New Angel funds bring collaboration and direction

By Peg Zokowski

Launching a business is anything but a solo endeavor. It is a broad collaboration among a suite of interests—both public and private—that requires a team of experienced mentors and advisors, and access to capital. According to a recent Business Council survey (see page 7) access to capital is the third most important "ingredient" for startups and growing businesses, just behind economic development incentives and workforce development needs.

Richard Frederick, founder of Autotask, and Joe Richardson, a former bank executive with Citizens Bank, are building a new Angel fund that will invest in Capital Region startups, and hopefully reverse the steady decline in deals and Angel participation experienced across the Region over the past decade. The Eastern New York Angel fund (ENYA) will "update" the existing Tech Valley Angel Network (TVAN) fund following a national trend among Angel funds to move from a "supper club" model to a managed approach.

"A managed fund means that we have the cash to invest and a cadre of mentors and advisors to support startup ventures within our Capital Region community. ENYA is focused on job creation and economic development in the Tech Valley," says Frederick.

With almost 20 commitments, and support from county IDAs and chambers of commerce, Frederick and Richardson are meeting with more than 100 potential Angel investors to raise $3 to $5 million, with an initial tranche of $1.5 million needed for the fund to begin investing as soon as January 2011. "The fund will look to invest annually in 4-6 companies with the potential to accelerate their growth in 3-5 years or become an acquisition target. Investments in companies will range from $50,000 to $250,000 with a target investment of $150,000," said Frederick.

Unlike the old model, ENYA will collectively manage investor's pooled funds through a committee and governing board, and use a standardized process to vet deals, allowing for larger initial investments. The fund will also leverage existing programs offered through the chambers and Center for Economic Growth focused on business acceleration and early stage development. For investors, ENYA offers reduced individual risk and emphasizes active participation as mentors and advisors to recipient companies.

"We require the companies we invest in to have a business plan and a strong management team that works together, why should it be any different for the venture funds these companies depend upon for critical early stage capital," says Chuck Manning, a successful area businessman and Angel investor. "ENYA will bring a directed—and collaborative—investment effort around funding Capital Region entrepreneurs and startup companies."

Frederick and Richardson are also seeking a "secondary" level of financial donors from among the region's professional service companies, law firms, and banks—all of whom would benefit from a robust entrepreneurial sector.

"Seed capital, when coupled with the knowledge and experience of seasoned entrepreneurs and financiers, is invaluable to moving startups forward. ENYA presents a deliberate and new opportunity for the region to collaborate in establishing and growing a vibrant entrepreneurial and innovation presence here," according to Richardson. Eventually, Frederick and Richardson would like to see New York's seven Angel funds work together to advance innovation and startups on a statewide level.

For more information related to fund investment criteria, how to invest, visit the ENYA website at: www.easternnyangels.com or submit your proposal to ENYA, 5 Computer Drive, South, Albany, NY 12205-1608. If you have questions you can reach either Joe or Dick by calling 518.690.0620.

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