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Internet of things startup raises $3.1 million

JOHN PLETZ ON TECHNOLOGY

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Technology and airlines

Xaptum, founded by a UIC bioengineer, is tackling security for smartphones, sensors and other devices.

Rohit Pasam has been working on a way to make the internet of things safer, and he's got another $3.1 million to do it.

Rohit Pasam

His startup, Xaptum, has built a secure cloud that would keep devices, such as sensors and smartphones, from being hacked or being used to break into the closed networks to which they're connected via the internet. VCapital, a venture fund operated by Len Batterson, led the round. Other investors include Illinois Ventures, as well as Purple Arch Ventures, Loud Capital, Hyde Park Angels and former U.S. Robotics executives Casey Cowell and Michael Seedman.

Xaptum, which received its first patent last year, previously raised $2 million from investors who include former Sprint CEO Dan Hesse and former Cisco executive Wim Elfrink; Hardik Bhatt, former chief information officer for the state of Illinois; Jai Shekhawat, founder of software maker Fieldglass; and Terry Diamond of Method Capital. The company expects to add 10 jobs by the end of the year, bringing headcount to more than 20, said Pasam, who did his graduate work in biomedical engineering at University of Illinois at Chicago and became a computer coder, running a firm that did contract work for the former SBC in St. Louis.

Xaptum has developed software that hides the identities of the IoT devices and make their assigned IP addresses random and ever-changing, so the devices themselves are harder to hack. Because the encryption keys that allow network access are randomly generated on the fly, and they aren't kept in a master directory, they're less vulnerable. It's similar to how password-management apps work.

Given all the interest and investment in Big Data and the sensors that produce it, Xaptum is an ambitious effort to tackle what could be a huge opportunity. But it's a risky long shot. The company has built a product; now it has to sign up customers. It plans to target companies in the energy and transportation industries.

"There's real promise there," said Nancy Sullivan, CEO of Illinois Ventures, a venture-capital fund created by the University of Illinois. "The approach is interesting. Rohit is going to have a lot of

competition. He's early; he's small. He's going to have to move quickly to get traction."

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