

## Scale Computing lands \$9M from Silicon Valley venture firm

Chris O'Malley  
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Data-storage upstart Scale Computing on Monday announced a \$9 million investment from Silicon Valley venture firm Benchmark Capital.

The infusion will help kick-start a global sales expansion focused on Japan and Europe, said Scale co-founder and CEO Jeff Ready.

“This will really help us to take the company to a new level,” Ready said.

A vote of confidence from a West Coast venture firm is notable in central Indiana, which is still coalescing as a technology bastion. And while not a huge amount of money—local e-mail marketing firm ExactTarget landed \$145 million in six months—it has been only a year since Scale launched its novel data storage device based on the advanced parallel file system found in supercomputers.

Already, Forbes ranked Scale No. 16 among the fastest-growing young companies in the nation.

Benchmark’s previous investments include handheld device maker Palm, restaurant reservations firm OpenTable and online auction site eBay—before it became a household name.

“It’s a stamp to help verify this is not [just] some little tech company in Indiana,” Ready said. “It’s not that common for a big, well-established fund like this to have an investment in the Midwest.”

Ready should know, having spent the last several years in the Silicon Valley. He and Scale’s other co-founders, fellow Rose-Hulman Institute of Technology graduates Scott Loughmiller and Ehren Maedge, formed two previous companies that landed venture funding.

One, Radiate, moved to Silicon Valley while the other, anti-spam firm Corvigo, was founded there. They sold Menlo Park, Calif.-based Corvigo for \$43 million in 2004.

The fact that Scale is the third company the trio formed was one of the key draws for Benchmark, said Bill Gurley, a partner in the firm.

“It’s a proven team,” said Bob O’Brien, a managing director of CID Capital in Indianapolis, who introduced Ready to Gurley. CID was an early investor in Scale and backed one of the partners’ previous companies.

“They’ve been collaborating and doing entrepreneurial activities for some time .... This is a team that knows how to execute,” O’Brien added.

Scale had just three customers at launch last year. “Now we’re very quickly going to pass 100 customers, which will be a real milestone for us,” Ready said.

Revenues in 2010 could hit \$10 million, from about \$2 million in 2009, Ready said last month.

“I didn’t expect to be here [with new investment] nine months or 10 months after we raised the first round,” Ready said. “We’ll try to get from point A to point B a little faster.”

Despite softness in other parts of the computer market, the demand for cost-effective data-storage has been hot.

Scale claims its product can cut cost 75 percent less than conventional data storage systems that require

expensive equipment upgrades.

The supercomputer-basis of their systems' architecture doesn't have a single brain or controller, but instead all the nodes contain the same data. There's not a single failure point for something to go wrong.

Scale got the attention of no less than IBM and is offering its "intelligent clustered storage device" for IBM's system X servers. The storage array is being distributed by Avnet Technology, which is IBM's largest worldwide distributor.

An out-of-state contract manufacturer is assembling Scale's devices from readily available commodity-priced drives, which are coupled with Scale's unique software—a value-added proposition for Scale and its investors and a way to keep costs down to lure customers.

"It's more function for less dollars than the big guys," said O'Brien.

In its initial fund raising, Scale fetched nearly \$6 million from firms such as CID Capital and locally based Blue Chip Venture Co.

Among Scale's new customers is the Library of Congress, which is using its data devices to archive audio recordings from the early 20th century.

The company had an unlikely beginning. Originally Ready and his Rose-Hulman partners built a supercomputer to predict stock and stock market performance, using anti-spam technology they'd developed at Corvigo.

Their crude supercomputer operated on 400 volts and generated so much heat that it had to be cooled by industrial-size fans. Its heat, and a hum akin to aircraft engines, evoked a "primal fear," Ready recalled.

Later, when the market crashed, the team changed gears and targeted the data storage market. Parts of the old supercomputer were used to develop the prototype for Scale's current product line.

Scale has 40 employees, based at Purdue University's technology park just south of Indianapolis International Airport. Ready said employment could grow to 60 or 70 by year-end.

Ready said initially he resisted seeking venture funding from firms on the coasts, knowing that they often seek to have firms move into their back yards so they can keep a closer eye on them.

"It's my goal to turn Scale into something that, directly or indirectly, has a lasting impact on the technology landscape of Indiana," Ready said.

Much of central Indiana's fledgling technology landscape consists of marketing software IT firms and those in the life sciences technology realm. Scale's "hard core" hardware product has been hailed by local leaders as a significant diversification within the local tech realm.

"It's hard to be scrappy when you're making pharmaceuticals," Ready said.