

# Transcript of Jacob Kehoe of Baylor Angel Network

**Hall T. Martin:** [00:00:00] Well, hello, this is Hall Martin with Investor Connect. Today we're here with Jason Kehoe of Baylor Angel Network. The Baylor Angel Network, BAN, is an investment network that provides early stage capital to entrepreneurial companies.

Jacob, thank you for joining us.

**Jacob Kehoe:** Thanks, Hall. Thanks for having

**Hall T. Martin:** me. Great. And so where are you calling from today?

**Jacob Kehoe:** I'm in [00:00:20] Waco, Texas, sunny Waco.

**Hall T. Martin:** Great. So what was your background before joining BAN?

**Jacob Kehoe:** Yeah, I have kind of an eclectic background. Most of my background is in the startup space. So while I was at Baylor University, uh, starting my own business in the machine learning space, it used drones to survey property.

Um, [00:00:40] and actually had the chance to start that with a professor named Wayne Hampton. He was a great mentor to me. Great professor, I bought him after office hours in his class a ton of times and convinced him to start a company with me. So that was kind of my first foray into entrepreneurship. I knew I always wanted to be an entrepreneur and was always interested.

And to [00:01:00] see someone like him who had done it before, uh, really inspired me. So we did that, uh, hand exit in 2019 after I graduated from that company. And after that, worked in some other startups. And most recently I worked for a company called Startup Waco. Basically trying to build the way it goes entrepreneurial [00:01:20] ecosystem.

It was a, you know, accelerator and incubator. And while I was there, I also started a program called GXG, which was a, uh, incubator sort of space for athletes after the NIO law change. Um, so that's a space I'm definitely interested in, and we were able to do a lot of cool things there. [00:01:40] Great.

**Hall T. Martin:** So what excites you right now?

**Jacob Kehoe:** Yeah, I think in that, uh, in the athlete space, I think sports right now is a really fun, fun place. We've seen a lot, I think in this round alone, we were screening about three sports companies. So a lot of disruption happening, uh, especially as it pertains to college sports. [00:02:00] Streaming services, uh, NIL. So that's kind of always exciting to me, but especially right now, I think there's been a lot of excitement right now.

**Hall T. Martin:** Great. So we've interviewed many people from band before, but maybe you can give us an update about where the group is today.

**Jacob Kehoe:** Yeah. So we are, you know, still doing, doing really well, [00:02:20] doing strong. Our director, Steven Diedrich has been doing an amazing job at stewarding, stewarding the group. Um, yeah, essentially we've got a cycle coming up.

We have been, our analysts are doing a really good job. Essentially, you know, we're just serving as a connector with our investor network and the [00:02:40] students, uh, and, and, uh, high growth companies. Uh, companies that we believe in. So yeah, sure. You know more than me, Hall. You've been a part of it for 15 years.

Uh, I'd love to know actually how you think it's changed in the past 15 years since you basically were on the founding committee. So

**Hall T. Martin:** sure. No, it's, it's grown dramatically since we started it in [00:03:00] 2007, really got going in 2008. Uh, and we now have a, you know, quite a few more members than we used to. Uh, they, they As you get more members, you can do bigger deals in later stage deals because you have more funding.

So I think that's the biggest change over the last five years is that the size of the group has grown to where we can actually take on a bigger [00:03:20] deals. And there is some interest in things that are beyond just the early, early stage startup as well. And I find that true with a lot of angel groups. They start off in many places.

Supporting the local entrepreneur ecosystem, and over time, they tend to gravitate to be a little bit later stage, a little bit more professional about the diligence, and I see ban following that same path. [00:03:40]

**Jacob Kehoe:** Awesome. It's super cool to see your perspective, too, and thank you to all you do, too, for ban and, uh.

Everything I appreciate it great.

**Hall T. Martin:** Oh, you're welcome. Thanks. So for those who aren't familiar with Baylor angel network Why don't you tell them what they invest in?

**Jacob Kehoe:** Yeah, so we are we are pretty much uh investment agnostic I [00:04:00] know when people think about university related, uh, ecosystems angel groups, um, they think about groups that will invest specifically in university related companies whether that's the founders went to the school or They've got someone on their board that that went to the school, but at band, we don't exclusively invest in in Baylor related [00:04:20] companies.

Um, and so essentially, we really are trying to invest in strong teams and companies with some form of validation, whether that's market validation with their, you know, an MVP or a product. Uh, or on the medical side, life science aside, seeing some traction, if that's FDA approvals, medical tests. Uh, but yeah, we're not restricted to [00:04:40] university alumni or affiliation.

We're really just trying to find the best companies with strong

**Hall T. Martin:** teams. How would you describe the investment thesis of BAN?

**Jacob Kehoe:** Yeah, so we're looking for companies with proven entrepreneurial, entrepreneurial teams, uh, with relevant industry experience and whatever they're trying to start, uh, we'd like to [00:05:00] see defensible and unique ideas and business models, uh, paying customers, or like I said earlier, just some form of significant market traction, uh, fundable and scalable business models, uh, we'd like to see a thoughtful exit strategy and we, to our core, you know, because we are, you know, with Baylor university, we [00:05:20] want to see.

Okay. Something that's complimentary to our mission, Baylor, whether that, you know, supporting human flourishing, strong leadership and ethics are a big part of what we like to, to have at the core.

**Hall T. Martin:** And how important or how often do you look for an early exit in the deals that we fund?

**Jacob Kehoe:** Yeah, [00:05:40] so we don't like to single them out.

They're not something that is at the forefront of our mind, but obviously we believe that liquidity comes with companies. And so we're kind of prioritizing just finding those things that we believe are going to be valuable. And we think that, you know, eventually the exit will come, the [00:06:00] liquidity will come.

And so we try to prioritize that for the speed of the exit per se.

**Hall T. Martin:** Great. And then on the V. C. Side of the things, how often are we are we swinging for the fences?

**Jacob Kehoe:** I think it's kind of it's kind of a similar vein of, you know, obviously you want those home run companies. [00:06:20] Uh, you want to try to find those companies to invest in and bring them in.

But. Uh, I think if you have them in there, you always want to bring him in and see what the network thinks about them, see what the members think. Uh, but I think as long as we're doing it the right way and wanting to make sure we're vetting the teams, uh, well, I think that's also why we have such a front loaded, uh, diligence [00:06:40] process with our process.

Um, that might be something I might add is, you know, we do have an interesting process, uh, where we actually have student analysts and they're the ones doing the really the spearheading of the diligence. Uh, so it's about a three week process of just diligence in the beginning before they, um, get in front of the members.[00:07:00]

Um, and so I think we're really doing that to make sure we're bringing in the best companies. And if they are these home run type companies, then, then all the better.

**Hall T. Martin:** And so where do you think the group would be in, say, five years? What's your vision of it?

**Jacob Kehoe:** Yeah, I think from what I've, you know, talked to Steven about and kind of our shared [00:07:20] ideas and goals for, for the group.

Um, I think our priority is really to, you know, just help the angels get connected with quality entrepreneurs. So we'd rather grow in excellence than numbers. Obviously we want, we think if we do that, the memberships will grow. Like you said, the membership has grown substantially even in the past couple of years.[00:07:40]

And so we believe, you know, more members and funding will, will fall really just trying to grow excellence. I think where we want to be, you know, necessarily the biggest, we think there's room to grow. We'd like to grow, but we don't want to lose the personal touch with, and our relationship with our members or entrepreneurs and the students.

So I think as [00:08:00] long as we're able to keep the relationships and personal touch, we'd love to grow, but really just focus on being

**Hall T. Martin:** excellent. Great. So let's talk about the state of angel investing. How do you see the industry evolving from here?

**Jacob Kehoe:** Yeah, I think, um, you know, the obviously I think there's been a lot of corrections in the market.

I think it's going to [00:08:20] probably continue to a bit, um, smaller valuations, you know, on the deal side, we're seeing less deals, less deals being done. Uh, I'm not super pessimistic. I'm probably more on the optimistic side, but I do just think it's probably a better, the corrections probably for the best, but. I do think there's going to be probably, we're going to keep [00:08:40] seeing that correction in the market with, um, valuations, which is probably necessary.

**Hall T. Martin:** So what's the biggest change you think we'll see an angel investing in say the next three to five years?

**Jacob Kehoe:** Yeah, that's a good question. Um, I think probably. I think in a similar vein, I think we'll keep kind of [00:09:00] seeing more, hopefully, I would hope that we'll see some more conservative valuations. I don't know.

I think there's no keeping those big trends. It was, you know, it's AI right now, crypto probably a couple years ago. I remember when everything I was seeing was about the metaverse or crypto [00:09:20] pitch competitions or events and everyone was kind of trying to push that in there. So I'm hoping that we'll have some more.

Some less fluctuation and more just stabilization.

**Hall T. Martin:** Great. Do you think angels are moved to a later stage deals or will they stay at the very early startup like they are now? [00:09:40]

**Jacob Kehoe:** It's a good question. I think from my perspective, I wouldn't be surprised to see them move later, later in the deal stage. Just because of the fact that, um, I think companies might be raising less money, and so there might not be these big, uh, pre seed, uh, friends and family around, um, and [00:10:00] so, and even we've seen with our group, I think we've started to even, you know, invest in some, some Series A, uh, and, and, and keep investing on companies that, uh, Are in our portfolio.

So I would think so. I think they'll probably be moving to later stage, but it depends on also just the size of the deals. And I think what the companies are trying to [00:10:20] trying to raise

**Hall T. Martin:** and is ban still expanding geographically post pandemic. We used to be all be in Texas, but I believe we outgrown it a little bit.

**Jacob Kehoe:** Yeah, I think definitely some expansion. Um, most of the companies I've been talking to obviously love Texas, got some companies in Texas, but [00:10:40] been talking to a lot of New York, California companies recently. We've got one company based out of, um, New Hampshire that we're screening right now that does a lot of business also in Mexico.

And so definitely seeing that expansion. We obviously want to invest in U. S. based companies, but even seeing some potential companies that are doing some international business. So I [00:11:00] think there's definitely expansion, especially just with the state of the world, uh, and technology. I think it's just going to keep growing.

**Hall T. Martin:** Is there any focus on a specific sector or niche at this point?

**Jacob Kehoe:** I don't think we have a specific sector or niche that we're focused on. I think there are some that seem [00:11:20] to be, uh, recurring from what I've seen. Um, I think we like to have a couple life science companies in our screening process. Um, I think we're always going to be focused on tech.

Um, and... I think we'll always like to at least screen some uh, some cpg companies. We don't have really a we're pretty [00:11:40] agnostic I would think on the sector though.

**Hall T. Martin:** And what's your thoughts about crowdfunding? How do you view it?

**Jacob Kehoe:** Yeah, I think it And like everything, I think it has pros and cons, but, uh, I, I think it, it's, it's nice because it does offer a broad range of individuals to invest in, in ventures [00:12:00] that maybe they wouldn't be able to invest in on their own.

And for the entrepreneur, it allows them to, you know, gain capital from a pretty diverse group of backers, which can be very beneficial. Uh, and strategic, but there's also the limitations I would think are going to be really on the guidance and expertise that it would [00:12:20] take a group of like band to have where managing that large number of smaller investors can be administratively challenging.

Uh, and it can provide a lot of problems. You've got more people, uh, to deal with. That's always typically a problem. Uh, and so I think if you can balance that well from an administrative standpoint, it can be great, [00:12:40] but also there's going to be those, those cons as well. But overall, I'd say I'm pretty, pretty positive.

**Hall T. Martin:** And so if you had to articulate the challenges for the angel investor, what do you think the main ones are in today's market?

**Jacob Kehoe:** Yeah, I think, um, with the rise of, like I said, [00:13:00] you know, kind of before it was. A lot of smoke kind of in the crypto space. And now it feels like every company has AI in their pitch deck or their website.

And from my perspective, I'm always curious as to how valid that is, uh, or what that even means. And so I think a big challenge is just that tech validation at the early stage of, you know, okay, what does [00:13:20] this product really do? What does this technology really do? Uh, and so I think a big challenge is kind of that.

That's smoke and the validation that I think is required to really assess, uh, technology at the early stage.

**Hall T. Martin:** Great. So always ask for your advice. You see a lot of investors writing checks these [00:13:40] days. What's your advice for people investing in startups? What do you tell them to do before they write that check?

**Jacob Kehoe:** Yeah, I think similar answer. I think validating the tech is, is crucial. Um, and being able to, if you can't, I think bringing in someone that maybe has seen the company or similar firm, uh, to potentially help you validate



that, [00:14:00] or to say, you know, Hey, they're saying X, Y, Z, the product does this. They work with these people.

Can you help me validate this? Um, especially when there's new emerging markets that are very, uh, I would say, you know, they get very hyped. I would say to [00:14:20] definitely just make sure you're making a good investment, that you really trust the team. Because at the end of the day, we've seen a lot of these cycles recently with different types of technologies or different types of industries where they will raise an insane amount of funding.

And then I'd say a large portion of them end up being, uh, I don't want to say fraudulent, but they end up not kind of doing what [00:14:40] people think they will. So. I think kind of just it's cool to follow the trends and AI has been a really nice, uh, you know, emerging industry right now, but I think just making sure that you're, uh, you're trying to validate that and staying focused

**Hall T. Martin:** on the other side of that table.

What's your advice for people running startups? What do you tell them to do [00:15:00] before they go out to raise funding?

**Jacob Kehoe:** Yeah, I think, um, being authentic at the end of the day and not. Lying is the biggest thing you're they're gonna find out at the end of the day, right? so if you put AI in your pitch deck and then we get to Looking at your your stack and you don't actually have AI or machine learning or [00:15:20] anything Uh, in your product, uh, it's going to be a problem.

And so I think just staying true to yourself and, uh, I think it's way better just to make a product or an MVP and get user feedback to get, you know, a group of users, uh, actually like your product, want to use your product, and are going to give you feedback versus just [00:15:40] having this, trying to get the perfect idea or the perfect pitch.

Uh, I think, you know, I'm not trying to see kind of a MVP that works or has potential. And like the coolest idea on a piece of paper. So

**Hall T. Martin:** I always ask this question for my own purpose of, you know, discovery. [00:16:00] Uh, what information source do you find most helpful in your work these days?

**Jacob Kehoe:** I've got it. I've got a couple.



I follow a lot of newsletters. I follow your newsletter as well. It's uh, it's great. All of your media is really, really cool. I like from the podcast side, there's a podcast called acquired that I really like to listen to. They dive pretty deep [00:16:20] into different businesses, startup and tech and kind of just all sorts of businesses and even Taylor Swift and stuff like that, but it's a pretty great podcast.

I also, you know, pitch books, an amazing tool if you have access to it. And so just it gives you great insights and also the updates. It gives you a pretty, pretty [00:16:40] insightful as well. Um, the ACA is great. Uh, and also on the sports side, there's a guy named Jordan Rogers who uses really cool content in the NIL space, sports marketing and sports business space.

So those are kind of the. Main ones I look at

**Hall T. Martin:** well, you see a lot of business [00:17:00] models and new technologies out there If you could start a business tomorrow, what would that business be?

**Jacob Kehoe:** It's a great question I feel like this is a question I get pretty frequently to Man, I think probably would have to be I would think some form of technology.

That was easy to just [00:17:20] You know work probably as a plug in. I'm pretty interested right now in white labeled Tech right now. I think that would be really cool kind of Building something that can be used by a wide variety of clients that can kind of do the marketing for you, essentially. And so I'm always drawn to sports that tends to be where I always [00:17:40] get drawn to, but I think, I think the next thing I do would probably be some form of, uh, technology that could be widely.

**Hall T. Martin:** Well, the last minutes that we have here today, what else should we cover that? We haven't

**Jacob Kehoe:** a great question. Um, I'd love to know, you know, kind of your [00:18:00] takes on in general. What have you seen? How do you feel when you are assessing, you know, a company that says they, you know, something like a. I'd love to know kind of what your feedback would be, kind of what an investor would have to look out for when they're looking at a deal.

**Hall T. Martin:** So when I look [00:18:20] at AI systems today, of course, the first question I ask is what AI are you using as far as back end? Are we doing

broad based tools or are we doing narrow based tools? We see a lot of interest in what we call vertical SaaS. That's where you take the domain and. Narrow it down to just one application.

And the value of that is you can drive AI very deep and make it a [00:18:40] very rich tool for about half the fundraise of a standard startup because you've, you've limited it. You need to make sure the total available market is still big enough to have a meaningful exit. But in many cases, you know, it probably is.

And so which, which AI are we talking about? Broad based or narrow is one. And then second, where are you going to get your training data from it? And as [00:19:00] you ask those questions, you start to, to separate out people that have a real Uh, in depth, uh, use of AI versus a superficial one. There's a lot of superficial use of it.

And in one sense, everybody's going to have the AI. So the next question is who's going to have a more meaningful use of AI and how do you monetize it and what, what kind of productivity gains are we, are [00:19:20] we, can we measure from it? Is it a 10 X? Is it a 50 X? Is it a hundred X? And you have to start thinking hard about those things and then quality control, you know, other people's data is in there.

What, what, what, what prevents it from making mistakes? And how do you ensure that and see what systems or tools they have in place for that? So I think it's just going to [00:19:40] the next level of discovery on AI to see exactly where they are with it. And over time, we'll, we'll get those list of questions pretty well answered.

We are looking for still some early stage, you know. You know, winners that, you know, they come out and they, they do very well and they're solid, uh, solutions. I think that was one of the challenges I saw with the blockchain world [00:20:00] is you kept getting conflated with, uh, cryptocurrency and speculation. And so it looked like a lot was going on, but it was just really people.

Making outlandish bets on what, what the crypto price might do. And I was always looking for real world applications. Who's really making something that really works and people will pay for. And so much of crypto [00:20:20] and or blockchain, I should say, turned out to be very unwieldy systems that. Uh, we're, we're just, it just wasn't a good technological fit to the application.

It was too slow. It was too, uh, uh, too much latency in the system. It was just too much overhead. And so the same thing comes out with AI, you know, where's AI really going to do [00:20:40] well. And it seemed like the early use cases means it can, it can augment people in current applications fairly easily. Unlike blockchain, where you have to install this whole new system on.[00:21:00]

**Jacob Kehoe:** Yeah, it's really insightful.

Yeah, you can shoot me an email at Jacob underscore Kehoe. That's K E H O E [00:21:20] at Baylor. edu. You can go to our website, Baylorangelnetwork. com to learn more about us. Um, if you're starting looking to get funding and want to reach out to apply. Uh, you can do that, or if you're a member looking to get in touch or a prospective member, or if you just want to learn more about it, learn more about what we do on the student side, the Baylor side.

Yeah, [00:21:40] happy to talk to anyone about any portion really about that.

Yeah, that'd be great. Thank you so much. I appreciate it.