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Although angel investors and venture capitalists both invested roughly \$17.6 billion in 2009, angels funded more than 13 times as many companies, according to the University of New Hampshire's Center for Venture Research.

Capital from angels — accredited individuals who typically invest their own money in startups that are too nascent to attract institutional financing — has historically filled the gap between friends and family, who provide seed funding, and venture capital.

But the current economic crisis has caused this funding gap to expand as the venture capital industry contracts. Yet, there are just as many passionate entrepreneurs pursuing compelling opportunities today as there were before the crisis. They merely lack access to funding and are finding it increasingly difficult to raise the \$500,000 to \$2 million that will likely make or break their businesses.

It's at this critical stage in the lives of their startups that entrepreneurs are turning to networks of angels to fill the void left by venture capital. In the first quarter 2010, angel investment deal flow was up 33 percent year-over-year, according to CB Insights. While angels have long supported innovation and entrepreneurship, entrepreneurs can't afford for them to be disorganized.

Greater negotiating power, more favorable terms and plenty of deal flow are a few of the reasons that investors are joining angel networks. They empower accredited individuals who have the capacity to invest but may lack the experience or bandwidth to do so effectively. By joining an angel network, such individuals are able to benefit from the collective knowledge of the group. From lawyers to doctors to CEOs, diverse member backgrounds help angel networks assess a wide variety of business opportunities from multiple perspectives.

In Texas, angel networks are going one step further. Led by the Central Texas Angel Network and the Houston Angel Network, angels across the state have rallied together to form the Alliance of Texas Angel Networks. This statewide effort is dedicated to better organizing, educating and involving angels throughout the funding process. It also enables angel networks to invest in the most promising deals across Texas, while raising greater amounts of capital through syndication.

And angel networks' advantages go beyond being able to raise more money than individual angels. The Central Texas Angel Network, or CTAN, for example, has played a pivotal role in the creation of Texas Venture Labs. This university-wide initiative promises to support technology commercialization, entrepreneurship and innovation by harnessing the intellectual horsepower and resources of an elite university in order to provide many of the same back-office functions of a traditional venture capital firm. The best and brightest from the business school, law school and various graduate programs are working alongside promising entrepreneurs and members of CTAN.

This partnership will not only better position startups for funding and growth, but also better address many of the bandwidth issues that angels face when conducting due diligence. By improving this due diligence

process, CTAN is able to better meet the demands of its members, entrepreneurs and the venture capital community.

As it develops more efficient systems and better manages expectations, CTAN has seen a steady increase in the quality of its deal flow. Over 50 percent of the companies funded in 2009 were already generating revenue, while more than 40 percent had strong intellectual property.

Although the funding crisis may not be over yet, local angels realize the opportunity that it has created because they understand what **Warren Buffet** meant when he said, “Cash combined with courage in a crisis is priceless.”

For local entrepreneurs who are unable to attract venture capital, angels and angel networks will play a much larger role and are needed now more than ever.

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