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# Venture funding picks up as the economy withers

Investments in early-stage companies could propel the state out of the 'doldrums'

Portland Business Journal - by [Andy Giegerich](#) Business Journal staff writer

Oregon's venture capital firms and angel investors are showing signs of life despite the slow economy.

One venture capital firm expects to invest 10 times as much money this year after only investing about \$1 million in 2008. The state's leading early-stage investment firm also plans to give more money to fledgling companies.

Several entrepreneurs also want convince the state to spend \$100 million on 400 new companies and start a seed fund for embryonic-stage businesses.

The scene bustles enough that at least one venture capital firm is fielding more interest from Silicon Valley companies that can't get money from that region's tapped-out early-stage investors.

The activity has boosted prospects for Oregon's startups.

"There's a dichotomy over what's going on in the general economy versus the entrepreneurial economy," said Linda Weston, president and executive director of the Oregon Entrepreneurs Network in Portland. "More companies are being formed, and that's a good thing because those innovators will lead us out of these economic doldrums."

The brighter outlook is in contrast to the last quarter of 2008, when just eight Oregon companies received a total of \$32 million in venture capital funds, about 1 percent of the venture cash allotted nationwide. Nine businesses received \$90 million during 2007's fourth quarter.

The uptick is surprising considering that Oregon counts just four venture capital firms, compared to 25 in Seattle.

One of those four — Tigard's Cascadia Partners LLC — expects to complete and distribute a \$10 million fund this year. The company invested about \$1 million in 2008.

The firm wants to pour money into qualified energy and environmental companies, as well as information technology businesses that serve those sectors.

Cascadia has received several queries from young Northern California companies seeking investors.

Last year, venture capital firms around the San Francisco area committed \$10.9 billion to companies based in the Silicon Valley.

Now, however, those same firms have begun limiting their money to established later-stage outfits that are less risky but may ask for larger infusions.

That's opened the door for investment opportunities for Oregon venture capitalists and made local startups as likely to receive funding as their peers in Silicon Valley.

"For the first time in about 15 years, it's a level playing field," said Wayne Embree, Cascadia's managing partner. "An early-stage company in Portland is as attractive as an early-stage company in the Bay Area."

The climate has also opened new avenues for startup advocates.

Earlier this year, Josh Friedman opened the NedSpace business incubator in Portland's Central Eastside Industrial District along with Mark Grimes. Friedman, the co-founder of Portland technology firm Eleven Wireless, has begun assembling prospective investors to fill a seed fund for very early-stage business operators.

Fund managers plan on distributing cash in \$25,000 chunks to "get idea-stage entrepreneurs out of their bedrooms and garages so they can hit their first goals."

Friedman and Harvey Mathews, the outgoing **Software Association of Oregon** president, will also push the state's public employee retirement system to invest \$100 million in 40 Oregon companies.

Local entrepreneurs can also tap the growing **Oregon Angel Fund**. The early-stage fund could reach \$3 million this year after the state's Oregon Growth Account matches private investments.

That's good news for such companies as **DesignMedix**, which won the 2009 **Oregon Entrepreneurs Network Angel Oregon**

competition earlier this month. The Portland company will use the \$150,000 angel investment as it develops pharmaceuticals that fight drug resistance.

Angel funds also went to such companies as **SeaPort Airlines** and **Jama Software**, which designs software that helps users determine their exact technology needs.

“There’s a lot of diversity in our portfolio: We really do look at everything,” said Eric Pozzo, fund manager for the Oregon Angel Fund.

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