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Why Arizona startups are attracting big investments

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In 2011, data from PitchBook-NVCA Venture Monitor tracked 63 venture capital deals totaling more than \$280 million in Arizona. A decade later, that activity had tripled, totaling 184 deals representing \$2.13 billion.

By Arizona Commerce Authority

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Arizona has an abundance of advantages for entrepreneurs looking to start their companies: a young, talented workforce; one of the nation's fastest-growing tech hubs; a business-friendly environment that embraces innovation; an excellent quality of life and more.

Arizona's startup ecosystem is a national success story. In 2011, data from PitchBook-NVCA Venture Monitor tracked 63 venture capital deals totaling more than \$280 million in Arizona. A decade later, that activity had tripled, totaling 184 deals representing \$2.13 billion.

To chronicle Arizona's transformation, the Arizona Commerce Authority (ACA) sat down with two of the state's pioneering investors and startup mentors: Curtis Gunn, former chairman of Desert Angels in Tucson, and Jim Goulka, the former chairman of Arizona Tech Investors.

How has Arizona changed over the past decade in terms of the startup community?

James Goulka: It's been remarkable. After the big crash (in 2008), as real entrepreneurs started to take over the entrepreneurial community, the quality of the deals just became significantly different and significantly better. So, when you're looking at great companies with real potential and real executives, who can turn an idea into a successful company, that suddenly energizes the (ecosystem) and attracts more capital and more people.

Why has Arizona evolved into one of the fastest-growing tech ecosystems in the U.S.?

Curtis Gunn: I think the universities have added a lot – educating and growing talent. Historically, in Tucson, a lot of kids would come for an education and leave, and I think more and more are staying and finding good opportunities here.

Goulka: Start with something like TSMC coming here, which is going to create thousands and thousands of engineering jobs. So, you're now bringing all this intellectual talent into the state that didn't exist here before. This pool of people coming in creates these kinds of opportunities. And it's been the same thing with the growth in the other large companies we've seen. So, you have that influx, which is due to not only great policy, but also fine execution by the leadership of the state to bring these companies here.

Is there something in Arizona's DNA that creates an entrepreneurial mindset?

Goulka: I attribute it ultimately to the cowboy mentality. You go back to the founding, even before the state was a state, and people were first settling here. If you decided you were going to run some cattle somewhere or grow cotton or whatever, you were on your own. You were independent. I think that informs some of the politics, but it also says people are going to do it themselves, which is the essence of entrepreneurship.

How important are programs such as the ACA's Arizona Innovation Challenge, Venture Ready, Virtual Accelerator, Venture Madness and other programs in helping startups succeed?

Goulka: The Arizona Angel Investment Tax Credit that ACA manages has been enormous because it creates an incentive for people to become angel investors, to write checks to Arizona companies. That's good for you. That's good for job creation. That's good for us. The program's performance shows it has been a tremendously profitable thing for the state to do. And it's brought dozens and dozens and dozens of new investors to the table.

Gunn: The ACA and the Arizona Innovation Challenge have been really helpful and instrumental in that early stage (of a company's growth). We are now seeing the effects of a flywheel in which successful companies either exit or have grown to the point where executives are going out and starting their own companies. And those are the next generation of companies that are getting financed.

We often hear from entrepreneurs that there is a real spirit of collaboration in Arizona. What's your experience?

Gunn: As the two largest funding angel groups in the state, we have been supremely collaborative. Jim would come down to Tucson for my meetings, and I would come up to Phoenix for Jim's meetings, and we'd share diligence, we'd share deal flow, we'd share information as best we could. I'm not sure Boston or Silicon Valley or other places are as collaborative as we've been here in Arizona. And I think that collaboration between the two of us really helped the whole community, the whole ecosystem.

What advice would you give to an entrepreneur looking to launch an Arizona company?

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