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## South Florida expansion

Lawn Love and GasMob  
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EMON REISER, 7



COVER STORY

# GROWTH HACKERS

Rokk3r's formula for boosting startups  
captures the attention of investors

BY EMON REISER, PAGES 12-14



JOCK FISTICK

## E-COMMERCE

### Amazon Air takes off at MIA

The online retailer announced that at least 100 people will be hired for the local operation, which includes twice-daily freighter service.

ASHLEY PORTERO, 4

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## EXECUTIVE PROFILE

ABOOD ON HOW TO SUCCEED  
IN REAL ESTATE INDUSTRY 8



## THE VIEWFINDER

PARK GROVE CONDO DEBUTS  
IN COCONUT GROVE 10

## THE LIST

Cloud  
computing 18

## ABOUT THE LIST

CEO on the future  
of cloud computing

CloudHesive's James Walker III on how  
companies can protect themselves.

JESSICA BRYANT, 19

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## COVER STORY

# WHY INVESTORS ARE BUYING INTO ROKK3R'S VISION OF THE FUTURE

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**A** unique accelerator and venture capital firm based in Miami's Wynwood neighborhood is promising investors a less risky way to acquire a stake in the perilous winner-take-all world of early-stage startups. But can it deliver on its promise and change the world in the process?

Startup CEOs who have built their companies within Rokk3r Labs, or received funding from the \$200 million VC firm Rokk3r Fuel ExO, praise the organization's vast connections in helping their companies scale. And investors are willing to wait for the profits from these "double-bottom-line" ventures – ones that not only make them money, but also help solve global problems through technology.

"As I found out more about [Rokk3r] and their vision, I felt like I could have a ring-side seat to the future," said Dean Ziff, the former CEO of Sunglass Hut and a Rokk3r shareholder. "Among my speculative investments, I found Rokk3r to be on the safer part of that risk assessment. I have very little fear of losing money."

Whether Rokk3r, founded in 2012, will create the vast wealth and prosperity it promises is yet to be seen. But the company is already building prestige for Miami's technology sector as it churns out promising ventures that are gaining traction and millions of dollars in funding as they challenge industry models



JOCK FISTICK

that are poised for disruption.

Rokk3r (OTC: ROKK) recently went public to give a wider pool of investors a way to own a stake of its vision. It took an unorthodox route to the trading floor by acquiring a majority stake in Eight Dragons Co., a Texas-based company that trades over-the-counter under the ticker "EDRG."

The transaction created a new entity tied to Rokk3r that would trade publicly sooner than if it had gone the traditional route of filing independently with the Securities and Exchange Commission. The move is expected to create some liquidity for its investors faster than the

seven to 10 years it typically takes startups to produce returns.

With his quick takeover of a Pink Sheets company, Rokk3r CEO Nabyl Charania expects to produce that liquidity for investors as early as 2019.



Nabyl Charania

"This was a fast and simple way to take one asset of our company into the public markets, and it's just one part of a larger strategy to make our business and ideas accessible to

the global economy," Charania said. "By investing in us, they know the startup has gone through a validation process. You can't invest in one or two startups that either fail or die; you need a bunch to ensure some sort of success."

## Improving the model

Before Rokk3r Labs helps companies build their minimum viable product with its team of about 40 in-house developers, it conducts what it calls a Think Phase, which essentially outlines a startup's roadmap to scale. During this phase, which can take six to 12 months, Rokk3r attempts to reduce a company's risk of failure.

"When we take something on and we can build the technology here, we're thinking of whether we have a buyer or a marketplace that's big enough for a product market fit, and whether the founder has subject matter expertise," Charania said.

Since Rokk3r Labs launched six years ago, it has helped start 50 companies. Since then, eight have folded. That's a 16 percent failure rate.

And while it isn't zero, it's noteworthy when you consider that about 50 percent

## COVER STORY



Rokk3r's Jeff Ransdell, German Montoya, Nabyl Charania and Juan Montoya.

FISTICK

of startups fail in their first four years, according to the Bureau of Labor Statistics. What's more, Rokk3r owns a stake in each of the remaining successful companies, giving it the resources to build even more profitable ideas.

So, by overseeing the build of their products and checking out whether there are customers who are hungry for those products, has Rokk3r found a solution to buffering startups from failure? Laura Huang, a professor at Harvard Business School whose research specializes in early-stage entrepreneurship, says it's not a fail-safe way to mitigate risk for investors, but it's certainly a start.

"Just because Rokk3r was the one building the product doesn't mean that it's necessarily a better product than if the founders had done it themselves," Huang said. "But if Rokk3r is able to develop some credibility and be known for spectacular prototype-building and technologies, then it might be an asset from a reputational point of view."

When Westley Thompson, the former president of Sun Life Financial, retired in 2015, he had an idea to start a company in the nascent insurtech (insurance technology) space that provided consumers

#### ▶ BY THE NUMBERS

**50**

Companies started at Rokk3r

**8**

Rokk3r companies that have folded

**16%**

Failure rate of Rokk3r companies

**\$200M**

Value of Rokk3r Fuel ExO

**70%**

Percentage of Rokk3r Fuel dollars invested in Rokk3r Labs-developed startups

with an easier way buy gap insurance through its various providers all in one place. He tapped Rokk3r Labs to help him build it.

"One of the things that was of great value to me and our company was going

through a validation session," Thompson said of Rokk3r Lab's Think Phase process. "While I had done quite a bit of my own research, I was getting a whole bunch of people from Rokk3r punching holes in the idea, challenging the fact that there was a need and helping build a platform to serve that need. It allowed us to build a map of the potential risks and challenges."

Thompson entered the process to build EmERGE with Rokk3r Labs in mid-2016 and by 2017 had a product that was ready for market testing. EmERGE's product, which will officially launch by the end of the year, has already amassed prominent partners including UnitedHealthcare, Mutual of Omaha and Assurity.

"During my experience when I was running EmERGE, the back-end development work was outstanding. It became a good business relationship based on trust," said Thompson, who stepped down as CEO in August 2017 and transitioned into an advisory role. Priscilla Brown succeeded him as CEO.

Although Rokk3r Labs' model was the best option for EmERGE, Thompson said, Harvard Business School's Huang not-

## THE STARTUPS

▶ **Hyp3r** is a location-based marketing technology company founded in 2015 by Carlos Garcia. Launched at Rokk3r in Miami, it moved its headquarters to San Francisco to be closer to its partners. Its technology has been tapped by the likes of Disney, Marriott and PepsiCo, and its funding totals \$23 million, including investments from Rokk3r Fuel ExO. The startup was recently ranked among *Fast Company's* Most Innovative Companies.

▶ **Taxfyle**, founded in 2015, is an on-demand tax filing and accounting services startup that connects businesses and individuals with licensed professionals. The Coral Gables-based platform has raised more than \$7 million, including an investment from Rokk3r Fuel ExO. It operates in all U.S. states.

▶ **EmERGE** is an insurtech (insurance technology) startup based in Hartford, Connecticut, was founded by West Thompson, former president of Sun Life Financial.

ed that it's the goal of some early-stage investors to help with the startup's product design to increase the likelihood of success.

"There is a large category of investors who invest specifically because they think that they will be able to help in the prototype stage," Huang said. "These investors have the know-how and the network to guide companies during the prototype-building process, but are just not doing it directly."

Rokk3r Labs aims to save founders money and ultimately increase the value in their companies by providing recruiting, legal, accounting and real estate services they would otherwise have to pay for themselves.

"By ... lowering their overhead costs, they could go into market quicker and make fewer mistakes," said German Montoya, Rokk3r Labs' chief exponential officer. "We could replicate that model over and over again."

#### Creating value

Another way Rokk3r says it mitigates risk for its investors is providing millions of dollars in seed funding to the companies it helped create.

Founded in 2017, Rokk3r Fuel ExO is considered a separate entity that works alongside Rokk3r Labs. Its director, Jeff Ransdell, searches worldwide for early-stage companies in which to invest. But he also sinks significant capital into startups built at Rokk3r in Miami.

CONTINUED ON PAGE 14

## COVER STORY

CONTINUED FROM PAGE 14

In addition to Rokk3r Fuel's investments, he also reaches to his network – developed over 21 years on Wall Street – to secure outside funding for those startups.

“Most recently, [Rokk3r Fuel] co-lead our Series A and, not only that, they brought other investors into the round,” said Carlos Garcia, CEO of Hyp3r, whose advertising technology was created at Rokk3r Labs. As of this writing, its funding totaled \$23 million.

Rokk3r Fuel doesn't take institutional investments, Ransdell said. He aims to bring on high-net-worth individuals, a pool of investors he says is largely overlooked. He sees Rokk3r Fuel as having the potential to grow to a \$1 billion fund.

When seeking potential companies in which to invest, he focuses on ventures that champion diversity, as statistics show diverse startups have a higher success rate for scaling. Other traits he considers include whether a startup's founder has had previous entrepreneurial success, if there's demand for the product, and its competitors.

“Anything is high risk if you're not doing it right,” Ransdell said. “When I talk to angel investors trying to do this on their own, some don't have the network or human resources to do the things you need to do. That is risky.”

Rokk3r Fuel recently led the \$4.1 million Series A funding round for Taxfyle, a Coral Gables-based accounting tech firm, and Ransdell joined its board of directors to oversee its growth.

“Rokk3r's network is incredibly vast and deep,” Taxfyle Co-Founder Ricky Lavina said. “They're focused on one thing: providing value to their portfolio companies – not just with capital, but with resources, as well. They're meeting with people 24/7, and they have made many connections for us.”

This close relationship between Rokk3r and the entrepreneurs it's backing can help mitigate risk for its investors, said Elaine Bolle, an active angel investor and director of North Carolina-based angel investment network RTP Capital.



Workers at Rokk3r's headquarters in Miami's Wynwood neighborhood.

JOCK FISTICK

“You really have to know your angel,” she said. “And the angel wants a founder committed to growing the business and doing what's best for the company.”

Bolle noted there are many reasons startups don't become profitable and ultimately fail. Not having enough money is a big one – an issue Rokk3r Fuel seeks to solve by helping its portfolio of companies bolster their capital. Another challenge is not having a real customer to buy the product – a problem Rokk3r Labs aims to solve during its Think Phase.

### Young and old

As Rokk3r challenges the idea that failure should happen early and often for new companies, it also adds new revenue generators to its risk-mitigating formula as its early-stage portfolio matures.

But you don't have to be a startup to avail yourself of Rokk3r's services.

The company applies the same principles and resources it employs with startups to solve growth problems for profitable small and medium-size businesses.

About two years ago, Rokk3r partnered with Corporación El Rosado, an Ecuadorian retail chain founded in 1936. Today, El Rosado has 100 locations and has undergone about six Think Phases for products and technology that can help the company grow its sales. Among the ideas: shopping carts with smart

sensors that identify products as they're placed in the carts and having customers check out instantly via an app. Another project involves blockchain.

“The idea is to work with Rokk3r to develop a continuous process of innovation that serves El Rosado's needs,” said Gad Czarninski, executive VP of Corporación El Rosado.

Fortune 500 company Stanley Black & Decker is also working with Rokk3r on innovative ways to build its business.

“Maybe the company's growth has stagnated, but it still has assets – clients, data, distribution, industry knowledge, and more importantly, cash,” Rokk3r general partner Juan Montoya said.

Rokk3r says it can get around the stagnation a company may be facing by employing its company builder concept – and taking a bit of the profits from the venture, of course.

Although compensation varies, Rokk3r typically charges \$10,000 a week for a Think Phase that lasts about four to eight weeks. To develop products, Rokk3r charges \$500,000 to \$1 million. Sometimes it also takes equity.

Montoya expects that this part of Rokk3r's business will be a large contributor to scaling its business and adding value for investors.

“Billions of dollars are wasted on company building,” he said. “[But] maybe we

will turn around the business in a year or, what's more likely, come up with a more viable venture that sets them on a path that changes their direction for the foreseeable future.”

### Bigger picture

While helping to grow innovative startups has always been the goal, financial gain is certainly not Rokk3r's sole objective, company executives say. It aims to keep its investors' buy-in for the long haul through its massive transformative purpose: to harness global collective genius and build companies that change the world.

These are companies such as DunRok, a platform for digital investment banking, which Rokk3r says could change how people use digital currency, and Joule, which aims to automate coding.

The company aims to make Miami a large part of that vision as the city positions itself as an international tech hub. With its proximity to Latin America and founders who know the region, Rokk3r seeks to harness the potential of that emerging market and the fact that it has been overlooked by investors, Charania said.

“Building Miami's tech ecosystem is not a five-year play,” he said. “It's going to take 20 years for Miami to have the same sort of feel you have in Boston and Silicon Valley. But I think we're accelerating that tremendously.”

Locally, Rokk3r is in the early stages of working with Miami officials. For example, Fastrack Institute, co-founded by Rokk3r Fuel partner Salim Ismail, is collaborating with the city on various issues, including its traffic woes.

Some investors, like former Sunglass Hut CEO Ziff, have bought into Rokk3r's model partly because of its focus on helping to make Miami a true technology hub.

“It's powerful to feel like you're part of something that has the potential to be a great part of people's lives,” Ziff said. “I've bought into the Rokk3r vision and I have the patience to get the economic returns. For me, it's a good bet that gets more solid as the days go on.” ❧

## MEET THE EXECUTIVES BEHIND ROKK3R INC. AND ROKK3R FUEL EXO

### NABYL CHARANIA

Co-founder, CEO and chairman, Rokk3r Inc. (OTC: ROKK)

Charania oversees investor relations, global partnerships and Rokk3r's intellectual property portfolio. Prior to Rokk3r, he built and developed software companies and managed more than 200 people as director of engineering at Covergys Corp. He was born in Nairobi, Kenya, and grew up in Canada. He studied mathematics, information systems and systems at the University of Waterloo in Ontario.

### JUAN MONTOYA

General partner, Rokk3r Inc.

Juan Montoya is the co-founder of Rokk3r Labs and has helped create and support more than 40 companies and products in the company's portfolio. Before joining Rokk3r, he was an economist and consultant whose clients included the U.S. Treasury, IFC/World Bank, Freddie Mac and the Central Intelligence Agency. He received his B.S. in international economics from Suffolk University and a Master of Public Policy from George Mason University.

### GERMÁN MONTOYA

Co-founder and chief exponential officer, Rokk3r Inc.

Germán Montoya oversees Rokk3r Labs' Cobuild division and its portfolio companies. He was previously part of DDB Worldwide Communications Group, a global marketing and communications network owned by Omnicom Group. He was also a consultant for Accenture for more than a decade. He received a B.S. in economics from Cornell University, and was a fellow at the Kennedy School of Government at Harvard University.

### JEFF RANSELL

Founding partner and managing director, Rokk3r Fuel EXO

Ransdell previously held senior-level leadership roles on Wall Street for about 20 years. In his last role before joining Rokk3r, he was responsible for \$138 billion of global private client investment assets. He received a B.B.A. from the University of North Dakota, and was part of the Venture Capital Executive Program at the University of California, Berkeley's Haas School of Business.