



Solutions for the Music Artist

Music and photo sharing were two early drivers of the digital media revolution enabled by the worldwide web. Music's universal appeal and the availability of digital content resulted in the creation of many startups. We typically remember the first wave of internet music companies because of the free exchange of digital music they enabled, and of course the resultant lawsuits by the music labels and the Recording Industry Association of America (RIAA). While piracy and the success of

Apple's iTunes/iPod combination resulted in significantly lower sales of physical CDs, they also provided a significant boost to overall Internet penetration and usage. In particular, they provided strong reasons for consumers

- to increase the time they spend on the Web, to discover music and share opinions about music,
- to make the Web an important channel of their everyday entertainment by using it to consume music, and
- to broaden the type of interactions they have with other internet users, e.g., by writing blogs, participating in music-focused social networks, etc. Artists saw these behavioral changes and started efforts to directly interact with their fans and to take their business to the web, often bypassing their music labels.

The recent Pew Internet research entitled "[The Internet and Consumer Choice](#)" reports that 56% of music buyers find out about music through online tools,

and 39% of such buyers reach out to artists' web sites, to blogs, and to sites frequented by like-minded fans.

These changes in consumer behavior and artists' increasing direction of their marketing focus to the Internet create investment opportunities in the digital music space. Over the last two years Trident Capital has considered investment opportunities in over 100 companies working in the area of digital music. We have invested in two companies to date. DesiHits is a web destination that facilitates the introduction of Western music artists to Southeast Asian consumers, and Southeast Asian artists to Western consumers. Royalty Share is a provider of digital royalty management services to record labels, publication houses and artists selling music and other copyrighted material over the Web.

Artists definitely want to use the Internet to increase their reach faster. They want to directly interact with their fans and they want to take more control over their businesses. The Internet provides them with the ability to

accomplish both of these goals. But the majority of the companies in the digital music space address/enable only two of the principal activities that govern the connection between artist and fan: *promotion* (by the artist) and *discovery* (by the fan). Few companies address specific "front office" functions such as fan club maintenance, merchandizing, concert ticket sales, etc. And even fewer go after the "back office" to address tasks such as business management, media content management, and content distribution. Moreover, each of the solutions provided by these few companies only addresses one or two of these functions.

With that being said we see a significant investment opportunity in companies that provide more complete front office or back office solutions to artists. For example, a front office solution that *out of the box* enables fan relationship management and combines promotion, merchandizing, fan club management, event calendar, venue ticket sales, and a variety of analytics capabilities to take advantage of the Internet's quantitative nature. Or a back office solution that integrates media content management, distribution, business management/ERP, with the appropriate analytics, e.g., sales analytics. In order to properly utilize such applications the artists and their

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Airtight® Networks, the global leader for wireless intrusion prevention products and services announced that AirTight has been rated “Positive” in Gartner’s MarketScope for Wireless LAN Intrusion Prevention Systems report. The July 2008 report was authored by John Pescatore, VP, Distinguished Analyst and John Girard, VP, Distinguished Analyst at Gartner.

Vendors were evaluated on five criteria – customer experience, offering (product) strategy, overall viability (business unit, financial strategy, organization), marketing execution, product/service. AirTight was rated “Positive.”

The results of the Gartner report are important because IT decision makers “regularly refer to Gartner to inform their decisions about technology purchases,”

according to the annual Hill & Knowlton Tech Decision Makers study released earlier this year. The study also found that “Gartner is seen as the most credible industry analyst firm (especially by IT managers).”

“AirTight continues to be the leader in providing its customers with the most robust wireless intrusion prevention systems on the market backed by IP developed specifically for the unique chal-



lenges that wireless security presents,” said David King, Chairman and CEO of AirTight. “Gartner’s thorough analysis of technology markets sets the standard for IT decision makers. We believe this second “Positive” rating from Gartner solidifies AirTight’s leadership position in the market and our commitment to developing products and services that keep our customers networks and data secure from current and emerging wireless threats.”
www.airtightnetworks.com

mBlox, the world’s largest mobile transaction network, announced that it is launching a global network management center (NMC) to provide upgraded monitoring and maintenance capabilities to its network.

With a global investment of over \$2 million, and expansion of its Singapore Network Operations Center, mBlox will be able to further monitor detailed network activity and react to any issues before resulting problems could occur. mBlox will be able to monitor and react to activity around the clock via the expanded Singapore facility and mBlox’s network operation centers located in the United States and the United Kingdom.

“This level of investment in our network is a testament to our ongoing commitment

of providing the best levels of service and the best levels of support in the industry,” said Justin Leese, senior vice president of technology and operations at mBlox. “Our ongoing investment in the latest technology and equipment not only reduces our operational costs but most importantly strengthens our capabilities and 24/7 service support levels to all of our customers in North America, Europe and the Asia Pacific regions.”

Customer data will now be more read-



ily accessible by mBlox customer support from any single location and the company will be able to trace individual transactions from the many terabytes of data in a near real-time basis. This will allow mBlox customer support easier access to data and better customer service across the network. The implementation of a technical knowledge-base will also improve the diagnostics of the overall network, simplifying maintenance and reducing or eliminating downtime due to technical anomalies.
www.mblox.com

Outsource Partners International, Inc. (OPI), a leading provider of finance and accounting outsourcing (FAO) and related services, announced that it has once again been named to the Inc. 5000.

2008 marks the fourth consecutive-year that OPI has been included in Inc. magazine’s annual ranking of America’s fastest-growing private companies.

“OPI’s strong organic growth has been fueled by the perfect combination of market interest and our proven, unique business model. We are seeing a steady and ongoing increase in our business from both new and existing clients as

they realize the advantages of our highly-skilled global workforce and the benefits of optimized financial operations. We thank our clients and dedicated employees who have afforded us such opportunities in the last year as we increased our workforce by fifty percent and expanded our global footprint by the opening of new offices throughout Asia Pacific,” commented Clarence T. Schmitz, OPI’s



Outsource Partners International

Chairman and Chief Executive Officer.

About the companies included in Inc. magazine’s annual listing, Inc., 5000 Project Manager Jim Melloan said, “The Inc. 5000 gives an unrivaled portrait of young, underreported companies across all industries doing fascinating things with cutting-edge business models, as well as older companies that are still showing impressive growth.” www.opiglobal.com



Trident Investment Activity

In May and August 2008, Trident invested \$2.5M in **ECO2 Plastics**, a publicly traded company (OTCBB: ECOO), that is using a unique and revolutionary patent pending process and system for recycling plastic bottles. This process cleans post-consumer plastics without the use of water and with substantially less energy than traditional

methods, generating cost savings while being more environmentally friendly. The market for recycled plastic materials (RPET) in the US is substantial and growing significantly. Large food and beverage companies such as Coca-Cola, Pepsi and Anheuser Busch have all launched comprehensive recycling initiatives to cut waste and increase the percentage of plastic bottles that come from recycled plastic. The rising price of petroleum, one of the principal ingredients in plastic bottles, has created an economic incentive for these bottlers, in addition to the environmental incentive.

Both the technology for plastics recycling and the number of recycling plants in the U.S. has remained relatively constant over the last several years.

As a result, recyclers have resorted to exporting plastic waste to China for processing. Currently over 70% of the plastic waste collected in the Western United States is shipped to China. Traditional recycling methods, both in the US and abroad, are very inefficient, relying on old technology that consumes tremendous amounts of resources. The processes use large amounts of water (500,000 gallons of water per 1 million pounds of plastic recycled) as well as enormous amounts of energy to heat and subsequently treat the water used in the process. ECO2 has developed a revolutionary process that uses no water and significantly less energy to recycle plastic. Using technology licensed from Honeywell Corporation and the US De-



partment of Energy, ECO2 cleans post-consumer plastics using liquid CO2 in a method very similar to the way clothing is “dry cleaned.” The CO2 used in the process is recaptured and recycled, producing little waste or environmental impact.

The ECO2 plant is currently processing over 50,000 pounds of plastic materials per day on average at its facility in Modesto, California. ECO2’s recent financings are intended to fund capital expenditures and working capital requirements associated with plant expansion.

For more information on the Company, please visit its website at www.eco2plastics.com

In March 2008, Trident invested in a Series A round of financing for **Profex, Inc.** a fast growing company that licenses, acquires, and markets an international portfolio of proprietary and third-party dermatology products in China.

The market for dermatology products in China is estimated to be \$1.3B and growing 20% annually. The market is driven by a large and growing segment of the Chinese population that is style/image conscious and has demonstrated a desire to spend disposable income in this category on proven products.

The Company has two main divisions serving the professional and consumer markets. The professional division markets products to dermatologists in the

hospital and clinic environment in China. The comprehensive and growing Profex product portfolio includes pharmaceuticals from leading dermatology companies like Galderma, GlaxoSmithKline, Bristol-Myers Squibb and most recently, from Novartis through an exclusive commercial agreement. The consumer division sells and markets much of the same product portfolio, as well as leading cosmeceuticals through a variety of retail channels.

The Company is led by co-founders

Paul Contomichalos (CEO) and Philip Xiao (Chief Development Officer). Both Paul and Philip have extensive dermatology experience, most recently having led Bristol-Myers Squibb in China to the #2 pharma player in China.

Trident co-invested in Profex alongside our China-based affiliate, Mustang Ventures. Profex is based in Beijing, China. For more information, please visit www.profex.com



Trident Investment Activity

In July 2008, Trident invested \$7.5M of a \$15M Series B investment in **Sojern, Inc.** Sojern offers an advertising platform that allows airlines to provide targeted advertising to their passengers on printed and online boarding passes.

The global airline industry has been struggling with high fuel prices and an increasingly competitive market. As a result, airlines have been pursuing additional sources of revenue in order to increase profitability. In-flight advertising has been one of the areas where airlines such as American, United and US Airways have found opportunity, adopting advertising on tray tables, during video entertainment, and in airline magazines. Recognizing this opportunity, Sojern developed a process to serve targeted advertisements to airline passengers, providing the passengers with relevant information about hotels,

entertainment and dining in their destination city. Major domestic airlines in the United States have been very enthusiastic about the service and, to date, the 6 largest domestic airlines have all announced exclusive agreements with Sojern to supply advertisements to their passengers on all printed and online boarding passes. The Company launched its service with Delta Airlines in August and is serving advertisements from major corporations including Leapfrog, Crocs, Stubhub, Hewlett Packard, Toshiba, Tivo and Tumi. Press coverage of the Company's launch was also excellent, with articles in major

publications including the Wall Street Journal, USA Today, Fox TV and others.

Trident Capital has a long history of focus in the travel industry, with investments in Sabre, Homeaway and SideStep, and in the online advertising industry, with investments in Turn, Syndero and Sphere. The Company approached Trident in order to leverage Trident's strength and experience in these sectors. Trident was instrumental in introducing Jim Barnett, CEO of Turn Networks and Jeffrey Katz, founding CEO of Orbitz to the board of directors.

For more information on Sojern, please visit their website at www.Sojern.com 



In May 2008, Trident invested in **TelaDoc, Inc.**, a telephone-based physician consultation service utilizing a national network of board certified, state-licensed primary care physicians (PCPs).


TelaDoc's service offering is aimed at addressing rising trends in health care around convenience, access to care and cost reduction. TelaDoc enables consumers to obtain affordable and convenient telephone based medical advice from TelaDoc's national network of PCPs trained and experienced in telehealth services. TelaDoc consulting physicians diagnose non-emergency medical problems, recommend treatment including prescribing medication when applicable, and ensure patient access to quality medical care 24/7/365. TelaDoc services are not meant to replace the

care of the patient's PCP. Rather, the service offering is meant to complement and enhance the quality of care.

Common problems diagnosed include upper-respiratory conditions, allergies, muscle pains, back problems, arthritic pains, and other non-emergency illnesses.

TelaDoc offers tailored solutions to health plans, self-insured employers and Taft-Hartley plans to customers like Assurant Health, AT&T and the Service Employers International Union of California. The Company maintains personal health records for all of its members and

provides access to this information to members and their doctors.

The Company was founded by Michael Gorton, a serial entrepreneur who serves as the CEO. Gorton has built a national network of advocates and supporters of the TelaDoc model that including the former Surgeon General of the United States, former US Secretary of Health and Human Services, and representatives from virtually every major healthcare "think tank." TelaDoc is based in Dallas, TX. For more information, please visit www.teladoc.com 



Trident Investment Activity

In April 2008, Trident led a Series B financing by **Xunlight Corporation**, investing \$15M of a \$22M round together with Series A investors Emerald Technology and NGP Technology Partners. In August, Trident also participated in a Series B-1 round that raised an additional \$5.6M of equity and \$5.6M of convertible debt. Based in Toledo,



Ohio, Xunlight Corporation intends to become one of the largest manufacturers of photovoltaic (PV) products in the world, incorporating next generation flexible thin film PV technologies developed by the company and its academic partner, the Thin Film Silicon Photovoltaic Laboratory at the University of Toledo (UT).

The Xunlight team is lead by Dr Xun-

ming Deng, a world renowned PV expert. The team includes the previous head of technology from Energy Conversion Devices (ECD), which is the parent company of United Solar, today's amorphous silicon thin film leader, as well as several others that have over 100 years of combined PV production and solar R&D experience.

Xunlight has recently completed the

construction of a 2MW roll-to-roll pilot production line and is producing solar cells on a 3ft wide thin stainless steel web. The Company has also initiated plans to build the first of several 25MW production plants and plans to reach a production capacity of 125MW by 2010. For more information on Xunlight, go to www.xunlight.com

Trident Liquidity Events

On June 4, 2008, Trident Capital and Galen Partners announced the completed sale of portfolio company **Chamberlin, Edmonds & Associates, Inc.** ("CEA") to an investment group led by Charterhouse Group. Chamberlin, Edmonds & Associ-



ates provides revenue recovery specialized eligibility services to hospitals, governments and managed health care organizations nationwide. On behalf of its clients, CEA serves as a patient advocate, helping disabled, indigent, underinsured and uninsured patients navigate the often complex application processes necessary to obtain federal, state, and local benefits, including Social Security

disability benefits, Medicare, Medicaid, Crime Victims' compensation and charity care.

CEA Founder Judy Starkey commented, "Five and a half years ago I brought in Trident and Galen as partners to help me grow the business and realize my vision for it. I could not be happier with the help and sense of partnership they brought to the company."

CEA President and CEO, Ulrich Brechbuhl, said, "We have had a strong partnership with Trident and Galen since 2002, working together to grow CEA into one of the leading patient eligibility services companies in the U.S. This transaction provides CEA with a strong financial partner and we look forward to continuing our success with the Charterhouse Group. www.chamberlinedmonds.com

Resolution Health, Inc., a leading data analytics-driven personal health care guidance company, was acquired by WellPoint, Inc. (NYSE: WLP), the nation's leading health insurer in April 2008. Resolution Health identifies actionable, person-spe-



cific opportunities to reduce health care costs and improve quality of care. The Company does this through a combination of proprietary analytics and targeted communications. The Company analyzes a patient's medical claims and pharmacy claims history, as well as data from other sources such as lab test results and health risk assessment questionnaires, to identify gaps in care

based on evidence-based guidelines. Given this information, Resolution Health then sends patient-specific targeted communications to members and their providers, in an effort to increase compliance to best practices and reduce costs. The service is sold to insurers, self-insured employers and Taft-Hartley trusts and has a demonstrable return on investment.

Trident purchased a majority interest in Resolution Health in 2003. Since then

Trident partnered with Earl Steinberg, CEO, to help grow the business along a variety of dimensions. Over the period of our ownership, senior management grew from two to eight people, the technology infrastructure was transitioned to a more powerful and efficient system and lives under management increased from 1.5 million to over 35 million lives.


Earl Steinberg commented, "Trident *[continued on page 6](#)*



Trident Liquidity Events

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was a great partner in helping us build our business from a young startup to a scalable business serving major customers with millions of lives. Their input on

strategy, recruitment of key personnel and technology were invaluable and greatly contributed to our eventual sale to Wellpoint.” Under WellPoint’s ownership, Resolution Health will continue to

enhance and expand the services it provides to WellPoint’s 35 million members, as well as to Resolution Health’s growing number of other customers nationwide.
www.resolutionhealth.com 

Sphere Source, Inc., a leading provider of contextual-search tools which offers related content to publishers, has been acquired by AOL. Sphere will operate as a wholly owned subsidiary of AOL, as part of the company’s Programming division, which is led by Executive Vice President Bill Wilson.

Founded in 2005 and based in San Francisco, Sphere uses its contextual-search platform technology to make connections between content from blogs, video, media, photos and advertisements. These contextual results are then displayed in a pop-over window or

an integrated widget that lets publishers enhance articles by incorporating related articles and blog posts from archived content and across the Web.

“We are delighted to be joining AOL,” said Tony Conrad, CEO of Sphere. “AOL’s vast properties and platforms of-



fer us the opportunity to reach publishing and news environments across the Web.”

Sphere was founded by Tony Conrad, Martin Remy, Steve Nieker and Toni Schneider. www.sphere.com 

Vidavee, a video Web services company that enables Web publishers to easily upload, share, analyze and monetize Internet video content, has been acquired by Vignette (NASDAQ: VIGN), a global leader in Web experience management and delivery. The strategic acquisition and integration of Vidavee’s advanced video publishing


technology will provide Vignette with unique video management and publishing capabilities to help advertisers and publishers generate new traffic, improve customer engagement and increase revenues.

“Video and user-generated content are a top priority for organizations wanting to improve their Web experience,

and Vidavee has assembled one of the strongest video management offerings in the industry,” said Mike Aviles, president and CEO of Vignette. “By adding video capabilities to our Web Experience Platform, we will be able to provide customers a powerful solution for engaging users across multiple mediums.”

“Video is a key component for orga-



nizations looking to reach an expanded audience, generate more traffic and increase user time spent on site,” said Mark Brenner, CEO of Vidavee. “This acquisition breaks down the silos of video publishing and rich media management, giving organizations the ability, for the first time, to manage all their content from the same console.” www.vidavee.com 

In July 2008, **Vurv Technology, Inc.** was acquired by Taleo Corporation (NASDAQ: TLEO), the leading provider of on demand talent management solutions. This acquisition creates the largest company in the talent management software sector and the third

largest Software-as-a-Service (SaaS) vendor in the world, serving 48 of the Fortune 100 and more than 2,800 small and medium sized businesses worldwide.

This acquisition will benefit the combined customer base by focusing the industry’s leading talent management resources on a single develop-

ment investment. Two world-class companies have joined forces to create a talent management Dream Team, sharing a unified vision of building the next generation of talent management applications. The combined company will benefit customers by providing the industry’s strongest global footprint,



improved technology infrastructure and scalability, streamlined implementation and customer support, highly concentrated thought-leadership based on broader and deeper experience, and significant buying convenience. www.vurv.com 



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managers must become more process- and metrics-driven. This will not be unlike the transformation corporations went under as they started adopting customer relationship management and ERP solutions. Companies that offer such complete front office or back office solutions for digital sales can either be formed by acquiring and integrating companies that have developed the appropriate pieces of the desired functionality around a strong management team, or by developing such a solution from scratch. Therefore, we continue to look for both opportunities to fund new companies as well as opportunities to invest behind management teams with attractive acquisition/rollup plans.

One Trident portfolio company that that is developing an advanced, scalable back-office platform for the music and entertainment industry is RoyaltyShare. The company was founded by Bob Kohn, Steve Grady and Scott Holcombe in 2005. While formerly running EMusic, Royalty Share's team saw that while most record labels and independent artists realized the potential for digital sales online, most were ill equipped to manage the huge amounts of digital content and sales data necessary for online monetization.

RoyaltyShare's offering is a unique alternative to the standard mass-market aggregation model, offering record labels an on-demand system for managing digital sales, including metadata management, storage, delivery and sales processing. RoyaltyShare is applying this new business model to the digital music supply chain by enabling labels and niche distributors to work directly with retailers in order to bring their content to market. RoyaltyShare's platform presents consolidated sales data in a variety of familiar formats and can be customized for integration with existing third party enterprise software and other royalty applications.

Much as businesses often outsource functions such as payroll accounting to companies expert in managing that data, RoyaltyShare enables record labels, artists and, eventually, book publishers, film producers and videogame publishers, to outsource their content management and royalty responsibilities to a company that has expertise in digital rights tracking royalty payment and who can spread the cost of building and maintaining such a system over hundreds of labels. The result is that content owners can focus on the activities that ultimately drive their success – finding and developing new artists, authors, songwriters, actors and other talent, and cultivating new revenue streams – without the significant investment required to adapt historical software systems on their own to meet evolving business models.


RoyaltyShare offers its platform using the software-as-a-service (SaaS) model. Existing legacy software and in-house solutions have not kept pace with the needs arising from the music industry's shift to digital distribution. RoyaltyShare's suite of services has been built from the ground up to specifically address the scalability needs and complexity of modern royalty processing. RoyaltyShare's platform provides clients with functionality to manage digital content, process revenue data and calculate and report royalties to recording artists. The platform also features a powerful, graphical reporting environment that allows customers to gain critical insight into their digital sales channels. The solution also includes comprehensive analytics for monitoring sales activity and full artist and mechanical royalty processing, all at a fraction of the cost of digital distributors. Using this back office platform, labels can reliably fulfill their periodic royalty obligations, reduce costs, and better focus on their core competencies of A&R and marketing. The importance of RoyaltyShare's platform to the entire entertainment industry was

recently validated by an investment in the company by The William Morris Agency, the largest and most diversified talent and literary agency in the world.

DesiHits! is an entertainment/lifestyle hub for anyone curious about the Southeast Asian (Desi) culture. The Company provides content about Desi lifestyle, music, and video in a unique format offering a platform for South Asian artists to promote themselves globally, as well as for Western artists to promote themselves to Desis worldwide. "Desis", are described as bilingual, trendy, cosmopolitan and as likely to jive to Madonna as they are to Bollywood. The Company focuses heavily on bi-cultural remixes as they uniquely represent the next generation (and beyond) South Asian experience.

DesiHits integrates streaming media, podcasting, user-generated content and social networking features. It features several unique genres of music content, has over 1M registered users, and works with 20 different independent professional content contributors. The Company has signed contracts with major music labels and artists. DesiHits also provides the leading Desi-focused show on iTunes.

As the web's significance for digital music continues to increase Trident seeks to invest in new companies that enable artists more effectively to conduct business online, as well as in platforms that consolidate established companies to create more complete and compelling digital music solutions. We seek companies with differentiated and enduring business models that can provide successful venture returns in this still-exciting area of digital media.

An earlier version of this article appeared at the Trident Capital blog which can be accessed at <http://blog.tridentcap.com>. For more information on RoyaltyShare and DesiHits, please visit www.RoyaltyShare.com and www.desihits.com. 



TRIDENT CAPITAL

Trident Capital was founded in 1993 to invest in information and business outsourcing companies. By consistently helping entrepreneurs build industry leading technology and services businesses, Trident has become one of the most successful venture capital firms in the country. The firm leverages a partnership that has invested in over 120 companies and has held senior operating, consulting and investment banking roles at organizations such as AT&T, IBM, Dun & Bradstreet, Morgan Stanley and Bain. To date, Trident has raised six funds and manages \$1.5 billion in committed capital. The firm operates out of investment offices in Palo Alto, CA and Westport, CT.

Trident invests principally in the following sectors:

- CleanTech
- Health Care & Insurance Services
- Internet
- Communications & Wireless
- IT Services & Outsourcing
- Innovation & Robotics
- Enterprise Software
- Interactive Marketing Services
- Payments & Transaction Processing
- Security

Investment Sizes: Up to \$30M Transaction Types:

- Early Stage Growth Capital
- Management Buyouts
- Expansion Stage Financings
- Spinouts

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