

## **DOW JONES/VENTUREWIRE**

### **Elemental Security Formally Launches; Prepares \$10M To \$15M Series C**

**San Mateo, Calif. – April 01, 2005** -- Security compliance management software company Elemental Security Inc. formally launches next week and plans to raise a \$10 million to \$15 million Series C round this summer, Chief Executive Peter Watkins said.

The new funds will be used to build out and extend sales and marketing and bring the company to cash flow break even.

While in stealth, the company's \$7 million Series B closed in July 2004, led by new investor Sequoia Capital, with participation from Bessemer Venture Partners and Mayfield. Its \$3 million Series A, in May 2003, was co-led by sole investors Bessemer and Mayfield.

Elemental Security's product, the Elemental Compliance System, delivers policy management, host configuration and network access control to enterprise and government organization.

Founded in December 2002, the company delivered the first version of its product in December 2004. Watkins said launching the company in conjunction with the second product version, rather than the first, gives the company more creditability.

The company has seven customers and began generating revenue in the first quarter. Its primary market is financial services targeting organizations with 1,000 to 100,000 users. Secondary markets are government, health care and high technology. Two customers are Vienna, Va.-based Safe Harbor Systems and Catholic Health Systems.

The second version, which is presently in internal testing labs, will come out in about a month, Watkins said.

Elemental Security will approach the market with both a direct sales force and select resellers, and will announce its first resellers soon. It plans to sell in the U.S. for 12 to 18 months before broadening to other geographies. The company has about 35 employees.

The Elemental Compliance System allows a company to express policies, monitor and measure compliance, and enforce the policy if necessary. These policies are internal, and deal with both security and compliance issues like Sarbanes Oxley.

Many of the policies, or rules, determine whether certain users or computers can interact with each other or have access to each other. Elemental Security has come up with 1,700 such policies for different operating systems, applications and databases. Companies can pick and choose which they need, Watkins said.

Competitors include NetIQ Corp., BindView Corp. and Pedestal Networks. Watkins said the biggest difference is that Elemental Security combines traditional areas of policy management, host configuration management and network access control, while the major competitors all offer policy management only. Another distinction is competitors set policies for only individual machines, and don't include the network level, like Elemental Security.

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