
Group invests in Inland Northwest

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For years, entrepreneurs in the Inland Northwest have lamented the shortage of local funding for technology business development. Mid-Columbia tech firms consistently list the investment capital issue as a major concern in reports such as the 2003 Commerce Appreciation, Retention and Expansion Survey, conducted by the Tri-City Industrial Development Council.

The Delta Angel Group aims to change that situation. Established in February 2003, the Delta group is a nonprofit alliance of accredited investors who have a common interest in nurturing early-stage technology businesses in Eastern Washington, Idaho and Montana.

“We’re a business-angel introduction service, not a fund,” said Norm Leatha, a director of the Coeur d’Alene-based group. “We’re keenly interested to find companies with good potential to earn a generous return to stakeholders and become significant contributors to the labor and commerce of the Inland Northwest.” A successful entrepreneur himself, Leatha said he “has experienced the pain” of there not being a Northwest investment group outside of the Puget Sound area. “I’ve even heard investors say there are no good ideas around here. Not true, but that perception certainly was a big motivator in starting Delta,” he said.

Turning geography into a plus

An early-stage business venture has a variety of potential funding sources, Leatha explained. These fall into four categories: friends and family, public stock offering, institutional (debt funding, grants and some venture funds) and professional (individual investors, angel funds and other venture funds).

Several Northwest organizations help new businesses access institutional funding sources. The Pacific Northwest National Laboratory participates widely in these activities, and the laboratory also is a sponsor of Delta, which works on behalf of the tough-to-penetrate professional investor network.

“PNNL was pleased to be invited to sponsor the Delta Angel Group,” said Gary Spanner, manager the laboratory’s Economic Development Office. “We feel that this group will greatly improve the likelihood that Tri-Cities technology entrepreneurs will obtain the investment funding they need.”

Geography is part of the challenge, largely because angels and venture capitalists expect not only to provide funding but also to be involved in the business at some level, such as financial advisor or leadership mentor. “That’s difficult to do when you’re in Seattle or Denver and your investment is in Pasco,” Leatha said.

Delta is building a predominately Inland Northwest membership base. “We want to be a regional resource and are especially interested in attracting investors from the Tri-Cities and the rest of southeastern Washington,” Leatha said.

The organization has about a dozen members and expects to grow to about 40. Participants range from individuals with \$50,000 to invest, to the venture capital firm that invested more in Washington State than any other in 2002, Leatha said. Details on membership criteria are posted at www.deltaangelgroup.org.

Wanted: investment prospects

For the entrepreneur, the road to support by one or more Delta members starts with an introduction from a member. Leatha said that companies soon will have access to a confidential on-line introduction process.

The ideal Delta candidate is an early-stage firm that offers a proven technology product or service, has passed the start-up phase and wants to grow. A two-page profile of the company is prepared for distribution to the full Delta organization. The strongest candidates are invited to make a presentation at a luncheon of interested angels.

Delta does not take an active role in brokering any transactions, nor does it take an equity position in any of the companies, Leatha said.

A key asset of the Delta group is its association with the Gonzaga University Hogan Entrepreneurial Leadership Program. Two student interns are assigned to each company to help prepare the company's profile. Should the firm be selected for a luncheon appearance, the interns assist with preparations for that event. According to Prof. Paul Buller, director of the program, the collaboration benefits all parties. "Students can apply their skills in a real-world venue," he said, "while entrepreneurs and angels can embark on critical discussions supported by high-quality materials."

Another advantage is the Delta presentation format. Angel organizations typically hear from as many as four hopefuls in an hour. "We host only one company per luncheon and give that company the full hour to present its story and field questions," Leatha said. Unlike some other investor groups, Delta excludes media, would-be brokers, onlookers and other noninvestors, ensuring that the company is talking to potential investors only.

Delta plans to hold eight to ten luncheons per year at various locations, including the Tri-Cities. One local firm has made a luncheon presentation, and two others are scheduled. Although Delta does not share the names of companies or members, Leatha said that after only three months and three luncheon events, Delta angels "have invested substantial amounts" to foster the growth of Inland Northwest technology innovators.