

Member Profile: Blue Water Angels

A group of mid-Michigan investors has dedicated itself to supporting that region's entrepreneurs, and they're betting more education about the capital process will increase membership and generate real investment returns. Ken Kousky, Blue Water Angels (BWA) President and Executive Director, says his members are a diverse group of professionals with strong technology, materials science and manufacturing experience. But prospective angel investors aren't always savvy about deal specifics like term sheets or the best practices in due diligence, so BWA is putting a priority on educating members who support the idea of angel investing but want to get more comfortable with the mechanics.

As the newest addition to Michigan's early-stage investments marketplace, Blue Water Angels are the certainly one of the most active clubs. In addition to angel training, the club has also launched a regional campaign to help entrepreneurs and the numerous support organizations in the state that coach early stage companies. The Club prides itself in this aggressive outreach program with over 31 events scheduled for 2010. These include the Boost Mid-Michigan program, run in conjunction with GLEQ and JumpStart, as well as open Pitch Nights for members, other angels and economic development groups.

"We have specific sets of goals for 2010 which include expanding membership, launching a pledged pool fund and enhancing the quality of our deal flow through education. We're committed to educating not only our members but also regional entrepreneurs who may not be ready for angel or venture capital yet, but need to learn what it takes to get their businesses ready for that next step," Kousky said.

The group favors regional deals and prefers high-growth technology investments, but will consider deals outside both parameters. Now entering its third year, BWA has ramped efforts to enhance deal flow by establishing open relationships with other clubs and venture funds to syndicate larger deals.

"We've developed strong working relationships with the Mid-Michigan Innovation Center and the Great Lakes Entrepreneurial Quest through the Boost Mid-Michigan campaign. We sit on the investment review board for Oakland's incubator and we're in continuous contact with all the major universities. We're very collaborative and believe there can be good deal flow in a region that hasn't traditionally received much angel or venture attention," Kousky said.

Kousky hopes the group can fulfill lofty annual investment targets despite its location outside Michigan's traditional tech hotspots: "Michigan angel clubs are doing well if they participate in two deals a year. We're trying to originate two deals a year, plus join syndicates on another four or five deals a year. Partnering with other clubs and venture firms becomes an important part of our strategy."

Kousky cites angel and venture capital investors' mutual interest in improving the quality of deals and how the efforts of one group can help the other. "There's a classic conflict between early stage investors like angels and subsequent venture investors due to the need to negotiate down the earlier rounds' value. If the companies are doing well and the deals are sound, we all win. So it's in everyone's best interest that we add value to the companies we invest in. We call it 'capital with connections'—it's

not just networking but developing early-stage sales strategies to get the product to market, providing technology solutions, and sourcing leadership. If we do our round right, there won't be a need for us to be squeezed in subsequent rounds.”

For more information about Blue Water Angels and their activities, contact Ken Kousky at kkousky@ip3inc.com.