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Elemental education

Elemental Technologies, fresh off a \$1.05M funding round, has learned to adapt

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Cathy Cheney | Portland Business Journal

From left, Elemental Technologies CEO Sam Blackman, CTO Jesse Rosenzweig and Chief Architect Brian Lewis are planning to raise yet another round of money next year, perhaps up to \$5 million.

The close of a \$1.05 million seed round has positioned startup Elemental Technologies Inc. to rev up its sales, marketing and publicity machine.

Elemental, located in downtown Portland, is the brainchild of a group of former Pixelworks Inc. employees. Steeped in video chip design, Elemental's founders say they've discovered how to speed up video processing by harnessing untapped power in mass-produced graphics chips.

Elemental started its round with a \$205,000 investment from the Oregon Angel Fund in October. That investment helped the young company win a \$150,000 investment competition at the Bend Venture Conference. Elemental filled out much of the rest of the round when the company presented to the Alliance of Angels in Seattle.

Elemental plans to raise a Series A round next year, up to about \$5 million.

The eight-employee company's success is remarkable in an environment that's been particularly hard on semiconductor startups. Elemental had originally planned to design and manufacture its technology as a chip, but changed gears once it became clear that few investors were prepared to fund the long, expensive process of designing and testing a microchip.

Two local chip startups have recently folded for lack of funding: Enuclia Semiconductor Inc. and Audio Mojo Inc. One local chip startup, Ambric Inc., spent \$21 million to

achieve a working prototype of its first chip this year. That sum is considered a relatively small investment to get to what's called "first silicon" in the industry.

Ambric has chosen the video processing industry as one of its three target markets, but the chip was designed to handle many other heavy data-processing tasks.

"Ambric beat us to it," said Sam Blackman, CEO and co-founder of Elemental.

By March 2006, Elemental's founders realized the funding climate had changed. A window that had been open when Ambric was out raising money had now shut.

The group shifted from a microchip design to developing software that can be used with the graphics chips that are included in high-performance computers, such as those used for professional video editing or even for serious computer gaming.

Elemental plans to introduce its software at the National Association of Broadcasters trade show in April next year. The company could sell the software itself, or license it to a company that makes video editing software, such as Adobe Systems Inc., Apple Computer Inc. or Avid Technology Inc.

While Elemental is starting with a pitch to the professional video market, the company and its investors believe the biggest opportunity is in the commercial Internet. People love sharing video clips on Web sites like YouTube, and as time goes along, there will be only more video for Internet companies to manage.

Elemental's software can speed that process considerably, say its founders and investors, especially for companies that want to make video available on all kinds of devices -- computers, laptops, handheld computers and even cell phones.

"The video server market Elemental is starting with is in the hundreds of millions, and video editing is about the same, not huge," said Bob Greenberg, who sits on Elemental's board and represents the Oregon Angel Fund.

Greenberg, who was a Pixelworks founder, compared Elemental's market strategy with the early days of Pixelworks.

"We started with a smaller market -- projectors -- and then we went after monitors and TVs," Greenberg said. "We had a place to start, with successively bigger markets to go after."

aearnshaw@bizjournals.com