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Message from the President and Executive Director



I am honored that the board of Connecticut Innovations has appointed me president and executive director of Connecticut

New CI President Appointed

CI veteran **Peter V. Longo** has been named **president and executive director** of Connecticut Innovations. Longo was formally appointed by a vote of CI's board of directors on Oct. 19. Longo had been serving as deputy director of CI and as acting director pending the board's appointment of a permanent president and executive director.

Longo has been with CI since 1995 when he joined as investment accounting director. In 1997 he was named controller and assumed responsibility for all finance and accounting functions within CI. Longo joined the investment staff in 1999, becoming responsible for originating and executing deals. He was named executive vice president and chief investment officer in February 2006.

As chief investment officer, Longo led the investment team during a period of increased investment activity. During fiscal year 2007, the first complete fiscal year during which Longo was responsible for investment activity, CI closed 11 deals, nine of which were new investments. Five deals were with companies relocating to Connecticut as a result of CI's investment. Longo's efforts have significantly increased the number of companies in the investment pipeline, pointing to even greater opportunities for the creation of new companies and jobs in Connecticut.

We know that the technology community and state officials join all of us at CI in welcoming Peter and wishing him well in his new, official capacity.

CI Wins National Award



The **State Science and Technology Institute** has presented Connecticut Innovations with a **2007 Excellence in TBED (technology-based economic development) award**. The awards are intended to celebrate exceptional achievement in addressing elements critical to successful

technology-based economies. They include increasing access to capital, expanding the research infrastructure, commercializing research, building entrepreneurial capacity, enhancing the science and technology workforce, and improving competitiveness of existing industries.

CI won the award for its Eli Whitney Fund, which has been highly successful in increasing technology companies' access to early-stage capital in Connecticut.

"The Eli Whitney Fund is a great model for state equity programs looking to make the jump to self-sufficiency. Its status as a self-sustaining program actually fuels its focus on building successful companies," said Dan Berglund, SSTI president and CEO. "Connecticut Innovations' equity investments have had a remarkable impact on the state's economy."

Building an Effective Board of Directors

By employing best practices, boards can enhance shareholder value

Innovations. Having been part of this fine organization for more than a decade, I know what talented and dedicated people we have on our team and how much our work benefits the people of Connecticut. I am proud and excited to be taking on this new leadership role, and I appreciate the board's confidence in me.

It's especially exciting to be coming to this position at a time when CI has just completed an extremely successful year. We closed a record number of deals with very promising companies, and our pipeline is filled with even more companies that represent a broad range of technologies.

Most of the companies approaching us for funding are starting right here in Connecticut. But, for the first time in memory, a substantial number of interested companies are from out of state. This is great news, because it means the word has gotten out about all the advantages Connecticut has to offer technology companies. CI has a tremendous opportunity right now to help grow the companies that will provide the innovations, jobs and wealth of the future here in Connecticut. We look forward to being recapitalized, so we can seize this opportunity.

I am committed to doing all I can to help CI continue to be a catalyst for technology innovation and business growth in this state.

Finally, I'd like to welcome to the CI board Stephen Nocera, administrative assistant to the mayor, the city of Torrington, and offer our sincere thanks to several departing board members: Chuck McClenachan, Chandler Howard and Tom Clark.

Peter Longo
President and Executive Director

Reception Welcomes New Chairman



On Oct. 25, CI hosted a reception for invited guests to welcome its new chairman, Ned Bowman. Gov. M. Jodi Rell appointed Ned to his position this summer. The reception, held at CI's Rocky Hill

offices, was attended by more than 75 people, including portfolio company executives, representatives from other Connecticut technology groups and service providers.

while fulfilling their duty to manage the company.

By Frank Marco
Partner, Wiggin and Dana

CEOs of early-stage and developing companies often ask about the role of a company board of directors. This article is intended to answer some of the most common questions and show how the board can be a strong asset for a growing business. Executives should consult a knowledgeable attorney for detailed advice.

WIGGIN AND DANA
Counsellors at Law

Who Should Serve on the Board?

Generally, the size, composition and formality of the board and its procedures evolve. At the outset, a group of founders may see each other every day and not have the need to meet. As others become stockholders, especially investors, they may require both representation on the board and regular meetings.

What is the Board's Role?

A constructive relationship between management and the board is essential. The best CEOs engage their directors in managing the business. Board members, in exercising proper oversight in fulfilling their duties, are properly managing the company, rather than being managed.

Directors must manage, of course, in order to fulfill their legal obligations. But the best boards help the company create value by providing guidance and a network of outside contacts. Venture capitalists, corporate lenders, investors and insurers expect that even private companies will adopt strong governance practices. Companies planning offerings of securities should start compliance efforts well in advance of the first meetings of underwriters. Good governance practices also may ease post-merger integration, due diligence and merger negotiations. Thus, good governance can actually help facilitate major corporate transactions and increase the value of the company.

What Are the Duties of a Director?

Generally, the business affairs of a corporation are to be managed by or *under the direction of* its board. Directors must provide oversight and fulfill their fiduciary duties: the duty of care and the duty of loyalty.

Duty of care requires that directors act in good faith and in a responsible manner believed to be in the best interests of the corporation. This includes actions such as attending meetings, obtaining adequate information, "directing" the company and asking questions. In exercising proper oversight, the directors must, among other things, select competent senior managers, establish institutional norms and procedures, help shape strategy, and monitor business and management performance.

Duty of loyalty requires that directors act in the interests of the corporation alone, not profit personally from their positions, keep all non-public information confidential and refer outside inquiries to the CEO.

To prevent inadvertent conflicts of interest, directors must be vigilant in keeping their roles as directors separate from their roles as investors.

What If Conflicts of Interest Occur?

If a conflict arises, the director should disclose the conflict, remove himself during discussions and abstain from voting on the matter. Sometimes it is appropriate to create a committee of disinterested directors or obtain shareholder approval.

What is the Business Judgment Rule?

The business judgment rule protects a director from personal liability by creating a presumption in the director's favor. Basically, courts will not

CEOs Gather for Fall Forum



CI's most recent quarterly **CEO Forum** was held on Oct. 3 at the University of Connecticut Graduate Business Learning Center in downtown Hartford. The guest speaker was attorney **Frank Marco of Wiggin and Dana** who made a presentation on the role of boards of directors in growing technology companies. (See related column in this issue.) The talk was followed by a networking reception. The CEO Forums are presented exclusively for CEOs of CI portfolio companies and are by invitation only. The next forum is scheduled for Dec. 11, when the topic will be Performance Patterns of Highly Effective CEOs.

Netkey Acquires Top Digital Signage Company

Netkey Inc., of Branford, Conn., a CI portfolio company and leading provider of software for self-service kiosks, **recently expanded its presence** in the rapidly growing digital signage industry by acquiring Alpharetta, Ga.-based Webpavement, one of the largest providers of software used for the operation and management of networks of digital signs.



Founded in 2000, Webpavement is a pioneering developer of software products designed specifically for the operation of digital signage—video screens that display multimedia content and messages that are connected using private networks or the Internet. Webpavement customers include Pfizer, Clear Channel, Welch Foods, Robins Air Force Base, Jacksonville International Airport, the University of Houston, and the Georgia Department of Transportation.

Netkey's customers include Avery Dennison, Bank of America, Borders, Circuit City, JC Penney, Target, The Home Depot and the U.S. Postal Service.

The acquisition places Netkey in a leadership position as the only company

substitute their judgment if the director acted in good faith, was disinterested, was reasonably informed, had active discussions regarding the action and rationally believed the action was in the best interests of the corporation. The rule protects the director both for actions taken and for those not taken.

What About Other Constituencies?

Board members are often affiliated with or appointed by constituencies such as investor groups or strategic partners. Yet directors are required to exercise independent judgment for the benefit of the corporation alone. They must distinguish between their capacities and if necessary temporarily adjourn the meeting to express the views of their constituencies.

The board must also distinguish between contractual rights that are owed to stockholders and their fiduciary duties.

What Are Some Sound Standard Operating Procedures?

Set meeting dates a year in advance. Before each meeting, circulate an agenda, background information and minutes of the previous meeting. At each meeting, one or more key managers should make a presentation. Minutes should record at a high level all actions taken, and action items should be noted for later follow-up. CEOs and directors should communicate regularly even between meetings. The CEO must observe the "no surprise" rule by not shielding directors from bad news.

What Are Some Best Practices?

Overall, the goal is constructive board-management communication. Companies that involve the directors in decision making, avoid surprises and seek the advice of their directors are often the best-managed companies and create the most shareholder value. Among other things, talking regularly with directors and keeping them in the loop of major decisions is critical. On major transactions, some companies will ask that a "lead director" be appointed to be a sounding board and provide continuity of advice on transaction strategy and issues. Properly constituted committees can help ensure proper vigilance over key issues.

Does Sarbanes-Oxley Apply to Private Companies?

All companies are subject to the Sarbanes-Oxley provisions that apply to document destruction, securities fraud, white collar crime, tax returns and retaliation against whistle-blowers. Other provisions, although not applicable until a company becomes public, should be considered by private companies because they are "best practices" and may facilitate an eventual public offering or sale of the company. Among other things, loans to executive officers and directors could be problematic if a company becomes public. In advance of an IPO, the board should consider having independent directors and at least one financially sophisticated investor on the audit committee. The company should also consider its relationship with its auditors, particularly avoiding certain non-audit services, and consider creating other board committees, such as a compensation committee.



Frank Marco is a partner in Wiggin and Dana's New Haven office and head of the Private Equity and Emerging Companies Practice Group of its Business Practice Department. He has more than 30 years of experience in corporate, finance and securities law. His practice focuses on representing venture capital investors and emerging growth companies in capital formation, mergers and acquisitions, public offerings, joint ventures, strategic alliances, licensing, research and development, and related matters.

Investment Update

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

Environmental Energy Services Inc., Sandy Hook, Conn.,

able to offer businesses a comprehensive suite of best-in-class software products and services designed to increase sales, improve the customer experience, and inform workers through kiosks and digital signage, while at the same time reducing the time and resources required by IT to deploy, operate and manage these networks.

Netkey has been a CI portfolio company since 2001.

CI Realizes Partial Return on Investment in Perimeter

CI portfolio company **Perimeter Internetworking** has achieved remarkable success since CI's first investment in the company in 2001. As a result of its success, Perimeter recently closed **two private equity raises totaling more than \$100 million led by Goldman Sachs**. As part of the deal, CI was required to exercise warrants totaling \$438,082 and sell a portion of its stock back to Perimeter.

Mark Your Calendar for Annual Technology Event

The state's premier technology event, **Connecticut Innovations' Annual Technology Celebration**, will be held on Wednesday, **March 26, 2008**, at the Aqua Turf Club in Southington, Conn. The keynote speaker is Travelocity.com founder Terry Jones. This year's event has as its theme, "**Empowering Innovation > Creating Success**." Come and celebrate the people and businesses that demonstrate the vitality of Connecticut's technology community.

Check out CI's 2007 Annual Report

How did CI do this year? Read all about our very successful year in our 2007 annual report, now available both in hard copy and [online](#).

The report highlights accomplishments from fiscal 2007, provides financial data and updates on CI funds and initiatives, and spotlights several notable CI portfolio companies.

For a hard copy of the report, e-mail info@ctinnovations.com or call (860) 563-5851.

Staff Spotlight: Anil Vasagiri



It was a happy convergence that resulted in **Anil Vasagiri's** joining CI this spring as an

\$300,000



This is **CI's second investment in EES**, an innovative company that provides operators of large utility and industrial boilers with fuel treatment products and services that improve combustion efficiency, control slag, reduce boiler corrosion and reduce emissions when coal or oil are burned to generate electricity. Specifically, the company offers a total-solution package that includes performance chemical additives, injection systems for these chemicals and diagnostic and analytical services.

The company already has national and international customers, including Florida Power & Light, Mirant Corporation, NRG Energy, Progress Energy Services Company and Hawaii Electric Company. The new investment by CI provides working capital that will allow EES to seize important market opportunities.

New Ortho Polymers Inc. (NOP), Farmington, Conn., \$250,000

This investment from CI's recently launched **Seed Investment Fund** goes to a company that represents successful leveraging of one

of Connecticut's greatest assets: the intellectual capital residing in its research universities. It is also the result of collaboration between two organizations dedicated to creating new enterprises in Connecticut: CI and the University of Connecticut Research and Development Corp., a for-profit subsidiary of the UConn Foundation that creates new business entities based on the research of faculty and staff at the University of Connecticut. UConn R&D Corp. started NOP.

New · Ortho · Polymers

NOP is developing innovative orthodontic systems using proprietary shape memory polymer technology developed at the University of Connecticut Health Center's School of Dentistry and the University of Connecticut at Storrs. The systems will make it easier for orthodontists to apply braces and will offer patients greater comfort through the use of lighter, more consistent forces, as well as better aesthetics compared with metal-based systems.

NOP plans to use the funding to continue research efforts aimed at bringing to market innovative orthodontic products designed and developed by Connecticut scientists renowned in their fields.

Cara Therapeutics Inc., Shelton, Conn., \$4 million



Cara Therapeutics relocated to Connecticut from Tarrytown, N.Y., largely in response to this \$4 million loan from CI's BioScience Facilities Fund. The fund was established to help promising bioscience companies build out critical laboratory and related space here in

Connecticut. CI's funding has enabled Cara to create 41,000 square feet of space in its Shelton facility.

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.

Cara's work is well-regarded and has attracted the attention of some big names in bioscience. ALZA Corp., a Johnson & Johnson company, has agreed to license Cara's novel, peripherally acting pain drug candidate, CR665. And top-tier bioscience venture firms MVM Life Science Partners, Alta Biopharma Partners and Ascent Biomedical Ventures all have made investments in Cara.

CYA Technologies, Shelton, Conn., participation in a \$3 million round



This represents a **follow-on**

investment associate. After several years of gaining varied business experience and earning an MBA from the Wharton School, Anil had decided to pursue a career in technology venture capital investment. At the same time, CI was seeking an additional qualified professional for its investment team. Before long, the "deal" was closed, and Anil embarked on his new role as investment associate.

"As part of CI's deal team, I devote the bulk of my time to looking at new investment opportunities that come before us for possible funding, evaluating them from a market standpoint and doing financial analysis," Anil explains. "I also help our investment managers as they work with CI portfolio companies on strategies, investment issues and more."

After earning his undergraduate degree in chemical engineering, Anil worked for Indian Oil Corp., where he played a key role in automating the company's processes. His interest in applying technology across business operations led him to a position as a consultant, working on a project to streamline GE Transportation's enterprise management system, and to five years with Oracle, where he ultimately became a project manager. Later, he was a consultant to IBM, where he worked on a high-profile project sponsored by its chairman and CEO.

Anil got his first experience with a venture capital firm while earning his MBA. It was his combined interest in technology and venture investment that led him to CI.

"One of the things I like best about working here is the amount of responsibility and freedom I am given," Anil says. "My colleagues value my opinion and what I bring to the table."

Staff Spotlight: Bonnie Greenwell



As CI's **payroll administrator and accounts payable specialist, Bonnie Greenwell** plays a pivotal role in the organization's operations. Bonnie is the human resources

staff member responsible for issuing paychecks, paying vendors' invoices, keeping track of employee benefits and deductions and more.

Since joining CI in 1994, Bonnie has held several positions, including secretary, administrative assistant and database administrator. She came to CI with secretarial and data-processing experience gained at Western

investment in CYA by CI, which made its first investment in the company in 2000. The majority of this funding includes a Series B equity round led by CI and H.I.G. Ventures. The funding will assist CYA in further developing and marketing its software products and utilities.

CYA has developed system management solutions that protect the mission-critical information housed in enterprise content management (ECM) systems. CYA's products are customer-proven. They support more than 250 *Forbes* Global 2000 clients, including BMW, MW Kellogg, Cytec Industries, Juniper Networks and Apotex, across multiple industries and government agencies.

Ipsogen, New Haven, Conn., \$680,000

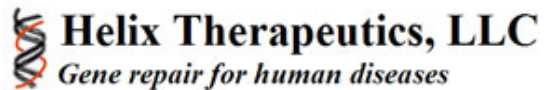


CI's international recruiting efforts resulted in Ipsogen's Marseilles, France-based parent company deciding to establish its North American corporate headquarters here in Connecticut. Now, **CI's recent investment**, part of a \$3.36 million round, will **enable the company to expand its operations in Connecticut.**

Ipsogen is a life science company focused on the development and commercialization of molecular diagnostic tests that help oncologists determine the effectiveness of cancer treatments and guide therapeutic options. The company's test kits are sold to clinical laboratories and hospitals worldwide. Ipsogen recently established licensing agreements with major testing laboratories in the United States, Canada and Europe, including Laboratory Corporation of America® Holdings (LabCorp®), Warnex Inc. and DNAVision, which allow the laboratories to offer Ipsogen tests.

Helix Therapeutics LLC, Cheshire, Conn., assistance through Pre-Seed Support Services Program

Helix is the second company to receive support through CI's new **Pre-Seed Support Services**



Program, which provides mentoring, coordination of services and funding for very early stage technology companies.

Helix is pursuing therapies for HIV/AIDS and genetic diseases, such as sickle cell anemia and b-Thalassemia, two of the most common human genetic diseases. The company holds the exclusive license for technology developed at the Yale University School of Medicine. That technology uses patented oligonucleotides that bind to the human genome, resulting in permanent, targeted gene modification (TGM™). Helix's proprietary TGM technology platform is a chemical genetics approach that uses the cell's own DNA repair machinery to permanently modify human genes *in vivo*.

Funding provided through CI's program will be used to help Helix develop a business plan that will focus the company's startup and its growth strategy.

Stevens Proof of Concept Inc. (SPOC), Stamford, Conn., \$300,000

This equity investment in SPOC follows a \$500,000 investment by CI's **Connecticut BioSeed Fund** earlier this year. That earlier investment was a major factor in SPOC's decision to relocate to Connecticut. This new investment will help the company continue its momentum here in Connecticut and position itself for Series A round of funding in 2008.



SPOC was formed in July of 2005 at Stevens Institute of Technology in Hoboken, N.J. The company has developed a proprietary point-of-care medical diagnostic system that enables physicians to noninvasively pinpoint the source of a patient's pain. The system consists of a medical device and methodology that identifies the specific myofascial (muscle) trigger points causing pain. The patent-pending device is the first use of electroneural stimulation for diagnostic purposes. SPOC's diagnostic system will benefit patients by helping to eliminate treatments that prove to be ineffective, such as surgical procedures, and by allowing physicians to more effectively locate

Connecticut State University, the Connecticut Department of Public Works and the Office of the State Comptroller.

“Working at CI is very interesting,” says Bonnie. “No two days are the same. I enjoy working with our vendors and with the employees here, and I enjoy the challenge of problem-solving.”

Bonnie is originally from Pennsylvania, where she earned an associate’s degree in business from Cambria Rowe Business School in Johnstown and worked for Bethlehem Steel. She relocated to Connecticut when her husband’s employer transferred him here.

When she’s not expertly managing the vast amount of information involved in her current job, Bonnie enjoys long walks with her two high-energy dogs, Riley, a German short-haired pointer, and Sierra, a Weimaraner. She also enjoys spending time with her three grown children, and she’s looking forward to becoming a grandmother for the first time in January.

and treat muscles that generate pain.

Event Calendar

Date	Event	Location
Dec 6	CVG TechComm V	New Haven Lawn Club - New Haven, 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

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

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