

Follow the

MONEY

By
Jack Roth

HERE IN CENTRAL FLORIDA, A VARIETY OF FUNDING IS AVAILABLE TO HELP COMPANIES THROUGH VARIOUS STAGES OF ECONOMIC GROWTH.



➤➤ Almost all companies, regardless of how innovative or well run they are, need capital infusions at various points in their life cycle. Fortunately for businesses in Central Florida, economic growth is a regional priority and a variety of funding opportunities exist to help companies reach their goals.

Part of Florida's overall strategy to ensure economic growth is providing Florida businesses with the resources needed to succeed at every stage of growth. In Central Florida, local leaders, economic development organizations and various learning institutions have embraced this philosophy for years. The unique presence of both legacy industries and evolving high tech clusters makes the region primed for economic growth. Ensuring such success, however, requires the presence of a network of resources that address capital needs at each point of a company's growth cycle.

"Innovation requires capital," says Robin Kovaleski, executive director of the Florida Venture Forum. "It's imperative and incumbent upon us to provide a conduit for emerging growth companies to come together with capital resources. These companies help

regions evolve, and they also hire our workforce. Often, these growth-stage companies cannot attract 'traditional' sources of funding. They need help to develop their technologies, both with money and with talent, business know-how and advice."

Since its inception in 1984, the Florida Venture Forum has helped ensure the success of entrepreneurial ventures by offering expert counsel, educational advice and managerial assistance. The business leaders involved in developing the forum learned quickly that most entrepreneurs had sound technical expertise but many needed assistance in the areas of marketing and finance. "We've created an ecosystem where companies can succeed from early-stage through maturity," adds Kovaleski. "We literally provide a football field for these entrepreneurial teams to come to, bring their game plan and their team, and ultimately win their game."

As companies evolve, so do their needs. Kovaleski and other business pundits will tell you that entrepreneurs often overlook this fact, as they are (understandably) too focused on the product or service they're providing to understand the changing business dynamics associated with growth.

THE EVOLUTION OF CAPITAL NEEDS

Understanding the growth cycle of companies is as important as understanding the inner-workings of the companies themselves. During the gestation, inception, prototype and rollout periods of a company, also known as first-stage growth, entrepreneurs usually turn to friends, family and venture capitalists to help finance their endeavors. Also known as business angels, these private investors help young companies with both finance and know-how. Venture capital is high-risk, high-return investing in support of business creation and growth. Startups often operate with minimal support staff and struggle to survive. Most businesses fail in their early stages due to lack of financing and cash flow problems. Fortunately for local Orlando businesses, venture capitalists are taking

a keen interest in what is fast becoming a constantly expanding high tech hub with serious growth potential.

"Venture capitalists are aware of the innovation and other attributes associated with the Central Florida region," explains Kovaleski. "Regional universities have prepared a well-trained and qualified workforce, and local officials understand the importance and the need to expand growth in various industry sectors, including semiconductors, robotics, simulation and optics. The life and biosciences initiatives taking shape in Lake Nona have created an engine for continued growth and a good investment for venture capitalists."

The life sciences cluster Kovaleski is referring to is forming a new 'Medical City' consisting of various UCF College of Medicine facilities, East Coast operations of the Sanford-Burnham Institute for Medical Research, Orlando VA Medical Center, Nemours Pediatric Health Care Campus, M.D. Anderson-Orlando's Cancer Research Institute, and University of Florida research laboratory facilities. The conservative estimate of investment being made on the 'Medical City' site at Lake Nona is \$2 billion, and the UCF College of Medicine alone is slated to create 30,000 jobs in the region.

Eric Ushkowitz, director of technology and entertainment at the Metro Orlando Economic Development Commission (EDC), has seen first-hand how the region has come such a long way in a short period of time when it comes to luring venture capitalists. "You still see more venture capital in traditional high-tech hubs such as San Diego and Boston, but since the launch of 'Medical City' we're starting to see interest from venture capitalists who are considering this region much more seriously. The strong support structure created for emerging companies — including the UCF Technology Incubator and dozens of other facility, funding and commercialization support programs — has created a buzz not only in the biosciences community but also in the venture capitalist community."

A large technology hub has existed in Central Florida since the 1960s, when NASA and a plethora of support and



ECONOMIC GARDENING PILOT LOAN PROGRAM ELIGIBILITY PRE-QUALIFICATIONS

The Economic Gardening Pilot Loan Program was created in 2009 within the Florida Office of Tourism, Trade and Economic Development. The program supports those small businesses that are best qualified to use the loan to continue making a successful long-term business commitment to Florida.

Applicants must be business eligible for assistance as provided in Florida Statute 288.1081.

- » The business must be a for-profit business legally authorized to do business in the state of Florida.
- » The business must employ at least 10 but less than 50 employees.
- » The business must generate at least \$1 but no more than \$25 million in revenues annually.
- » The business must have maintained its principal place of business in the state of Florida for at least the previous 2 years.
- » The business must qualify for the tax refund program for qualified target industry businesses.
- » The business must have increased both its number of full-time equivalent employees and gross revenues in the state of Florida during 3 of the previous 5 years.

Such business loans will be a minimum of \$50,000 and a maximum of \$250,000 and may be used for working capital purchases, employee training, or salaries for newly created jobs. One job must be created for every \$50,000 borrowed.

COURTESY METRO ORLANDO EDC



Eric Ushkowitz

sub-contractors made the region home. Most of these high-tech companies were, and still are, military contractors, so the need for venture capital in the region wasn't needed.

"Our legacy centers have been rooted in Department of Defense contracts, but with the growth of our new high-tech sectors, we are now making the switch to venture capitalist funding," Ushkowitz explains. "As these new businesses branch out and sometimes combine specialties to form brand new industry sectors — such as simulation and life sciences, or optics and photonics — we're attracting more venture capital to the region because these represent cutting-edge technologies with enormous upside."

SECOND STAGE GROWTH

Ushkowitz and the EDC act as conduits between emerging companies and the support system they need in order to succeed. Incentive programs, training grants and partnerships constitute just some of the resources available. The EDC identifies these emerging companies and guides them to the appropriate sources depending on their needs.

"We have experts in every industry sector who oversee the entire region," says Ushkowitz. "We've identified and established relationships with the companies who are here, so when they move from first stage to second stage in their growth cycles, we know they will require various resources they've never even considered before."

Research shows that second-stage

businesses — when products have been developed, sales increase exponentially and financing future growth becomes imperative — are at both the fastest and most critical growth period in a company's history. Second-stage businesses account for only 13 to 16 percent of all businesses, yet they produce 30 to 40 percent of all jobs. Many second-stage businesses lack community support, however, because they are sandwiched between sexy start-ups and large companies that have the attention of media and economic developers.

"There was a gap in our history when we had a world-class incubator (first-stage support) at UCF, which spawned companies that were way ahead of others, but when they got to their second-stage growth period, they flattened out,"

"WE OFTEN LIKEN SECOND-STAGE GROWTH COMPANIES TO A CHILD'S TERRIBLE TWOS. IT'S A TOUGH GROWTH PERIOD THAT REQUIRES SPECIFIC SUPPORT AND UNDERSTANDING." — Mark Lange, executive director, Edward Lowe Foundation

says Ushkowitz. "A whole new set of problems developed and they didn't have the support they needed to work through it and continue to grow like they should have. The region has remedied that now with the economic gardening principles it has adopted."

The Edward Lowe Foundation, based in southwest Michigan, was created to enhance entrepreneurship and economic growth across the country. Mark Lange, executive director of the foundation, describes the second stage of business development as a point in the business life cycle when the casual ad hoc methods of entrepreneurial ventures begin to fail. It's a stage when the complexity of employing an increasing number of workers and the related regulatory compliance issues begin to exceed the span of control of one owner or CEO. At this stage of business development, more formal systems and processes may be required to effectively manage the business if it's to sustain or accelerate its current rate of growth to the next stage.

"They require high maintenance and are often difficult to get a handle on," says Lange. "We often liken second-stage growth companies to a child's terrible twos. It's a tough growth period



Mark Lange

COURTESY EDWARD LOWE FOUNDATION

that requires specific support and understanding."

The state of Florida has recently embraced a long-term entrepreneurial strategy, known as economic gardening, designed to focus on second-stage

growth companies and generate new jobs from the existing base of businesses in the community. The program is a two-pronged initiative to be managed by the Governor's Office of Tourism, Trade and Economic Development.

The first component is the Economic Gardening Loan Pilot Program, which provides low-interest, short-term loans to eligible businesses for working capital expenses, employee training, and salaries for newly created jobs. These business loans range from a minimum of \$50,000 to a maximum of \$250,000.

The second component is the Economic Gardening Technical Assistance Pilot Program, where a third-party contractor with expertise in business outreach and development works with eligible businesses to assist them with their infrastructure, networking and mentoring needs.

"These programs are critical to the success of second-stage growth companies," says Ushkowitz. "It's hard to get any type of business loan these days, and especially for smaller businesses. Funding is an important piece of a huge puzzle when it comes to an overall economic development plan, and providing capital for these compa-

nies, who are ready to spin out research and create jobs, is imperative to the success of that plan."

MATURITY

During the third, or maturity, stage of a company's life-cycle, the business has reached the point where the fruits of labor can be realized and its contributions to the community are recognized.

In most cases, the company has done well, attacked its market, refined and commercialized its products, and may be gearing up for an initial public offering or other major progress. Funding at this stage can more easily be secured by bank loans, as banks tend to consider established entities when considering lending. Acquisitions and IPOs (initial public stock offerings) can also raise needed capital. In essence, growth is no longer a critical issue to the company's survival.

"Growth may not be the first priority for third-stage companies, but business owners always have decisions to make," says Ushkowitz. "Do they concentrate on continuing to run a successful venture, pursue new ventures, or devise a plan for succession of the business so they can retire? Whatever the case, we still need to provide the appropriate support systems to make these decisions easier for them."

A COLLABORATIVE APPROACH

Steve Quello, known as the "Jerry Garcia of Economic Gardening," played a major role in the adaptation of the economic gardening pilot programs in the region. Quello believes that, for community and economic development, the key is to recognize and meet the needs of entrepreneurs based on where they are in terms of the life-cycle stages.

"The complexity of serving and advancing economic development issues requires a collaborative approach," he says. "There's no one entity in any region that can do all the things needed to accomplish this. Central Florida is a particularly collaborative community, and it has embraced entrepreneurship like few regions have. Understanding continuum and meeting



Steve Quello

needs at different stages sets this region apart from almost all others. We're lucky in this regard because we have organizations and people who understand, embrace and support these principles. We're seeing the benefit of this and are poised to benefit further."

Quello believes the premise of continuum is critical as it relates to Central Florida because the pieces are in place to support the entire life-cycle of a company.

"We have a nationally recognized incubator at UCF, which is a very progressive and community-oriented academic entity. They're doing a great job at stage one growth, and the economic gardening model helps fill the gap in stage two. The Disney Entrepreneur Center straddles these two stages, and the High Tech Corridor Council provides this continuity along the high tech track. The EDC picks up on all of the stages and acts as a resource for all businesses. Gardening helps put it all together, especially during difficult economic times."

Entrepreneurs must also be proactive, putting forth the due diligence needed to know where support is coming from and how to secure it. New resources are always popping up in the form of grants, loans, venture capital and forums.

"Venture capitalists are always looking for the new thing, and we have cutting-edge technology hubs now that, when combined, create even newer and more innovative technologies," says Ushkowitz. "The creators of these technologies must be aware of the fact that resources for funding and growth continue to grow in the region." 

MORE RESOURCES

>> Black Business Investment Fund (BBIF)

Specializes in providing loans to small and minority business owners. In addition, the BBIF assists businesses in building their management capacity through technical assistance services. Currently, the BBIF administers two loan programs, the Black Business Loan Program (BBLP) and the Economic Gardening Pilot Loan Program.

>> Florida Opportunity Fund

Created to realize significant long-term capital appreciation by investing in high-quality venture capital funds, businesses and infrastructure projects that will provide a lasting benefit to Florida. Established by the state to funnel more venture capital to Florida start-ups and invest part of state pension fund in growing Florida companies.

>> Inflexion Fund LP

Managed by Inflexion Partners, this seed and early-stage venture capital fund was organized with an emphasis on company building and harnessing regional, national and international resources of the fund's managers and strategic partners. It leverages a network venture capital model involving some of the largest institutional investors in the country.

>> GrowFL

Provides a suite of high-end, high-speed technical assistance and business tools to companies that have grown beyond the startup phase and need access to information and decision-making tools such as capital referrals, strategy analysis and network mapping. Working in partnership with Florida Economic Gardening Institute and the Edward Lowe Foundation, GrowFL applies lessons learned from the proven art of economic gardening.

