

Jim Thomas of Kirenaga Partners

Speaker1: [00:00:04.77] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode. Hello, this is Hall Martin with the Investor connect. Today, we hear Jim Thomas, partner at Kirenaga Partners here, Kirenaga Partners is an early stage venture capital firm focused on building great businesses from cutting edge technologies to invest in early stage venture companies that have developed products and are on the verge of initial commercialization, the stage they call post technical validation and pre commercialization. Jim, thank you for joining us. It's great to be with you. So what was your background before investing in early stage companies?

Speaker2: [00:00:49.98] That's good. A good question. I grew up just having politicians as my my heroes and I thought, oh, I can fix all societal ills if if I get into government and get the right degrees and the right positions and work for the right folks. So I spent 10, 11 years working at local, state and federal politics. And unfortunately, it took me 11 years to figure out, left or right, I wasn't going to make the difference I wanted to make. So that was but it was it was great. You know, working in politics, you get to you get to see how the sausage is made and literally you get exposed to every issue under the sun. And so you if you don't have a strong opinion, you certainly come in contact with people who have very strong opinions about literally every topic on the planet. So it was a great learning ground.

Speaker1: [00:01:38.46] So what excites you right now?

Speaker2: [00:01:39.99] I think, you know, when I you know, I was born and raised in California, loved, loved being there. California's a wonderful state and especially the geography and the diversity of this. Fantastic. But it got so crowded. I was just I was ready to buy my mid thirties. I was just ready to to take off. And everybody at the time, which is kind of funny where you're at today, everybody said you have to go to Texas and you have to go to Austin. And I did. And it was great, but it just wasn't. I wanted to be a little closer to the beaches. I thought, you know, this is a place where I want to do a lot of business. I want to have a lot of contacts. And I kept going and I never thought that I would end up in Florida before retirement, like who goes to

Florida before they're ready to retire. And just getting to know the state from top to bottom reminded me a lot of California and then living in central Florida and being connected. You know, where I sit right now in downtown Orlando is less than an hour away from Kennedy Space Center. And so it's really I'm excited about being a part of these these verticals and then being in a state that's very open for business and very business friendly. And we say here, you know, a two million dollar check in an early stage company actually gets you a couple of years down the road where, you know, in my own state of California and places like San Francisco, I'd say that that would be about six weeks of an electric bill.

Speaker1: [00:03:10.45] Well, great. Well, so you did a lot with investors and with startups. What's your advice for people investing in startups?

Speaker2: [00:03:17.10] Well, I think what frustrated me, I got to do a lot of great things in Florida. I was I was just welcomed with open arms. I got to run, be the president of the Orlando Regional Chamber of Commerce. So I was exposed here. We call it the I four corridor. It really is up. But if you look at us from Gainesville out to Daytona and Embry Riddle and right on down through through the corridor, through Orlando, Space Coast, over to Tampa, I was exposed to so much IP and so many great founders and great ideas. What I would do is put them I'm like, I know enough high net worth families, you know, I'll get these great folks in front of the right families and everything will come together. And way too often these they were ideas. They weren't really businesses yet. And these families would ask the proverbial question of, you know, what's your revenue look like? And the answer was always zero or less than zero. But these guys were brilliant. They had IP on the table, but it just it wasn't a love connection. And so that's what I would say to early stage investing by one off investors is is a very difficult thing, unless that's your area of expertise. And so that's where I think you need to look for experts. You need to look for a fund. You need to look for your verticals that you're aligned with or geographies that you're aligned with in. And ideally, it's all the above grade.

Speaker1: [00:04:45.06] And so on the other side of that table, what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:04:51.78] I think it's to be open. A lot of the you know, it maybe it's happens around the country, but I know a lot of the experience here. There was there was a lot of pride

in the whole idea of bootstrapping. Oh, I've been bootstrapping this for five years. I've been bootstrapping this for ten years. And, oh, I can't tell you how many pitch competitions I've been to in they and we all wear that around like a badge of honor. But at the end of the day, you're like, if your idea was that good luck, shouldn't it be in the market? Shouldn't it be solving problems? Shouldn't you be out there? It's not just about making money, but it's like, do you want to be a starving startup founder for your whole life or Oh, I'm in startup tech and you're like, OK, but it's at some point I want you to be successful. I want you to be so successful that you start selling these merging and getting being acquired and and now having the capital to put back into the startup companies and sharing your experience don't just stay in the malaise of startup. So that's a lot of the advice we give these days is start those conversations, find out how much capital you need to really scale. Do you want to have a scaling business or are you looking for a lifestyle business and be very deliberate about one or the other? And either you make a lot of money in lifestyle businesses, but then start to connect, really talk with people in the capital communities and ask who funds the my type of business, who should I be talking to? And it's always great to start the relationship.

Speaker2: [00:06:29.44] I get email. I got one two hours ago. Hey, you don't know me, but here's my pitch deck. Would love to have you investors like you're right, I have no idea who you are, but if three months ago or six months ago they reached out and it's like, hey, you know, we're working on something really cool. We'd love to introduce ourselves. We'd love to develop a relationship with you, because these days you don't have to. I don't care what state you're in. We have a we have a flaw or a thesis, but but we talk to people all over the place, but really just be a human and get to build relationships, get to know folks have a big idea around scaling, know what that looks like, and then don't if it's if it's good money with good terms, take that early. Our favorite thing is to get these aren't companies. These are brilliant founders with great ideas. And what you said in the intro is we take we don't want to take risk on the technical side. We want it to be third party validated that what you have is real and it's ready and it's ready to go or close enough, ready to go. And we'll take risk on the commercialization side all day long, because in partnership with you and with the right funding and access to the right client base, we have the faith in ourselves and with you that we can we can commercialize you if what you have is real great.

Speaker1: [00:07:53.04] Well, you're in the venture capital investing game. How do you see the industry evolving? Where do you see it going?

Speaker2: [00:07:58.68] What I what I didn't like about. You know, because I was more exposed to California than I was to the New York piece, but I don't think it's that different. But what I saw too much in California was, yeah, they wanted to put a lot of money into huge valuations. Everybody was chasing unicorns, that it was just kind of the name of the game. And a lot of that was we don't have a fund. You know, people have made a lot of money at this. And so there's nothing necessarily wrong with it. But I didn't like that side of it. Well, let's just figure it out. Let's get enough users and we'll figure it out and we'll just keep throwing money at it until it works or it doesn't work. We're here. What we're finding in Florida is it's it's much more you know, there's nothing wrong with with software plays at all. But we find a lot of heart tech. We find a lot of amazing IP. We find these brilliant founders. And what we what we say is what I love about the venture space here is like like I mentioned, we could put one, two, three million into an early startup company with good valuations, the right great terms for the founder. And now, if we could take that from, you know, basically the company's worth next to nothing and now we can bring it into the market. We call it that inflection point. There's no you know, who knows how far it goes. And what if we turn it from zero into a fifty or one hundred million dollar company? We don't we don't have to chase unicorns to find to create massive wealth for our investors, for the founders, this idea of ongoing generational wealth. So that's the piece that I like to play. And I feel like more people are moving in that direction. People are moving to places like Texas and people are moving to places like Florida because they don't want they don't have to chase these unrealistic valuations.

Speaker1: [00:09:53.10] That's great. And so in the next five years, what do you think is the biggest change we'll see in funding startups?

Speaker2: [00:09:58.56] You know, I think it's. What I what I really like right now is, is this idea and why I give a lot of talks on this and how do we. How do we share with the up and coming entrepreneurs that the world's greatest problems are the world's greatest business opportunities like before, and instead of just sitting around and listening to negative news? Oh, the world's going to hell in a handbasket. It's I think we're at this place where we can we have so much. I'm surrounded by like five screens right here. We have so much access to knowledge.

We have access to people we can find who's doing top level stuff. So why not go after those those big meaty issues, regardless of where you live? And I think that that to me is you harnessing technology to solve those those major problems is something that I haven't seen as much over the past 10 or 20 years, but literally that those are the companies that really catch our attention these days. Here's my financial model. Cool. OK, what do you and what problem are you starving in? You're like, oh, that's that's pretty. That's pretty exciting. We what we say and where I go, I think this is moving and it's certainly where we're at. We're not just impact investors, but the investment we make, the bigger impact it has. Guess what, the bigger market it gets into and the bigger problems that we saw, the more money we're going to make and the more money, more problems we're going to be able to alleviate in the world.

Speaker1: [00:11:38.83] Great. So let's talk about your investment thesis. What exactly is it and what's your criteria for looking at startups?

Speaker2: [00:11:45.15] Sure. So what was what was fascinating was how I ended up from California to Florida, the two founders of Quirinale, Dave Dalzell and Terry Berlind. Funny enough, Terry Berlind, top nuclear engineering, when Orlando actually had a naval training base, but they were up in the Northeast and they were seeing like B minus C plus overvalued deals that just just weren't that exciting. And all of a sudden, I'm running the chamber and they come down here and we meet and we start talking about all the opportunities that we're seeing in and around central Florida, this I4 corridor really around the state. But there's so many great universities and colleges in this in this corridor. And what they came down to do was to connect with the capital community in Florida. And this is five, six plus years ago. And the more that they looked around, they're like, wait a minute, there's next to no organized capital. So I started referring to they said, hey, we want to get into three revenue companies. We want to lift these companies up. We want to turn them into amazing businesses. And that's exactly what they started doing. So any time I found great founders, I would send them their way. They came back to me a couple of years ago and said, what if we were closing off our first fund? We're having massive success with it.

Speaker2: [00:13:05.55] We're going to start a new fund and our thesis is going to be around. The future is for. And what would a bold thing that is and what a hard thing it is to get a lot of people to to buy into. But I was I was already bought in. I've been here long enough at the time.

I've been here already five or six years. I'm like, I get it. Like, this is the most richest, the richest IP and the most undercapitalised place, I believe in the entire country. So why don't we build a thesis around investing in Florida based companies, but then not handcuff ourselves to say we can only invest in Florida based companies? We were the first professional money into a vertical agriculture company called Plenty, which is now a unicorn. And it's out in San Francisco. We're like, great. If you don't want to headquarter in Florida, that's perfectly fine. But there's so many companies that we're talking to around the country that want this lifestyle, that want that long runway, that want a supportive ecosystem. And they go, hey, why don't if you fund us will, we'll happily move to Florida and we go there. So and then there's so many sub ecosystems within Florida.

Speaker2: [00:14:18.37] If you want to be up around University of Florida and Gainesville, Alachua County, beautiful community, wonderful things happening there. You want to be in and around the space coast and the space vertical space industry, Brevard County, Space Coast, like I said, about forty five minutes to my east. Wonderful place to be, thousands upon thousands of brilliant engineers out there that really were attracted by NASA. And now we're get anywhere from Lockheed and Northrop Grumman to Blue Origin to Space X, just super exciting. And then if you want to see the sun go down in the West, go out to Tampa, St. Pete, Sarasota, and you could set up set up shop there. And it's wonderful, wonderful environments. And then if you want an exciting city, you want that San Francisco of the East Coast, you set up shop in Miami or Fort Lauderdale there. There are cool too. I like being in the central part of the state because I can get access to all of that stuff within an hour or two, or Miami's about a three or four hour drive for me. But but that's really the the crux of our thesis is this idea that Florida is open for business and it's a great place for startups.

Speaker1: [00:15:31.18] Great. Well, you go a lot with startups and investors. What's the challenge? You see, most of your started his face these days.

Speaker2: [00:15:38.26] You know, one of the biggest ones, we think because of this ecosystem, because it doesn't have a large, long history of funding, is they go, oh, I really need three million. And they get told no enough times. And then all of a sudden it's OK. Well, what about one million? OK, what about half a million? OK, let's let's just try to get a quarter, quarter million. And so we try to we try to right that ship and we go, no, you don't think small. Don't say,

oh, I'm going to sell my product into just Florida. Like, let's let's take you back around and say we're going to take this nationally. If it's if it's good enough technology, why is this scaling globally? And so that that's the advice that we give folks here that I don't think traditionally California has suffered from from big thinking that that's one of the biggest reasons for Silicon Valley's success, is big ideas coming out of Stanford. And it's instantly like, why wouldn't this be global? But there's a cultural piece here that we have to overcome where people are a little more reserved and we go now let's let's blow the lid off of this like what you have and what what you're capable of is worthy of taking to a really high level.

Speaker1: [00:16:51.07] And then on the other side of that, what's the challenge the investors face in this space?

Speaker2: [00:16:55.75] It's great. That's a great question, especially as it matches up to our thesis. We've had numerous meetings, group meetings with high net. It's not about their wealth. They say to us, you know, we like you guys. You've got a great track record. We like the thesis, but we think you're only going to find like three or four home runs. And you've already told us you're going to invest in ten, 15, maybe 20 companies. We don't think that the ecosystem has has it in it. But what's so fascinating to me, being on the front lines of the ecosystem for ten years now, there's plenty of really it's are the hardest thing for us to do is to activate that capital into bean, to breathe that that confidence into the investors, to say, trust us, there's more there's more companies out there than we can fund. There's we consider anybody else in the state of Florida. We don't consider them to be competition whatsoever. We're happy. We happily co-invest. And if we don't co-invest, the better than they do, the better we all we all look. But that's honestly the biggest challenge is trying to. And now and what we've done is we backed up and we said we're just going to demonstrate that we have a great first portfolio. But now in our in our second fund, we've already funded six companies. There are six rock stars and five out of the six are headquartered in Florida. Let's go through let's go through each one. And they're like, oh, you're like we did that in a matter of of months.

Speaker1: [00:18:36.53] Wow, that's great. So you see a lot of different sectors and applications. You mentioned several of them already. If you had to pick one or two that are at the top of the list for being good opportunities, what do you put out there at this point?

Speaker2: [00:18:49.59] One hundred percent. At the top of our list is the space as a vertical, both because of the geography and because the scalability. You hit you hit something positive in space. And you see the penultimate right now is obviously space X. But what Blue Origin's doing, what Virgin Galactic is doing. But then when you think about space, it's clean water. It's abundant food and sanitation. Right. It's clean air. It's everything that we have here. But then it's it's multiplied tenfold because now you have to deal with it in space and in the parameters space. One of the companies that we were absolutely most excited about and one of our most recent investments is a company called SpaceX Perspective, and it's headquartered get fifty two minutes from me at Kennedy Space Center. They're taking traditional weather balloon technology, making it Jumbo's. It's making it the size of a football field. They're developing a capsule that you put eight people and a pilot. So nine people total. And then it goes to the edge of space at twelve miles an hour. No rocket, no rocket fuel. And it allows grandparents to take grandkid's literally to the edge of space. And what's beautiful about it and what they call it space perspective, is because you get that overview effect that that astronauts talk about from being in space. You get to see the planet from a holistic nature. And we're not looking at countries and borders. And it's not you start to see the planet for its ecosystem, but then you start to see where this little pale blue dot in the middle of in the middle of nowhere and how fragile that whole thing is. And so what, like a a beautiful gift for grandparents to to give to grandkids a lesson that potentially could last with them their whole life. So so that's a space because of the broadness of of what it is and the fact that we're literally on the doorsteps of space tourism on multiple different levels.

Speaker1: [00:20:57.94] Very well. In the last few days that we have here, what else should we cover that we haven't?

Speaker2: [00:21:02.35] Yeah, I think it's you know, we just kind of funny to be I was so pro California. I still love California. I think there's wonderful places to build and grow companies in the country. But I've become such a believer that this is this is fertile land for so many different reasons. And it's it's almost it's almost sad to to see the state and the opportunity in the ecosystem was moving in such amazing direction. And then because of the pain that we've gone through, because of it, it's it's literally it's accelerated all of that. So now a bunch of capital and a bunch of great companies and ideas and venture are coming from the West Coast. They're coming from the Northeast, literally what me and my partners did ten years, five and ten years

ago. We're seeing that kind of coalescing around here. And it's great. You know, we got great weather. July and August are a little a little humid, but so so's New Jersey. But it's just a great place. You know, people from kind of all over the country and all over the world are kind of converging here.

Speaker2: [00:22:10.03] And I feel like now there's there's critical mass around capital and talent and big ideas like this really is. It's a it's a great place to to to take a look at. And that's what I'd say. If you have an early startup, feel free to to reach out to us through our website. Reach out to me through LinkedIn, I think is just one of the a treasure trove these days. It's it shouldn't be lumped in with with traditional social media. Every CEO, every person that I want to talk to, literally, I can I can find through through LinkedIn. So feel free to reach out to us, develop that relationship. Tell us about the big things that you're working on. And we'll share what kind of eco's Florida's the right fit for you or we always love if it's not a great vessel, if it doesn't perfectly align with our thesis or really fit into our portfolio structure, we're happy to be like, hey, I know, I know where you should go and I'm happy to point you in that direction.

Speaker1: [00:23:08.83] So how best for listeners to reach out to you? Is that LinkedIn?

Speaker2: [00:23:11.90] Or something else you linked in my emails, James D'Attoma said at Quirinale Dotcom. So you can reach us through through the website. We have a form there. Reach out direct. LinkedIn is just to me, it's a great place to do that initial contact and be able to kind of develop a relationship like, hey, is it you know, this is the stage I'm at. Is is it appropriate for us to have a phone call or can I send you some more information? I'm always happy to do that. Or like I said, I'm happy to. We got so many great accelerators and incubators all over the state. I'd be like, oh, hey, I know people in Miami or I know people in Gainesville or oh, I know people that are working on similar technology. This is this is a great thing. You know, I'm happy to put you in touch with them, so feel free to reach out.

Speaker1: [00:24:04.43] We'll put those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:24:09.11] Great. Great talking with you. Thanks for having me on this show.

Speaker3: [00:24:13.70] Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug. Paul Martin is the director of investor Canek, which is a 523 non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.