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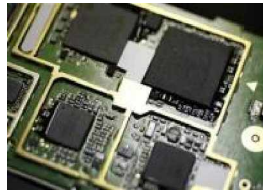
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Semiconductor firm raises \$11 million

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SAN FRANCISCO (Private Equity Week) - Semiconductors are still in vogue with a handful of venture capitalists, despite the financial downturn and increasing investor interest in other sectors, such as social networking and cleantech.

Last week R2 Semiconductor added \$11 million to its Series A funding round that it started late last year.

R2 Semiconductor, a Sunnyvale, Calif.-based startup in stealth mode, has now raised \$13 million from investors, according to a regulatory filing. Sigma Partners led the latest funding with Morganthaler Ventures and Sequoia Capital also investing, according to Fahri Diner, managing director of Sigma Partners.

Robert Schwartz, managing director of Third Point Ventures (the venture investment arm of New York-based Third Point Management) and former National Semiconductor CTO Richard Sanquini are also listed as members of the company board.

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The company is one of a handful of new deals to be done lately in the semiconductor industry, said Drew Lanza, a partner at Morganthaler. "I doubt if you could find more than two or three Series A deals lately," he said.

Lanza attributes the decrease in early stage semiconductor funding to the increased cost of technology and funding.

"At one time, VCs could expect to invest \$10 million to \$20 million and get a \$100 million exit," he said. "Now it takes \$40 million or more in funding and the exit is about the same. The industry is just not that appealing to investors these days."

Indeed, the investment in R2 Semiconductor comes as venture capitalists have decreased their activity in semiconductor startups during the first quarter. Nationwide, VC firms invested \$172.5 million in 23 startups in Q1, a drop from the \$606.7 million they invested in 53 companies during the same period last year, according to the MoneyTree report from PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters.

Just because VCs aren't investing as much in semiconductors doesn't mean the demand for new products has dried up. "People are still buying chips," said Lanza.

There are still interesting niches though, where a little bit of money can go a long way toward solving problems for devices, Lanza said. He points to mixed-signal radio frequency semiconductors as one interesting niche.

Lanza describes R2 Semiconductor as focused on mixed-signal radio frequency, but he declined to disclose details about the stealth company. The startup hasn't issued any public information about what it is working on and did not immediately respond to a request for comment.

Two executives listed on R2 Semiconductor's regulatory filing previously worked together. David Fisher and Andrew Hartland were both at Radia

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Communications as CEO and CFO, respectively. Texas Instruments bought Sunnyvale, Calif.-based Radia for an undisclosed amount in 2003.

Radia had been working on radio-frequency semiconductors for 802.11 wireless networking devices. The company raised \$8 million in venture capital financing over two rounds of funding from Third Point Management, InnoCal Venture Capital, Firsthand Funds, Pac-Link Ventures and Greenlight Capital Inc., according to regulatory documents.

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