



Contact: Rick Sacks
973.467.8728
rick@smartpr.net

Battelle Ventures, L Capital Partners Invest in Hi-G-Tek, Inc.
Developer of active-RFID platform for physical-asset monitoring, control secures \$10 million

Princeton, N.J., Sept. 11, 2006 – Battelle Ventures, L.P., and its affiliate, Innovation Valley Partners, are investors in the \$10-million financing of Hi-G-Tek, Inc., a deal led by L Capital Partners. The Rockville, Maryland-based company provides new active-RFID products for monitoring and control of high-value physical assets and sensitive materials.

Says Battelle Ventures General Partner Ralph Taylor-Smith: “Hi-G-Tek’s electronic tags, locks and seals allow for unprecedented levels of real-time security and ‘sensing’ of key assets, whether they are stationary or in transit, indoors or outdoors. It’s not just about ‘monitoring’ an asset, but also about detecting its *status* or *condition* in real time. When combined with asset location or any common long-range communication system, such as cellular, radio or satellite, Hi-G-Tek’s products immediately deliver mission-critical data to the customer, anywhere in the world.

“For example, a customer in New York would be alerted immediately if a hatch or valve on a fuel tanker in Bogotá, Columbia, is opened or just tampered with, or if the temperature, pressure or other critical aspect of the cargo is at any given moment outside predetermined normal limits.”

Oded Weiss, partner, L Capital Partners, explains that Hi-G-Tek was formed in Israel in 1989 to develop low-power, advanced microelectronic products for biomedical and military applications. After a series of strategic business moves and local success – Motorola (NYSE: MOT) has installed a Hi-G-Tek system that provides theft and tamper protection of the Israel Defense Forces’ ammunition and weapons armories – the company concentrated on developing active-RFID applications for government and commercial transportation logistics. Between 1996 and 2006, he says, some \$15 million was invested in the development of the existing technology platform.

“With 17 million cargo containers in use around the world and more than one billion tons of cargo entering the U.S. by ship every year,” says Weiss, who also is L Capital Partners’ CFO, “there’s a great need and a great market opportunity for Hi-G-Tek, not only in the government, military and homeland security areas, but also in commercial such areas as food, fuel, electronics and pharmaceuticals. This capital infusion enabled Hi-G-Tek to be reestablished here, with the U.S. as its base for global marketing.”

Battelle Ventures, adds Taylor-Smith, had been aware of the company because it has the exclusive license to patented active-RFID technology developed at Pacific Northwest National Laboratory, one of the five National Laboratories that the firm’s sole limited partner, Battelle Memorial Institute, manages or co-manages for the U.S. Department of Energy. “We knew who they were,” he says, “but hadn’t closely looked at them because the company was in Israel, and our fund invests only in

U.S. companies. So, when L Capital Partners said they were interested in reestablishing the company here, we took a deeper look.”

Attracted to Hi-G-Tek’s “multiple applications in multiple markets” opportunities, says Taylor-Smith, Battelle Ventures joined L Capital Partners in the deal and participated in the search for “the right CEO,” who turned out to be Larry Blue, most recently vice president and general manager of the RFID tag sector of Symbol Technologies (NYSE: SBL).

Blue, who began his career at IBM and later was a vice president at Hughes Network Systems, has almost three decades of management experience with RF and microprocessor technology. He says, “Hi-G-Tek’s sensors deliver, for the first time, full visibility from the physical asset to the control center. We, in essence, electronically extend the senses; you not only can *see* an asset, but also ‘touch,’ ‘taste’ and ‘smell’ it, as if it were right in front of you.”

Besides the obvious anti-terrorism applications, knowledge of changes in physical-asset status or condition can save commercial enterprise huge losses, he says, citing National Cargo Security Council statistics estimating that in the United States alone, cargo theft accounts for as much as \$25 billion in direct merchandise losses a year.

Hi-G-Tek’s products also allow changes to be made while an asset is “in process,” says Blue, noting that a shipment originally classified as temperature-sensitive could be reclassified as temperature- *and* time-sensitive while en route.

“For example, by using Hi-G-Tek’s real-time sensing throughout what’s called the ‘cold chain,’ if refrigeration fails during transport of, say, fresh fish, alerted personnel, whether local or remote, can instantly reclassify the shipment for rerouting, because now time also is an issue.

“Another critical area is in the transportation of temperature-sensitive medicines, such as vaccines,” he continues. “The U.S. Army Medical Materiel Agency reports, for example, that in 1998 there was a loss of 200,000 doses of anthrax vaccine due to freezing, and the World Health Organization estimates that 60 percent of vaccine is temperature compromised. This type of critical asset needs to be chilled at a proper temperature, but freezing must be prevented.”

Blue says that the company already has traction in the transportation industry, providing tanker truck monitoring systems for several international fuel companies in Israel, Kazakhstan, India and Mexico. He says that Hi-G-Tek also provides active-RFID solutions to companies in the security and management space, such as New Mexico-based Canberra Aquila, which is developing and marketing a Hi-G-Tek water-quality-and-security solution, with deployment planned for multiple U.S. water treatment and storage facilities. Other customers, he says, include ASSA ABLOY company Mul-T-Lock, an international leader in locking solutions.

Hi-G-Tek, adds Blue, has been working on a federally funded pilot project called U.S. Operation Safe Commerce (OSC), in cooperative partnership with TransCore and Unisys. OSC, he explains, is a test-bed for new security techniques, technologies and best practices for the electronic monitoring of container shipments to increase security while at the same time enable “green lighting” of known shippers through customs, facilitating efficient cross-border movement of legitimate commerce and avoiding costly delays.

About Battelle Ventures

Battelle Ventures, L.P., is an independent \$150-million venture fund that invests in technology companies at many early stages of development. The fund, which is based in Princeton, N.J., and its \$35-million affiliate fund, Innovation Valley Partners, which is based in Knoxville, Tennessee, actively seek to invest in companies in the following five key areas: information technology; homeland security; life sciences; energy; and advanced materials/nanotechnology. Battelle Ventures enhances and adds value to its portfolio companies by leveraging the technologies and expertise of Battelle Memorial Institute and the National Laboratories it manages or co-manages for the U.S. Department of Energy. For more information, go to www.battelleventures.com.

About L Capital Partners

L Capital Partners, L.P., is a mid-sized venture-capital firm with \$165 million under management. Established in September 2004, the firm is, in general, a development- and later-stage investor, interested in diversified companies within emerging industries or in emerging companies within mature industries. L Capital Partners, which currently has nine portfolio companies, also seeks higher-risk opportunities with companies involved in developing transformational products or services regardless of the industry stage. Focused on healthcare and technology companies, the firm is based in New York, N.Y., and has an office in Tel Aviv, Israel. L Capital Partners is licensed by the SBA as a Small Business Investment Company. For more information, go to www.lcapitalpartners.com.

For more information about Hi-G-Tek, Inc., go to www.higtek.com.

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