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Force10 Raises \$74.9 Million In Latest Round of Financing

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Force10 Networks Inc. said it had closed a \$74.9 million round of funding, marking the largest such infusion for a maker of computer-networking gear in two years.

With the new money, Force10, Milpitas, Calif., has raised approximately \$290 million since its founding in 1999, making it one of the best-capitalized start-ups challenging networking kingpin [Cisco Systems](#) Inc.

Force10 makes networking equipment that can transmit 10 billion bits of data a second, using the Ethernet technology that links most corporate computer networks. That's ten to 100 times as fast as most current corporate networks.

Two Silicon Valley venture-capital firms led the investment round, Meritech Capital Partners and Morgenthaler Ventures. Other investors included Crosslink Capital, a new investor, and U.S. Venture Partners, New Enterprise Associates and Worldview Technology Partners, all of which had previously invested in Force10.

Gary Morgenthaler, a general partner at Morgenthaler Ventures, said he had recently talked with 15 Force10 customers, and found them universally enthusiastic about the product. Force10 said its customers include NASA, the Department of Homeland Security, MCI Inc., Korea's Hanaro Telecom and oil-exploration firm Veritas DGC Inc.

"With each generational change of Ethernet switch-routers, one or more new companies have emerged at the forefront," Mr. Morgenthaler said. Force10 is a leader in emerging so-called 10-gigabit technology. The company says it was the first to ship true 10-gigabit switches in September 2002.

For now, 10-gigabit equipment is used primarily inside corporate data centers, where it connects powerful computer servers with each other, and with stores of data. But prior generations of Ethernet that started in niche applications ultimately became ubiquitous as prices declined.

Market-researcher Dell'Oro Group, Redwood Shores, Calif., projects that sales of 10-gigabit networking gear will nearly quadruple this year, to \$350 million, from \$85 million last year. By 2006, Dell'Oro projects that sales of 10-gigabit equipment will reach \$1.3 billion.

Cisco is the biggest player, with 71% market share based on revenue in the first quarter, according to Seamus Crehan, a Dell'Oro analyst. [Foundry Networks](#) Inc. registered 11%, followed by Force 10 at 10% and [Extreme Networks](#) Inc. with 4.5% share, Mr. Crehan said.

In a note last week, Lehman Brothers analyst Tim Luke said Force10 has quarterly revenue of \$10 million to \$15 million and hopes to break even by the first quarter of next year.

The \$74.9 million raised by Force10 is the most by a networking company since Mahi Networks Inc. raised \$75 million in June 2002, according to the VentureOne/Alternative Investor unit of Dow Jones & Co., the publisher of The Wall Street Journal and The Online Journal.

Force10 has 275 employees.