

Report says Alabama companies pulling in less VC funds

BY ANTRENISE COLE | STAFF

Venture capital deals have slacked in Alabama as a result of the changing economy and as more companies find angel investors to fund projects.

Data released last week in the quarterly MoneyTree Report shows no venture capital deals were made in the state through the end of the second quarter of this year, which ended June 30.

The report also shows only two venture capital deals were made in 2010 in the amount of \$600,000 total.

Venture capitalists invested \$43.2 million in nine deals in 2009, almost \$19 million in nine deals in 2008 and \$32.4 million in five deals in 2007, according to the MoneyTree Report, which is put out by PricewaterhouseCoopers and the National Venture Capital Association based on data from Thomson Reuters.

James Childs Jr., chairman of Bradley Arant Boult Cummings LLP's venture capital and private equity practice, said there have

been many venture capital deals in recent years, but some have not been reported.

"Birmingham is home to several 'non-traditional' institutional investors, and our investment community has historically been quiet about their investment activities," he said.

William Brooke, a managing partner and founder of Harbert Management Corp., said his company's research shows that venture capital deals in Alabama have been "spotty" in recent years.

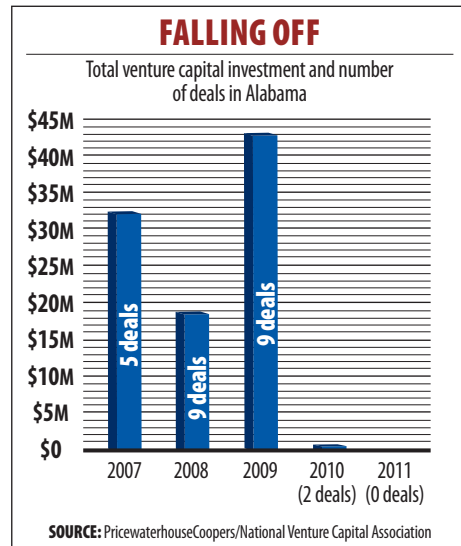
"It's not uncommon in Alabama to see two quarters in a row that have zero activity," he said. "In 2007 and 2008, there was significantly more activity than there is now. I think that is a reflection of general economic conditions. It also shows that there were more venture capitalists with more funds under management at that point in time than there are now."

Childs said venture capitalists have been focusing on investments in later-stage businesses, and angel investors and strategic investors are frequently filling the resulting gap.

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'THE GOOD NEWS
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angel capital," he said. "The volume of angel and strategic investment has grown steadily, and those deals do not get reported."

Brooke agreed. "The good news for the market is there are more angels that are actively investing directly in deals, and they don't have the same reporting horizon as the bigger, more institutional deals."

Childs said relatively few ecosystems in the country generate high, steady volumes of venture capital deals.

He said while there is definitely a need for more truly early stage venture capital funds in our community, Birmingham's technology sector is relatively strong and robust.