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SECTION D

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## BUSINESS

THE ARIZONA REPUBLIC

## Private equity firm is putting stock in Arizona startups

By Andrew Johnson  
THE ARIZONA REPUBLIC

A startup private equity firm in Phoenix that is trying to spur investing in Arizona-based companies has formed a partnership with the Private Equity Center at Thunderbird, the Garvin School of International Management.

Pacific Investment Partners Inc. is sponsoring Thunderbird's center in Glendale as a way to elevate its profile and raise awareness about the importance of investing in local firms, said Aram Chavez, the firm's managing director.

"It's a part of bringing the academic community, the private equity community and the companies that need funding together because entrepreneurs are the ones who benefit ultimately from the Private Equity Center," said Chavez, who is also a student in Thunderbird's executive MBA program.

Chavez started Pacific Investment Partners with Nolan de Graaff, the firm's fund manager, with \$150,000 in October, he said.

The firm's presence is welcome to the Valley, where the concentration of private equity and venture capital firms lags behind other metropolitan areas of its size.

"It's a major piece of news because we have so few private equity and venture capital firms here, and some of the venture capital firms are getting close to the end of their current funds and so don't have a lot of money left to make new

investments," said Dee Harris, managing partner of Alare Capital Partners LLC, a Scottsdale-based merchant bank and advisory firm.

Pacific Investment Partners is in the process of trying to raise \$5 million through private investments, a task Chavez said they plan to complete by the end of February.

Chavez and de Graaff said their goals are to take the fund public on London's Alternative Investment market, raising \$10 million to \$20 million through a public offering next year, and to focus on investing primarily in startup companies in the Valley.

Pacific Investment Partners made a one-time donation of \$11,000 to the Private Equity Center, which will allow the company to sponsor the institution's upcoming events, including its third-annual Global Private Equity Investing Conference in March.

Private Equity Center Director Susan Boedy said private equity firms often sponsor the center's events but Pacific Investment Partners is the first Arizona company to do so.

Chavez, a former stockbroker who previously worked at another private equity firm, said his primary mission in starting Pacific Investment Partners was to generate more activity around smaller, local firms. Those companies often get the short end of the stick when it comes to landing private capital investments in comparison with companies located in entrepreneurial hot-



SHERRIE BUZBY/THE ARIZONA REPUBLIC

Nolan de Graaff (left) and Aram Chavez are partners in Pacific Investment Partners. The firm expects to make its first round of investments in Arizona firms by the end of January.

beds such as Silicon Valley, Boston and New York.

"It has definitely been a challenge to get (investors) to look beyond real estate and look at the actual consistent cash flows

of small companies here in Arizona," he said. "We have great businesses here. We're expecting to grow our population. There's going to be more entrepreneurs (here). Why not have

a private equity firm like ours fund those entrepreneurs?" Private equity typically refers to venture capital, money that investors give early-stage companies to grow.

Arizona historically has trailed other states in terms of private equity investments. Local professionals often cite the fact that investors view the Valley as a real estate hotbed rather than a place bubbling with new technologies.

During the third quarter of 2006, venture capitalists invested \$142.4 million in Arizona companies, according to PricewaterhouseCoopers' most recent MoneyTree Report. Nationally, venture capitalists invested \$6.2 billion through 797 deals.

"There's a lot of companies here that have been calling us looking for funding, and they would have raised it in a blink of an eye in Silicon Valley or in New York or in Boston," de Graaff said.

The types of companies the firm plans to invest in will range across sectors and size, Chavez said. In terms of revenue, the firm will target companies with between \$1 million and \$20 million in annual revenue, Chavez said.

Chavez said he expects the firm to make its first round of investments by the end of January.

"It's going to range from a tech company that is not cash-flow positive but has a great global outlook to a few solid manufacturing companies or service companies," he said.

## Private equity firms

Pacific Investment Partners Inc. is the latest private equity firm to start in the Valley. Others include:

- Windstone Opportunity Partners LLC, Scottsdale.
- Arris Ventures, Phoenix.
- Alerion Capital Group LLC, Scottsdale.
- Peacock, Hislop, Staley & Given Inc., Scottsdale.
- Pivotal Group Inc., Phoenix.
- Valley Ventures, Tempe.

## Private Equity Center

**Year founded:** 2003.

**What it is:** A part of Thunderbird, the Garvin School of International Management in Glendale.

**Purpose:** To educate students about the key issues surrounding private equity and link professionals in the field with investment opportunities.

**Executive director:** Susan Boedy.

Individual investments will range between \$1 million and \$40 million, depending on how much money they are able to raise, he said.

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