



Calix Deployment of Over 500 C7™ Simplified Services Platforms at 50+ Carriers Indicates Strong Demand for Cost-effective, Simplifying, Service-enabling Solutions

Carl Russo and Michael Ashby join management team; additional \$50 million investment brings total to over \$260 million; RUS grants listing

FEBRUARY 3, 2003, PETALUMA, CALIFORNIA—Calix, a supplier of advanced telecommunications platforms that radically improve voice, data, and video service delivery economics for wireline carriers of all sizes, today announced that it has shipped over 500 revolutionary Calix C7™ simplified services platforms to over 50 US local exchange carriers. Having also raised over \$260 million in capital, including \$100 million in the last eight months alone, having obtained RUS acceptance and completed the Telcordia™ OSMINE Services process, and having shipped over 50,000 ports ranging from POTS to OC-48 into production carrier networks, the company believes that market validation of the powerful Calix simplified services approach has been achieved.

According to newly-appointed president and CEO Carl Russo, "Clearly this is a market that has been dramatically underserved and is now attracting considerable interest. Our ability to assemble over a quarter-billion dollars in financing and secure over 50 customers during what have been challenging times indicates that both capital markets and service providers recognize the importance of high-capacity, high-value, simplifying network platforms that help service providers increase revenue and improve profitability."

The Calix C7™ platform integrates all of the functionality required to deliver voice, data, and video services to both business and residential customers in a single enclosure. Delivering this set of services previously required functionality found in a disparate array of network elements, including next-gen/broadband DLCs, DSLAMs, NG SONET multiplexers, IP Routers, Ethernet switches, ATM switches, optical access platforms, and digital cross-connects. Deployable in a wide variety of carrier environments, including outdoor remote terminal locations, the Calix C7™ delivers massive metallic and optical density, 200Gbps of system capacity, and unprecedented service flexibility and functional headroom in an extremely compact, environmentally hardened platform.

"We set out to fundamentally alter the architecture of the telecom access network—enabling margin-rich data and video services over metallic and optical access media—while still addressing existing, revenue-generating services," stated founder and chief strategy officer Michael Hatfield. "Proof that this can be done—and is economically viable—only comes from one source: the customer. With over 50 production network builds well underway and thousands of end users turned up on our systems, we now feel that we have ample validation of our technical and business vision."

Observed Gene Baldwin, vice president at MBO Corporation, "When we embarked on a project to deploy network edge DSLAMs, the Calix C7™ platform combined all required elements to provide voice, video, and broadband services throughout the local exchange areas of Cimarron Telephone, Cross Telephone, and Pottawatomie Telephone Companies. These independent LECs, affiliates of MBO, provide service to approximately 40,000 subscribers in Oklahoma.

Milton Alford, director of operations of MBO's Network Division, led a team that deployed 50 Calix C7™ OC-48 nodes on its SONET network, dramatically increasing bandwidth, including ATM transport, along MBO's four-state network. MBO, the first Calix customer, "was very impressed with the Calix team and their assistance in our network addition," said Alford.

Current customers that have deployed the Calix C7™ platform represent an aggregate of over 6 million access lines. A partial list of those service providers includes: ALLTEL, Atlantic Telephone, Barry County, CenturyTel, Citizens Cooperative, CP-Tel Network Services, Hancock Telecom, Highland Telephone, Liberty Communications, MBO, Mutual Telephone Co, Randolph Telephone, and Skyline Telephone.

According to Scott Clavenna, president of PointEast Research, "Despite the gloom pervasive in the telecom market today, there is real urgency around access modernization, requiring a unification of transport, voice, data and in some cases video service delivery on a single access platform. Today, the smaller telcos are stepping up, but this is a global trend, and the larger carriers will soon follow."

The Calix C7™ Simplified Services Platform

The Calix C7™ platform is specifically designed to snap into existing carrier infrastructure, massively increasing capacity and providing a broad range of new service delivery capabilities while fully supporting existing service requirements. Specifically, the Calix C7™ provides:

1. High-density metallic services termination. Each Calix C7™ terminates up to 480 copper connections, including POTS, DSL and Ethernet. Integrated POTS splitters allow support for baseband POTS and DSL on the same line. Additionally, the Calix C7™ supports legacy telco services such as COIN, DDS, ISDN, EBS, and 2- and 4-wire specials.
2. High-density fiber services termination. The Calix C7™ terminates up to 480 fiber connections, enabling the selective migration of copper-based subscribers to FTTH connections.
3. Advanced business services. In addition to existing DS1 and DS3 hi-cap services, the Calix C7™ supports SONET transport and both 10/100 Ethernet and Gigabit Ethernet services to business customers. With advanced data interworking capabilities, including Ethernet shared packet rings, service providers are able to offer a wide variety of layer two data services.
4. Full integration of next-generation SONET transport, cross-connect, and grooming, providing OC-48 transport-class bandwidth and networkability to all carrier locations, including remote terminals.

5. Integrated support for switched digital video. Based on industry standards, the Calix C7™ platform integrates functionality required to aggregate, distribute and deliver broadcast and on-demand video over DSL and fiber access media, including video multicasting and distributed IGMP channel-change processing.
6. Support for any mix of TDM circuit, ATM cell and Ethernet and IP packet traffic. Via a single asymmetric multi-service switching ASIC, the Calix C7™ is able to simultaneously cross-connect up to 1,056 STS-1s and 11,700 DS0s, and switch up to 50Gbps of multicast packet traffic.
7. Outside cabinets. Calix provides a complete range of patent-pending cabinets spanning line sizes from 120 to 2,880. Calix outside cabinets are specifically designed to handle the thermal challenges and cabling problems associated with the complete conversion of a narrowband, POTS subscriber base to broadband copper and broadband fiber services.

According to Matt Davis, director of broadband access technologies with Yankee Group, "Wireline carriers of all sizes face a critical crossroads in their long term strategic planning. They must make the decision to upgrade their access networks in a difficult economy in order to roll out services that generate new sources of revenues such as video. The innovative Calix platform is specifically designed to cost-effectively address this business imperative without leaving legacy carrier services behind."

A Telecom Company for the 21st Century

Seeking to avoid many of the pitfalls that adversely impacted many telecom companies of the last century, Calix invested heavily in operational infrastructure in order to assure that it could operate efficiently as a supplier to telecom service providers and that it could scale to meet demand. Toward that end, Calix partnered with Flextronics International (NASDAQ: FLEX) to develop and implement a pioneering, vertically-integrated supply chain program that allows customers of Calix to design, configure, order and track all purchases online. Flextronics ships products directly to the customer, substantially reducing inventory requirements for all parties and simplifying the supplier relationship.

"We worked closely with Calix to develop an operational model of what efficient telecom equipment manufacturers will look like: low cycle times, low inventory requirements, high scalability and high product quality," stated Michael Marks, chairman and CEO of Flextronics International.

Management Team

In order to further strengthen the management team as the company completes its transition to an operational supplier to telephone companies, Carl Russo assumes the posts of president and CEO, allowing company founder and chief strategy officer Michael Hatfield to focus on key technology and business development issues as the company accelerates shipping volumes and looks to new markets.

Prior to Calix, Mr. Russo was group vice president of optical networking at Cisco Systems (NASDAQ:CSCO). Prior to that he was president and CEO of Cerent (later acquired by Cisco), COO at Xircom (later acquired by Intel, NASDAQ:INTC), and held senior marketing and sales management positions at Network Systems (later acquired by StorageTek, NYSE:STK) and AT&T Paradyne (NASDAQ:PDYN). Prior to founding Calix, Mr. Hatfield was founder and COO at Cerent, and held a variety of senior management positions at AFC (NASDAQ:AFCI) and DSC (later acquired by Alcatel,

NYSE:ALA). Mr. Hatfield's long career in telecommunications began at Indiana Bell (later acquired by SBC, NYSE:SBC).

Michael Ashby also joins the senior management team as chief financial officer. Prior to joining Calix, Mr. Ashby was vice president of finance with Cisco Systems, CFO with Cerent, CFO with Ascend (later acquired by Lucent, NYSE:LU), CFO with Pacific Bell (later acquired by SBC) and held CEO, COO and CFO positions at Network Systems. "I am thrilled with the opportunity to join an emerging major supplier of telecom equipment that exhibits rare attributes in these trying times: solid funding, excellent customer traction at all levels, and an incredibly powerful product." Steve DeGennaro continues to head up the increasingly critical finance and accounting functions as vice president of finance.

Additional Funding

In closing the \$50 million Series E funding round, Calix adds new investors TeleSoft Partners and Kinetic Ventures to a list of existing investors that includes Azure Capital Partners, Redpoint Ventures, MSD Capital, Integral Capital Partners, and Meritech Capital Partners, in addition to a number of private investors. Azure, Redpoint, Integral and Meritech also participated in the Series E round. Geoff Yang, general partner at Redpoint Ventures, and Arjun Gupta, managing partner at TeleSoft Partners, join the Calix board of directors, which also includes Carl Russo, Mike Hatfield, Ajaib Bhadare, Paul Ferris, general partner at Azure Capital Partners, and Tom Brener, general partner at MSD Capital.

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About Calix

Founded in 1999, Calix is a privately-funded supplier of telecommunications infrastructure platforms designed to facilitate all aspects of voice, data, and video service delivery to business and residential subscribers for local exchange carriers of all sizes. Providing massive metallic and optical density, unprecedented system capacity and functional headroom, advanced management and provisioning software, and complete service flexibility, the Calix C7™ platform simplifies carrier access networks while infusing orders of magnitude more capacity and driving more value into service provider infrastructure.

To date, Calix has raised over \$260 million in capital, and shipped over 500 Calix C7™ platforms with over 50,000 ports to over 50 local exchange carriers across the U.S.

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