

## Angel Investing In Urbana-Champaign

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For many, the terms 'Angel investor' and 'Angel Network' might be new concepts, ones which are part of a recent trend that has been developing rapidly over the last decade. However, these concepts stem much further back. The term "angel" originally comes from Broadway where it was used to describe wealthy individuals who provided funding for theatrical productions. The usage of the term 'angel' for a person who is an investor was coined in 1978 by William Wetzel, during a study conducted on how start up companies were obtaining their seed funding.

What exactly is **angel investing**? As defined by IRS standards, angels are accredited investors who meet minimum net worth or income requirements that either work individually or in "angel groups." Investments are usually made in privately held companies which are in the start-up phase, although they can also be mid to later stage. Investment amounts per individual typically range from \$10,000 to \$100,000. Angel investments are typically characterized by high risk and are usually subject to dilution from future investment rounds. For this reason, angel investors usually demand a very high return on investment, and they attempt to structure the terms and valuation accordingly. Because a large percentage of angel investments are lost entirely when early stage companies fail, professional angel investors tend to seek investments that have the potential to return at least 10 or more times their original investment within five to seven years, often through a defined exit strategy.

While individual investors are common, angel network groups have become extremely popular throughout the U.S. and boast many benefits. Angel groups have access to better, more organized deal flow and offer members the value of networking with like-minded individuals of similar interest. The concept of an angel network is to provide a more efficient mechanism for investing in companies, as opposed to each individual doing a separate deal. In addition, angel groups are more readily able to co-invest with venture capital funds than are individual investors.

There is currently a rapid growth in the number of angel groups in the U.S. To date, there exist nearly 170 angel groups all over North America. In addition, larger foundations and networks of angel groups are being formed. For example, the Angel Capital Education Foundation was founded in 2005 to support education and research in the field of angel investing, and the Midwest Co-Investment Network was launched as an online platform to connect business entrepreneurs with angels locally and globally.

In alignment with national trends, there is a concerted effort to formalize angel investing networks in central Illinois. There is a recently formed (2009) angel group in the Peoria area called the Central Illinois Angel Network, as well as the Prairie Spark group that boasts members from the Effingham, Mattoon and Charleston communities. An effort is underway in the Springfield area, with a recent meeting of the Sangamon County Angel Investing Forum, while Bloomington and Decatur are also in early stages of organizing angel networks.

Recognizing the surrounding geographic activity as well as the local need in the Urbana-Champaign area, the Champaign County Economic Development Corporation organized a committee in 2009 to evaluate feasibility of launching an angel group. As the hometown to the University of Illinois, and with numerous start-up endeavors affiliated with the university, the committee recognized that there is an expanding demand for more capital locally and a better way to match that capital with business opportunities.

Lee O'Neill, former President and CEO of Busey Bank, was hired as the executive director of the hopeful angel network, in order to recruit candidate angels. The EDC angel committee then organized and held a pilot meeting in May 2010 in order to gauge interest from individual angels. The initial meeting showcased five companies in the start-up or early stages of development. The first presenter was KGRA Energy, a developer of small scale, modular geothermal power generation assets. Second was Autonomic Materials, Inc., which provides a range of self-healing solutions compatible with most coatings chemistries. The third company to present was ImmuVen, Inc., a start-up enterprise that features a powerful, emerging life science technology -- high-

affinity T cell receptors, which are a novel class of immune-targeting drugs. Another presenting company was Snapshot Energy, featuring a technology that converts wastes into biocrude oil via hydro-thermal processing and an algae accelerator loop. The final presentation was by a young start-up called merge.fm, with a novel web application allowing music fans to access and interact with the creative process of their favorite bands and giving music artists a scalable way to monetize their creative process. Each company stirred a great amount of interest from the prospective angels and at least one investment deal has subsequently closed.

After the May 2010 pilot meeting, a decision was made to formalize the Urbana Champaign Angel Network (UCAN). EDC Committee members will be actively involved in encouraging candidate companies to submit materials to UCAN for review. Lee O'Neill will be primarily responsible for member recruitment and service. Serra Ventures, LLC will assist with organizational and administrative matters, but more importantly, in managing deal flow for companies wishing to present to the UCAN.

The UCAN is also actively seeking ways to collaborate with and to be actively involved with other Central Illinois angel groups. Sharing of educational resources and sharing of deal flow are two ways that groups can "cross fertilize" and benefit one another. UCAN members visited the Central Illinois Angels meeting and the Sangamon County Angel Investor Forum meeting, both held in August 2010. Tim Hoerr, EDC Angel Committee Chair, presented at the Angel Excelsior Conference in Chicago on August 30, 2010 and networked there with members of Hyde Park Angels and Wildcat (Northwestern University) Angels.

The UCAN plans to hold three to four meetings throughout the year for its growing membership base. The next "Quarterly Presenting Companies Meeting" will be held on September 20, 2010, at the iHotel and Conference Center. This meeting will feature five new presenting companies and a networking hour for intimate interaction between entrepreneurs and angel investors.

Angel investors interested in joining the UCAN can make an inquiry and entrepreneurs interested in submitting their company information for consideration by UCAN can do so by following this link, <http://angelsoft.net/application/u-can/login>.