

marketplace

- » JOBS
- » AUTOS
- » REAL ESTATE
- » RENTALS
- classified
- local shopping
- newspaper ads
- coupons

communities

- Ahwatukee
- Chandler
- Gilbert
- Glendale
- Mesa
- Northwest Valley
- Peoria
- Pinal County
- Phoenix
- Scottsdale
- Southwest Valley
- Surprise
- Tempe
- Extra!

sunday sections

- A&E
- Travel & Explore
- Viewpoints

weekly features

- Food & Drink
- Home/Real Estate
- Movie Preview
- Yes

7-day archive

- Sunday
- Monday
- Tuesday
- Wednesday
- Thursday
- Friday
- Saturday

» BUSINESS online print edition

- » Print Article
- » Email Article
- » Most Popular
- » Bigger Type
- » Smaller Type
- » Photo

## Hispanic firms lure investors

*Ariz. companies not among them*

**Yvette Armendariz**  
The Arizona Republic  
Sept. 5, 2006 12:00 AM

The growth of Hispanic businesses and buying power is drawing the attention of venture-capital and private-equity companies nationwide that are seeking the next great breakout concept.

"It's starting to percolate. The capital is starting to come in," said Charles Garcia, founder of Sterling Financial Group in Boca Raton, Fla., which formed in 1997 to provide investment banking and wealth management for Hispanics. His company pegs the U.S. Hispanic/Latin American financial market at \$2 trillion and growing.

But Hispanic entrepreneurs in Arizona aren't seeing increased interest.  
advertisement

Business leaders say that is partly a result of the relatively small number of Hispanic businesses in Arizona compared with states such as Florida, California and Texas as well as the scarcity of Latino businesses with \$40 million or more in revenues. It also has to do with simply being in Arizona.

"Phoenix is not a big financial center," said Ernie Garcia, founder of the used-car dealership chain DriveTime, formerly known as Ugly Duckling Corp. His Phoenix-based company is one of the largest Hispanic-owned companies in the country, with sales approaching \$1 billion.

"You're just not going to find a lot of capital for anybody (here)," he said. "It's not a Hispanic vs. non-Hispanic. It's Phoenix. It's a great place to be and great place to live, but the venture-capital market is not looking here."

Ernie Garcia, who made his money early on in real estate, never sought venture capital nor did anyone court him, he said.

Nationally, \$6.3 billion was invested in 856 venture-capital deals during the second quarter, according to the MoneyTree Report produced by PricewaterhouseCoopers and the National Venture Capital Association. Just \$51 million, or 0.8 percent, found its way to six Arizona-based companies.



We think about  
optimizing your  
business almost as  
much as you do.

Begin maximizing your  
energy efficiency. >>



Venture capitalists provide hands-on management and funds to innovative companies considered too unproven to sell shares of stock or too risky to receive conventional loans.

Dave Castillo, founder of Gilbert software company CopperKey Inc., isn't surprised by the low investment. He hears about plenty of companies seeking funds but few deals.

He's among the lucky ones, though. His company landed \$2.2 million last month. HOTventures LLC, a Tucson venture-capital company, rounded up the investors, including "angels" and venture capitalists. Angels are individuals who invest smaller amounts, generally less than \$1 million.

"When you step down to the angel level, there's a lot more good stuff happening," Castillo said.

The relatively small size of Arizona's 35,100 Hispanic-owned companies also makes it difficult to attract attention.

"Most people looking for venture capital are looking for big deals. They usually don't do anything under \$20 million," said Gary Trujillo, president and chief executive officer of Southwest Harvard Group, which lines up private-equity and venture-capital funds.

Such investors often are looking for companies that generate revenue of at least \$40 million, he said.

Of Arizona's Hispanic-owned companies on *Hispanic Business* magazine's list of 500 largest companies, just one exceeds that threshold. Essco Wholesale Electric of Chandler ranked No. 53 nationally, with \$121 million in revenue in 2005.

The magazine includes only businesses that complete a survey, so it misses companies such as Ernie Garcia's DriveTime and Phoenix-based Arvizu Advertising & Promotions, which reported \$84 million in gross billings last year. But area business watchers have a difficult time naming more than a few dozen Hispanic companies that earn

multimillions or are in growth industries that venture capitalists like.

"You see much more (venture capital) placement in tech and telecommunications industries," said former banker Ruben Ramos, who heads public affairs for Arvizu. Few Latino owners are focused on those industries, he said.

Another issue is business maturity, experience and sophistication. Those things are difficult to build in a state where few companies can say they've been around more than 25 years.

"No one has a perspective on just how new Arizona is," Ramos said.

Other states, including New York, New Jersey and Illinois, have more Hispanic business owners. They also dot *Hispanic Business'* Hispanic 500 ranking, based on revenues, with many more business names than Arizona, which had just nine companies ranked.

Even if more money were available, some deals still would never develop, Trujillo said.

"When they flirt with the idea of bringing in capital, they back away when they realize they are losing control" over management decisions or ownership, he said.

Rick Gibson, managing director at HOTventures in Tucson, is seeing more interest in specialty areas, such as Hispanic markets, for venture-capitalist and equity investors. Gibson's firm, however, is more general market.

"We're much more mercenary than culturally oriented," Gibson said. His company is looking for biotech and information-technology companies with sales of up to \$10 million that have a competitive advantage in their industry.

"If it happens to be in the Hispanic market, that's great," he said.

In time, he expects more investment deals to come into Phoenix, especially as the biotech industry starts to build successes.

Charles Garcia of Sterling expects money to continue to flow into Hispanic businesses nationally as Latino-owned companies gain recognition in national publications. He has his eye on a Florida company that provides bilingual diagnostic equipment.

"There are thousands of them waiting . . . to get funded. And there are funds," he said, talking up deals in New York and Chicago.

His own business was acquired this year by investment-banking company vFinance Inc., which was looking to grow into Sterling's Hispanic base. Garcia is now president of the Sterling Hispanic Capital Market division for vFinance.

He notes that several funds aimed at providing venture-capital or private-equity investments in Latino businesses have formed in recent years.

Among them is Hispania Capital Partners, which officially formed in 2003. The effort to get it started dates to 2000, when the U.S. Hispanic Chamber of Commerce teamed with Bank One to create a venture-capital source for Latino businesses. It was then called Alianza. Bank One and JPMorgan Chase invested \$6 million in the fund.

Although no money has been invested in Arizona companies, Ben Campbell of JPMorgan Chase sees opportunities.

"In Arizona, we have many banking relationships with Hispanic businesses that span generations, and we are always exploring new ways for them and prospective clients to access capital and grow their business," said Campbell, chairman and CEO of the bank's Arizona operations.

He said venture capital is just one option.

"As bankers, it's our job to present clients with a host of cutting-edge financial options that can help grow and sustain their businesses," he said.

**Reach the reporter at [yvette.armendariz@arizonarepublic.com](mailto:yvette.armendariz@arizonarepublic.com) or (602) 444-4842.**

---

**SITE MAP** [azcentral.com](#) [main](#) | [news](#) | [sports](#) | [money](#) | [entertainment](#) | [families](#) | [arizona travel guide](#) | [fox](#) | [shopping](#) | [español](#) | [weather](#) | [classified](#) | [jobs](#) | [autos](#) | [real estate](#)