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Fulcrum backers chip in $14M

By Paul Bonanos
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For Fulcrum Microsystems Inc., the timing of its new funding couldn't be better.

The Calabasas, Calif.-based company, which specializes in so-called clockless semiconductors, which lack an internal clock to regulate data flow, landed $14 million in a third round of venture capital that featured new investor Palomar Ventures as well as five returning investors.

Infinity Capital, New Enterprise Associates, Worldview Technology Partners, Silicon Valley Bank and the California Institute of Technology supplied follow-on funding in the round, which brings Fulcrum's total capitalization to $36 million.

The new money comes almost two years after the completion of a $16 million second round that featured all five prior investors. Strategic investor Cadence Design Systems Inc. of San Jose, Calif., participated in the second round but did not follow on in the current round. Fulcrum raised $6 million in angel funding from a group of individual investors as the company was formed in January 2000.

Chief executive Bob Nunn said Fulcrum approached a number of potential venture investors and strategic corporate backers in both Northern and Southern California, but preferred a Southern California firm such as Palomar.

Nunn also said that Palomar general partner Rick Smith, who joined Fulcrum's board of directors, brought a level of financial and legal expertise previously not found on the board.

Nunn could not provide a valuation for the company, and he would not say whether it had risen or fallen since the previous round. He said Fulcrum has not yet begun to generate revenues.

Infinity Capital managing director Bruce Graham, who sits on Fulcrum's board, said the investors considered funding the company entirely through insiders, but decided to bring in a new investor to ensure that it was fully capitalized for a longer-term strategy.

"We figured this company could be in good shape to be acquired a year from now, but we'd rather have four deep-pocketed financial investors around the table, with enough capital to see it through," said Graham. Fulcrum specializes in asynchronous semiconductors, which permit several operations to occur at different speeds and therefore consume less power because idle parts of the chip simply lie dormant while other parts consume power as needed.

Fulcrum founders Andrew Lines and Uri Cummings were among several Ph.D. candidates at California Institute of Technology who developed and patented a series of asynchronous chip technologies. Nunn said the company currently holds 11 patents and has applied for 15 others.

Nunn would not give details regarding Fulcrum's first product, scheduled for initial launch in August. He said the chip was not a network processor in the traditional sense, and that it was a standalone product that would be used in enterprise applications. Fulcrum expects to ship samples of its chips in the fourth quarter and plans to reach full production by mid-year 2004, he said.

Nunn said the new funding would be split roughly 60% for marketing and commercialization costs, and 40% toward continued product development, including a plan to develop a second product some time next year.

Nunn hoped the current round of funding would take Fulcrum to the break-even point in terms of cash flow some time in 2005. He did not rule out another round of funding and said that based on market conditions he expected the current round to last 18 to 24 months.

Few companies specialize in clockless chip design, most notably Theseus Logic Inc. of Orlando, Fla. That seven-year-old company has forged development agreements with electronics giant Motorola Inc. of Schaumburg, Ill., and electronic design automation software developer Synopsys Inc. of Mountain View, Calif.

Nunn said that although Fulcrum hoped to develop partnerships with other large companies in a similar growth pattern, he did not count Theseus as a direct competitor. He said Fulcrum hoped to follow a more traditional commercial path, while Theseus was growing through government contracts.

"The competition is the status quo," said Graham, naming giants Sun Microsystems Inc. of Palo Alto, Calif., and PMC-Sierra Inc. of Santa Clara, Calif. "[Major chipmakers] are trying to wring out higher performance from existing chips by increasing the clock speed. This is a new way to do it without fighting that battle," he said.