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Anti-Virus Chip Maker Tarari Beats Bad Guys to the Punch

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Startup Tarari Inc. is defeating computer viruses one chip at a time.

Tarari's latest, more powerful virus detection chip, released in May, is incorporated into computer networks to ensure security protection against malware, viruses and Trojan horses.

One chip costs \$400, but Tarari's customers buy in large quantities.

"The computer systems that our chips are in may sell at \$1 million worth per year, (so) if you do the math, it's a large number," said Randy Smerik, chief executive officer.

Silicon Valley-based network supplier Cisco and anti-virus company Symantec are installing Tarari's chip into their large systems, said Smerik.

"People used to worry about inserting a floppy disk and catching a virus," Smerik said. "Now there are a wide variety of threats, including e-mail attachments and Web sites that are causes for concern."

A virus can enter a computer system by 9 a.m. and by 9:15 a.m. it will have spread to every computer in an office, said Smerik.

The 45-employee company does not divulge sales or profits.

On The Right Track

"We are not profitable, but we will be soon," Smerik said. "We are a growing business and we intend to get customers, beat competition in any way, shape or form, we're on the right on track with where we need to be."

Tarari has secured \$42 million in venture capital.

La Jolla-based Enterprise Partners Venture Capital has been a big help, said Smerik.

The VC firm invests in a wide range of information technology and life sciences startups, said Managing Director Bob Conn, who works closely with Tarari.

"We led the financial investment in the latest round of funding, providing \$7.5 million in VC

funding, the other investors who already had stakes in the company contributed the rest of \$14 million in funding," Conn said.

The market for network security, anti-virus and virus intrusion detection chips totals \$1 billion.

"We see ourselves taking a reasonable portion of that market," Smerik said.

"They have what appears to be the best product on the market in network security," Conn said. "Their product allows a system user to inspect Internet traffic flow for viruses and security issues without slowing down the speed the computer system moves information around."

Tarari clients are located in Israel and China, as well as the United States.

"There is a lot of growth in China and Israel has a large volume of security-related institutions that include prominent universities with a lot of funding," Smerik said.

A New Market

In 2002, Smerik, working as an Intel Corp.'s general manager for the network division, realized the virus detection chip — a small component of Intel's network division — could be extracted and sold in its own market.

Intel is the world's largest chip maker, and manufacturer of computer, networking and communications products.

With three partners, Smerik propositioned Intel and negotiated the property rights to start a separate business.

Intel has a minority equity stake in the company, which is one return it gets, said Smerik.

Intel was unavailable for comment.

The total percentage stake is unknown, but Smerik said the percentage is "welled down as funding increases."

The co-founders — all from Intel — are Smerik, Jeff Carmichael, the brains behind the chip technology, Rick Johnson, chief financial officer, and Dave Finlay, who runs the company's business development.

Canadian customer Layer 7 Technologies has used Tarari's security chip since 2004.

The business provides computer firewall support, similar to a fire door in a building.

Speed, Efficiency

Tarari's chip allows Layer 7 to do its job speedily and effectively because in the firewall business time is money. The firewall protection company cannot afford to lose five minutes, because five minutes could result in a major loss for clients.

"We view them more as a partner than a supplier," said Dmitri Sirota, vice president of business development at Layer 7 Technologies. "They have really helped us, by introducing us

to customers and different technologies, we can trust them and they are really in our corner and have adapted their product to meet our needs.”

Smerik is an exceptionally dedicated CEO, Conn said. “He does a terrific job in leading the company.”

“In startups the CEO has to be the leader, cheerleader and chief sales leader for the company,” all of which Smerik does, he said.

A day in the life of Smerik means meeting a lot of interesting people, making quick decisions against competing priorities and doing it as speedily and effectively as possible.

“You live life, define your dreams and take advantage of meeting your objectives every day, that’s what it’s all about, it’s just something you do,” Smerik said.

The name of the company is a derivative word “tarraari,” which means speed and agility in Urdu.