

Venture Capital Funding and M&A Quarterly

Telecom • Wireless Mobile • Communications

1st Quarter, 2008 – United States

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Summary

During the first quarter of 2008, the four sectors raised a total of \$614 million in new venture capital investment among 65 companies, representing a drop of 16% in aggregate funding amount and a 7% drop in the number of companies funded when compared to the previous quarter. (Table 1)

M&A transaction activity was down sharply with a 69% drop in deal volume spread among only three transactions. There were no Communications companies acquired during the quarter. (Table 2)

Funding Activity

Telecom

The Telecom sector received a total of \$76 million in new funding, a drop of 44% from the previous quarter. The number of companies funded also dropped to 10 from the previous quarter's 13.

[ClearLeap](#) received an initial funding of \$9 million from co-lead investors [Trinity Ventures](#) and [Noro-Moseley Partners](#). ClearLeap is developing technology that "expands consumer options" for learning about what is on TV programming.

The largest funding event was for [Universal Space Network](#), which received \$18 million in a debt and equity round funded by [Warburg Pincus](#), [Comerica Bank](#) and others. Universal Space Network coordinates communications technologies related to satellite launches.

Wireless

During the quarter, Wireless companies raised the lion's share of capital among the four reviewed sectors, receiving \$298 million between 27 companies. This represented a 26% increase in total funding amount and a 17% increase in the number of companies funded. A number of wireless networking companies across a variety of sub-sectors were rewarded with initial and follow-on fundings.

In the home automation and control sector, wireless telecom provider Continuum 700 (no website) received \$22.9 million from [Claritas Capital](#) and [Clayton Associates](#). [Zensys](#) received an undisclosed amount of new funding from [Bessemer Venture Partners](#), [Cisco Systems](#), [Intel Capital](#) and the [Panasonic Venture Group](#). Zensys is creating wireless mesh networking technologies for home monitoring solutions.

In the carrier products space, [Airbiquity](#) received a \$25 million expansion round of funding from lead investor [Ignition Partners](#), Shell Internet Ventures, [Acorn Ventures](#) and others. Airbiquity provides wireless data communications solutions to service providers in the M2M and telematics spaces.

[AirWalk Communications](#), a CDMA radio access network developer that supplies voice and data platforms to address hotspots and blind spots for in building/campus networks, received \$10 million in new funding. The company has raised more than \$33 million in total funding.

Mobile

Mobile sector companies raised \$183 million between 23 different financing transactions, a drop of 42% in total amount and 21% in number of companies funded. Unlike the previous quarter, there was no standout funding that stood above the others. In addition, the funding was spread between early, middle and later stage rounds.

One investment theme during the quarter was the continued funding of mobile advertising platform providers. These entrants are developing advertising and content delivery platforms for mobile operators and wireless telecommunications companies.

[Acuity Mobile](#) received \$4 million. [Tapioca Mobile](#), which raised a \$5.5 million series A round led by [Venrock](#) and, and [Smaato](#), secured \$3.5 million from Germany-based Aeris Capital AG and Silicon Valley angels.

The largest mobile funding event during the quarter was for [mBlox](#), which received \$22.2 million in its fifth financing round. Mblox is in the business of mobile payment and message transmission,

a heretofore difficult industry in which to make money, especially in the United States. The round was funded by [Norwest Venture Partners](#), [Scale Venture Partners](#), [Novus Ventures](#) and [Trident Capital](#).

Communications

Communications companies received the least funding aggregate of the four sectors for the second quarter in a row, netting \$57 million between five companies funded. However, this represented a 36% increase in funding over the previous quarter. Nevertheless, over the last 3 quarters there has been no discernible funding trend.

[Chelsio Communications](#) received almost half of the total funding for the sector, or \$25 million in its series E funding round. The round was led by Investor Growth Capital, and included a syndicate of venture capital and strategic investors such as [New Enterprise Associates](#), [LSI Logic](#), [Hotung Capital Management](#), [Abacus Capital](#), [Horizon Ventures](#) and [INVESCO Private Capital](#). Chelsio aims to provide protocol acceleration technology at the convergence of networking, storage and clustering interconnects.

Table 1

Venture Funding Activity – 1st Quarter 2008

| Industry | Total Amount Funded | % Change Vs. Prior Quarter | Number of Companies Funded | % Change vs. Prior Quarter |
|----------------|----------------------|----------------------------|----------------------------|----------------------------|
| Telecom | \$76 Million | - 44 % | 10 | - 23 % |
| Wireless | \$298 Million | + 26 % | 27 | + 17 % |
| Mobile | \$183 Million | - 42 % | 23 | - 21 % |
| Communications | \$57 Million | + 36 % | 5 | 0 % |
| Total | \$614 Million | - 16 % | 65 | - 7 % |

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M&A Activity

Telecom and Communications M&A activity was down sharply from the previous quarter, dropping 69% from \$990 million to \$305 million in aggregate deal volume.

The transaction that comprised virtually the entire deal volume was the acquisition of [World Wide Packets](#) by [Ciena Corporation](#) (Nasdaq: CIEN), in the amount of \$290 million. The deal was composed of \$200 million in cash, 3.4 million shares of Siena stock and the assumption of \$15 million in outstanding debt.

World Wide Packets provides telecom companies with Ethernet broadband Fiber to the Subscriber connectivity solutions via its LightningEdge offering.

Table 2

Venture M&A Activity – 1st Quarter 2008

| Industry | M&A Transaction Amounts | % Change Vs. Prior Quarter | M&A Number of Transactions | % Change vs. Prior Quarter |
|----------------|-------------------------|----------------------------|----------------------------|----------------------------|
| Telecom | \$290 Million | -- | 1 | -- |
| Wireless | Undisclosed | -- | 1 | -- |
| Mobile | \$15 Million | -- | 1 | -- |
| Communications | \$0 | -- | 0 | -- |
| Total | \$305 Million | - 69 % | 3 | - 300 % |

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Notes

This report was prepared by the staff of VentureDeal, LLC.

The information source used was the VentureDeal.com database. VentureDeal is a venture capital database that provides the latest information about venture-backed technology companies, venture capital firms and transactions in the United States.

The database obtains transaction and company information from a wide variety of reputable public and private sources. While this report is free of charge, users may view the individual transactions supporting the totals herein by subscribing to VentureDeal for \$25.

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