

## Feature Article

### Deal or No Deal, These Online Services Help Angel Investors

There's a growing investor group in America that needs better information to make investment decisions. It isn't mutual fund investors. It's angel investors.

Who are angel investors? Broadly speaking, these are individuals of high net worth willing to invest their cash and time in start-up companies in order to get the new business to the next funding stage. In return, angels usually receive equity in the business or a loan bearing significant interest.

The number of angel investors is growing – from 200,000 in 2003 to around 350,000 today, according to *The Economist*. And because angels look for any bit of information that can aid them in evaluating a potential investment, they've been forming angel groups – that is, loosely-affiliated organizations of like minded investors. Today there are any number of these groups sharing investment screening, due diligence, syndication and post-investment tracking.

Although the name may conjure up images of wise and all-knowing beings, angel investors have traditionally been among the most information-starved investing group other there. That's because while large venture capital firms and investment banks have access to a broad array of expensive enterprise market research tools, the early-stage nature of angel investing often leaves these investors scrounging at the fringes of the business journalism world, searching in vain for data about industries that have just recently emerged.

Fortunately, this is changing. Today, several web-based research tools cater to angel investors.

### The Information Angle

So where are all these angels getting their information? More and more, angels are looking to specialized web service providers that track financing transactions and the people behind them.

While some hit the mark squarely with relevant and timely data, customizable interfaces, and prices that suit the relatively modest means of angels, others are still works in progress.

The three most popular sites that cater to angels are vFinance, VentureDeal.com and VCDeal. All offer on-demand access to transactions and contact information for thousands of deals and decision makers. For a subscription fee – usually paid annually, quarterly or on a per-record basis – these sites provide angels with hard-to-find details on which companies are getting financed and who is doing the financing.

While vFinance and VCDeal have been around for some time, VentureDeal.com is the upstart challenger and the most promising. All three sites aggregate press releases about deals from around the investment community, but only VentureDeal is adding key additional data to each deal record and developing innovative applications that make the task of research fun, interesting and genuinely collaborative.

The core of VentureDeal is access to a database of thousands of venture- and angel-backed technology financing transactions and contact records that is updated daily with new transactions as they are publicly announced. VentureDeal's editors also do background research on each company to flesh out transaction records with detailed information about funded companies, what the proceeds of the financing will be used for, and who the individual investors were on the deal.

The individual names are linked to other deals that VC partners have been involved with. This helps angels learn what sectors particular investors are active in and whether it might be worth a phone call to explore co-investing or other opportunities. The net result: a Rolodex of thousands of venture industry individuals whom angels can contact for future transactions.

If it all sounds tailor-made for angels, that's because VentureDeal was created by an angel.

According to founder Don Jones, a serial Silicon Valley entrepreneur and angel investor, VentureDeal began out of frustration with existing services. "I was constantly evaluating investment opportunities as an angel investor in the Band of Angels," he said.

"Some databases offered one part of what I was looking for and others provided the other part. None of them really put it together in a single source that was designed to do it all." So Jones got the start-up bug again and decided to create the solution on his own.

As with most online databases, search is the killer application at VentureDeal – and this one is no slouch. VentureDeal searches allow angels to define what kinds of technology companies to find, where in the country to look, and at what stage of development. Users can also elect to receive a notification by email whenever a new transaction occurs that meets their pre-set criteria – for example, whenever a deal is announced for a software company in Northern California. All the subscriber needs to do is click on the link in the email to be taken directly to the transaction record.

Another interesting feature is the Due Diligence section. A sort of online "whiteboard," this tool has easy-to-use individual sections for each category of due diligence, allowing angels to track their due diligence process for candidate investments. In practice, this makes sharing information and dividing up arduous research tasks much easier. Angel groups will be pleased.

"I know I would appreciate it as an angel myself," said Jones. Well said.

Pricing for all three venture information solutions varies. A subscription to VentureDeal costs \$19 per month. The VCDeal is \$299 per year. vFinance charges on a per-record basis depending on the specificity of the search. Regardless of which service they use, angel investors now have an increasing array of choices for information resources that can help to reduce the high risk associated with early stage technology investing.