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## MORGENTHALER CLOSES \$850 MILLION FUND

### Adds Partners to Expand Communications, Software and Health Care Investing

**Menlo Park, California, August 6, 2001** -- Morgenthaler, a leading venture capital and buyout firm, announced today the closing of its seventh fund with total committed capital of \$850 million. The firm's venture capital team - based in Menlo Park, California, with satellite offices in Boston, Colorado, and New Jersey - will focus on early-stage investments in communications, software, and health care.

Morgenthaler originally targeted \$700 million for this new fund. The firm limited investments to \$850 million when it became oversubscribed. "We felt this was the optimum number. It will allow us to maintain our rapid investment pace of committing \$300 to \$400 million per year, and keep an average of only five boards per partner," said Bob Pavey, a general partner at Morgenthaler. "This new fund combined with our increased partner capacity will enable us to actively support our existing portfolio companies while aggressively seeking out new investments."

Morgenthaler, which has been in business for 33 years, said that existing limited partners contributed more to this fund than to its previous \$570-million fund. "It may seem counter-intuitive, but we experienced more interest from our existing limited partners in our new fund, despite the down market," said Pavey. "Now more than ever, limited partners have told us that they are more apt to invest in names they trust with a record of solid returns and consistency through up and down cycles."

According to Venture Economics and the National Venture Capital Association, first quarter 2001 venture capital fundraising dropped 32% from the previous quarter. Buyout and mezzanine funds saw a decrease of 57% in the same period. Analysts at these firms believe that "while institutional investors are still willing to commit money to venture capitalists, they're being more selective."

### Continues Leadership in Communications Investing; Increases Focus on Software and Health Care Sectors

Morgenthaler's venture group has consistently been ranked as one of the leading investors in the communications sector. The firm has committed to 20 new communications investments over the past 18 months, with an emphasis in optical components and systems. Its portfolio includes New Focus (NUFO) (On Light Reading's "Top Ten Public Companies" list), and Agility Communications and Lightwave Microsystems (On Light Reading's "Top Ten Private Companies" list). Other private investments include: Catena Networks, Innovance Networks, Yotta Networks and Wave7 Optics.

The firm, traditionally strong in the software and health care sectors, is expected to increase the number of investments in these areas. "We are seeing a lot more quality software opportunities as entrepreneurs abandon the unproven software services market and return to more tried-and-

true enterprise software business models," said Pavey. He also believes the firm will make more health care investments, in part due to renewed interest by the public markets.

As an early-stage investor, Morgenthaler's venture group has typically been the first institutional investor in more than 80% of its deals. "That is not to say we won't look at Series B or C rounds, especially in this market where valuations are generally attractive," said Pavey. He expects the new fund to invest between \$10 and \$40 million total in each company, with an average investment size of \$20 million.

### Expands Venture Capital Partnership

Morgenthaler also announced today the expansion of its partnership for its venture capital practice. "A good-sized fund is only one part of the success equation," said Pavey. "We're more pleased with the people we have on board who will bring their passion and expertise to bear on every investment opportunity."

In summary, the venture capital practice announced the promotion of four individuals to the position of general partner in the new fund: Greg Blonder, Jim Broderick, Drew Lanza, and Paul Levine. It also announced one new venture partner, Ralph E. Christoffersen, and a new entrepreneur-in-residence, Ken Gullicksen. Morgenthaler now has 13 general partners and a total of 22 deal-making professionals at the firm.

### About New Partners in Venture Capital Practice

**Greg Blonder, General Partner.** Prior to joining Morgenthaler as a venture partner in 2000, Blonder was a member of AT&T Ventures. Earlier, Blonder led a number of research divisions at Bell Laboratories, including material science, optical devices and consumer expectations. He was also chief technical advisor for AT&T Corp. He has a bachelor's degree in physics from MIT and a PhD in physics from Harvard. Working from Princeton, New Jersey, he focuses on investments in optical communications and Internet software and services, and currently serves on the boards of the following Morgenthaler portfolio companies: Key Optics, Lamina Ceramics, NanoOpto, Princeton Lightwave, and Xebeo Communications.

**Jim Broderick, General Partner.** Broderick joined Morgenthaler in 1998 as a principal. Previously, he worked at Mercer Management Consulting where he led teams developing market and acquisition strategies for companies in technology industries, including telecommunications equipment and services, information services, and health care. Broderick was also a member of the Kauffman Fellows Program, a two-year educational fellowship sponsored by the Kauffman Center for Entrepreneurial Leadership. He holds a bachelor's degree in engineering from MIT and a MD from the University of Massachusetts. From his base in Menlo Park, California, he focuses on information technology and currently serves on the board of two Morgenthaler portfolio companies, NexTag and Paratek.

**Ralph E. Christoffersen, Venture Partner.** Christoffersen was most recently the president and CEO of Ribozyme Pharmaceuticals, Inc., a Morgenthaler portfolio biotechnology company whose mission is to commercialize the Nobel Prize-winning discovery of ribozymes for use as human therapeutics. He was formerly the senior vice president of research at SmithKline Beecham, and vice president of discovery research at The Upjohn Company, and president of Colorado State University. Christoffersen received an honorary doctor of law degree from Cornell College in 1983, the "Outstanding Research of Year" Award from the International Society of Quantum Biology in 1981, and the "W. E. Upjohn Award" for contributions in biotechnology in 1988. He received his bachelor's degree in chemistry and mathematics from Cornell College, and Ph.D. in chemistry from Indiana University. Based in Boulder, Colorado, he is focusing on new biotechnology investments.

**Ken Gullicksen, Entrepreneur-in-Residence.** Gullicksen was the founding CEO of FiberStreet, Inc., a Gigabit network service provider serving multi-site corporations with leased fiber and point-to-point microwave infrastructure. He was previously director of business development at Nortel Networks, where he drove M&A strategy and deal sourcing for data products in areas such as carrier-managed services, IP telephony, and application software. Gullicksen has also held a number of market development and engineering roles at Hitachi-Raychem Display Systems and Sun Microsystems. He has a bachelor's degree in electrical engineering from San Jose State University and a M.B.A. from Stanford University. Based in Menlo Park, he currently focuses on software and communications investments.

**Drew Lanza, General Partner.** Lanza became venture partner at Morgenthaler in 2000 after 15 years in senior operating positions in the optical telecommunications industry. Most recently, he served as senior vice president of marketing at MAYAN Networks, building aggregation systems for the metropolitan edge market. Prior to that, Lanza was a founder and vice president of engineering at E/O Networks, and a founder and vice president of marketing at Raynet Corporation where he helped design and develop early fiber optic telephony distribution systems. He was the founding CEO and currently serves as a member of the Board of Directors of Lightwave Microsystems, a Morgenthaler portfolio company. Other portfolio companies where he serves on the board include fiberSpace, Ignis Optics, VSK Photonics and Yotta Networks. He received bachelor's and master's degrees in electrical engineering from Stanford and an MBA from Harvard. Lanza, who is based in Menlo Park, California, focuses on investments in optical telecommunications systems, subsystems, and components.

**Paul Levine, General Partner.** Prior to joining Morgenthaler in 1997 as a venture partner, Levine served as the founding CEO of Atria Software, a Morgenthaler portfolio software company that developed, distributed, and supported a high-end management system for large software development teams. He took Atria public in 1994, and merged it with Pure Software in 1996. Through most of the 1980s, Levine held senior technical positions at Apollo Computer, where he produced networked workstation systems. He received his bachelor's and master's degrees in electrical engineering and computer science from MIT in 1977. He currently serves on the boards of two Morgenthaler portfolio companies: Fiber Optics Network Systems and StarGen. From his base in Boston, he focuses on investments in software, services, and communication systems.

### **About Morgenthaler**

Morgenthaler, a leading venture capital and buyout firm, was founded in 1968. The firm focuses on early-stage technology investments as well as middle-market management buyouts. It has funded 180 companies over its 33-year history, including two of the last decade's highest performing IPOs: Microchip Technology (1993) and Premisys Communications (1995). Other investments include: Agility Communications, Athena Neurosciences, Cambridge International, CardioThoracic Systems, Catena Networks, Compel, Glass Equipment Development, KnowledgeNet, Lightwave Microsystems, Medaphis, NeoThermia Corp., New Focus, NEXTEL Communications, Nuance Communications, Perclose, Ribozyme Pharmaceuticals, Sheldahl, Thermage, and Vical. With its new fund, the firm will have a total of \$1.8 billion under management. The firm's website address is [www.morgenthaler.com](http://www.morgenthaler.com).