

GROWING FLORIDA'S STARTUP COMPANIES

Across Florida, private sector entrepreneurs and researchers at state and private universities are constantly developing products and ideas that can be commercialized, and the economic impact of developing the startup companies born from those ideas within the state can be significant. Florida is currently expanding its capacity to keep startup companies in the state and is helping develop companies that will provide high-wage jobs to Floridians.

The benefits of enhancing entrepreneurship and innovative capacity are substantial. One statistic highly noted by economic development professionals is that innovative regions (regions with high levels of intellectual property and local entrepreneurs) have 125% higher employment growth, 58% higher wage growth, 109% higher productivity, and less sensitivity to economic downturns than the average region.¹ Developing these startup businesses in Florida can help diversify the economies of all regions in our state.

THE PATH OF A SUCCESSFUL STARTUP COMPANY

Innovators and entrepreneurs bring many benefits to the region: they set up small businesses that bring high-wage jobs and investment returns. Angel investor networks and business incubator networks are vital tools that enable entrepreneurs to take their ideas and inventions and turn them into profitable companies.²

¹ U.S. Small Business Administration, www.sba.gov

² The October and November 2011 Florida TaxWatch Economic Commentaries, *Angel and Venture Capital in Florida*, and *Florida's Business Incubators* detail how angel investors and business incubators work in more detail.

PATH OF SUCCESSFUL STARTUPS

EARLY STAGE

BUSINESS PLAN
PROTOTYPE
USE OF INCUBATORS

FRIENDS & FAMILY
ANGEL INVESTORS

EXPANSION

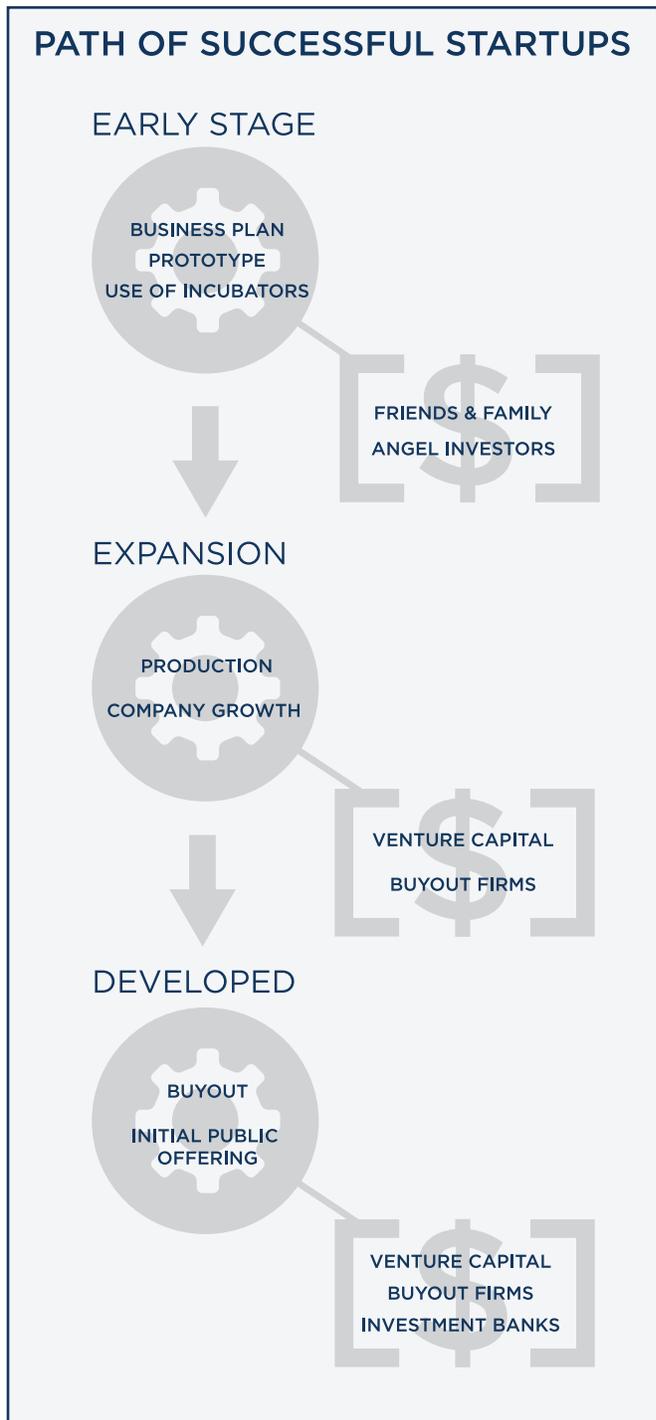
PRODUCTION
COMPANY GROWTH

VENTURE CAPITAL
BUYOUT FIRMS

DEVELOPED

BUYOUT
INITIAL PUBLIC
OFFERING

VENTURE CAPITAL
BUYOUT FIRMS
INVESTMENT BANKS



Funding is typically the biggest impediment to starting a self-sustaining business. Entrepreneurs often engage in several rounds of financing, spending substantial amounts of time making the same investment pitch, using up valuable time that they could use to focus on growing their company. Angel networks help to solve this issue by bringing together potential investors and entrepreneurs, so entrepreneurs do not need to spend time pitching their business plan multiple times to multiple investors.

Angel investors provide the majority of U.S. startup funding in the early investment stages by filling the gap between start up and sustainability. Angel investors invest in more than 60,000 companies per year—22 times more companies than venture capital firms. In 2010, angel investors across the U.S. invested about \$20.10 billion. Massachusetts and California lead the way, but the Southeast U.S. as a region comes in fourth according to the Angel Resource Institute. (See chart top right)

Also, unlike venture capitalists, angel investors provide experience and guidance to startups—not just financing—in return for a stake in the company. Since Angel investors invest in more companies in earlier stages of development, they can play a key role in boosting innovation and startups in Florida.

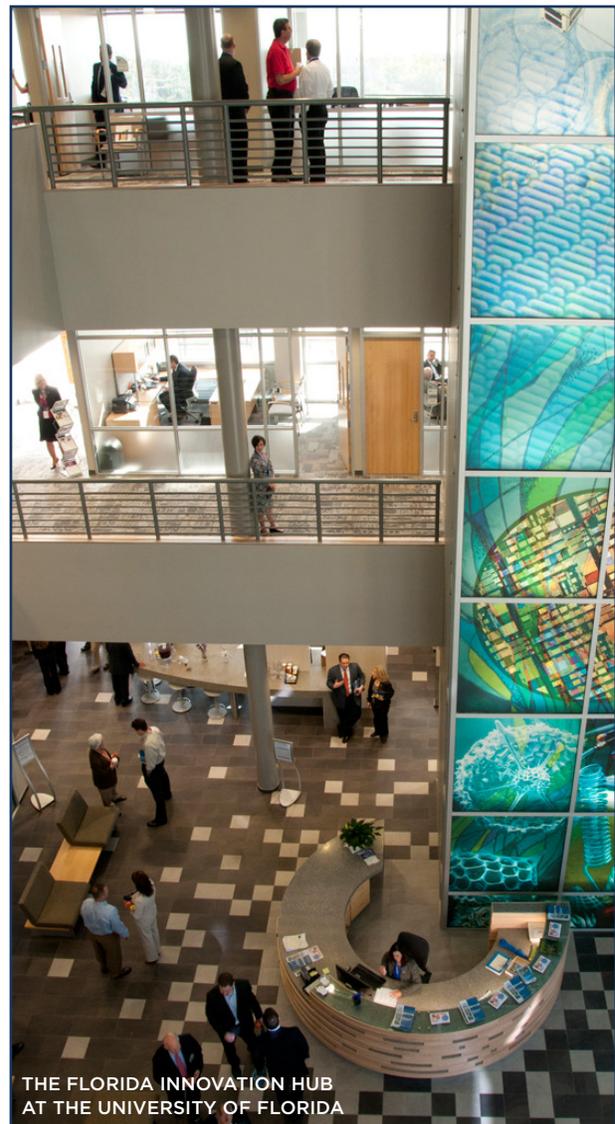
SUCCESSSES IN FLORIDA

To try and provide more support for Florida's startups, a statewide network of investors and investment groups known as the Florida Angel Nexus has been developed to help grow companies in Florida. The Nexus has teamed up with UCF's Business Incubator Program and other groups such as the Tamiami Angel Fund, the Florida Institute for Commercialization of Public Research, and the Florida Next Foundation in order to connect qualified companies with the mentorship and capital needed to create a viable company and product. (See list, top of next page, for more benefits)

SHARE OF ANGEL FUNDING DOLLARS (BY U.S. REGION)

New England	18.7%
California	17.1%
Great Lakes	14.5%
Southeast	10.1%
Great Plains	9.7%
Mid-Atlantic	8.9%
Texas	6.1%
New York	5.9%
Northwest	4.6%
Southwest	4.5%

Source: "Halo Report" Q2 2013. Angel Resource Institute



POTENTIAL OF A NETWORK OF ANGEL INVESTORS

1. Assist entrepreneurs at critical inflection points to efficiently seek resources and capital to accelerate the development of their business in Florida
 2. Promote small business growth and innovation
 3. Generate high-paying jobs for Floridians
 4. Facilitate more investments in our state to keep our growing companies here
 5. Accelerate the progress of tech hubs and clusters (i.e. Medical City & biotech)
 6. Develop additional opportunities for women, minorities, and STEM entrepreneurs and students
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The Business Incubation Program at the University of Central Florida (UCF) was named *2013 Business Incubator Network of the Year* by the National Association of Business Incubators.

According to a regional economic impact study conducted from October 1, 2011 through June 30, 2013, UCF's program helped generate a direct regional output of \$327 million out of a total output of more than \$620 million, during that time period. The program directly supported 1,856 jobs, and indirectly supported another 1,500 jobs, in which employees earned an average income of \$58,000. These jobs brought \$18.5 million in additional tax revenue to state and local governments.³

The Florida Angel Nexus' partnership with UCF is already seeing success; it has closed three deals, and is on track to meeting its goal of investing \$1 million by year end. With this team, the Nexus plans to make Florida the next major innovative ecosystem in the U.S.

³ National Business Incubation Association, http://www.nbia.org/success_stories/awards/2013/ucf.php

IMPROVING THE FLORIDA ENTREPRENEURSHIP ECOSYSTEM

According to a 2012 MoneyTree report, California, Massachusetts, and New York attract 70 percent of all investment financing while Florida attracts less than 1 percent.⁴

According to Blaire Martin, Director of the Florida Angel Nexus, there are five main opportunities to develop Florida's entrepreneurial ecosystem by developing interconnected Angel groups:

1. Investable companies spend too much time raising capital causing talented entrepreneurs to leave Florida
2. Lack of early communication between investment groups is time consuming and expensive for both angels and companies
3. Lack of an efficient method to start and administer successful Angel Networks, makes it challenging for new groups to gain momentum and trust
4. Some potential angel investors miss opportunities to invest by using a portfolio approach of disciplined and systematic due diligence, potentially causing lower returns
5. Florida lacks an efficient marketplace to connect entrepreneurs, qualified investors/mentors, potential growth companies, and community resources

CONCLUSION

Opportunities abound for Florida to encourage the growth and expansion of startups. As they become more successful, the companies and their principals and investor groups can also mentor young entrepreneurs. Keeping graduates of Florida universities in the state will result in a better return from taxpayer investments in education, will develop high-paying jobs, and will diversify the Florida economy.

⁴ PriceWaterhouseCoopers MoneyTree report, available at <http://www.pwc.com/us/en/technology/moneytree.jhtml>

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TRACY WILLIS

Vice President, The Walt Disney Company

Economic Commentary written by
Jerry D. Parrish, Ph.D., Chief Economist, and
Executive Director of the Center for Competitive Florida,
with assistance from **Jennifer Linares, MS**, Research Analyst,
and **Ben Taplin**, Research Intern.

Robert Weissert, Chief Research Officer
Chris Barry, Director of Publications

John Zumwalt, III, Chair, Florida TaxWatch
Sen. George LeMieux Chair, Center for Competitive Florida
Dominic M. Calabro, President, Publisher, and Editor

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