

PHOTOS BY MARK FREERKS

John Sculley, left, has helped launch successful companies, and is now investing in several in South Florida. Laura Maydón, above, is managing director of Endeavor Miami, which connects entrepreneurs with capital and mentors.

Venture capitalists say they're looking locally for a good fit

BY PAUL BRINKMANN

When you ask John Sculley how South Florida entrepreneurs can attract more venture capital, he has a quick answer.

"Believe in yourself, have a network and be resourceful," says Sculley, former CEO of Apple and a Palm Beach resident. "Keep networking. Go to as many events as you can. Have a huge curiosity. Build up expertise in a particular area."

Besides his former role at Apple, Sculley has also helped launch successful companies such as MetroPCS. He's now investing in several fast-growing companies in South Florida.

There's a growing call to tap into more venture capital from local sources, as Florida

startups bemoan the lack of in-state investors willing to bank on their innovative ventures. Groups such as the Knight Foundation, Refresh Miami and the Enterprise Development Corp. are attempting to remedy that disconnect by linking local startup companies with the region's wealth.

"We still have a lot of untapped wealth here," said Brian Breslin, founder of Refresh Miami. "There's a lot of private wealth sitting around here idle or, at best, invested in real estate."

The good news is that Breslin and others are holding more events and networking opportunities for entrepreneurs. Venture capital investments in South Florida hit a four-year high in 2013, with a good portion going to local projects. The bad news is that only 6 percent of those investments came from Florida.

"I think it is generally harder to get capi-

tal here, and harder to get it at valuations you would see in Boston or Silicon Valley," Sculley said.

Venture capitalists with a successful track record are rare here, but they do exist. Sculley said building a community that supports innovation is the key.

"The people in Silicon Valley may not be any smarter, but they have so many ways to connect with other good ideas and sources of venture capital," he said. "If you have a good idea in Silicon Valley, it's not difficult to get funded. But there are some emerging success stories here, too."

SEEKING A GOOD FIT

There are several venture capital funds based in Miami looking for very specific companies to invest in.

One of them is Antares Capital, which funds new companies that haven't received venture capital yet. It's invested in companies — such as software firm Cellit, Outback Steakhouse and Fort Lauderdale-based SportsLine USA, the predecessor of CBSSports.com — and currently has more than \$50 million under management in its portfolio of venture investments, Chairman Jonathan Kislak said.

"It's very difficult to get the attention of a professional investor, no matter where you are," he said. "We see 1,000 ideas a year."

Antares founder Randy Poliner said picking a company to invest in goes beyond the concept. It must meet Antares' criteria of a new company with a strong management team and a solid record of execution.

"If it's blocks from our office in Miami, so be it, but that's not our criteria," he said.

THE DETAILS: VENTURE CAPITALISTS IN SOUTH FLORIDA

ANTARES CAPITAL

- **Chairman:** Jonathan Kislak
- **Website:** www.antareshcapital.com
- **Address:** 9999 N.E. Second Ave., Suite 306, Miami Shores 33138
- **Phone:** 305-894-2888
- **Email:** jkislak@antareshcapital.com
- **Criteria:** Seeks proven business models with revenue of \$1 million to \$25 million, experienced management and no previous formal venture capital investment. No industry restrictions, but avoids real estate, mineral exploration, distributors, franchisees or project financings.

BANYAN MEZZANINE FUND

- **Founder and managing director:** John Miller
- **Website:** www.banyanmezzaninefunds.com
- **Address:** 1111 Brickell Ave., Suite 1300, Miami 33131
- **Phone:** (305) 755-0378
- **Email:** mstav@banyanmezzanine.com
- **Criteria:** Banyan's focus is on companies with seasoned management teams, revenue greater than \$5 million, and profitable, high-margin operations in growing industry segments. Has invested in a broad variety of companies, including restaurants and tech firms. Doesn't invest startups, turnarounds, real estate development, oil and gas operations or direct lending businesses.

CRUNCHFIRE VENTURES

- **President, CEO, co-founder:** Dave Nemanic
- **Website:** www.crunchfire.com
- **Address:** 401 E. Las Olas Blvd., Suite 1400, Fort Lauderdale 33301
- **Email:** investments@crunchfire.com
- **Criteria:** Invests in startups in social media, enterprise solutions, gaming, financial services, health care, hosting and infrastructure. Seeks companies that are developing a product for an assailable market, with a clearly defined monetization strategy.

Another venture capital firm based in Miami is H.I.G. BioVentures, part of H.I.G. Capital. It has a more narrow focus on health and medical technology. Its newest fund hasn't invested in local companies yet, but Managing Director Michael Wasserman said there are some Florida companies in its proposal pipeline. He said the firm is interested in any worthwhile proposal.

"We get a lot of referrals from lawyers and bankers, but we also get a lot of cold calls," Wasserman said. "There are some venture capital firms that won't pay attention unless you have a referral, but we usually take a look."

VENTURE CHALLENGES

Fort Lauderdale businessman Doug VonAllmen is a South Florida investor who has steered clear of venture capital in favor of private equity deals. His St. Louis-based VonAllmen Capital sold Tampa-based Beauty Alliance, a beauty supply merchant chain, in 2007 for an estimated \$260 million.

"I've bought companies and grown them, more through private equity," VonAllmen said. "I've done very little venture capital, and I've lost money whenever I did."

When asked what would attract more venture capital to South Florida, VonAllmen said he believes it requires a large community of support.

"The successful communities for entrepreneurs have all kinds of support from universities, lawyers and accountants," he said. "People see that their next-door neighbor went out and started a successful company. And they say, 'I'm smarter than him, I can do that.'"

VonAllmen said he thinks Florida's lack of a state income tax is a plus because it means lower costs for some executives if they move here. But he believes government regulation is a drag on innovation, and said he supports what Gov. Rick Scott has done to deregulate some industries.

BUILDING A CULTURE

Sculley has invested in several South Florida startups, mostly in Palm Beach County. They include tech firms such as Modernizing Medicine, 3Cinteractive and OpenPeak.

Sculley said he and his network are often out talking to entrepreneurs, and he doesn't generally need cold-call pitches.

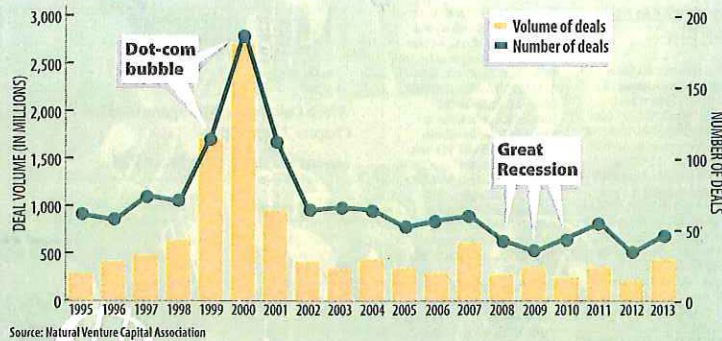
"We don't have a lot of role models here. Yes, the IBM personal computer was created in Boca Raton, and Citrix Systems is a huge success story," he said. "But in those other big tech markets, they have hundreds of examples like that."

Sculley said he's encountered success in two major areas here: health care technology and mobile software. His latest investment, MDLive, focuses on telehealth services - providing health care via the Internet.

"The reason we got involved with MDLive is

FLORIDA VENTURE CAPITAL DEALS AND VOLUME

Florida's venture capital soared during the dot-com bubble and crashed during the Great Recession. Only in 2013 did significant growth return.



Source: National Venture Capital Association

WHERE FLORIDA VENTURE CAPITAL COMES FROM, 2012-2013

California is the largest source of venture funding for South Florida companies



Source: National Venture Capital Association MoneyTree Report/PricewaterhouseCoopers/Thomson Reuters

Randy Parker is a serial entrepreneur," Sculley said. "You have to have a good idea, and you need to have investors who are confident in the team leading the company."

Refresh Miami's Breslin hears regularly from entrepreneurs who would like to connect with big South Florida companies, such as Carnival Corp., to pitch a new concept that might help their company.

Roger Frizzell, Carnival's senior VP of corporate communications, said the cruise company is open to new ideas from the local start-up community. He noted that Arnold Donald, who became Carnival's CEO in 2013, has a successful history as an entrepreneur.

A RISING TIDE

Florida's biggest venture event, the Florida Venture Capital Conference, saw a record turnout from investors in 2014, according to President Kevin Burgoyne.

That success followed a resurgent year for venture investments in the state. So many people are now confident that venture funding is returning in force.

Shaun Blogg, a partner with accounting firm Marcum LLP in West Palm Beach, said he's seen increased activity in his practice.

"We have a lot of capital coming into South Florida from retirees moving here and foreign

nationals relocating here," Blogg said. "The transient nature of these wealthy pop-

ulations means that some recent arrivals may not be aware of opportunities to invest with startup companies located here, Blogg said.

"The capital, like the communities here, is still a little disjointed, which is a challenge that Boston and Silicon Valley don't necessarily face," he said.

On a positive note, New York-based Endeavor Global, a global mentoring network, is getting organized in Miami to help local startups connect with wealthy investors around the world.

Endeavor Miami recently released a survey that shows where the gaps are in the Miami area's network, once again calling out a lack of mentoring and a perceived lack of access to capital.

"Connecting entrepreneurs with capital and mentors is what Endeavor does best, so we are in the right place," said Laura Mayuón, managing director of Endeavor Miami.

Another key initiative to bring venture capitalists together in Miami is the upcoming eMerge Americas conference, kicked off by Terremark Worldwide founder Manny Medina.

Diane Sánchez, CEO of conference host Technology Foundation of the Americas, said South Florida's leading investors and businesspeople are invited.

"Part of what we are doing is to find out what excites the region's movers and shakers, get them together and then keep them talking to each other," Sánchez said.

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MARK FREERKS

Randy Poliner and Jonathan Kislak of Antares Capital, which invests in new companies.

H.I.G. BIOVENTURES

- **Managing director:** Michael Wasserman
- **Website:** www.higbio.com
- **Address:** 1450 Brickell Ave., 31st floor, Miami 33131
- **Phone:** (305) 379-2322
- **Email:** info@higbio.com
- **Criteria:** With more than \$13 billion of equity capital under management, H.I.G. specializes in providing capital to small and medium-size companies with attractive growth potential.

NEW WORLD ANGELS

- **President:** Rhys Williams
- **Address:** 8130 Glades Road, Suite 239, Boca Raton 33434
- **Phone:** (561) 620-8494, ext. 1104
- **Email:** info@newworldangels.com
- **Criteria:** New World Angels invests in a wide variety of startups with experienced management and a compelling product. It has extensive criteria and a submission process on its website.

TULLIS HEALTH INVESTORS

- **Partner:** John Tullis
- **Website:** www.tullisfunds.com
- **Address:** 11760 U.S. Highway 1, Suite 502W, North Palm Beach 33408
- **Phone:** (561) 799-7762
- **Criteria:** Tullis provides equity and equity-related capital to small and emerging health care companies. Tullis focuses on companies that have already established operations or have completed a substantial portion of their development process.