



Investors Return To Fulcrum With \$16.8M

By Scott Denne
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Venture firms with stakes in Fulcrum Microsystems Inc. put another \$16.8 million of Series D capital into the fabless semiconductor company, with Texas Instruments joining the syndicate as a new investor.

New Enterprise Associates, which has stuck with the company through all four rounds, led the Series D with a \$5.7 million commitment. Other previous investors joining in were Athenaeum Fund, Granite Ventures, Infinity Capital, Palomar Ventures, and SVB Financial Group. The company has now raised more than \$72 million since its founding in 2000.

"It was the easiest round we've ever done" because most previous investors were eager to contribute, said Fulcrum President and Chief Executive Bob Nunn. Previous investor Worldview Technology Partners, which canceled plans to raise its fifth fund last summer when it fell short of reaching its \$275 million goal, did not participate in this new round. Worldview declined to comment beyond saying that it still has faith in the company.

"We thought having a bigger share was better than being diluted," said Forest Baskett, general partner at NEA, the largest stake holder, before and after the round, with 22.5% of the company.

The money from the up-round will be used to grow sales and increase customer support, Nunn said. The company currently has 50 employees and 30 customers including Continuous Computing Corp., Quadric Ltd. and Force10 Networks Inc., an NEA portfolio company.

Fulcrum produces a family of 10-gigabit Ethernet switch chips with a "proprietary asynchronous design." Their design allows for low-latency connections and shorter breaks in the time it takes for signals to move between computers or servers, Nunn said.

"There is no doubt that the market [for 10-gigabit Ethernet switch chips] will be huge," Baskett said.

Revenue for 10-gigabit Ethernet ports increased to \$1.3 billion in 2006 from \$384 million in 2005, but shipments still make up less than 1% of the total market, according to Dell'Oro Group, a networking and telecommunications market research company.

Other companies producing 10-gigabit Ethernet switch chips include Broadcom Corp. and Fujitsu Microelectronics America Inc. Said Nunn, "We have segmented the market by going after the high performance data center interconnections."

Prior to the Series D, Fulcrum's most recent round was a \$20 million Series C led by Granite Venture and including NEA, Palomar Ventures, Infinity Capital and Worldview. Investors in previous rounds were Cadence



Design Systems, PTI Ventures, SVB Financial, and Athenaeum Fund. Cadence Design Systems and PTI Ventures didn't reinvest in this round.

Another round should not be necessary anytime soon, said Baskett, who holds a seat on the company's board.

"They are getting pretty close to having a self sustaining business, but they need a year or two more of market development before the true market value can be realized," Baskett said.