

# LVP Newsletter

*Third Quarter 2009*



## **Highlights:**

*News: Scott Sillers Added as General Partner*

*Company Spotlight: ShotSpotter*

*LVP Perspective: Challenges and Opportunities in Cyber Security*

*Initiatives and Partnerships: Kauffman Fellows Program*

*Upcoming Events*

## **News**

---

### **Levensohn Venture Partners Adds Scott Sillers as General Partner**

*New Role Focuses on Operations, Administration and Fund-Raising*

On July 27th, Levensohn Venture Partners announced a deepening of its strong talent base with the addition of Scott Sillers, a financial operations veteran. Sillers will concentrate on operations administration, fund-raising, and relationship-building with the firm's limited partners. He will also be helping to broaden the reach of Levensohn Venture Partners' existing public policy and best practices initiatives.

Before joining LVP, Scott was President of Melvin Securities, a full-service securities firm based in Chicago, Illinois. Prior to that, he spent three years as the Director of the Trade Bureau for the Wall Street Project, working with CFOs and CEOs and developing new initiatives in venture capital. Scott also worked for three years as Director of Business Development for the Upper Manhattan Empowerment Zone Corporation, focusing on economic revitalization in upper Manhattan. Prior to these positions, Scott worked for four years as the Chief Financial Officer for 40 Acres and a Mule Filmworks. A graduate of Morehouse College in Atlanta, Scott began his career at IBM in Armonk, New York where he worked for ten years in marketing and as a systems engineer.

"Scott's experience and enthusiasm add vitality to our partnership during a time of great opportunity. As the venture industry evolves, we believe Scott's macroeconomic perspective and business understanding will prove invaluable in several of the target markets LVP tracks," said Pascal Levensohn, Founder and Managing Partner. "Despite these tough times, Levensohn Venture Partners is committed to growing and expanding our reach," Levensohn added.

Sillers joins LVP as the fifth Partner, complementing Pascal Levensohn, Jeff Karras, Steve Reale and Kip Sheeline. The five partners will continue to build on LVP's successful history of investing in technologies that facilitate the adoption of digital media, secure critical infrastructure, and drive energy efficiency in

enterprise, datacenter, and industrial markets. Steve Reale and Jeff Karras are focused on cleantech and security, with Karras also emphasizing digital media. Kip Sheeline invests in digital media and security, and Pascal Levensohn focuses on security and cleantech. Pascal Levensohn also actively promotes best practices in the venture capital industry as an industry spokesperson and through collaboration initiatives in cybersecurity and corporate governance.

## ***Portfolio Spotlight***

---



### ***The Company***

ShotSpotter is the world leader in gunshot and explosion location and detection systems for law enforcement, homeland security, and military. For more than a decade, the company has been delivering patented, wide-area acoustic surveillance systems capable of operating in diverse environments including urban communities, seaports and distribution gateways, university campuses, stadiums and convention centers, critical infrastructure, airports, and military bases. The ShotSpotter Gunshot Location System (GLS) is deployed in a growing number of cities and counties across the U.S. and is used by dispatchers, emergency personnel, investigators, and crime analysts to target and reduce gun violence. In addition to major metropolitan areas, the company's customers have included the Federal Bureau of Investigation (FBI), US Attorney's Office, Department of Justice, US Joint Forces Command, US Air Force and the US Army.

### ***Results***

ShotSpotter is currently deployed in 45 cities across the United States where police have credited the ShotSpotter system with hundreds of arrests and weapons seized and a significant reduction of homicides and gun related crimes. The Los Angeles County Sheriff's Department has credited the ShotSpotter system for reducing homicides by 40% in the 4 years since deploying the system. Similar results have been reported across the United States including a 35% reduction in violent crime in North Charleston, SC, a 43% reduction in gunfire in Rochester, NY, and a 75% reduction in gunfire in Redwood City, CA. In addition, the ShotSpotter system is proving to be a valuable tool for saving lives. With the help of ShotSpotter solutions police, first responders and field personnel are better equipped to quickly locate and analyze the source of gunfire or explosions, saving time and money, and protecting the safety of the community at large. In the first half of 2009, 57 gunshot victims have survived life-threatening wounds thanks to the timely aid of first responders relying on accurate incident location data provided by ShotSpotter's GLS technology.

To date the company has been awarded 12 patents, including the most recent patent providing a system and method for detecting, identifying and fixing the location of the source of an acoustic event. In addition, the company has 20 patents pending approval. ShotSpotter systems are in cities across the United States including Los Angeles, San Francisco, Chicago, Boston, Washington DC, and Rochester. In addition, US combat soldiers have begun to rely on ShotSpotter to help them track their own forces and locate enemies in real time across the twenty-first century battlefield.

## ***LVP Perspective***

---

Cybercrime is exploding in America. Verizon recently released a report revealing that more electronic records were breached in 2008 than in the previous four years combined and that 9 out of 10 breaches were considered avoidable if security basics had been followed. While highly sophisticated attacks accounted for only 17% of these breaches, they were responsible for 95% of the total records breached. The report concluded that online assets are most vulnerable and noted that half of the cases were interrelated incidents often caused by the same individuals. 81% of affected organizations subject to the

Payment Card Industry (PCI) Data Security Standard had been found to be non-compliant prior to being breached. The now famous Heartland Payment Systems breach, which was perpetrated by three people who were repeat offenders and led by a former Secret Service informant already in jail on other charges, is particularly noteworthy because the data stolen impacted 138 million people and Heartland was certified as PCI compliant just two weeks before the breach was discovered!

Cyber security is a hot topic today and we are involved in many aspects of this evolving market. Levensohn Venture Partners has been investing successfully in security start-ups since 2002 and our focus now includes homeland and physical security technologies (such as ShotSpotter (2006)) in addition to cyber security companies (Reconnex (2004), acquired by McAfee in 2008, and BigFix (2002)).

Security professionals are in general agreement that our adversaries innovate more quickly than we do to defend ourselves against them. In particular, the U.S. Government, which represents a huge market for security vendors, remains exceedingly vulnerable to attack. In April, against this grim reality, Senators Jay Rockefeller, D-WV and Olympia Snowe, R-ME introduced a brief but potentially far-reaching draft bill to establish within the Executive Office of the President, the "Office of the National Cybersecurity Adviser." This was followed by the May 29<sup>th</sup> release of the much-anticipated White House Cyberspace Review, but we have no cyber czar in place today and respected cyber domain experts have recently resigned from leadership positions in the Department of Homeland Security and the White House.

LVP has become increasingly outspoken in the cyber security debate as we see both urgency to protecting our nation's critical infrastructure and the opportunity for focused, innovative start-ups in security to become very successful. Through our leadership roles in public private collaborative efforts such as the Defense Venture Catalyst Initiative (DeVenCI), the IT Security Entrepreneurs' Forum (ITSEF), and the Security Innovation Network (SINET), LVP is highly visible in both Silicon Valley and in Washington, D.C. as an advocate of new approaches to accelerate the adoption of innovation in cybersecurity solutions.

We believe that there is a need to harness the nimbleness of Silicon Valley to help the U.S. government empower its agencies to become early adopters of best-in-class technology solutions, whether they come from bootstrapped entrepreneurs, venture-backed startups, or large corporations.

Criminals attacking our nation in cyberspace do not discriminate between the government and private industry. The need for collaborative information sharing and unified threat protection shouldn't either. As the public debate develops on this Senate bill, thought leaders from both the public and private sectors should revisit the fundamental notion of how we should go about defining successful approaches to joint problem solving.

Equally important, we believe that a new protocol for confidential information sharing must be established and this information should be disseminated through a round-table of top-level corporate Internet security experts, venture capitalists who are experts in new security technologies and methods, and government representatives from the Defense, Commerce and Homeland Security communities.

America is already late to realize that we must embrace a new and integrated collaboration between the public and private sectors to truly promote innovation. To ignore this reality in cybersecurity will only make it more difficult for our country to effectively protect itself from attack. Let's not wait for a cyberattack equivalent to 9/11 to completely break our technology before we are ready to fix it.

## ***Initiatives and Partnerships***

---

All of the LVP Partners are actively involved in initiatives and programs that are dedicated to the development of both this and the next generation of the country's innovative business and political leaders. This month we would like to highlight the Kauffman Fellows Program where Steve Reale is a member of Kauffman Fellows Class #14.



**THE KAUFFMAN FELLOWS PROGRAM**  
Distinctive Leaders • Accelerated Growth • Powerful Network

The mission of the Kauffman Fellows Program is to identify, develop, and network emerging global leaders in venture capital. Working full-time at a venture capital firm, each Kauffman Fellow engages in a practical, 24-month apprenticeship including professional coaching, mentoring by senior partners, and quarterly sessions of industry and leadership curriculum. As members of the Society of Kauffman Fellows throughout their careers, fellows join a trusted network -- in Silicon Valley and across 5 continents -- that links together 500 individuals at 140 investing firms who are actively deploying \$40B in venture capital.

Based in Palo Alto, California, the Kauffman Fellows Program is administered by the Center for Venture Education, a 501(c)(3) post-graduate educational institution dedicated to fostering entrepreneurship throughout society. Inspired by Ewing Marion Kauffman's legacy of promoting "economically independent individuals who are engaged and contributing citizens," Kauffman Fellows to date have made \$6 billion in venture capital investments, sparking growth in hundreds of new enterprises, \$15 billion in annually recurring revenues and the creation of 48,000 jobs.

Through participation in the program, Steve will be broadening LVP's relationships with other venture capitalists from around the world, increasing deal flow to LVP and increasing the firm's presence in the venture capital ecosystem.

## ***Upcoming Events***

---

- September 17, 2009: Pascal Levensohn will be at the [Dow Jones Private Equity Analyst Conference](#) participating on the panel: "Avoiding Major Trouble: Why Private Equity Firms Must Spend More Time on Ethics" in New York, NY
- September 17, 2009: Jeff Karras is on the Advisory Board for the [7<sup>th</sup> Annual Energy and Clean Technology Venture Forum](#) in Houston, TX
- September 22, 2009: Pascal Levensohn will be the keynote speaker at the America Midwest Final of the [Global Security Challenge \(GSC\) Competition](#) in Chicago, IL
- September 30, 2009: Steve Reale will be participating in the [Kauffman Fellows Program Tokyo Summit](#)
- October 14, 2009: Pascal Levensohn will be a keynote speaker at [Cornerstones of Trust 2009](#) in Foster City, CA.
- November 6, 2009: Jeff Karras will be speaking to entrepreneurs about financial management and fund raising strategies at the [Astia "Doing it Right" program](#) in San Francisco
- November 17, 2009: Jeff Karras will be a judge at the [Golden Capital Network's California Ascent Finals](#) in San Diego, CA

## ***Reminders***

---

LVP Podcast Series: <http://www.VC-IO.com/>

© 2009 Levensohn Venture Partners All rights reserved.

This newsletter contains highly confidential information regarding the business, operations and financial condition of Levensohn Venture Partners and its portfolio companies. This information is for use by Limited Partners only and shall be maintained in strict confidence. Any disclosure of this information could be damaging to Levensohn Venture Partners or its portfolio companies and consequently, we ask that the confidentiality of this information be maintained. By reading this information, each Limited Partner agrees that it (i) shall use the attached documents solely in furtherance of its interest as a Limited Partner and shall not use the attached documents for any other purposes, and (ii) shall not, without the prior express written consent of the General Partner, reproduce the attached documents in any manner for, or disclose the attached documents in any manner to, any other person other than its advisors who are bound by a duty of confidentiality.