

# IVCA Private Equity Profile



## RiverGlass, Inc.

**Management:** Kirk Dauksavage, Chief Executive Officer

**Venture Capital Partners:** IllinoisVENTURES, RPM Ventures, Illinois Finance Authority, Country Financial

**Principal Offices:** West Chicago and Champaign, Ill.

**Web site:** [www.riverglassinc.com](http://www.riverglassinc.com)

The Information Alps grows continually taller. Every second, the World Wide Web expands 17 pages; every minute, Lexis-Nexis adds 450 documents. Every day, new written scientific information fills seven sets of the Encyclopedia Britannica. No wonder we're overloaded with data. This is where RiverGlass, Inc., comes in. It helps organizations sift through this morass, uncover the information important to them, determine what it means and then act.

Gnomes don't do the sifting. RiverGlass is the stuff of next-generation natural language processing. It employs a unique ontological semantics approach that models the user's area of interest. What emerges is authentic context-based search delivering only information that truly interests users. The technology has its origins in intellectual property developed at the University of Illinois' National Center for Supercomputing Applications under the direction of Michael Welge, the head of the National Center's Automated Learning Group and subsequently a RiverGlass director. That's the laboratory that gave birth to the Mosaic Web browser that became Netscape.

Tools for finding information on the Internet is limited now to traditional consumer search engines. Little consideration exists to the demands business that related to the discovery, analysis, learning and monitoring of online information critical to effective decision-making.

Where does this leave organizations? With a need better business-intelligence and enterprise searches that evolve around better handling of unstructured data and leveraging of the Internet as strategic information resource. But a new generation of business search, built around a meaning-based approach, is emerging that

### ***A Snapshot of RiverGlass, Inc.***

- ✓ **Uses sophisticated software developed from technology from noted University of Illinois laboratory to perform intelligent, context-based Internet searches**
- ✓ **Aids in homeland security, market/customer intelligence and sales applications**
- ✓ **Employs 40, split between the Chicago and Champaign areas**

of

for

a

takes aim at these fundamental elements. And RiverGlass stands at the forefront of that (r)evolution.

The company formed in December 2003 when it was recognized that a lot of the technology developed over eight years at the University of Illinois' National Center for Supercomputing Applications could be profitably commercialized.

In April 2004, Kirk Dauksavage was recruited as chief executive officer. A former successful entrepreneur with Midwestern routes, Dauksavage had been sales chief previously for the i-Solutions division of CheckFree Corp., which supplies electronic-commerce software and services to large enterprises.

"Most start-ups don't have the benefit of such well-developed and highly pedigreed technology," Dauksavage says. "So the connection to the former Mosaic development team was a critical reason why I wanted to be part of RiverGlass."

### **IllinoisVENTURES Leads Investors**

IllinoisVENTURES, a premier seed and early-stage technology investment firm that turns U of I researchers' projects into viable commercial enterprises, took on RiverGlass as its first start-up. The first \$250,000 in capital was raised in May 2004 for development purposes, and \$1.5 million in additional funds was raised the following December, also for development.

#### ***What Illinois, Midwest & Investors Provide RiverGlass***

RiverGlass CEO Kirk Dauksavage says he's a Midwesterner who wants to stay in the Midwest. "I am a big believer in promoting the state of Illinois; in particular, the Champaign and Chicago areas, as emerging centers of technology advancement and enterprise.

But Dauksavage has acknowledged it can be a challenge to be a high-tech firm based in the region. "Our state isn't yet known for our high-tech industry, and that's something we and the people at Illinois Technology Development Alliance are trying to change."

As the company's key investor, IllinoisVENTURES has helped the company network for customers, urging RiverGlass officials to start conversing with prospective clients, many of which are Midwestern. The connection with the Illinois State Police came about partly through IllinoisVENTURES.

Besides IllinoisVENTURES, other investors were RPM Ventures, the Illinois Finance Authority and several angel investors. In February 2006, a third round of funding raised \$3 million, and a fourth round in November 2007 brought in \$2.5 million for sales and marketing purposes. In the process, Country Financial joined the roster of private investors.

RiverGlass was fortunate in landing its first customer relatively early. The Illinois State Police had been working with the U of I's supercomputing laboratory and as RiverGlass acquired its technology, the law-enforcement agency began to work with it. Then in August 2005, the Illinois State Police entered into a \$1 million contract with the company to build a state-of-the-art software system that would help analysts in the Springfield Terror Center make sense of the vast amount of information that streams into it every day. This information includes Web-based information, police reports, e-mail messages, travel records and newswire reports, among other data.

A counterterrorism expert can bring these disparate data sources together using the RiverGlass system.

The solution categorizes the data, extracts content and finds key relationships among data from different sources. New relationships that might have taken months to capture previously can be pinpointed in real time, thwarting potential terrorist threats at an early stage. In addition, everyday law enforcement activities are bolstered – such as when a state trooper stops a driver now, it takes far less time to get the data to determine the driver's extended law-enforcement history and deliver it to the trooper.

Besides law enforcement, RiverGlass has targeted homeland security, market intelligence and threat mitigation as application areas for finding customers. It has secured business relationships with the Iowa Department of Public Safety, the Chicago Police, the U.S. Defense Department, Country Financial, Telemus, CSC, SAIC and others. In October 2006, the company received a \$1.6 million federal grant from the Office of Naval Research to extend its research and development in the stream data-mining area.

### **Applications for Business Intelligence**

As it branches out from government law enforcement, defense and intelligence work, RiverGlass explores and markets more uses for corporations, particularly to complement business-intelligence applications that are still focused on structured data. Its intelligent search and analysis software and capabilities help Fortune 2000 companies such as pharmaceutical companies and insurers like Country Insurance & Financial Services discover highly relevant market information about, new product opportunities, legal and press issues, consumer activist groups and competitive analysis.

In a research study, RiverGlass examined results of an intelligent Web search of the top 10 companies in five major sectors to determine the specific risks -- or opportunities -- they face. Among other results, it found that for pharmaceuticals, drug affordability accounted for more than 50 percent of all mentions; for travel & transportation companies, passenger/guest safety and cost of energy had the highest rate of mention; and, for the energy sector, collusion (including price manipulation and kickbacks) and unethical behavior reflected more than 72 percent of all mentions. In delivering the information to clients, RiverGlass can display the material in assorted ways on the dashboard – from graphs and topics of interest to a Google-like list, among others. And it can furrow deep into the information to extract names of people, places and locations and display them.

The marketing efforts are paying off as more commercial customers sign up with RiverGlass. While the company doesn't disclose revenue or profit numbers, it has been growing dramatically in percentage terms since 2005. Last year, revenues surged 1,500 percent and this fiscal year, RiverGlass hopes to post a profit. "It's going to be close but if everything drops our way, we'll make it," says Nancy Dobrozdravic, vice president of marketing and strategy.

RiverGlass has assembled the necessary pieces to grow substantially. It has assembled the technology and a seasoned senior team, defined its market, begun ratcheting up its sales and marketing efforts and accelerated product development. Now it's betting that all of its intelligent preparation will pay off in the intelligence gathering-and-analysis game.

---

The **IVCA Private Equity Profiles**, a continuing series of portraits of Illinois venture capital and private equity investments, spotlights companies that are emerging or proven successes. Each account furnishes information about the company and the private equity firm or firms that invested in it, illuminating the important role they play in nurturing the companies.

**IVCA** is a non-profit trade association that serves the Midwest venture and buyout community. It focuses on expanding the size of the industry in Illinois and the Midwest by improving the local ecosystem for investors, entrepreneurs and limited partners. On behalf of its members, IVCA advocates pro-growth government policies, provides a virtual community, via [www.illinoisVC.org](http://www.illinoisVC.org), for deal flow and networking, and hosts educational and entrepreneurial events that offer networking opportunities for local investors, entrepreneurs, governmental stakeholders and tech-transfer groups.

---