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MONEY

VENTURE CAPITAL TAKES 65% PLUNGE

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The faltering economy continued to punish Florida's venture- capital market last summer as the amount of new investment money flowing into growing businesses plunged 65 percent from the preceding three months.

A survey of venture capital investments released Wednesday found that the 13 funding deals announced in Florida during the quarter ended Sept. 30 was nearly unchanged from the prior quarter, when 12 deals were finalized.

Private investors pumped \$89.7 million into the 13 companies in the latest quarter, down sharply from \$260.7 million in the second quarter. Two of the businesses are in Central Florida, including GoCo- op Inc., a Maitland electronic procurement company that led the pack with a \$23 million infusion.

Nationally, the venture capital pool fell 23 percent, to \$6.5 billion, from the second quarter, and the number of deals declined 16 percent. Florida ranked 14th among the states in overall funding, down from sixth in the second quarter.

The MoneyTree survey, a co-production of the PriceWaterhouseCoopers and Venture One consulting firms, tracks high- risk investments made by institutional and private funds. Venture capital investment levels generally trail changes in the equity markets partly because the deals require substantial amounts of time to complete.

The report reflects the national downturn, which spread from the dot-com industry to other segments of the economy. Investors have grown wary of investing in start-up companies, even those with compelling business plans, as the short-term financial outlook remains uncertain.

In 1999 and 2000, investors showered telecommunications and high- tech companies with money. The downturn that began in 2000 hit the venture capital market hard this year. During the third quarter of 2000, Florida companies received \$542.8 million in venture capital -- more than six times the amount invested during the same quarter this year.

"The bubble has burst, and we're coming back to reality," said Marty Donsky, marketing manager for Florida technology with PriceWaterhouseCoopers, the survey's co-conductor. "The level of venture capital deals in Florida is now at the level it reached in 1998."

But **Gerry Nolan**, founder of Orlando Venture Capital Inc. and a former economic-development official, said it's the trend that's troubling.

"Things were on the way up in 1998," Nolan said. "They are trending down now."

But Nolan said the long-term prospects for Central Florida, especially its simulation and photonics businesses, remain strong. He said he couldn't predict when investors would increase funding for the companies.

"I'm bullish on Orlando, and I believe in the long term great things will happen here," Nolan said. "When will the investment community respond? I really can't say."

PriceWaterhouseCoopers' Donsky said the Interstate 4 corridor, which includes Central Florida, is one of the strongest investment markets in the state. He said he expects that companies with strong business plans will continue to find funding.

"The rule now is that you have to be really good," Donsky said. "Deals get done every day, but you have to be in the right place and know where the money is. People who want venture capital now have to work really hard and do their homework."

BOX: Venture capital deals Region Deals Dollars I-4 8 \$60.6 million I-95 5 \$29.2 million North Florida 0 0 Total 13 \$89.7 million

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