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## More Venture Capital Comes to Florida

By Michael Sasso

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Venture capital firms poured more money into promising Florida-based companies during the first three months of the year than they did during the same period last year, but Florida companies still are having difficulty attracting venture investments, according to a report released Monday.

According to the MoneyTree survey, 13 Florida companies received \$87.2 million in venture capital during the first quarter.

That is a 52 percent gain compared with the first quarter of 2003, when Florida companies landed \$57.5 million in venture financing. However, on a more sobering note, the number of companies receiving funding is still well behind the peak years in the late 1990s.

The quarterly numbers for the MoneyTree survey are compiled and issued by PricewaterhouseCoopers, Thomson Venture Economics and the National Venture Capital Association.

AdvanTech Solutions, a Tampa Bay area company, received the most venture capital financing in the state, winning \$26.2 million from firms including Trident Capital of Palo Alto, Calif., and Wachovia Capital Associates of Winston-Salem, N.C. AdvanTech is a human resources outsourcing company that provides such services as payroll processing and benefits administration for 700 client companies.

AdvanTech is using the money to pay down debt and go after larger customers, said company Chief Executive Officer Jack Murray III.

The other local company signing a venture capital deal in the quarter was Health Integrated of Tampa, which inked a \$500,000 deal with River Cities Capital Funds of Cincinnati.

WiDeFi Inc., a maker of microchips for wireless products, also inked a significant financing deal, but not without encountering a hurdle many promising Florida companies face.

Late last year, a California-based venture capital firm offered WiDeFi an investment deal worth millions to expand. The offer came with a price: the Satellite Beach company would have to relocate to California's Silicon Valley.

WiDeFi decided to pass on the deal but was later able to sign a \$6.8 million investment from a consortium of East and West Coast venture capital firms. WiDeFi's story, though, underscores a quandary faced by many of Florida's rising stars of industry, said Charles Resnick, a managing partner of Florida-based venture capital firm Inflexion Partners: If start-ups want financial backing from venture capital firms, they often must relocate as part of the deal.

Another issue dogging Florida start-ups is the fact that the venture capital firms are increasingly selective about the companies they will back.

Although 13 companies got financing during the first three months of this year, that is only one-third of the companies that received venture funding in 2000, when 43 companies received funding per quarter.

"We're not headed in the right direction," said Resnick, whose firm was one of seven companies to fund WiDeFi.

"At best, we're holding our own."

Despite the anemic number of deals signed in the quarter, some local venture capitalists and investment bankers see signs of improvement.

John McDonald III, managing director of Hyde Park Capital Partners, a Tampa investment banking firm, said venture capitalists are feeling better about the outlook and ready to start investing again.

The rub is that some venture capitalists prefer to invest in nearby companies so they can visit regularly to keep an eye on things. The result: Big venture firms often request that Florida start-ups relocate, especially to Silicon Valley, or risk losing millions, Resnick said.

James Proctor, chief executive officer of WiDeFi, said: "Once entrepreneurs move, they're gone for good. And then you don't have these folks generating jobs."