

Friday, July 23, 2010

Venture capital funding down in Arizona, up nationwide

PHOENIX BUSINESS JOURNAL - BY Adam Kress

Venture capital investment increased across the country in the second quarter, but Arizona figures paint a much bleaker picture.

According to new research from Dow Jones VentureSource, four VC deals totaling \$25 million closed in Arizona during the second quarter, compared with five deals worth \$91 million in second-quarter 2009. That's a decline of nearly 73 percent in the amount of VC funds pumped into Arizona companies during the second quarter, compared with a national increase of 26 percent.



Guy Downing

Through the first six months of 2010, seven deals worth \$38 million closed in Arizona. For all of 2009, 18 deals totaling \$153 million closed. As recently as 2007, \$262 million in venture capital was invested in Arizona companies.

The lingering recession, high unemployment and falling home values all have helped to create an atmosphere in Arizona where investors are leery of backing private companies. Despite that, Guy Downing, managing director of Scottsdale-based investment banking company **Columbia West Capital**, said the venture market is fundamentally healthy.

“The venture market is driven by specific opportunities,” he said. “And there is still plenty of money on the sidelines.” Downing said he doesn't think the housing crash is directly related to a drop in local VC investment, but he said the wider recession surely has had an effect. “In times like these, it's harder to create the good ideas that turn into companies that get venture money,” he said.

Nationwide, VCs invested \$7.7 billion during the second quarter, a 26 percent increase from \$6.1 billion invested during second-quarter 2009. It was the highest quarterly total since \$8.4 billion was doled out during the third quarter of 2008, according to Dow Jones.

The strong quarter was the result of VCs sustaining portfolio companies while also investing from new funds, Dow Jones Research Director Jessica Canning said. The number of deals and the amount invested is near levels seen before the recession.

Guy Downing

Title: Managing director, co-founder

Company: Columbia West Capital

Financial Experience: 20 years

Education: Bachelor's degree in finance, Arizona State University; MBA, Stanford

Web: www.columbiawestcap.com