



Teliris Ltd.  
369 Lexington Avenue  
New York, NY 10017  
T: +1 212 490 1065  
F: +1 212 983 2707

Teliris Ltd.  
6 Braham Street, 3rd Fl.  
London E18EE  
T: +44 2074 811 600  
F: +44 2077 022 330

## The Deal

by Clifford Carlsen

### VCS TUNE INTO TELIRIS

Video conferencing service provider **Teliris** Ltd. raised \$40 million in a first outside equity investment co-led by Fidelity Ventures of Boston and Columbia Capital of Alexandria, Va., to fund global expansion of a network featuring high-definition video capabilities to conduct lifelike remote meetings.

The deal gives the investors a majority stake in the seven-year-old company while providing founders an undisclosed amount of liquidity. Founder and CEO Marc Trachtenberg would not disclose the amount of previous investment in the company, but he said seed money and cash rolled back into Teliris runs in the „tens of millions,“ and that the company has been profitable for four years.

**Teliris** provides video conferencing equipment and services in a format it calls „telepresence“ to denote extremely reliable lifelike visual and sound quality that sets it apart from earlier generations of conferencing technology. Anne Mitchell, a partner with Fidelity Ventures, said the firm’s independent due diligence prior to investing found that **Teliris** and other advanced video conferencing players including Hewlett-Packard Co. of Palo Alto, Calif., and Cisco Systems Inc. of San Jose, Calif., have established telepresence as a market differentiated from traditional video conferencing.

„As a venture firm, we tend to be theme-oriented, and last year we kicked off an internal project to look at video conferencing and found much of the technology to be unreliable and of poor quality,“ Mitchell said. „But telepresence is a term used by others, and it really is as if the people are in the same room with you.“

Trachtenberg said he formed **Teliris** in 2000 as a project at network services provider Mycroft Inc. of New York and spent the first two years developing software and integrating hardware before launching services in 2002. The company’s technology incorporates camera angle vectoring and other features to create greater eye contact and personal presence between participants.

Trachtenberg said **Teliris** developed provisioning software and proprietary diagnostics features that he claims provide better than 99% reliability to customers. The company also built a network of IP-based telecommunications lines to provide links at all times. **Teliris** sells customers preconfigured equipment for conference rooms ranging in price from about \$60,000 to \$300,000, then charges from \$5,000 to \$15,000 a month on two- or three-year contracts for managed services.

John Siegel, a partner with Columbia Capital, said he was introduced to the deal by Fidelity Ventures. He was skeptical of the technology at first but was won over by its performance.

„We are always looking at convergence technologies, but I was pretty bearish on video conferencing,” Siegel said. „But this was one of those situations where to see it is to believe it, and the definition of this is so great it really feels like you are in a personal meeting.”

HP, Cisco and Pleasanton, Calif.-based Polycom Inc. are **Teliris'** biggest competitors in offering managed video conferencing at the high end of the market. But Austin, Texas-based startup LifeSize Communications Inc. has raised \$81 million from investors including Lehman Brothers Venture Capital of Menlo Park, Calif., Austin Ventures of Austin, Norwest Venture Partners, Redpoint Ventures and Sutter Hill Ventures, all of Menlo Park, and venture debt provider Pinnacle Ventures of Palo Alto to develop conferencing equipment. Trachtenberg said he resisted taking on outside investment until he felt that the market was ripe for rapid growth, adding that HP's and Cisco's recent entries into the conferencing market gave the sector added credibility.

„The goal in self-funding the company was to have flexibility, and this round was timed in line with growth in the market,” Trachtenberg said. „I wanted to build the network without pressure from investors.”

Trachtenberg would not disclose revenues, but he said the company has doubled sales in each of the last three years and expects to do so again in 2007. While the company has operated profitably in the past, he said the new investment will allow **Teliris** to boost expansion with additional demonstration rooms in international markets and to support additional marketing through trade shows and other venues. He also said the company will explore original equipment manufacturing deals and white labeling of its products with partners.

Mitchell said that Fidelity has done a great deal of investment in various telecommunications markets and that the firm will help **Teliris** in pursuing strategic partnerships.

**Teliris** enlisted the aid of Citigroup Inc. to solicit investment. It worked with Baltimore-based banker Brian Keane when speaking to a number of private equity firms and investment groups. Trachtenberg would not disclose a valuation for the deal, but he said **Teliris** received multiple term sheets.

**Teliris** had legal work on the deal from Tim Bryant of McDermott Will & Emery in Chicago. Jeff Hadden of Goodwin Procter LLP in Boston represented investors.