
Tech investor network aims to boost returns, reduce risk

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Investing in a new technology business takes every bit as much talent and strategy as creating an innovative product or service. Yet the assistance and networks that foster successful tech investing are scarce in Washington outside the Puget Sound area.

The situation is getting some help from the Washington Technology Center, also known as the WTC, through a new program designed to improve access to critical early funding or "seed capital."

The WTC is a statewide science and technology organization that works to accelerate Washington's innovation-based economy. The group received a \$250,000 award from the U.S. Department of Commerce Economic Development Administration to launch the program.

"Creation of an educated, organized and qualified angel investor network is essential to expanding the state's innovation economy," said Nate Silverman, WTC Seed Capital Network manager.

Silverman will be working with community development leaders to create and connect investor groups in the Mid-Columbia as well as Bellingham, the Olympic Peninsula, Spokane, Vancouver, Wenatchee and Yakima. He noted that the Mid-Columbia is a prime target because "there is a good infrastructure to foster entrepreneurship - great technology, smart people and potential investors."

"The Seed Capital Network is going to bring first-class resources for investors right to our doorstep," said WTC board member Mike Schwenk, director of economic development at Pacific Northwest National Laboratory. "The program also will connect the Mid-Columbia with regions across the state, helping to develop local new businesses and jobs to sustain and grow all of these communities."

Silverman's goal is to "begin maximizing and enhancing a deal flow across the state" by creating at least six new investor networks by July 2004. He foresees a variety of networks, formed according to areas of interest, such as location or type of industry. Participants in the program must meet the requirements of the Securities and Exchange Commission for accredited investors. The SEC defines several types of accredited investors, the most prominent of which is an individual whose net assets exceed \$1 million.

Many benefits

Participation in a WTC angel network will have numerous advantages, Silverman said. "Networks provide exposure to a larger and more diversified pool of deal opportunities than an individual investor would normally have, and they can reduce risk for both the novice and veteran investors," he said.

The WTC will offer support and assistance, including training from experts on such topics as investment strategies and deal-making. The network also can provide a structure for prescreening deals, so investors see only the best of the best and can deflect solicitations that don't meet baseline criteria.

"Not only do members enjoy the camaraderie of other like-minded investors," Silverman said, "they also can share insights on a specific field or industry." Sharing the time and expense of deal preparation, as well as arranging formal or informal syndication can further enhance the opportunity/risk equation, he said.

Establishment of the Seed Investor Network results from the findings of six WTC-led statewide focus groups and the center's 2003 Index of Innovation and Technology for Washington State. These activities determined that the development of new tech businesses and job opportunities outside Puget Sound is severely hindered without access to early-stage working capital.

The surveys also showed that each group felt that there are people already living within their region who have enough assets to become accredited seed, or "angel" investors.