

# Austin American-Statesman

## Austin startups get a boost during third quarter

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*Page: B05*

Venture capital investing in Austin picked up in the third quarter, with three companies raising \$10 million or more.

Ten Austin companies raised a combined \$55.9 million in the third quarter, and another company raised an undisclosed amount, according to a survey by PricewaterhouseCoopers and the National Venture Capital Association.

That's a 25 percent increase from the second quarter, when Austin companies raised just \$44.7 million. However, it's down 33 percent from the third quarter of 2008, when 19 companies raised \$84 million.

"We had another small rebound this quarter, although investment activity is still quite low compared to historical averages," said Randy Stone of PricewaterhouseCoopers in Austin.

Three Austin startups gave the quarter a boost: Electronic publishing firm LibreDigital raised \$15 million from Adams Capital Management and other investors; chip design company Black Sand Technologies Inc. received \$10 million from Austin Ventures and North Bridge Venture Partners; and Illumitex Inc., which is developing solid state lighting products, raised \$10 million from investors including Applied Ventures and New Enterprise Associates, according to PricewaterhouseCoopers.

Nationwide, venture activity also improved in the third quarter, increasing 17 percent from the second quarter to \$4.1 billion in 657 deals. The increase in dollars invested was driven by several large deals in the clean technology sector, according to PricewaterhouseCoopers.

Tracy Lefteroff, PricewaterhouseCoopers global managing partner of the venture capital practice, said activity is expected to remain steady through the end of the year and into 2010.

"With the signs pointing to an economic recovery, albeit a slow one, we're likely to see the pace of investing continue to strengthen over the next several quarters as long as the IPO markets begin to open up and (merger and acquisition) activity increases," he said.

Nationally, the biotech industry received the highest level of funding for all industries, with \$904 million going into 104 deals. The clean technology sector came in second, with 57 deals receiving \$898 million.

Austin did not receive any biotech or clean tech investments in the third quarter, according to the survey. Software and semiconductor sectors were most active here, with two software companies - LibreDigital and Pyxis Technology Inc. - raising \$16.25 million, and two semiconductor companies - Black Sand and Bandspeed Inc. - receiving \$14.5 million.

"It was good to see that Austin's software and semiconductors showed signs of life this quarter," Stone said. "These two sectors have typically been a mainstay in venture investing in Austin over the years, so it's certainly a positive sign to see activity there."

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Financial infusions for Central Texas companies

The following companies raised venture capital in the third quarter:

LibreDigital Inc. Digital publishing services \$15 million

Black Sand Technologies Mixed-signal semiconductors \$10 million

Illumitex Inc. Solid state lighting company \$10 million

Invodo Inc. Online media delivery services \$6 million

Bandspeed Inc. Wireless networking equipment \$4.5 million

Renew Data Corp. Electronic evidence and data recovery \$4.1 million

**NetStreams Inc. Digital entertainment networks \$2.75 million**

Rosso Corp. Consumer-focused Internet company \$2 million

Pyxis Technology Inc. Software for chip design \$1.25 million

SpareFoot Inc. Web services for storage space industry \$329,000

Trillion Partners Inc. Wireless broadband services Not disclosed

Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree Report

based on data from Thomson Reuters