



# AN ANGEL NETWORK

BY BARBARA ELMORE

## HOW MANY ANGELS CAN DANCE ON THE HEAD OF A PIN?

PHILOSOPHERS WHO ARGUED OVER THE PRESENCE OF WINGED HELPMATES ON EARTH HUNDREDS OF YEARS AGO MIGHT BE PLEASED TO DISCOVER THAT ANGELS WALK AMONG US, IN WHAT THE ANCIENTS MIGHT VIEW AS A MOST UNLIKELY ARENA: THE MARKETPLACE.

They are investor angels, people with high net-worth who form networks to provide seed money to young businesses in return for a share of the profits. The Baylor Angel Network (BAN), founded in 2008, boasts 40 angels that have invested \$1.6 million in six endeavors. Monetary risks can be high, but these high flyers are willing to take chances.

Baylor alumnus Bob Brewton, founder of BAN and chair of its board of advisors, traces BAN's beginnings to a coincidental meeting on the golf course with Scott McNealy, former CEO of Sun Microsystems, as they discussed the origin of the name "Sun"—Stanford University Network, the provider of Sun's startup capital.

"That was the most fortuitous golf tournament I have played in a number of years," Brewton said. He was so excited that he immediately phoned Terry Maness, longtime friend and dean of the Hankamer School of Business, to discuss the idea of creating a Baylor network.

Meetings ensued. Bill Petty, professor of Finance and the W.W. Caruth Chair of Entrepreneurship, researched angel organizations and eventually became the first director of BAN. "He was running around the state talking to angels and entrepreneurs," Brewton said.

With BAN busily operating, Petty returned to his first love, teaching, in 2010. Kevin Castello, a Baylor MBA graduate, moved from part-time associate director to full-time director of BAN.

BAN works as a collaborative process. Entrepreneurs seeking investment capital begin a screening process that

includes a phone call with Castello and an examination by a team of student analysts. One student and a mentor, usually an investor, delve into the application, then a committee votes on which entrepreneurs should present their deals. BAN hosts four presentation meetings annually, and each company gets 40 minutes to show, tell and answer investor questions. After these events, there is more examination of the business before investors decide which deals to fund.

## BAN BENEFITS 3 MAJOR ENTITIES:

- ◆ Entrepreneurs. "We look for companies that have a fully developed idea, one that has been manufactured or built by someone who has an organization and a business plan in place," Brewton said.
- ◆ Investors eager to hear about new businesses.
- ◆ Baylor University and the Hankamer School of Business, as investors pledge to give a portion of profits to the business school. This agreement makes BAN unusual among angel networks, said Brewton.

BAN benefits students by giving them an opportunity to learn about real-life investing. This involvement follows the model of Hankamer's stock management and real estate laboratories, Brewton said.

"What better way for them to learn?" he said. "I tell them, 'We are not playing with Monopoly money. This is real money invested in a real company.'"

BAN advisor Ed Fikse offers three reasons for joining BAN: "First, it's a great opportunity to give back to Baylor," said Fikse, who graduated in 1974. "A lot of us owe so much to Baylor."

Secondly, investing gives participants a chance to work with students, imparting experience as well as the money that Baylor receives from investment profits. Finally, an investor gets the chance to participate in exciting new opportunities. "It keeps you fresh," Fikse said.



Castello said BAN's investor growth is right on target. Although the economy affects investors willing to make high-risk deals, network members are successful people who must meet SEC requirements.

"I look for people who have a passion for Baylor," Castello said. "And even those investors without Baylor connections say it's a great educational opportunity. Regardless of their affiliation, BAN members are held accountable to Baylor's high ethical standards in their activities as investors. Likewise, entrepreneurs who receive funds must exhibit trustworthiness in all of their business transactions."

Castello also emphasized the importance of the relationship established between investors and entrepreneurs.

"The investor-entrepreneur relationship is a multi-year partnership that grows through numerous stressful seasons," he said. "Trust, transparency and honest communications are required for the relationship to reach its full potential."

One of BAN's beneficiaries is MyEdu Corp., a free online service that delivers information and applications to help college students manage their educations to graduate in less time and save money. Cofounder and CEO Michael K. Crosno joined John Cunningham and Chris Chilek, the founders of Pick-A-Prof, to create MyEdu.

"MyEdu was formed to address issues of college graduation rates and college costs by acquiring Pick-A-Prof and expanding the model to bring new technology, new data and new information," Crosno said.

Baylor invited Crosno to talk to students about raising capital for a startup. In the meantime, BAN was created, and Crosno spoke with investors to get the funding he needed.

"I love going there," said Crosno, who teaches technology-centered courses around the country. "I try to spread it out. I have a passion for Baylor."

Likewise, entrepreneur Lance McInnes, with partner Jack Fennell of Austin-based Boomerang's Foods, told Baylor students his story of creating and expanding a business that makes Australian hand-held pies.

Initially seeking \$650,000, Boomerang's Pies reaped \$1.2 million from several angel networks and has expanded from an Austin restaurant to catering festivals and into supermarkets.

"In a bad economy we received double what we asked for, and Baylor was a big part of that," McInnes said. "Whole Foods picked us up, and we went into four states."

He went to BAN after making a presentation to Central Texas Angel Network in Austin. Castello attended that meeting and began tracking Boomerang's. Within 60 days, Boomerang's received almost 100 percent of the money it had requested from five different Texas angel networks.

"We were very impressed with the activity at Baylor," McInnes said. "They were very efficient, engaged and professional."

That's part of the plan, Brewton said. "We are a profit-driven organization. If we don't make money, we can't give back to the business school. To date, we have invested \$1.6 million. I would like to think that could turn into a three-times profit of \$4.8 million. We want to make a long-term investment in Baylor and aid startups along the way."

#### INTERESTED IN PARTICIPATING IN BAN?

Contact Kevin Castello at [kevin\\_castello@baylor.edu](mailto:kevin_castello@baylor.edu).  
[www.baylor.edu/business/angelnetwork](http://www.baylor.edu/business/angelnetwork)

## 5 INVESTOR TIPS

Pat Horner, a cofounder of and adviser to the Baylor Angel Network, offers these five tips to potential investors looking at new ventures. He gives 51 percent of the weight to the first two and 49 percent to the last three:

- 1. STICK TO YOUR KNITTING.** Do you understand the business? If not, then find out everything you can about it.
- 2. FOLLOW THE LEADER.** Look at the leader first, then examine his or her team. Look at the concept and the vision. While no guarantee of success, strong leadership puts the organization ahead of the competition.
- 3. WHAT IS THE BUSINESS PLAN?** Look at the product or service, the customers, the marketing and sales strategy and the growth potential.
- 4. DELVE INTO FINANCES.** How is the business using cash? How much does it need, how far will that amount go, what are the milestones and what will it need next?
- 5. WHAT IS THE INVESTMENT REQUIRED?** And how does that investment compare with other offers? If an investor wants to build a diversified portfolio, he should evaluate more than one business. He might find one with a slightly lower investment and a slightly better return.