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TAMPA BAY BUSINESS JOURNAL

COVER STORY

JON GORDON

Stage 1 Ventures takes on Tampa Bay WaVE seed fund

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Jonathan Gordon has led companies that beat Microsoft to the punch on early computer software and came up with the concept of having a camera in every phone before Apple did.

But Gordon, a partner at Stage 1 Ventures who has called Tampa home for the past nine years, has deliberately kept a low profile – until now, as he prepares to launch a \$10 million seed fund to help young companies in Tampa Bay WaVE, a nonprofit organization that services and houses growing startups.

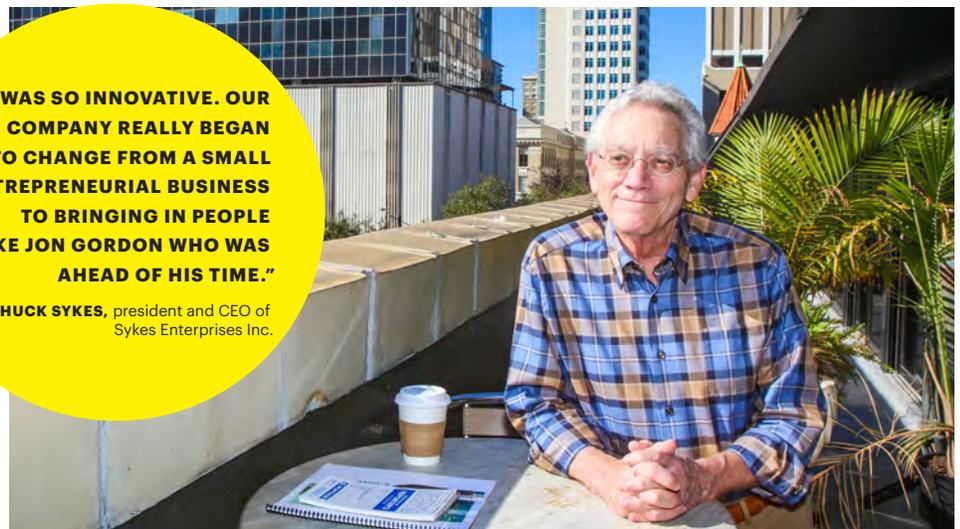
Early stage capital has been a barrier to growth for technology startups in the Tampa Bay area. Until recently, local investors primarily focused on real estate and restaurants, industries that dominated with a fast-growing population and tourist-oriented economy. Tech entrepreneurs who launched their companies in Tampa Bay generally had to find funding from outside the area and often relocated their companies to be nearer to investors, taking with them the high-skill, high-wage jobs they created.

The WaVE seed fund and other new investment vehicles focused on startups in the Tampa Bay area could change that, as they concentrate on growing companies locally and preparing them for the tech big leagues – including potential acquisitions or initial public offerings.

“We’re going to grow this area by start-

“IT WAS SO INNOVATIVE. OUR COMPANY REALLY BEGAN TO CHANGE FROM A SMALL ENTREPRENEURIAL BUSINESS TO BRINGING IN PEOPLE LIKE JON GORDON WHO WAS AHEAD OF HIS TIME.”

CHUCK SYKES, president and CEO of Sykes Enterprises Inc.



ing, growing and keeping companies here,” Gordon said. “If we invest enough money and grow these companies to a decent size, we’ll start seeing a lot of exits, and exits are what will move the needle for why Tampa is important.”

With local financial backing, founders and their companies are less likely to leave the area, Gordon said. That will create an expanding cluster of tech companies that will serve as a magnet to draw more firms and workers here.

He has commitments for more than half of the \$10 million he plans to raise for Stage 1 Ventures Accelerator Fund and expects to have the initial close on the fund in the first quarter of 2018. At least

five companies will get funding initially. He expects the fund to eventually have 40 or 50 investments, each between \$50,000 to \$100,000.

‘PULSE OF THE INVESTMENT COMMUNITY’

A serial entrepreneur with more than 45 years of experience in the technology industry, Gordon said he’s been fortunate to be intimately involved in the forefront of many historic market and technology changes.

“I have had a front row seat to the start of PCs to the internet to mobile and now the disruption of converting everything we knew or used that was in analog into a

new digital age and economy over the last 40 years," Gordon said.

One of his strengths is recognizing patterns that help him identify early trends.

One of those key points in time occurred in the 1990s, when Bill Gates, co-founder of Microsoft, declared that every home would have a computer in it. Sykes Enterprises Inc. (NASDAQ: SYK) in Tampa had just bought a small firm that moved Sykes into the consumer technical support space, and founder John Sykes saw an opportunity to provide automated tech support. Gordon was commuting to Silicon Valley at the time, serving as president of DiagSoft Inc., whose diagnostic software was bundled with new personal computers. He struck a deal in 1996 to sell DiagSoft to Sykes.

"Dad saw an opportunity for us with the manufacturers who already were using DiagSoft, to allow us to do remote control of their personal computers and provide better technical support," said Chuck Sykes, now president and CEO of the company. "It was so innovative. Our company really began to change from a small entrepreneurial business to bringing in people like Jon Gordon who was ahead of his time."

Sykes called Gordon "a visionary" who took time to give him advice early in his career. Sykes and Gordon lost touch, however, until six or seven years ago, when a then-fledgling WaVE was located in Rivergate Tower, the downtown Tampa building where Sykes Enterprises is headquartered, and Sykes and Gordon bumped into each other at an event.

By then, Gordon and his wife had moved to Tampa, and Gordon had teamed with David Baum to form Stage 1 Ventures, a venture capital firm focused on early-stage entrepreneurs with its main office in Boston. Stage 1's law firm is Foley & Lardner, and a Foley attorney in Boston who knew Gordon lived in Tampa urged him to get in touch with Curt Creely, a local Foley partner. Creely introduced Gordon to Linda Olson, Creely's wife and president of WaVE. Gordon joined the WaVE board of directors in 2012 and agreed last year to raise capital for the WaVE seed fund.

"He brings the knowledge of what venture capitalists, particularly early-stage venture capitalists, look for," Creely said. "He has his finger on the pulse of the investment community."

STAGE 1 MODEL

The Stage 1 Ventures Accelerator Fund will follow the pattern pioneered by Stage 1. The venture capital firm and its principals have invested in more than 100 companies and produced almost \$1 billion of investment proceeds. One of its portfolio companies is Marxent Labs Inc., a St. Petersburg company that provides 3-D visualization to retailers and manufacturers that want to use virtual and augmented reality to bolster customer experiences and sales.

For the local seed fund, Gordon is soliciting high-net worth individuals for financial backing.

"I want people who care about building this to be the investors and it's hard to get companies to do that," he said.

His pitch deck is a two-sided postcard, describing how the new fund will grow the funding ecosystem locally while reducing investor risk.

The fund will make loans and take equity stakes in WaVE companies.

The youngest WaVE firms – those in the "build" stage – will get notes, or loans, for up to \$50,000. For more established WaVE companies in the "launch" and "grow" phases, the notes convert into common shares. That aligns the interests of the seed fund and the entrepreneurs and is vital when businesses go after A funding rounds with established, aggressive investors who can be sharks, Gordon said.

"We'll sit down with the entrepreneur and negotiate that A round with them," Gordon said. "I can do a much better job negotiating than they can and I'm on the same page with them."

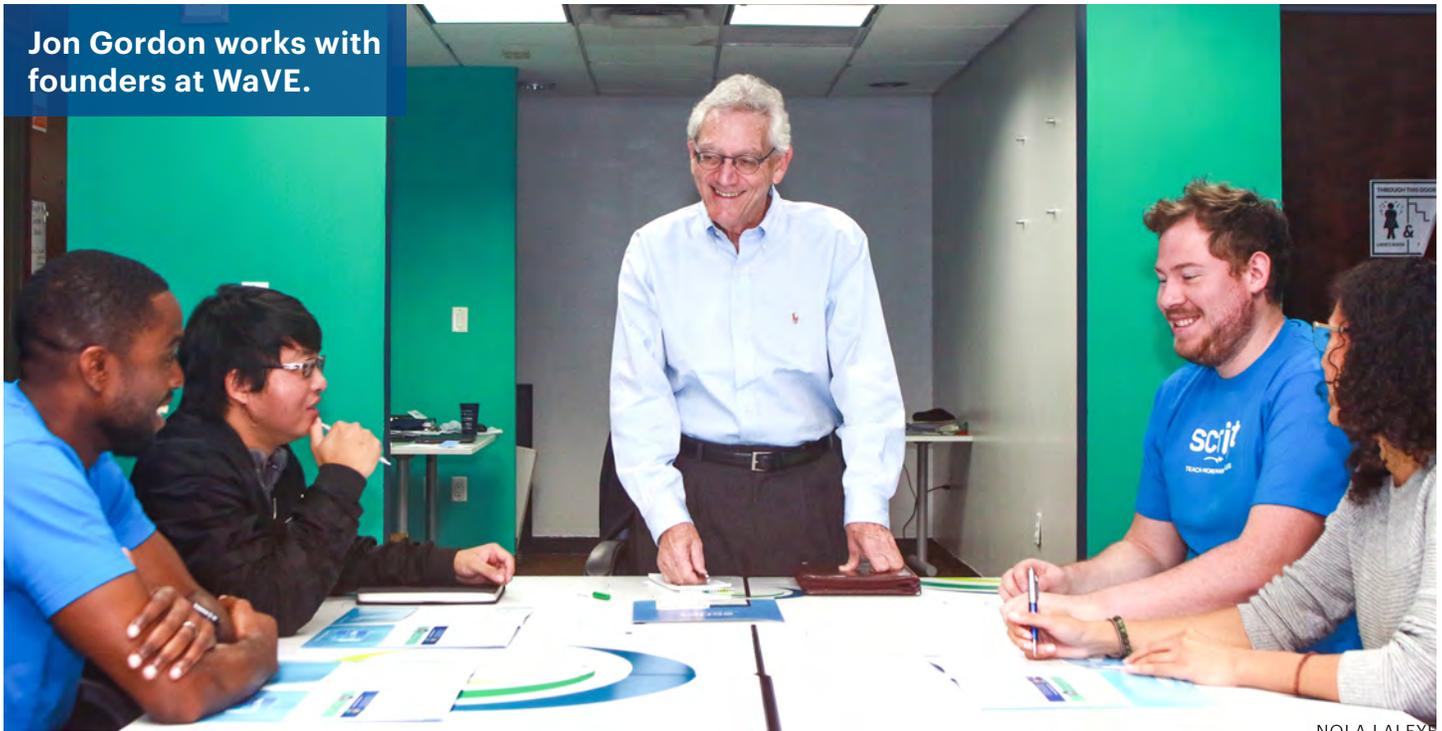
There are other steps Gordon is taking to give investors confidence and prepare young companies to grow. He's outsourced due diligence on potential target companies to WaVE, which is using software developed by entrepreneur in residence Ken Young to create a background file on every potential investment target. Companies are assigned mentors and those that get

GORDON'S RESUME

Jon Gordon's career has crisscrossed the United States, from Boston to Silicon Valley and the West Coast.

- ▶ **1978-1980:** Sales engineer at Tektronix Inc. in Oregon. He sold graphic terminals and taught himself to write code and to program the devices he was selling.
 - "Seminal moment" — an engineer showed him an analog-to-digital converter. "The world is going to go digital," Gordon recalled thinking. "That was a guiding light for my career. ... I loved technology, I loved discovery and I was hooked."
- ▶ **1983-1986:** Vice president of sales at Graphic Software Systems in an early PC software pioneer in Beaverton, Oregon
 - The company scored a victory when IBM adopted GSS software over software from Microsoft, Gordon said. He helped GSS raise \$2 million from venture capitalists before leaving the company.
- ▶ **1986-1988:** Vice president of sales at Phoenix Technologies in Boston
 - What started as a 20-person company with 1.2 million in sales grew to 450 employees with \$65 million in sales by 1988, when Phoenix did an initial public offering. "At age 42 I had my first big exit and I didn't have to worry about working," Gordon said.
- ▶ **1988-1989:** President of Paterson Labs in Seattle, working with Tim Paterson, the author of MS-DOS, the most widely used personal computer operating system in the 1980s.
- ▶ **1989-1990:** President, Phoenix Computer Products, which bought Paterson Labs. Founded Phoenix Publishing, spun out of Phoenix Labs and sold to Softbank.
- ▶ **1992:** Formed Ametron Technologies Inc. in Boston, an investment firm with expertise in monetizing intellectual property
- ▶ **1995-1998:** President, DiagSoft in Silicon Valley, sold to Sykes Enterprises in 1996
- ▶ **2000-2003:** President and CEO, EndPoints, a semi-conductor company in Boston
 - "The business plan said there was going to be a camera in every cell phone," Gordon said. EndPoints sold to Motorola after the dot-com bubble burst. It wasn't until 2007 that Apple came out with its iPhone and a camera in the phone.
- ▶ **2006:** Teamed with David Baum to launch Stage 1 Ventures, incorporated in Florida but with its main office in Boston
- ▶ **2012:** Joined the board of Tampa Bay WaVE
- ▶ **2017:** Formed Stage 1 Ventures Accelerator Fund; raising \$10 million to fund WaVE companies

Jon Gordon works with founders at WaVE.



NOLA LALEYE

funding must agree to use an accounting package that standardizes reporting for income, balance sheets and cash flows.

Startups need investors who will help guide them and introduce them to new customers, Creely said.

“That’s where John provides tremendous value, with his deep Rolodex and the people he knows,” Creely said.

Gordon also can tap into a network of nearly five dozen venture capitalists outside of Tampa, as well as Harvard Business School graduates he knows through Stage 1’s Baum, who will review business plans and provide feedback.

Gordon’s goal is to recognize good investments early and grow them fast.

“I came up with a saying – A, M&A, or go away ASAP,” Gordon said.

Once it makes investments, Stage 1 Ventures Accelerator will charge a fee of 6 percent to 7.5 percent – or about \$750,000 on a \$10 million fund – and that money will be used to pay for the due diligence and accounting. After the investment targets have exit events – they are acquired or raise other capital – the fund will get 20 percent of any gains. Gordon plans to give 20 percent of his own profit back to WaVE, potentially \$2 million or \$3 million over the next few years.

‘LAST GIVEBACK’

Despite his resume and his impressive

contacts list, Gordon said he’s never sought out publicity.

“I’ve always been a quiet person in the background. I’m the problem solver,” he said.

That’s changing as he makes his pitch for the new fund and he gets more involved in the community, he said.

At least 20 other cities in the United States have similar efforts underway to grow their technology industries, Gordon said. But there’s plenty of room for them and for the two other early-stage funds in Tampa: the \$2.85 million TiE Tampa Bay angel fund and Seed Tampa Bay, a fund in formation at University of South Florida.

“We need as much as we can get,” Gordon said. “There’s so much money in Tampa and certainly up and down the west coast of Florida that’s looking for something to invest in.”

Still, most people won’t put their money at risk until a business reaches a certain level, so a local focus on early-stage funding is critical, Sykes said.

“They call angel investors ‘angels’ for a reason,” Sykes said. “They come out of nowhere and it doesn’t have to be that much money. They bring credibility.”

Gordon calls the Stage 1 Ventures Accelerator Fund his “last giveback.”

“My plan is to do this fund, carry it through fruition, then somewhere in the next year or so bring in a partner, train

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CURT CREELY, partner, Foley & Lardner

him so that we can do a fund two, and he can take that,” Gordon said.

Still, Gordon will be around for a while. It likely will take seven or eight years, possibly as long as 10, for each startup that gets funding to sell or go public. While he’s willing to invest that time in the first fund, he said he would be maxed-out, age wise, for a second fund, and bringing in a partner is about succession planning. He’s unsure what he would do next, but said he will be led by his passion for new technology, building meaningful companies with great business models and continuing to try to do some social good.