

## **Testimony of Thomas H. Curzon**

Before the House Committee on Small Business

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SkySong Innovation Center

Scottsdale, Arizona

Thank you, Mr. Chairman and Members of the Committee.

I am pleased to appear before the Committee today on behalf of Invest Southwest to tell you about The Invest Southwest Capital Conference (Invest Southwest) and its place and role in the Arizona entrepreneurial ecosystem. By way of background, I am a senior partner with Osborn Maledon, a 50-lawyer Phoenix law firm dedicated exclusively to the Arizona marketplace. Our corporate practice focuses on representing entrepreneurs and growth companies, anywhere from zero revenues to over \$200 million in annual revenues, and anywhere in their life cycles, and we have special expertise with start-ups. So we've assisted companies in angel financings, venture financings, buying and selling companies, IPOs and exit transactions and everything in between. And as part of our commitment to Arizona, we have been deeply involved in the Arizona entrepreneurial ecosystem, and I personally have been for about 33 years.

To that end, our firm was one of the founding firms of Invest Southwest in 1992, which was then known as the Arizona Venture Capital Conference, and I have personally been involved in it since the mid-1990's, including serving as Chairman of the Conference for 2006-07, and currently I am on its Board of Directors. The Conference itself is a nonprofit corporation, and is the principal early stage investor conference in Arizona. It is organized and run by volunteer service providers and entrepreneurs who are keenly interested in having a flourishing entrepreneurial ecosystem.

The Conference was originally founded in 1992 as a conference focused exclusively on attracting venture capitalists to Arizona to potentially invest in our start-ups. Historically, the typical structure of the Conference has included using a selection committee made up predominately by venture capital investors to select from a pool of applicant start-ups ten to 12 companies who then were groomed to present 10 minute pitches to the investor audience at the Conference. In 2004, after the Dot Com Bust, and the resulting dramatic fall off in venture capital investing throughout the US, we restructured the Conference for 3 years to focus on presenting to angel investors rather than venture capitalists, and then when the venture capital industry began reviving, in 2006 and 07 we restructured again into what is now known as Invest Southwest and began focusing on connecting the region's most promising startups and emerging growth companies with an audience of angel investors, venture investors, entrepreneurs and service professionals. In other words, we were focused on the stage of company development of most of the companies then prevalent in Arizona (being relatively early stages) and the investors who were interested in that company stage, which was a mix of angels and venture investors. To date, we believe presenting companies of Invest Southwest have received more than a quarter billion in investment dollars since the inception in 1992.

The Great Recession has, of course, dramatically affected the entrepreneurial ecosystem in Arizona and, just as following the Dot Com Bust, early stage venture capital has become much

more scarce. Happily, this time around, though, the angel investment community has been actively filling the gap, particularly under the leadership of two leading angel groups, Arizona Technology Investors Forum (ATIF) in Phoenix and Desert Angels in Tucson. In addition, in the most exciting development in a number of years in our space, Arizona is now the home of the largest (by aggregate grant award amount) business plan competition in the United States. This program, known as the Arizona Innovation Challenge, is put forward by the Arizona Commerce Authority (ACA), and takes the form of two competitions annually, each awarding up to \$1.5 million in total grants (typically in the form of 6 grants of \$250,000 each). Prior to the current cohort, there have been more than 800 applications to participate in the competitions. The judging process is accomplished by a pool of more than 50 volunteer entrepreneurs, investors, executives and other experts from our ecosystem who are giving back to foster capital formation and employment growth in Arizona. The fifth cohort of the Challenge is now in process.

In my opinion, the importance of the AIC competition cannot be underemphasized. Certainly the cash awards are significant to the winners. But it is equally significant that the competition is bringing public attention to hundreds of new companies and helping to connect them with resources available in the ecosystem, including programs such as ACA's Venture Ready, which are designed to help groom promising companies in the competition for future successes of all kinds.

Because of this significant flow of companies, Invest Southwest and the ACA are partnering together for the upcoming Invest Southwest conference and will be launching an innovative new event format designed to help Arizona better address current market conditions and continue the growth of its ecosystem. We have noted the recent Kaufman Foundation report showing that in 1990, Phoenix did not show up in the top 20 metropolitan areas for high tech start-up density and by 2010 we have found our way to 13<sup>th</sup> largest on that list. We at Invest Southwest believe that through the continued efforts of the Conference, ACA, the Arizona Technology Council, the numerous incubators and accelerators we now have, as well as the contributions of ASU, UofA and Thunderbird, and others, Arizona will continue to make important gains as a place where businesses will continue to be created and thrive at an increasing pace.

I will be pleased to answer questions and discuss the above matters with you, or relating more generally to start-up activity and financing in Arizona.