

Angels flexing their wings

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karen Mazurkewich, Financial Post · Sunday, Dec. 19, 2010

There is a divide among the divine angels. Traditional early-stage investors — otherwise known as angels — are usually passive: Their activity measured solely by the speed with which they sign a cheque. But the vacuum in the venture-capital space has resulted in a new breed of “active” angels — the kind that rolls up their sleeves and jumps into the operational fray.

David Ceolin, former founder of Digital Cement, is the poster boy for this new breed of startup seraph. Mr. Ceolin, who leveraged a book on entrepreneurship into a lucrative consulting firm that was sold to Pitney Bowes Inc. in 2007, is enjoying his new role as mentor to companies.

In 2009, he started to look for investment opportunities, believing that “this country needs experienced operators to get involved in the next generation of companies.” Even more than capital, Mr. Ceolin contends startups need connectivity: “We need angels that are going to actively connect entrepreneurs to opportunities.” Mr. Ceolin goes so far as to say “angels can do more with less than traditional venture capitalists.” Although Canada is in the early days of formalizing an angel eco-system, momentum is building as the angels become more methodological in their approach. As a result, he says, “VCs have been rendered redundant in the early-seed stage.”

Certainly, entrepreneurs such as Ali Asaria, founder of the online health and beauty retailer Well.ca, says angels are a better fit with the startup culture.

Mr. Ceolin, who invested in two rounds of financing for Well.ca this year, has not only helped the company recruit talent for senior positions, but has also given training sessions to employees to teach them retention marketing. With 45 staff and having raised \$3.4-million this year, the company is now making enough profit to sustain itself — due in part to the support of a network of 18 angels.

“It’s been terrific working with David; he brings a ton of value, time and experience,” says Mr. Asaria, adding he had heard of angels in Silicon Valley who worked as connectors and accelerators for the companies they have invested in. Now he is experiencing it himself with Mr. Ceolin. Sometimes it’s hard to understand what’s in it for them ... but the amount of time they put into your company, you feel honoured,” he adds.

Of course, when it comes to the angel community, one size does not fit all.

“Working with angels is about working with individual personalities. You interview them; they interview you.” And sometimes relationships blossom beyond the boardroom.

"He's my mentor, broker, chairman, my friend," says Jeff Anders, chief executive and co-founder of The Mark, an online blog that features commentary by experts and academics. Mr. Anders says he briefly considered turning to venture capitalists but The Mark wasn't a business entity where one produces a number of widgets or a service or has billable hours — all concepts that help an investor determine valuation. What Mr. Ceolin brought to the table was his understanding of "the whole ecosystem around an idea," says Mr. Anders. "He's always thinking about scalability and sustainability," he adds. Mr. Ceolin was not an easy sell. When he first met with The Mark team, "he asked a lot of questions, and kept hammering at us," says Mr. Anders.

However, when he embraced the thesis and became a believer, he brought with him other investors, including Jordan Banks, now president of Facebook Canada, and Brian Cooper, co-founder of Insight Sports Ltd. and former president of Toronto Argonauts.

Mr. Ceolin has carved a niche for himself in the angel community as a marketing expert. "Other [angels] ask a lot of questions on technology, operations and capital.... I find I'm the only one at the table asking questions on marketing strategy and sales," he says.

So far, he has invested in five companies including Fotobabble in California and TerraFlat Technologies, a digital design firm based in Sudbury, Ont.

If Mr. Ceolin has one criticism for the industry it's this: Canada is not naturally a networking nation. Canadian corporations have a duty and a responsibility to open their doors to innovative ideas and entrepreneurs, he says. "If we can crack that code, and [understand] that we are all in this together, we'll have skills exchange, more people employed, more capital available and more returns."

kmazurkewich@nationalpost.com