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Wasatch Venture Fund Third Quarter 2006 Newsletter

DivX IPO



Wasatch is pleased to announce that portfolio company **DivX** went public on Friday September 22nd, trading on the **Nasdaq under the ticker DIVX**. DivX lead underwriter, JP Morgan, had initially priced the 9.1 million shares in the \$12 - \$14 range, but due to interest generated during the road show, the initial price was set above the expected range at \$16. At the IPO the shares created a market cap of \$535 million and DIVX has since traded up to a market capitalization of \$793M (as of 10/16 close).

Kent Madsen, Managing Director at Wasatch, states, "We are very excited about DivX on many levels. When we first met Jordan Greehall, CEO and founder of DivX, we were impressed with his vision and foresight about media technologies and its direction."



DivX experienced a jump in stock price after Jim Cramer of Mad Money included it in the Sept 26 buy list. The Street picked up the news and published the below release:

'Cramer said he's caught an "overlooked IPO" in DivX. And he believes that the

Portfolio Specials!!!!!!

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Wasatch Events: Where We Have Been

Sept. 13 – Katie moderated the Nano-Network of New Mexico's September event featuring Dr. Neal Shinn of the Center for Integrated Nanotechnology at Sandia Labs.

Sept. 15 – Katie spoke on the New Mexico private equity landscape at the New Mexico Business Weekly Tech Index Breakfast.

Sept. 20-22 – Katie was on the "Best of Small Tech" panel at the Small Times NanoCon Conference. She was also involved in selecting the award recipients.

Sept. 27 – Katie and Stephanie attended the Invention to Venture reception.

Sept. 27&28 – Bob and Mike participated at the Intermountain Venture Forum in Boise

Oct. 5 – Rachel will be attending the Rocky Mountain Voice Meet-up

Oct. 10 – Rachel will be at the U of U's Tech Transfer

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stock, which has increased almost 17% after its IPO, still has a lot of potential to make people money.

DivX is a company that makes software for video compression and decompression and does 18% of its business with Google, Cramer said.

"We love Google and anything connected to Google," he said. "Soon there is going to be a bandwidth shortage, and that's why we believe DivX is sexy."

But that's not the only reason Cramer likes the stock. Sure, DivX may have "hotness potential," but the real reason he likes it is because of its fundamentals.'

The Wasatch team is excited to watch DivX's continued success.

New Financings



Akimbo, the first fully functional marriage of TV and the Internet, combining easy access to new and fresh shows with the comfort of watching them on your TV, closed a **Series C** financing. The \$15m round was led by Kleiner Perkins.



Ingeo, provider of software and servers to county recorders across the country to electronically record and file real estate transactions, closed its Series C, led by Zions Bank.



LignUp, a leading provider of converged communications solutions closed a **Series B** financing of \$9.8m. The round was co-led by Intel Capital and the Entrepreneurs' Funds.



S5, developer of an extremely long range, low cost, low power RFID solution, closed its \$11.5m **Series B** round led by Eagle River Holdings, Craig McCaw's investment company.



VeraLight, a medical device company that has developed a non-invasive screening device that will detect diabetes and pre-diabetes more accurately and conveniently than current methods, closed its **Series B** which was led by the Psilos Group.

Other Portfolio Highlights



Lumidigm's biometric technology has been implemented at a major US theme park, resulting in improvements to system accuracy and transaction time.



VeraLight presented results from a clinical study at the annual scientific sessions of the American Diabetes Association in June. The study results showed that Scout, VeraLight's non-invasive diabetes screening tool, was able to identify 20% more pre-diabetes and type-2 diabetes patients than the standard fasting glucose test. Scout utilizes proprietary fluorescence spectroscopic technology and produces results in about 60

Wasatch Events: Where We Will Be Next

Oct. 21 - Wasatch is sponsoring the 2nd Annual Invention to Venture workshop hosted by UNM

Oct. 27 – Wasatch is sponsoring the Utah 100 Luncheon at the Grand America Ballroom

Nov. 9 – Nick will be speaking at the "How to Raise Money in Utah" event

Nov. 14 - Kent, Nick and Todd will be at the DFJ Affiliate Meeting and DFJ CEO Summit

Nov. 16 – Todd will be on a panel for the Mountain West Venture Capital

Dec. 5 – Katie will moderate the December Nano-Network of New Mexico event.

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Record VC activity in New Mexico

The pace of venture capital funding in New Mexico increased significantly in terms of the number of companies that received financing during the first half of 2006, according to a new survey by the New Mexico Venture Capital Association. During the first two quarters of this year, 13 New Mexico-based firms received a total of \$16.3 million in venture capital financing, compared to 17 such funding deals reported in all of 2005, says Tom Stephenson, NMVCA's survey chairman and managing general partner of the Verge Fund. [More ...](#)


Utah's VC Firms Encouraged by Economic Environment

Among the 50 states, Utah ranks 15th in venture capital funding, up from 35th 10 years ago. California holds the number one spot with a strong 50 percent of the venture capital funding nationally.

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Press Release: NASA Goddard Selects LNXI Supercomputers

Linux Networkx, The Linux Supercomputing Company, announced that Computer Sciences Corporation (CSC) has ordered a Custom Supersystem for the NASA Center for Computational Sciences (NCCS) at the Goddard Space Flight Center. The new system is designed to dramatically increase throughput for applications ranging from studying weather and climate variability to simulating astrophysical phenomena. The system will supplement the NCCS architecture with improved price/performance and is designed to scale to as many as 40 trillion floating point operations per



seconds. Unlike the fasting glucose test, it does not require blood draw or fasting.

Katie Szczepaniak Named Chair of the Nano-Network of NM



Katie Szczepaniak is the chair of the Nano-Network of New Mexico. She took over as the chair in May and re-launched the Nano-Network of NM with a new mission to 1) provide a forum for nanotech developers, innovators and investors to discuss the latest developments and breakthroughs, 2) promote collaboration of New Mexico nanotech groups and start-ups with corporate nanotech developers and international partners, and 3) increase sponsored research, licenses, and strategic partnerships for New Mexico based nanotech companies. Katie is working to bring top-notch guest speakers to the Nano-Network of NM to stimulate collective thinking in the emerging NM nanotech community. The goal is to feature local nanotech developers and start-up companies and also

out-of-state nanotech business leaders and innovators to promote collaboration and joint work between NM nanotech groups and potential partner companies. This is of course in the name of the ultimate goal of pushing the commercialization of nanotechnology developed in New Mexico and linking NM nanotech breakthroughs with specific market needs. The July event featured a presentation by Gordon Rice, Ph.D. on Cabot Corporation's acquisition of Superior MicroPowders, an Albuquerque company developing nanotech.

This past summer, Katie was asked to participate on a Small Times panel of industry experts who helped choose the annual Best of Small Tech awards. These awards honor the top leaders and the biggest successes in nanotechnology during the past year. Katie attended the NanoCon International conference held in Las Vegas in September, where the Best of Small Tech awards were announced. More information about the awards can be found at the [Small Times](#) website.

Katie is also working with NextGen to bring nanotechnology to area schools and expose kids to what nanotech means and why they should be excited about it. She is the nanotech liaison for the Career Pathways initiative for promoting engineering and related careers at local schools.

many as 40 trillion floating-point operations per second (TFLOPS) in its full configuration.

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[Press Release: IMTRADER Announces Doubling of Membership Revenue in the First Half of 2006](#)

IM TRADER today announced a substantial increase in its user base with membership revenue doubling in the first six months of 2006.

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[Press Release: Social Networks and Cogito Knowledge Center 2.3](#)

Social networking and social-networking analytics seem to be the rage in the news and on the blogs. For Cogito, it's been invigorating to see the products we strive to create go from being sophisticated relationship analytics products to being "hip" and topical. It's like being a geeky scientist and all of a sudden lab coats and safety glasses are cool.

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[Press Release: TriCipher and Verid Partner to Deliver Strong Digital Identity Protection for Online Financial Services](#)

TriCipher, Inc., today announced the integration of Verid's knowledge-based authentication (KBA) technology into TriCipher's Armored Credential System (TM). By integrating Verid's industry leading KBA technology into TriCipher's patented Authentication Ladder, financial institutions are provided with a highly flexible infrastructure to deploy and manage authentication services based on what the user needs to do online while protecting against Man in the Middle attacks and other emerging forms of online fraud and identity theft.

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