



Get ready for a three-day weekend.
For ticket information, visit www.toshibaclassic.com
Toshiba Classic • March 5-11, 2007 • Newport Beach Country Club



- HOME PAGE
- ABOUT OCMETRO
- MEET OUR STAFF
- ADVERTISING
- FEEDBACK
- ARCHIVES

OCMETRO BUSINESS

- COVER STORY
- FEATURE STORY
- POLITICAL COLUMNS
- LETTERS
- PUBLISHER'S NOTE
- TICKER
- WOMEN
- AN EARFUL
- BIZ BITES
- THE EDGE
- EXECUTIVE WING
- ENTREPRENEUR
- WORKSPACE
- MOVERS & SHAKERS
- LIGHTBULB MOMENT
- IN BOX
- HOT READ
- RETAIL
- GET IT

OCMETRO LIFE

- ENTERTAINMENT & LEISURE
- DINING / LUNCHBREAK
- SHOPPING / TRACTION / CLICK
- HEALTH & FITNESS
- BEACH BUZZ

OCMETRO BUSINESS

COVER STORY

MARCH 1, 2007

TECH COAST

OC's high-tech industry chips away at the Silicon Valley when it comes to innovation, revenue, even venture capital investment. For the more than 100,000 OC residents the industry employs, the outlook for the Tech Coast is bright.
By K.B. Keilbach

When he first coined the phrase "Tech Coast" in the 1990s, Irvine-based high-tech business consultant Tim Cooley wasn't just throwing down the gauntlet to Silicon Valley. He was calling attention to the fact that Orange County is now home to some of the most innovative and creative companies in the United States. From chips to connectivity to software, companies such as Broadcom (which recently announced it is providing the chip for Apple's iPhone), Conexant, Kingston Technologies, D-Link Systems and Sage Software are headquartered in OC, representing some of the highest value-added and highest wealth-creation industries in the world.



Steven Joe
President and CEO
D-Link Systems, Inc.



WOMEN IN TECHNOLOGY

A look at some of the women making an impact in OC's high-tech industry.

TECH COAST

OC's high-tech industry chips away at the Silicon Valley when it comes to innovation, revenue, even venture capital investment. For the more than 100,000 OC residents the industry employs, the outlook for the Tech Coast is bright.

By K.B. Keilbach

When he first coined the phrase "Tech Coast" in the 1990s, Irvine-based high-tech business consultant Tim Cooley wasn't just throwing down the gauntlet to Silicon Valley. He was calling attention to the fact that Orange County is now home to some of the most innovative and creative companies in the United States. From chips to connectivity to software, companies such as Broadcom (which recently announced it is providing the chip for Apple's iPhone), Conexant, Kingston Technologies, D-Link Systems and Sage Software are headquartered in OC, representing some of the highest value-added and highest wealth-creation industries in the world.

"I think a lot of people across the country and around the world now really recognize Orange County as a center of innovation," says Cooley, a fellow at the Los Angeles Regional Technology Alliance, a nonprofit that spurs tech start-ups.

RESOURCE DIRECTORY

B2B

- BANKS & YOUR BUSINESS
- EDUCATION & CAREERS
- SPECIAL EVENTS/CATERING
- WOMEN IN BUSINESS

YOUR LIFE

- HEALTH DIRECTORIES
- NEIGHBORHOODS

GIFT GUIDE

FROM OUR ADVERTISERS

THE HOT 25 2006

[VIEW DETAILS](#)

"We're well known in any number of areas such as medical devices and information technology; and we're becoming an emerging area for clean-tech and biotech, especially with the centers of excellence that are emerging over at UC Irvine in the areas of stem cell research and the National Fuel Cell Research Center."

Why, though, have tech firms begun to settle south of the Silicon Valley? D-Link North America President and CEO Steven Joe says Orange County has it all. "There are good resources here and good research and good access to the university environment; good access to technology, to global resources. And Orange County really is a leading area for people who want to live here and be involved in this type of environment."

Fountain Valley-based D-Link Systems employs some 240 staffers; as many as one-fourth are graduates of the UC system. Joe, who graduated from UC Irvine in 1990 with a degree in Information and Computer Science (emphasis in circuit design and database management), says that the opportunities in OC are "almost endless." The challenge, he adds, is in educating the market so that consumers know what technologies are available and how to use them. For businesses, he says, "...it's really letting them know that it (the product they've been waiting for) is out here now."

Founded in 1986, D-Link has grown into an international corporation. With global consolidated revenues of more than \$1 billion in 2005, the company is considered a market leader in small-to-medium business connectivity.

"You see a lot of the business leaders in this area focusing and developing new technology in innovations, so Orange County really is a strong area for all types of innovations in multiple areas," says Joe, who last year was honored as Outstanding Private Company CEO by the American Electronics Association (AEA), Orange County. The AeA represents all segments of the high-tech industry throughout the United States.

According to Tim Jemal, executive director of the AeA Orange County Council, OC has "the most diverse technology base" of any region in California. "AeA has 16 categories where we've ranked the prominence of the high-tech communities in California, and Orange County is the only metro area in the state that ranks in the top five of all of these industry sectors," Jemal says. Keeping that edge, however, will involve creating a pipeline of talent for the industry.

Gary Augusta, president and CEO of the Orange County Technology Action Network (OCTANe), agrees that encouraging young students to develop and pursue interests in the so-called STEM disciplines (Science, Technology, Engineering and Math) is crucial to maintaining a competitive edge in a global economy. He sees what he calls a "systemic problem in the United States with the number of scientists and engineers...."

Orange County, however, remains a thriving hotbed of innovation despite the fact that more venture capital funds still flow to the Silicon Valley than anywhere else. Augusta explains the disparity: "If you look at the number of patents...in Southern California it's about 6,000 patents and it's mostly evenly split between Orange County, Los Angeles and San Diego. Silicon Valley is about 8,000, so it is a little bit more; but the venture capital money is anywhere from 20 to 50 times as much."

Dwight Decker, president and CEO of Newport Beach-based Conexant Systems, Inc., says attracting venture capital to OC is key to this region's high-tech growth. He is optimistic about the future. "Orange County is more of a hotspot for tech than it was 10 years ago," Decker says. "This past quarter, for example, I think that venture capital in the [Southern California] tech space actually exceeded the Boston area and now becomes No. 2 behind Silicon Valley in the whole country."

Decker says another reason to be optimistic is the number of newcomers to the Tech Coast. "I can count several companies...that have been formed by people

as Nand-based flash cards for mobile phones and digital cameras as well as improved USB flash drives for PCs and laptops.

“There are really three trends (in the USB product line),” says Chen. “One is the product design innovation. Two is on a consumer usefulness application-based (innovation). And three is corporations security-based innovation.”

Chen sees tremendous growth potential in the mobile handset industry and digital camera market as well. “Whether it be video cameras, camcorders, cell phones, or MP3 or playing video files, all of them will require a card,” says Chen.

Kingston expects developing markets in Eastern Europe, India and Latin America to fuel the company’s already-impressive growth. “I think geographical expansion worldwide is one of the drivers of growth for us,” says Chen.

“The biggest challenge we have is in the Nand industry. Price erosion is a part of our daily life. At the beginning of (2006), the Nand-flash used to produce a one gig card was about \$40. At the end of 2006, that was about \$6.”

For DatAllegro Founder and CEO Stuart Frost, new product innovation is a way of life. The Aliso Viejo-based company, founded in 2003, produces data warehouse appliances.

“I think what we’re riding is a bit of a new wave in technology which is to combine an open source software base embedded in hardware to create an appliance, and then add intellectual capital on top of that to create a kind of finished product,” says Frost.

DatAllegro’s newest product will be based on Dell servers and EMC storage. “There’s an open source data base engine embedded within it but then we rattle that up to create a massively parallel database,” says Frost.

Frost plans to keep “...building on that base that we have of the early adopted customers and turning that into a more mainstream market offering. That’s part of the reason we’re partnering with EMC and Dell, to help us take it to market.”

The challenge that Frost sees: “For us, it’s mostly about managing our growth and pacing ourselves, really making sure we deliver on a very high-quality solution that adds value to customers...It’s more about having a relatively small base of very high-value market accounts.”

DatAllegro has sold multi-million-dollar systems to clients such as Sears, something that Frost says is “extremely unusual for an early stage company.” He adds, “We’re doing great in Orange County. I’ve seen a few companies, that were kind of struggling, move to Silicon Valley thinking that was going to be their salvation. And guess what? They continued to struggle.”

DatAllegro employs nearly 100 and is continuing to hire “...almost as fast as we can without losing control,” Frost says. He sees continued growth and profitability for his company right here in Orange County. “The goal is to build a billion-dollar business and headquarter it in Aliso Viejo,” says Frost. “We’re a ways off from that yet, but we’re on a good path to it.”

Silicon Systems has set the pace for high-tech growth in Orange County and beyond. The company, also based in Aliso Viejo, is the



“We’re doing great in OC. I’ve seen a few companies, that were kind of struggling, move

second-fastest-growing emerging technology company in North America, according to Deloitte's 2006 Technology Fast 500 North American program. Silicon Systems was also awarded Deloitte's Technology Fast 50 Rising Star Award for Orange County. With 7,204% revenue growth in 2006, CEO and Director Michael Hajeck has reason to feel optimistic.

That were kind of struggling, move to Silicon Valley...
They continued to struggle."

—Stuart Frost

"Our product essentially performs the functionality of a hard drive that's in your desktop or laptop computer...but has no moving parts. So that translates into a highly reliable storage system," says Hajeck. "When we started the company... there was mechanical media – hard drives, tape, removable hard drives, that type of storage media – and there were flash cards, like you use in your digital camera or your cell phone or whatever. And we really felt there was a need in the market for advanced storage that would combine the industry standard interfaces in performance of the traditional hard drive market with the benefits of the flash card market in terms of small form factor, low power, no moving parts."

The company's customers include a variety of diverse enterprises from Motorola cellular base stations to Valley Gaming electronic gaming equipment; from Cardinal Health medical device products to Fujitsu ATM products.

He does see uncertainty in the global economy and the "overhang of the war" in the Middle East as being a challenge to business. Still, he expects "very, very robust growth" in 2007. "We will continue to see the benefit of our efforts that we started, in some instances as early as 2005, start to be monetized, in that the products that our customers designed will go into production and be ramping volume production in 2007...."

Steve Andler, vice president of marketing at Networks in Motion, another newcomer to the Orange County business ecosystem, says 2007 should be a very robust year in terms of business. The Irvine-based company, founded in 2000, doubled in size last year, according to Andler, with mostly technical people coming on board. The company employs approximately 50 staff and, "like all companies, we find ourselves looking for more space...."

Network in Motion develops the navigational products available on some cell phones – The VZ Navigator on Verizon and the Alltel Axxess Mobile Guide on Alltel Network. "It does what's called off-board navigation," explains Andler, "which means the maps and points of interests or the businesses you look up all reside on our servers... This keeps them up to date, as opposed to in a car where they might be on a DVD that's, say, 18 months old," says Andler.

"I think 2007 is going to be a year of discovery," Andler says, "where people see their friends doing things like looking up a bar to go to, or sending people their location so they can find them, which we call location-based services. Or, using it to track your children, which has been around for several years now but has not been made popular yet."

He also sees providing off-board navigation devices to car companies as another area of opportunity. According to Andler, one of the reasons that Networks in Motion was attracted to Orange County in the first place – besides the fact that it is "the high-tech center of Southern California" – is that "it's also where all the West Coast design centers are for all the car companies."

Venture capital flows to OC

Like many other start-ups in Orange County, Networks in Motion received its funding from out-of-county venture capital firms including Red Point Venture Capital, with offices in Menlo Park, Los Angeles and Singapore, and Mission Ventures, with offices in San Diego. However, OC investors are beginning to look closer at the Tech Coast for opportunities.

Marc Averitt, managing director of Okapi Venture Capital in Laguna Beach, sees

tremendous opportunity for investment in Orange County. "I did my proverbial tour of Silicon Valley from 1999 to 2003 and I think...the money follows the ideas and the company. And in Orange County, what I see specifically is that there's a number of sectors within the tech industry that are of interest." Averitt says high-tech sectors such as "semiconductors, obviously, with Conexant Systems and Broadcom being here, a number of spin-offs from those" are of real interest. "Storage is an active sector with Emulex, QLogic, Aristos Logic and a few other storage companies; a number of enterprise software companies here." He adds, "IBM recently bought FileNet. Google bought dMark and both are setting up consumer Internet operations here in Orange County.

"Another thing that drew me to Orange County from (Silicon Valley) is the proximity," says Averitt. "It's sort of at the epicenter of Southern California... Between Los Angeles to San Diego you have a lot going on in the new media." He sees new media evolving from universities. "A number of companies are starting to spin out of the universities which will attract capital. And more capital attracts more companies and you end up with a sort of virtuous, self-perpetuating cycle." Okapi Venture Capital recently invested in San Clemente-based RF Nano Corp.

Averitt is also seeing an overlap between medical device and life science investments and so-called traditional information technology investments in Orange County both in terms of administrative systems to actual sub-dermal drug delivery systems utilizing "common off-the-shelf technologies" in innovative, new ways.

One of the unique aspects of Okapi Venture Capital is that its advisory board includes partners from Versant Ventures, Palomar Ventures, and Miramar Venture Partners, all of which have offices in Orange County. Another is that it is a for-profit spinoff from the nonprofit OCTANe.

"[This] is the center of the largest consumer base in the U.S.," says OCTANe's Gary Augusta. "At the end of the day, our industry is driven by two things – minds and money...and there is talent here...and there is opportunity here... there's virtually one innovative company per square mile in Orange County."

With the current level of activity, density and diversity apparent in Orange County high-tech today, most agree that the hub of the Tech Coast will continue to enjoy a prosperous and innovative future.

Tim Cooley sums it up: "People want to be part of a growing technology center – a technopolis – and that's what Orange County has become." **OCM**

[Back to top](#)

[Local News](#) [Financial News](#) [World News](#) [Southland Golf](#) [Weather](#) [OC Wine](#) [Dining Guide](#) [OCMenus.net](#)

FEATURED PARTNERS



[ABOUT CHURM MEDIA](#) - [OUR OTHER MAGAZINES](#) - [WHERE TO FIND US](#) - [CONTACT US](#)
[PRIVACY POLICY](#) - [TERMS OF USE](#)