VENTURE CAPITAL DEALS SUFFERING

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When the deals are counted and the dollars are tallied, 2002 may be Florida's worst year for venture capital investments since the mid-1990s.

"What is being reported is very, very low and takes us back several years to levels back to 1996 although probably better than '95," says Marty Donsky, a PricewaterhouseCoopers marketing manager. To be sure, Donsky and other observers did not expect 2002 to be anywhere near a boom year for VC investment. With only $333 million posted for the first three quarters, another $425 million in VC money would have to have shown up in the fourth quarter just to match 2001's level.

That's unlikely, given the economy's continuing struggles. VCs are still doctoring the companies – many of them dot.coms – that they've already invested in, and few start-ups have shown enough sales to attract investors.

To be worse than 1996's totals and better than 1995's, VC investment in the state would have to fall between $343 million and $210 million, respectively. PricewaterhouseCoopers began the quarterly MoneyTree Survey of venture capital investment in 1995, just as the tech boom was taking off into the stratosphere. Now, research firm Venture Economics in Newark, N.J., and the National Venture Capital Association in Washington, D.C., also participate in the survey.

The MoneyTree survey of the fourth quarter, including the year's totals, is expected by the end of the month, Donsky said.

Nationally, the survey is also expected to show a major drop in venture capital investment. The question is: Will Florida fall even further behind the rest of the nation? It was ranked 13th in 2001.

"It's not quite nuclear winter," said local attorney Jonathan Cole, who does legal work on new ventures, "but it's pretty chilly."

There are some venture capital firms wringing some dollars out for start-ups, but most are holding onto their cash. South Atlantic Venture Funds/the Burton Partnership in Tampa, H.I.G. Ventures in Miami, New River Capital Partners in Fort Lauderdale and Lee Munder Investments in Palm Beach are among those firms that did not invest in a Florida company in the latter half of 2002, say Cole and others who follow the industry. "It's probably less active in Florida than it was in '97 or '98. Really you should look at '98 as a base year because in '99, it went irrationally off the chart," Cole said. In 1999, Florida firms raked in $1.35 billion.

Still, there are bright spots. CrossBow Ventures in West Palm Beach in late December sold one of its companies, iviewit.com, of Hollywood, Calif., and formerly of Boca Raton, to Jacksonville-based Digital Interactive Streams Inc. Both companies are developing video technology for the Internet. The transaction amount was not disclosed, but it included a follow-on investment by CrossBow in Digital Interactive. Deal offers have "been steady and strong, but we saw
better deals outside of Florida," said CrossBow Managing Partner Rene Eichenberger.

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