

New investors bring ideas to fast-growing Appriss

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Appriss Inc., a Louisville company that develops software products for the criminal justice sector, is a lesson of how venture capital is supposed to work.

The story starts in 1995 with two young entrepreneurs, Mike Davis and Yung Nguyen, who had a solid idea but needed management expertise and financial capital to turn that concept into a reality.

They turned to Chrysalis Ventures, a Louisville venture-capital firm that offered hands-on guidance and stepped up as the lead investor. In 1995, Chrysalis gave Appriss seed capital as did co-investor Windcrest Partners, of New York City.

Since then, Appriss has launched software products, including VINE, a victim-notification service through which victims can get information about criminal cases and custody status of offenders.

The business grew and new investors came on board. Doug Cobb, co-founder of Chrysalis who helped launch Appriss, became company chairman and CEO in 2000, and the growth continued.



Cobb

Appriss recapitalized with new investment

Fast forward to today, with Appriss landing a new investment from Bain Capital Ventures and JMI Equity, as Business First reported online Tuesday.

Bain Capital Ventures is the venture arm of Boston-based firm Bain Capital. The company ranked No. 5 on Fortune magazine's list of the most powerful private-equity firms, ranked by the amount of recent private-equity fund raising.

JMI Equity, based in Baltimore and San Diego, focuses on software companies.

The investment is significant for Appriss in that it has allowed company officials to recapitalize the growing business. In particular, Cobb said, the recent venture-capital funding was used to buy out three of the company's former investors — Nashville, Tenn.-based Richland Ventures, Indianapolis-based CID Equity Partners and Louisville-based Mayfair Capital Inc. Each invested in the company in 2000.

The deal also represented a partial exit for Chrysalis, which reduced its ownership stake in the company. David A. Jones Jr., chairman and managing director of Chrysalis, said his company's return on the investment was "very good" and that the early investors were rewarded. He declined to disclose any details regarding the transaction.

Chrysalis' journey with Appriss has been "about a whole lot more than writing a check," Jones said. "Chrysalis was, in a way, a bridge to bring the company, experienced advisers and investors together as the company proved it was really going somewhere. ... (Appriss) has just done a fantastic job."

Windcrest Partners also retained a small ownership stake in the company, Cobb said.

Changes in board leadership

As part of the new investment, four of Appriss' board members are being replaced by members of Bain Capital Ventures and JMI.

The new members are Jeff Schwartz, managing director of Bain Capital Ventures; Todd MacLean, principal of Bain Capital Ventures; and Bob Smith and Harry Gruner, general partners of JMI.

The four replace former board members Jack Tyrrell, managing partner of Richland Ventures; John Aplin, managing director of CID Equity Partners; David Grissom, chairman of Mayfair Capital; and Yung Nguyen, an Appriss co-founder who left the company about four years ago.

Davis, co-founder and president, still is on the

board as are Cobb and Michael Guellert of Windcrest Partners. There are two open board positions.

Cobb said he is looking forward to leveraging the relationships with the Bain and JMI board members. He said he is impressed with some of the ideas they already have shared concerning new products, sales strategies and ways to accelerate overall company growth. Cobb declined to elaborate on what new approaches the company might pursue.

Revenue projected to reach \$40 million

Appriss already has been growing at a rapid pace. Company revenue in 2006 was about \$30 million, and it is on target to hit \$40 million this year, Cobb said.

The revenue driver continues to be Appriss' flagship product, VINE. It is available in 41 states and the District of Columbia.

Appriss also has developed a series of other criminal-justice products that have been well-received, Cobb said. (See item at right for more details.)

To support its growth, Appriss also has increased its physical presence. Business First reported in October that the company received preliminary approval for \$1.5 million in state tax incentives for up to 10 years to offset costs of a planned expansion.

Then, the company said it planned to add 70 workers with an estimated annual payroll of \$3.4 million. A second part of the expansion called for adding 25,000 square feet at its Linn Station Road offices, an investment of about \$1.2 million.

Cobb said Appriss is well on its way toward those goals. Forty new workers are on board, and he projected that Appriss will hit its goal of 280 workers by year's end. It continually is hiring software and interface engineers and project managers.

So, far Appriss has leased an additional 10,000 square feet, bringing its total office space to 70,000 square feet. Another 10,000 square feet will be added by December, Cobb said. |

OTHER PRODUCTS BY APPRISS

- **JusticeXchange**, an information-sharing portal that gives criminal-justice officials access to booking records, incident reports and other data;

- **VINE Protective Order**, a service that uses VINE technology to notify petitioners when their civil protective orders have been served;

- **And MethCheck**, a service that helps law-enforcement officials and pharmacies manage, monitor and report the purchase of over-the-counter medicines used to manufacture methamphetamine.

All products follow the company's model of offering software as a service.

This is a delivery method through which the customer, in this case a government agency, pays to access the Web-based software but does not purchase the actual software. |