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New Enterprise Associates Starts Summer Deals Spree

By Lisa Bransten
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Summer Fun I

Maybe someone ought to tell Forest Baskett that 1999 is over. Despite the combination of the turmoil among technology companies and the dog days of summer that have slowed new deal-making to a trickle, Mr. Baskett is working on what may well be a downturn record: closing three new deals in about three weeks.

The deals will make the fourth, fifth and sixth boards Mr. Baskett has joined since becoming a venture partner at Menlo Park, Calif., venture firm New Enterprise Associates in September of 1999. Before joining NEA, he was chief technology officer at Silicon Graphics Inc.

"I think it's because I'm new at this so I don't have my plate full of problem children," he says, using the new buzzword for the troubled companies many venture capitalists are now spending much of their energy trying to help. Since Mr. Baskett joined NEA just before the technology bubble started to burst, he has made most of his investments in a postboom world.

Two of the new companies, Aeluros and Fulcrum Microsystems, are designing semiconductors that will make communications networks run faster. Aeluros, based in Palo Alto, Calif., raised \$10 million from NEA and Worldview Technology Partners, while Fulcrum, of Pasadena, Calif., raised \$15 million from NEA, Worldview and Infinity Capital. And he says Internet-infrastructure company Newisys, of Austin, Texas, is about to close \$27.9 million.

Closing all those deals at once is especially amazing given that this summer most venture capitalists seem to be cooling their heels in remote vacation spots. For the past few years, VCs had working vacations or none at all. In 1999, few wanted to leave because there were so many deals to do, and last year many were tied to companies they were trying to help obtain more funding or cut costs. This year, most companies have either closed or been through the worst, and few new deals are getting done.

"The sense is now that, 'Hey, I can take a month off and nobody will miss me,'" says Andy Rappaport, a partner at August Capital, in Menlo Park. This year, vacations have been far more restful, he says, and he has spent just 20% of his time working while out with his family, compared with last year, when he spent 80% or more of his vacation working.

But Mr. Baskett's feat is not 1999 redux. For one thing, the three-deals-in-three-weeks phenomenon is as much a coincidence as a funding spree since the deals took two to six months to come together. And rather than a small percentage of the firm's deals, these represent one-fifth of all the new deals NEA has done this year.

Mr. Baskett does worry about being stretched too thin by doing so many deals at once and says he's going on a "deal diet" in the wake of this binge.



Summer Fun II

Another consequence of the bursting of the technology bubble is that it is much harder for venture-capital firms to raise new money. But Polaris Venture Partners, of Waltham, Mass., has managed that feat. The five-year-old firm closed a \$900 million fund last week.

Although Polaris raised its previous fund at the height of the bubble -- an \$800 million pool raised in January 2000 -- Terry McGuire, managing general partner, says raising the new fund wasn't much harder because existing investors mostly signed on to put more money with the firm.

But it is not all easy on the fund-raising front. In the second quarter, venture-capital firms raised just \$9.7 billion, compared with \$30.3 billion for the same period last year and \$16.7 billion in the first quarter of this year.

Summer Fun III

There is still an appetite for companies working on technology to deliver faster Internet access. That helped Ikanos Communications raise \$25 million in a third round of financing that was led by Walden International. The Fremont, Calif., company is developing a set of semiconductors that expands the capacity of existing copper cables. Rajesh Vashist, chief executive, won't discuss the value investors placed on the company, but said it was lower than in February 2000, when the company last raised money.