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MONEY

**VENTURE CASH RAINS ON CENTRAL FLORIDA THE REGION DREW \$107.5 MILLION IN THE SECOND QUARTER TO LEAD THE STATE, WHICH IN TURN SHOT UP FROM 15TH TO SIXTH NATIONALLY.**

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Boosted by several large deals, Florida bounded into sixth place nationally in the race for venture capital during the second quarter, with Central Florida leading the way, new figures show.

Of course, there wasn't much of a race in the second quarter: According to the survey released Monday, venture investments nationwide tumbled more than 60 percent compared with the same period a year ago, while the number of deals dropped off more than 50 percent.

Even Florida showed signs of "post-Internet hysteria": The statewide money was down 5.7 percent from the second quarter of 2000, while the number of deals was cut in half from a year ago.

The quarterly MoneyTree survey is conducted by the consulting firms PricewaterhouseCoopers and Venture One. It tracks investments made in high-risk ventures by wealthy investors through both institutional and private deals.

The \$260.7 million in venture capital raised by Florida companies in the second quarter was up almost 150 percent from the \$104.9 million raised in the first quarter, the report stated. All 12 Florida deals involved technology, from software and microchips to medical devices and wireless communications.

The Sunshine State moved from 15th place nationwide in the first quarter to sixth place in the second quarter and captured 3.2 percent of the U.S. total -- its biggest share since late 1997. Only California, Massachusetts, Texas, Colorado and New York ranked ahead of Florida.

Florida rode the backs of three major deals in the second quarter: \$65 million for CopperCom, a Boca Raton developer of digital telecom- switching technology; \$50 million for Florida Digital Network Inc., an Orlando provider of digital telecom services; and \$40 million for Optium Corp. of Orlando, a developer of components for optical communications networks.

For the second straight quarter, Central Florida was the state's top region for venture capital, attracting \$107.5 million, followed by South Florida (\$86.1 million) and Tampa/St. Petersburg (\$39 million). In addition, a single deal in Ocala totaled \$25 million, while another in Jacksonville totaled \$3.1 million.

The state's positive showing was exaggerated by the three big deals, said Bill Fluke, audit director in charge of PricewaterhouseCoopers' high-tech practice in Orlando and Melbourne.

Exclude them and Florida's performance would have more closely mirrored the national trend, he said.

"The national decline is evident in Florida," Fluke said. "We've seen a dramatic pullback across the board, and we're now back to the investment levels that Florida sustained prior to the Internet explosion two years ago."

Among the other bad signs lurking in the survey:

Florida-based venture funds are backing off, contributing only 2 percent of the statewide total compared with an average of 10 percent during the past two years.

Little money is available for start-ups or early-stage companies; most of the cash is going to young but established companies seeking to expand.

Companies landing deals these days should be applauded, Fluke said. "Now it looks like the smarter deals are getting money," he said. "Certainly, 16 months ago, there was a large number of companies that shouldn't have been funded -- companies that just had an idea or concept. Now, companies are getting deals because they have real business models.

Some of the second-quarter winners said they don't expect to seek more investment cash any time soon.

"We would now like to take this company to profitability without going for additional funding," said Raj Toleti, founder and chief executive officer of Cytura Inc., an e-commerce technology company based in Lake Mary. "It's a matter of just using good old-fashioned business principles. Now we want to show our customers we can provide a significant return on their investment."

For Optium, a spinoff developed at the University of Central Florida, financing isn't expected to be an issue again until the year 2003, Chief Executive Officer Paul Suchoski said. The company landed the third-largest venture deal in Florida during the second quarter.

"We consider ourselves out of start-up mode now," he said. "We have prototypes with customers, we are putting all the necessary manufacturing infrastructure in place, and we are refining our business model. We realize it's not just about technology, but we have to be profitable. That's what we're striving for."

Many companies may have little choice but to live off their own money until the markets turn around again, said **Gerry Nolan**, a former economic-development official and now founder of Orlando Venture Capital Inc., a consulting firm.

"The fundamentals for Orlando's top industry clusters continue to have a long-term upside," he said. "But the question is, how long will many of these companies be able to endure this downturn? How far can they make their money stretch out?"

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