

# Active Reasoning Scores \$11.5-Million Series B for Data Center Compliance

Complying with regulations can be difficult, if your techies can toy with your financials.

## The News

Active Reasoning, which sells software that tracks administrative changes to databases, recently raked in \$11.5 million in Series B funding to expand its engineering and sales teams and eventually take the company to profitability.

Interwest joined the round, bringing Active Reasoning's total funding to \$23 million. ArrowPath Venture Capital, ComVentures, and ONSET Ventures also anted up for another round.

## Why it Matters

Sarbanes-Oxley regulations require CEOs and CFOs to certify the accuracy of their financial reports, which aren't always 100 percent accurate. Between the point of sale and the income statement, the financial data travels through data centers—but what happens inside those informational meat-grinders? Active Reasoning's software answers this critical question for financial officers.

"You've got hundreds of people in the organization making changes to the reporting infrastructure," says Active Reasoning CEO Marv Tseu. "Every day there are patches, software upgrades, optimization, and lots of other task-oriented changes." Maintaining the computers that collect and report on financial data is a full-time job.

With so many cooks in the financial kitchen, it's hard to be certain that none of them have sticky fingers. Active Reasoning's software can create a periodic report to alert company officials if someone inside the data center messes around with critical files. "The bigger opportunity is Active Reasoning's ability to capitalize on the massive amount of unforeseen mistakes that could cause downtime," says investor Doug Pepper of Interwest.

## The Team

Mr. Tseu, a veteran entrepreneur, co-founded SiteSmith in 1999 and sold the company a year later for \$1.2 billion. Before SiteSmith, he served as president of Structured Internetworks, a network communications hardware firm, and also held several positions at headset maker Plantronics. One of Active Reasoning's regional managers, Ed Sang—born in Shanghai and educated in the United States—manages 25 of the company's 55 employees out of Shanghai. With his previous data center experience, he keeps the company's total cost of development down while ensuring quality production from Active Reasoning's wholly owned subsidiary.


## The Competition

Regulatory compliance has become a push-button topic for startups trying to capitalize on expanding corporate IT budgets. TripWire, a pioneer in the intrusion-detection space, has recently moved into the change-management sector that Active Reasoning is targeting. With a proven track record of security innovation dating back to 1998, Tripwire could be the competitor to watch

## Skepticism

Sarbanes-Oxley compliance may be a hot topic right now, but Active Reasoning is actually more about ensuring efficient execution of data center tasks than about regulatory compliance. As ONSET investor Mark Hilderbrand says, "Where the trouble ticket drops off is where Active Reasoning picks up." Once an IT person is assigned to fix a problem in the data center, Active Reasoning's software makes sure that the job gets done correctly.

Developing an infrastructure for managing the human aspect of data center operations will undoubtedly draw attention from potential acquirers like Hewlett-Packard, Computer Associates, and IBM.

As much as 40 percent of an IT budget goes to personnel, so making sure employees complete assignments and adhere to best practices has market potential. However, as with any new management tool, if it works, the IT staff is sure to resent it. Active Reasoning will have to ensure that its clients have an adequate data center hierarchy to accommodate a personnel management tool. Employers will have to be resolute about installing what their employees might call "server spyware." 



Active Reasoning CEO Marv Tseu

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