of these and other events, please visit the [Events page at www.ctinnovations.com](http://www.ctinnovations.com)

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