



Catherine V. Mott
addresses Thursday's forum in
the Albright-Knox
Art Gallery.

Sharon Cantillon/Buffalo News

Start-ups seek help of 'angel' investors

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As fledgling companies try to take off, "angel" investors can play a pivotal role.

Angels are investors who provide funding to early-stage companies that have used up their initial financial support from friends and family members. Angels also cover the critical funding period before emerging companies attract support from venture capital firms.

The Buffalo Niagara region is trying to stimulate more angel investing activity by connecting the area's pool of budding entrepreneurs with funding sources. A forum held Thursday was designed, in part, to expose angel investors to high-tech ventures that might be worth their dollars.

"It's people self-identifying that they want to be part of the investment community," said Marnie LaVigne, director of business development at the New York State Center of Excellence in Bioinformatics and Life Sciences, affiliated with the University at Buffalo.

About 300 people attended the Explore Buffalo Niagara Investor and Entrepreneur High-Tech Forum in the Albright-Knox Art Gallery. Selected start-up ventures made pitches to investors. Investors who came away intrigued were invited to schedule follow-up meetings with the entrepreneurs.

Forum organizers hope the ventures will attract the funding needed to get established and create good-paying jobs to bolster the local economy.

Angels helped launch such now-prominent companies as Alcoa, Home Depot, Google, Starbucks and Amazon.com, said Catherine V. Mott, managing director of BlueTree Allied Angels, an angel investor network in Pittsburgh.

Angels might be former entrepreneurs, retired business people or active business people, including doctors and lawyers looking to invest some of their wealth, said Mott, incoming chairwoman of the Angel Capital Association.

“I call this pure, unadulterated psychic reward,” Mott told the forum. “This is why angels get involved. They want to help; they want to stay engaged; they want to use their skills; they can do good in your neighborhood.”

Over the years, the number of angel investor networks has grown, allowing individual angels to get together, combine knowledge and mitigate risk, she said. That approach also allows start-ups to make their pitches to multiple potential investors at the same time.

What do angels look for in an investment opportunity? The venture’s management team is a decisive factor, Mott said.

“If they are coachable, that means we can offer resources to be more successful,” she said. “If they are not coachable, we walk; we run to the next deal.”

Angels also look for a diversity of skills on the management team, such a mix of financial, marketing and operations acumen — beyond just people who know how to build the product, she said.

While angel investing can be rewarding, it also is risky and not for everyone, Mott said. An Angel Capital Education Foundation study using 2007 data found that only one or two of every 10 investments made by an angel investment group brought most of a return on investment.

“I tell people when they get into angel investing, ‘if you don’t have a strong stomach, don’t do it,’ ” she said. “Because it gets ugly before it gets better.”

A study released at the forum found Buffalo Niagara has significant opportunity to nurture start-ups through angel investments.

The study, commissioned by the law firm Watson Bennett Colligan & Schechter, found nearly 37 percent of the investment opportunities reviewed by a local angel group had received funding, compared with the national average acceptance rate of 14.5 percent.

The study also said the region has as many as 100 additional angel investors who could join the group “if they were made aware of the local opportunities of angel investing.”

The report found a significant increase last year in “seed and start-up stage companies right here in our own backyard.”

“Essentially, this report tells us that there is high-quality deal flow for the local angel investor,” David J. Colligan, a Watson Bennett partner, said in a statement.

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