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NextIO Racks Up \$15M To Complete Change From Chip Co.

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In order to complete the transition from chips to appliances, virtual input/output company NextIO Inc. has turned to its existing investors for \$15 million in Series D funding.

Adams Capital Management and Crescendo Ventures co-led the round, with participation from Advanced Micro Devices Inc., Dell Inc., VentureTech Alliance and two undisclosed strategic investors, said K.C. Murphy, NextIO's chief executive. He declined to disclose the company's valuation.

Until the last year, NextIO built chips and software that give data centers more flexibility and ease of management in network connections by running all standards over PCI express, which enables network connections to share cables and for IT administrators to change connections on a server without replacing or upgrading the server.

At the behest of potential customers and International Business Machines Corp., one of NextIO's partners, the company began selling the technology in a box that sits on top of a rack of servers, Murphy said.

NextIO competes against venture-backed companies such as Xsigo Systems Inc. and 3Leaf Systems Inc. However, those companies can only connect certain types of networking standards, limiting their use to the corporate data center. NextIO can be used with any networking standard, enabling its use in different environments, such as Internet data centers and high-performance computing environments, Murphy said.

The proceeds of the round will be used to grow the company's sales channel and complete the transition from selling to equipment vendors to selling through them. It will also use the money to launch the second generation of its product, which it will formally announce later this month, Murphy said.

The company began generating revenue in the last part of 2008, though Murphy declined to provide details.

"Virtualization of the data center continues to be one of the bright spots in the IT landscape," said George Ugras, a general partner with Adams Capital and member of the company's board. "We expect that our IO virtualization product will gain broad acceptance in the marketplace" after having proved the technology with its early customers, he said.

NextIO was founded in 2003 and has now raised \$55 million in venture capital.

<http://www.nextio.com>

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