

HISTORY OF GRAND ANGELS

In 2003, Chuck Stoddard, Craig Hall and Mike Jandernoa drove to Chicago to a dinner meeting with Prairie Angels to learn about angel investing, returning home very late that night. The term angel investing originated in the 1920's with theatre lovers who invested in new plays to make sure they had a chance on Broadway. Several decades later the term was borrowed by successful entrepreneurs who wanted to support aspiring future entrepreneurs by investing in their startup businesses. From the meeting in Chicago, the idea was planted to start an angels' group in West Michigan. Grand Angels would grow into the one of the most successful angel investment groups in the Midwest.

The mission of Grand Angels is fourfold: 1) help entrepreneurs by investing in their companies; 2) give angel investors an opportunity to mentor new companies; 3) give back to the community by creating new jobs; 4) make money for the angel investors.

Chuck Stoddard founded Grand Bank in 1987. It was sold to Macatawa Bank fifteen years later. Chuck saw many startup business plans cross his desk while being CEO at Grand Bank. Unfortunately, these proposals were not "bankable" being high risk and undercapitalized. When Grand Bank was sold, Chuck was too young to retire. He wanted to help startup businesses, so he founded Grand Angels in 2004. He could relate to the concept of angels; his father who founded Michigan National Bank in 1941 with the financial support of industrialist Charles Bohn. Chuck was named after Mr. Bohn.

Chuck invited his Ada neighbor, Dave Hathaway, a newly retired lawyer/businessman to come over and listen to this "grand" new idea. Dave agreed to be involved. During the startup phase, Dave was networking with Jody Vanderwel. She had been a corporate lawyer with Herman Miller. She also helped Calvin University develop a stewardship program to make Calvin more accountable to donors on how their gifts were used. Dave recognized that Jody had the perfect resume and personality to manage all the moving parts of Grand Angels. So, she became President with the responsibility to oversee the diverse group of generous deep pockets angels - a job she would describe as "herding cats".

One of Jody's assignments was organizing "pitch meetings" where two or three aspiring entrepreneurs would make presentations to Grand Angels with the hopes of selling their new business idea. As a Grand Angel herself, Jody was candid about the personal cost of risking \$25,000 or more, if the company went belly up. "You get a pit in your stomach" Jody says when you have to write off a deal because it fails. It is doubly disappointing because you believed in what they wanted to start. We were wisely told not to risk any retirement money.

During Jody's tenure, Grand Angels' statistics matched the national average: 10-20 % were home runs, 30-40 % made some money and 50% failed. One company that failed bothered her a lot because it was such a great idea. The concept was a food ordering delivery business on college campuses. It failed for the same reason that many others failed. Grand Angels members offered advice as a part of the package along with funding. In this case, the entrepreneur would not listen. "He was uncoachable" Jody said. The really sad part is that years later other startups came up with the same idea including Uber Eats and Grubhub.

Jody saw the need for a balance in the entrepreneur having self-confidence and humility, like walking a tightrope. Entrepreneurs need complete confidence in their idea, but they also need to be willing to accept the fact they don't know everything, thus need to listen to advice.

One Grand Angel entrepreneur open to advice was Mark Gurney, a Ph D scientist who built a strong scientific advisory board to help him develop his business model. Dr. Gurney created a drug showing promise in treating Fragile X, a genetic birth disorder resulting intellectual disabilities. It may someday be further developed to test for Alzheimer's Disease. He hit the jackpot when his company Tetra Therapeutics was purchased for \$ 500 million dollars by Shionogi, a drug company based in Japan.

Chuck approached another friend John Jackoboice. He was in the process of selling his family's five generation old business to Bucher Hydraulics in Switzerland. Like Chuck, John was too young and energetic to retire. John was not a founder (the seven founders were Chuck Stoddard, Dave Hathaway, Craig Hall, Mike Jandernoa, Fred Keller, Jim Heynen and Jim Brooks represented by Patrick Gaughan); but he signed on as Chairman of the Board; it was a job John kept for nine years.

Since Jody was working in Holland, she and John met regularly at Panera, halfway between Grand Rapids and Holland. The first problem the two solved was finding a place where Grand Angels could hold the pitch meetings. The win-win venues were quid pro quos with Grand Valley State University, Aquinas, Hope, Calvin, Cornerstone, Davenport and later Ferris.

These institutions provided the space with coffee and bagels in exchange for letting their business students sit in on the meetings. Grand Angels also met in conference rooms like Dave Hathaway's law firm, Miller Canfield. Some meetings were held in John's office above Bar Divani which included beverage delivered from downstairs.

It didn't take long before they realized they needed better vetting. "We heard some pretty wild ideas!" John recalls. So, entrepreneurs were referred to organizations such as Michigan Small Business Technology Development Council which would help entrepreneurs assess their business model, validate their market, prepare financial projections and learn how to pitch their company. There was no cost for the entrepreneur to work with MSBTDC and similar organizations. By the time entrepreneurs came to Grand Angels, they were well prepared to pitch their companies.

Some deals had great concepts but didn't get funded. One of the reasons was that the entrepreneur would not take advice from the angels. John says, "It's like a racehorse and a jockey. You can have the fastest horse on the track, but it won't win without the right jockey."

Grand Angels biggest success story to date is a company that might have gone down the tubes without the resuscitating money supplied from Grand Angels. Originally started in 2008, GRAPP (Grand Rapids Pharmaceutical Packaging) came out of a collaboration of the Van Andel Institute and Grand Valley State University plus some grant money to manufacture chemicals.

GRAPP later did a major "pivot" with a whole new business plan. Instead of manufacturing chemicals, the newly designed company would contract with another pharmaceutical firm to make them. Then GRAPP became GRAM (Grand Rapids Aseptic Manufacturing) would provide the packaging. When GRAM found out how costly it was to get FDA approval for a facility that would meet the stringent safety standards, they needed more money. Grand Angel Mike Jandernoa as CEO of Perrigo Drugs in Allegan helped secure the FDA's blessing.

Four years later in 2014, GRAM was financially on the ropes, so it came back to Grand Angels for survival funding. After GRAM's presentation, Grand Angel member David Huhn, a rather reserved banker jumped to his feet and told the other Grand Angels to get their checkbooks out and make GRAM solvent again. That's exactly what happened.

Three years later a private equity firm bought controlling interest in GRAM. It was a roll over offer so Grand Angels members could either sell, roll over or a combination of the two. It was a great win-win-win as the investors who stayed have more than tripled their money since they first invested in GRAM.

Following John Jackoboice as Chairman of the Board was Rich Lievense. Rich was the founder and CEO of Bank of Holland. He was Chairman for ten years. He recruited Carl Erickson to be his successor.

Carl was an engineering professor at Grand Valley State University and member of Grand Angels. He took a leap of faith leaving his safe academic job to start his own company which makes software designed individually for his clients. He named the company Atomic Object, which has nothing to do with atoms. He and his partners came up with the name over a few beers.

Under Carl's leadership, Grand Angels realized they had a better chance of long-term success if they joined forces with other angel groups in Michigan. So, the original LLC was dissolved and replaced with an umbrella organization, Michigan Capital Network, a 501- C- 3. Its purpose was to provide support for other angel groups in Michigan, in addition to Grand Angels specifically, Woodward Angels (Detroit), Ka-Zoo Angels (Kalamazoo), Blue Water Angels (Midland) and Flint Angels.

Grand Angels realized that they needed to move beyond making their own personal investment decisions. It needed professional investment advice which led to the creation of its first venture capital fund. In 2015, it raised its second venture capital fund and hired a Grand Angel member Paul D'Amato to manage both funds. In 2018, Grand Angels established its third venture fund. As the first three funds have been successful raising more money each time, it is now in the process of starting on its fourth fund. As a result, outsiders besides Grand Angels members have invested in these closed end funds.

According to Paul, three of Grand Angels businesses have gone public, namely Pro-Nai, Gemphire and Occuphire. Grand Angels has helped start 75 new businesses and created an estimated 1500 new jobs. Based on its current success, Grand Angels' best days are still ahead.