

Quake sold for \$69M U.S. to California firm

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Quake Technologies, a survivor of the 2000-2001 technological bust, has been bought for \$69 million U.S. by Applied Micro Circuits Corp. of Sunnyvale, California.

AMCC, which has Ottawa operations, is buying Quake to get high-speed ethernet technology used in corporate data centres and networks.

The deal, which is expected to close at the end of the month, will make some money for investors who poured \$63 million U.S. into Quake between 2000 and 2004.

They were betting that Quake's superfast 10-gigabit ethernet chips would drive the next generation of optical, access and networking technology.

The bust put that dream on hold for several years, forcing Quake to chop a workforce that once numbered 85 in Ottawa and California.

But Quake found enough business to keep the doors open while it nursed the remaining capital and moved from the telecommunications to corporate-network businesses.

Sales doubled to \$10 million in 2004 and the company turned profitable last

year. This year, it expects sales of about \$20 million to Cisco Systems and other players in corporate networking such as Foundry and Extreme Networks.

"We went through some dark days between 2001 and 2004, said chief executive Dan Trepanier.



CREDIT: Rod MacIvor, The Ottawa Citizen
Quake Technologies CEO Dan Trepanier.

To protect the niche against better-financed rivals such as Broadcom and Marvell, Mr. Trepanier said Quake needed a partner to help finance the high cost of developing new chips.

"It used to cost \$2 million to develop new silicon, but the cost is now \$10 million to \$15 million."

According to research by the Dell'Oro group, demand for 10-gigabit chips will grow more than 17-fold by 2010. AMCC, which has about 20 employees in Ottawa, is already a big player in 10-gigabit chips for telecommunications.

AMCC yesterday reported sales of \$69.7 million U.S. in the June quarter, up eight per cent from a year earlier. It did not report bottom-line results because it is one of many companies involved in a stock-option timing investigation.

Quake has 50 employees, the majority of whom work in Ottawa. With the exception of a few U.S. sales employees, all will join AMCC. Mr. Trepanier will report directly to AMCC chief executive Kambiz Hooshmand.

VenGrowth Asset Management Inc., a private equity manager, led an undisclosed \$15-million refinancing round in 2004 in which some earlier Quake investors dropped out. Other investors in Quake include Cisco Systems, Venturetech Alliance, TSMC, Mitsubishi and Mohr Davidow Ventures.

With over \$1 billion in assets under management, VenGrowth is Canada's largest private equity and venture capital firm managing both retail and institutional assets. Since 1982, VenGrowth's accomplished private equity managers have invested over \$1.1 billion in over 180 companies, building a strong track record of successful portfolio transactions. These investments have been made on behalf of over 180,000 individual investors and leading pension funds, banks, insurance companies and family foundations. Portfolio companies benefit from VenGrowth's substantial experience, resources, and hands-on investment style. VenGrowth's offices are located in Toronto (Corporate Headquarters) and Ottawa. "VenGrowth" means VenGrowth Private Equity Partners Inc. and its affiliates and the Funds that they manage as the case requires. For more information, please visit www.vengrowth.com.