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## **Getting the Ear of an “Angel”**

*By John Chavez, President, New Mexico Angels*

Because they're investing their own money, angel investors are picky about the ventures they bet on. Of the 80 deals reviewed by the New Mexico Angels in 2008, only four were funded.

One of these was Santa Fe-based Vista Therapeutics, which is developing nanotechnology tools that can help medical professionals make accurate and relatively inexpensive assessments of organ damage. The company received an additional \$1 million in March.

Biotechnology companies like Vista Therapeutics receive about 18 percent of all angel investments, according to a November 2007 Kauffman Foundation poll of 86 North American angel investor groups. Other industries favored by angel investors include software (19 percent), business products and services (16 percent), consumer products and services (15 percent), hardware (12 percent) and media/entertainment (7 percent).

### **Attracting an angel**

Angel investors look at every potential investment as a short-term, high-yield prospect — a return of 10 times the initial investment in three to five years. They're attracted to companies with patents, trade secrets or other proprietary advantages; solid management teams open to advice and coaching; and products or services capable of rapidly achieving market prominence. They look for evidence that the company is well managed, and it helps if they know someone in management. Some angels prefer to invest in companies that are part of an industry with which they're familiar.

Knowing all this can help an entrepreneur tailor a proposal to a specific angel or angel group.

### **Making a pitch**

Getting help from an angel investor begins with a well-conceived proposal that clearly states how the venture will benefit from the angel's expertise. While many angel investors are no longer in business for themselves, they like to have a hand in helping a new business succeed — and not just because they stand to gain from it.

The 60 individuals who make up New Mexico Angels formed a non-profit business services organization to facilitate potential investment opportunities. The company is not a venture fund

and doesn't make direct investments; rather, it acts as a vehicle by which members can invest directly after New Mexico Angels negotiates the terms of a deal.

Entrepreneurs interested in working with New Mexico Angels are encouraged to submit a business plan via the Web site ([nmangels.com](http://nmangels.com)), where a screening committee can review and vet it. Promising applicants are invited to give a presentation to the screeners and then to a meeting of the entire group.

From there, the investors subject the company to due diligence — a complete audit of the applicant's financial, business, legal and technical documents and operations — before presenting the terms of its investment, including a strategy by which the angel or angels will exit the company.

New Mexico Angels has no specific technology or location requirements. The company is based in New Mexico but looks for deals across the U.S. Of the companies funded last year, one is based in San Jose, California; one in Washington, D.C.; and two in Santa Fe.

*Finance New Mexico is an initiative of the New Mexico Small Business Investment Corporation (NMSBIC) and its partners to assist individuals and businesses in obtaining skills and funding resources for their business or idea. To learn more about resources available to New Mexicans, go to [www.FinanceNewMexico.org](http://www.FinanceNewMexico.org).*

