

# Lightstone Ventures Launches With \$172M for Early-Stage Health Deals

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After two years of operating in stealth mode, **Lightstone Ventures**, an early-stage life sciences firm launched by health-care investors from Morgenthaler and **Advanced Technology Ventures**, says it has closed its inaugural fund at \$172 million and has already backed three startups.

Mike Carusi, a Lightstone general partner and a managing director at **Advanced Technology Ventures**, said Lightstone is operating from the Palo Alto, Calif., offices of ATV.

ATV, he said, will not be raising a new fund.

Mr. Carusi and Jean George of ATV and Hank Plain and Chris Christofferson of Morgenthaler decided to launch the new firm because all four investors feel that raising specialized funds has become a crucial tool in venture investing - especially in health care.

"Venture capitalists used to be generalists," Mr. Carusi said. "But the whole trend today is toward specialization. Building a business today takes more expertise. The technology has become more sophisticated, and the synergies between [one area of technology and another] are less and less.

"In health care, you have to become very specialized. You need to know about insurance reimbursement, the FDA ... As an investor, you want to be able to lean on your whole team," he said.

Lightstone's first three investments illustrate that concept, as all three companies have some link to health-care investors at either ATV or Morgenthaler, Mr. Carusi said.

In announcing a deal that was previously undisclosed, Mr. Carusi said that Lightstone invested alongside **New Enterprise Associates** and Aisling Capital in Redwood City, Calif.-based **EarLens Corp.**, which recently raised a \$40 million Series B round.

The stealthy company is developing a high-tech hearing aid that investors believe will offer more hearing improvement than other products on the market today. The chief executive of EarLens, Bill Facteau, was previously the CEO of Acclarent Inc., acquired by **Johnson & Johnson** in 2009 for more than \$800 million.

Hank Plain, now of Lightstone, was an Acclarent board member thanks to Morgenthaler's investments in the company, Mr. Carusi said.

"This investment was like getting the band back together," he said.

Lightstone's first investment, made last October, was participation in a **\$32 million Series B round** for **Catabasis Pharmaceuticals Inc.** the company is developing a drug to lower triglyceride levels in the

body in a bid to ward off cardiovascular disease and inflammation. The firm invested alongside **Advanced Technology Ventures** , **Clarus Ventures** , **MedImmune Ventures** and SV Life Sciences, VentureWire records show.

The firm's second investment was in FIRE1, an Irish company developing a therapeutic device, Mr. Carusi said. The company, which is still in stealth, was incubated at The Foundry, an organization that ATV has been backing for years. **Covidien** and **New Enterprise Associates** have also backed the company, which raised \$4.1 million, Mr. Carusi said.

Lightstone will be looking to make about five investments per year over the next three years, he said. About 75% of the investments will be in early-stage biotechnology and medical device companies, with 25% slated for "opportunistic investing," which might include secondary deals, recapitalizations, later-stage deals or private investments in public entities.

The firm has an especially keen eye out for drug-discovery platforms and medical devices that replace drugs in treating various conditions, Mr. Carusi said.

While Lightstone originally sought to **raise up to \$250 million for its first fund** , investors are happy they were able to raise \$172 million for early-stage deals, something that has become extremely difficult in recent years, he said.

In raising the fund, the four investors tapped several new limited partners, but also turned to investors who in past have backed Morgenthaler and ATV, Mr. Carusi said. Limited partners in **Lightstone Ventures LP**, as the fund is called, are endowments, pension funds and funds of funds, and are based in the U.S., Asia and Europe, he said.

Though ATV will not raise a new fund, investors at the firm--partners who specialize in information technology--announced last summer that they would begin **raising a \$75 million fund** under the name G20 Ventures.