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Innovation Valley Partners, Battelle Ventures Spin Out Technologies from Oak Ridge and National Renewable Energy Labs, Invest in Local Tech Company

Three separate energy deals totaling \$8 million add to funds' cleantech investments

KNOXVILLE, Tenn., Oct. 22, 2007 – Innovation Valley Partners (IVP) and its affiliate fund, Princeton, N.J.-based Battelle Ventures, LP, have committed a combined \$8 million in start-up financing to three energy-related companies, including local traffic-management-technology company Aldis and Ampulse, a direct spinout of Oak Ridge National Laboratory (ORNL) that is commercializing the Lab's flexible thin-film photovoltaic (PV) technologies.

The third company, said IVP General Partner Glenn Kline, is Orlando, Fla.-based Planar Energy Devices (Planar), a power-storage company developing thin-film batteries that is a spinout of the National Renewable Energy Laboratory (NREL), in Golden, Colo. In addition to its being an NREL licensee, Kline noted, Planar also is a licensee of ORNL technology.

Kline explained that Aldis has a joint development agreement with ORNL and already received about half of a \$3.775-million Series A funding round, noting that Tennessee fund Meritus Ventures, L.P., also participated in the investment. He said that he will serve as chairman and will be joined by company cofounders James ("Vig") Sherrill and Bill Malkes, and Battelle Ventures General Partner Kef Kasdin.

Ampulse, which is in the earliest stage of the three companies, operating as a "virtual company" out of the IVP office in Knoxville, with Kline as acting CEO, received \$1 million in pre-seed funding, he said.

Planar, he added, received \$1.3 million in Series A financing, with another \$2.7 million committed, based on milestones achieved. He and Kasdin also sit on the Planar Board, along with company CEO Scott Faris, he said.

"We have been increasingly involved in the area, participating in local business activities, networking with people involved in local entrepreneurial ventures and really getting inside ORNL," said Kline.

"We had previously invested in two ORNL-related companies with local connections: Multispectral Imaging Inc., a developer of low-cost, high-performance infrared detectors, and SmartSynch, a provider of smart-metering solutions for energy and utility companies," he explained. "But these new investments best illustrate the positive results of our activity," Kline continued. "We are building three companies that will commercialize ORNL technologies and, in the case of Aldis, have taken local Knoxville entrepreneurs to the Lab to help build out their technology.

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“While we are a nationally focused fund, our local impact is beginning to be felt,” he added, noting that IVP helped to organize the recent TN Valley Venture Forum and ORNL’s NanoNexus conference, and that he is teaching courses in the University of Tennessee’s MBA program.

“The funds’ general partners provide the tech community at large with a bridge into Lab research and technology,” said Casey Porto, director, ORNL Technology Transfer. “At the same time, they provide qualified input to the Lab about the technology/entrepreneurial community, which adds significant value to us in terms of our licensing activities,” she said, noting that ORNL has an extremely close working relationship with Kline, who spends several days a week at the Lab.

“The Battelle Ventures-Innovation Valley Partners approach is not simply to invest, but also to actively engage in development – internally and externally,” she said. “Their extensive experience working with emerging technologies and the relationships they have throughout the Battelle network clearly well position them to build strong companies.”

Porto said that Aldis, which is targeting the \$6.9-billion traffic-signal, management and maintenance segment of the \$104-billion U.S. highway transportation market, “is a great example of leveraging technology at ORNL with growth companies. We were approached and briefed by the firms’ general partners and the cofounders of the company and asked if there was any technology or group of researchers that could work with them to develop their idea to make markedly better traffic management and safety systems,” she explained.

“We were able to identify a team at ORNL that had completed considerable work on vision stabilization. While this work was initially done for veterinary applications, it actually turned out to be extremely applicable to Aldis’s objectives,” she continued. “But without the deep relationship we have with the funds, I’m doubtful that the connection would ever have been made.”

Added Aldis Cofounder and CEO James “Vig” Sherrill, a serial entrepreneur who has led several successful technology companies: “Understanding vision technology, digital signal processing, artificial intelligence and manufacturing, we were confident that we could vastly improve on the current technology, which has changed little in 40 years.

“Now, deployment of The Aldis Advantage Program, an initial offering that involves converting incandescent signals to our proprietary Aldis Eye signals, is already under way in four local municipalities,” he said.

“Going from incandescent to LED signals,” continued Sherrill, “not only yields ongoing savings on maintenance costs, but also increases energy efficiency and reduces carbon dioxide going into the atmosphere.”

But maximum value of having Aldis Eye signals operational will be realized early next year, said Meritus Ventures’ fund co-manager Grady Vanderhoofven, when Aldis plans to introduce The Guardian Eye, a vision-based traffic monitoring and control system designed to save lives, further improve energy efficiency and alleviate throughput problems experienced daily at poorly functioning intersections.

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“This system,” he continued, “will replace inductive loop systems and obsolete conventional capital-intensive central control systems by using vision, advanced integrated circuits and heuristics algorithms at the local intersection level, creating an automated, proactive real-time traffic management system.

”The real-time adaptive functionality of the multi-patent-pending Guardian Eye will ensure that you never have to retime your traffic signals again,” Vanderhoofven added, “because it will perpetually optimize timing day or night without human intervention.” He projected that the Guardian Eye could increase throughput efficiency at each intersection by as much as 40%.

Said CEO Sherrill: “This – meaning the company and the financing – never would have happened without Glenn Kline. Usually entrepreneurs go to venture capitalists with a business plan in one hand and a hat in the other. But in Aldis’s case, Glenn heard about us, helped us flesh out the concept and then took us into Oak Ridge National Lab to meet the right people there.

“The rest, as they say, is the future.”

About Innovation Valley Partners

Innovation Valley Partners (IVP) is the \$35-million affiliate fund of Battelle Ventures, L.P., a \$220-million national fund that invests in early-stage technology companies nationwide, in the areas of energy & environment, security and health & life sciences. As the Battelle Ventures’ affiliate, IVP proportionately participates in each Battelle Ventures’ investment and is seeking companies that could solve a key problem in large, growing markets; that have solid technology as a barrier to entry; and that have management teams with experience in addressing their target markets. Ideally, the core technology will have a connection to ORNL or another facility that Battelle Memorial Institute manages or co-manages. With these three new investments, the funds now have five investments across the country in a spectrum of energy technologies, including solar, fuel cells, energy storage and energy efficiency. Besides Aldis, Ampulse and Planar Energy Devices, other portfolio companies in the energy sector are SmartSynch, a wireless-smart-metering technology company based in Jackson, Miss., and Superprotonic, a fuel-cell-materials company in Pasadena, Calif. For more information about IVP, see www.innovationvalleypartners.com. For more information about Battelle Ventures, see www.battelleventures.com.

About Meritus Ventures

Meritus Ventures is a \$36-million fund with investments primarily in private, expansion-stage companies in predominantly rural areas in central and southern Appalachia. The fund focuses on companies in Arkansas, Kentucky and Tennessee, and the Appalachian counties of Ohio, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Alabama and Mississippi. Meritus is currently the only Rural Business Investment Company in the country. For more information about Meritus Ventures, see www.meritusventures.com.

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