



ANGEL CAPITAL ASSOCIATION

Angels are Important to the Economy:

Public Policy Strategies to Promote More Investment in Entrepreneurial Companies



Agenda

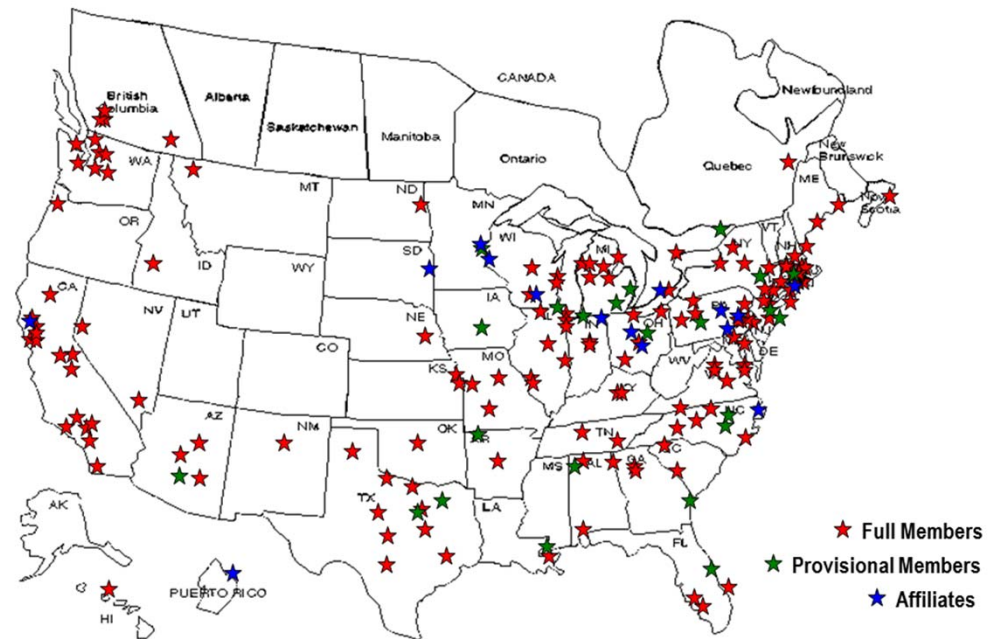
- Who angels are and how they support entrepreneurs and jobs
 - State strategies to stimulate angel investment
 - ACA public policy platform
-
-



ANGEL CAPITAL ASSOCIATION

Angel Capital Association Today

- Mission: Fuel the success of angel groups and private investors who actively invest in early-stage companies
- 170 member angel groups
- 8,000+ accredited investors
- 20 affiliated organizations
- 48 states/ provinces
- Charitable partner:





ANGEL CAPITAL ASSOCIATION

Hail the Job Creators

From 1980 to 2005, firms less than five years old accounted for **ALL** net job growth in the United States.

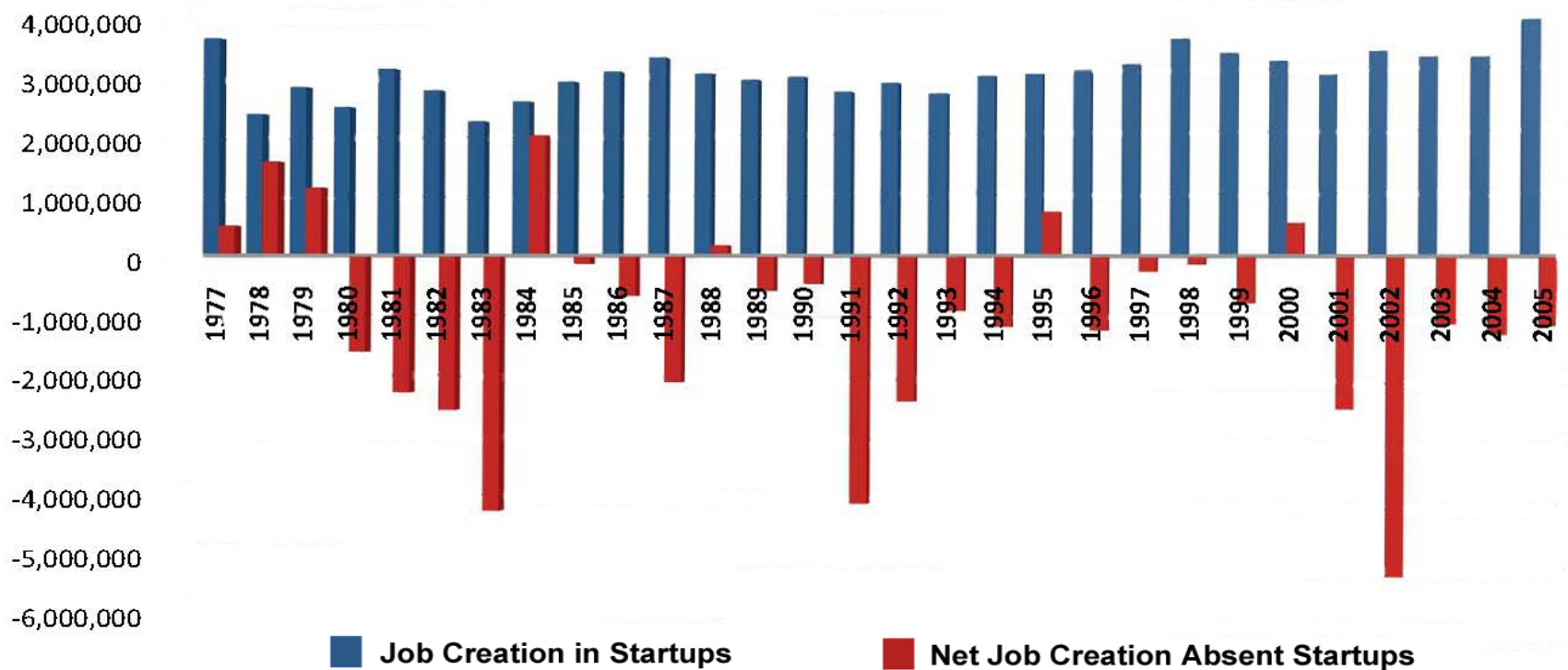
Business Dynamics Statistics Briefing: Jobs Created from Business Start-ups in the United States, January, 2009.



HAIL THE JOB CREATORS

ENTREPRENEURS ARE KEY TO JOB CREATION

No Startups, No Job Creation



Source: *Business Dynamics Statistics Briefing: Jobs Created from Business Startups in the United States.*

Census Bureau and Kauffman Foundation, January 2009



ANGEL CAPITAL ASSOCIATION

Companies Backed by American Angels





Member Benefits

Voice

Public Policy

- Lobbying

Promotion

- External Marketing

Member Communications

- Confidence Survey
- Investor Referrals
- LinkedIn
- Industry Awards

Portfolio Success

Portfolio Creation

- Background Checks
- Syndication Meetings
- Sector Group Support
 - Life Science
 - Clean Tech

Portfolio Support

- Insurance (starts w/ D&O)
- [HP Store for ACA](#)
- [Dell Innovators Credit Fund](#)

Portfolio Management

- VC Experts
- Angel Tools

Professional Development

Events

- Summit
- Regional Meetings
- Leaders Workshop

Resources

- Webinars
- Data
- Angel Group Documents (Member Only Site)
- Syndication

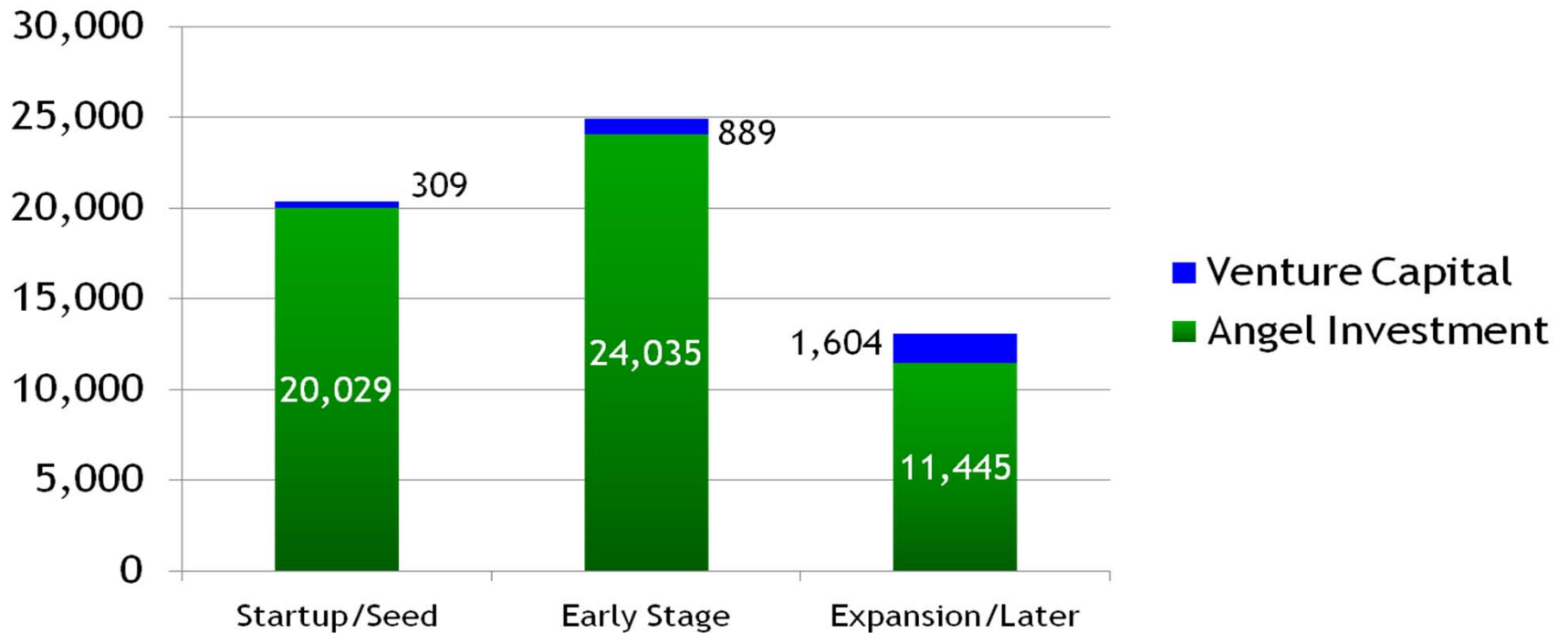
Services

- eHealth, Gust



Angels Invest in the Majority of Startup & Early Stage Deals

Number of Deals in 2009: Angel Investment and Venture Capital

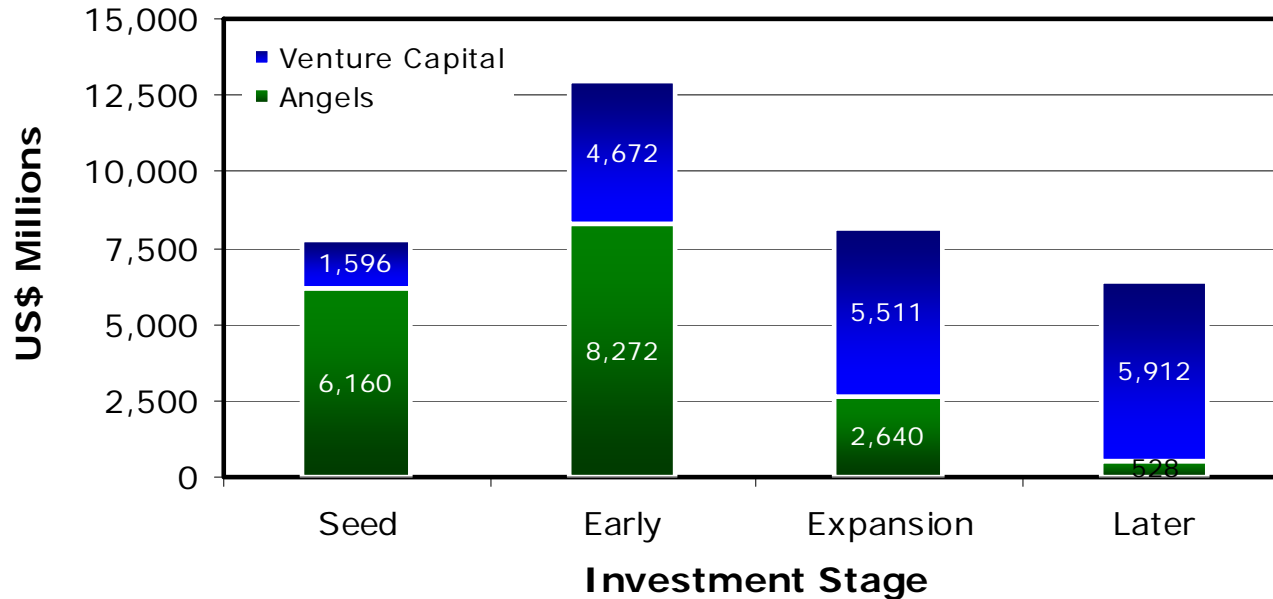


Source: "Jeffrey E. Sohl, Center for Venture Research" and 2010 NVCA Yearbook



Angels: Majority of Startup Funding

Funding by Source and Stage- 2009



Sources:
Center for
Venture
Research and
PwC
MoneyTree

Angel Investors 2009

- \$17.60 billion
- ~57,000 deals
- 35% seed/startup
- 47% early stage
- ~ 259,500 individuals

Venture Capital 2009

- \$17.69 billion
- ~2,800 deals
- 9% seed/startup
- 65% later/expansion capital
- Total 794 firms (not all active)



ANGEL CAPITAL ASSOCIATION

Who are Sophisticated Angel Investors?

- Make equity investments – generally not loans
- Often successful, exited entrepreneurs or retired business persons
 - Active investors
 - Invest both time and money in companies
- Accredited investors - SEC definition (*ACA requirement*)
- Invest their own money
- Generally invest in local companies
- Motivated by returns, but also community development, love of mentoring entrepreneurs
- Kauffman/ACEF: Invest at least \$20K in businesses not run by family

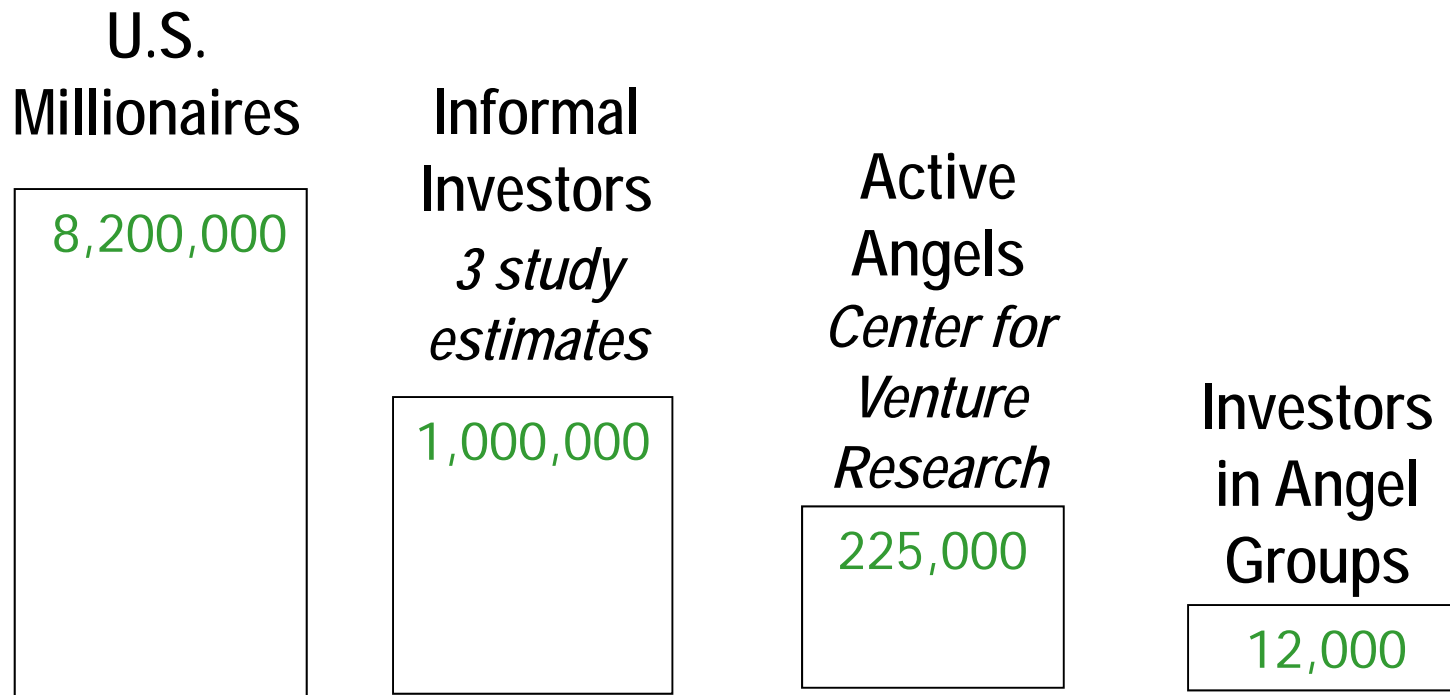
Profile of Angels - Median

Source: *Returns of Angels in Groups*, Robert Wiltbank and Warren Boeker
(funded by Kauffman Foundation)





Angel Groups are Small - *but Important* - Subset of All American Angels

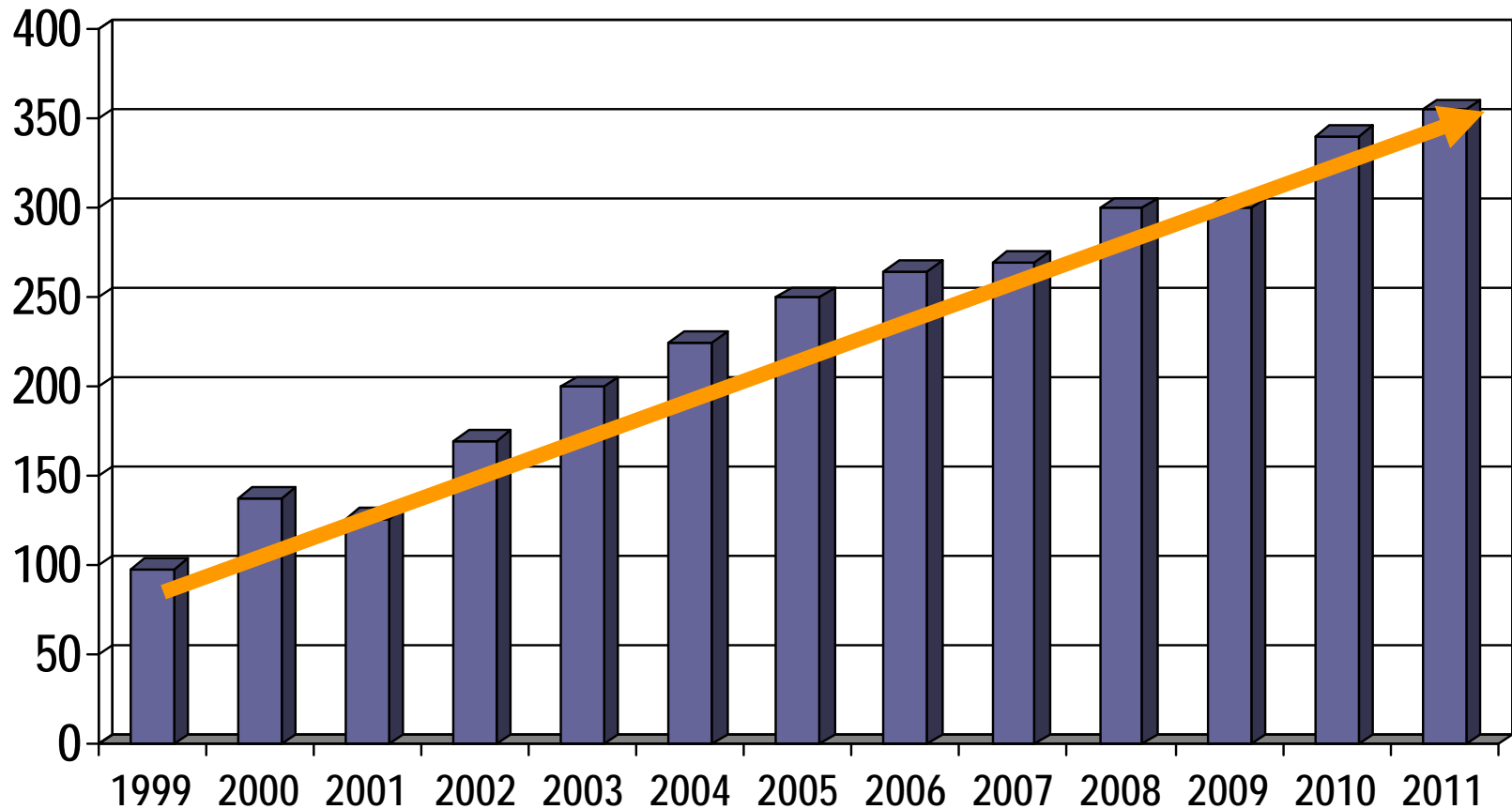


2009 Report from Spectrem: \$1 millionaires down in 2008 27%, those with \$5 million down 28%
World Wealth Report (Capgemini): 19% drop in HNWI and 22.8% drop in wealth in 2008



ANGEL CAPITAL ASSOCIATION

Growth in Number of American Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ARI (04-11 data)



Investment Activity Per Group

| | Medians | | Range |
|--------------------------|------------------------|--|---------------------|
| Deals | 6 to 7 | | 0 to 55 |
| Total \$ Invested | \$1.75 to \$2M | | \$0 to \$15M |
| \$ Per Deal | \$240K - \$291K | | \$0 - \$780K |

- Figures are for 2009-2011 on an annual basis
- Most active groups are on coasts
- Central US leaders: Austin, Columbus, Pittsburgh

Source: Combination of Halo Report data and self reported through ACA Surveys



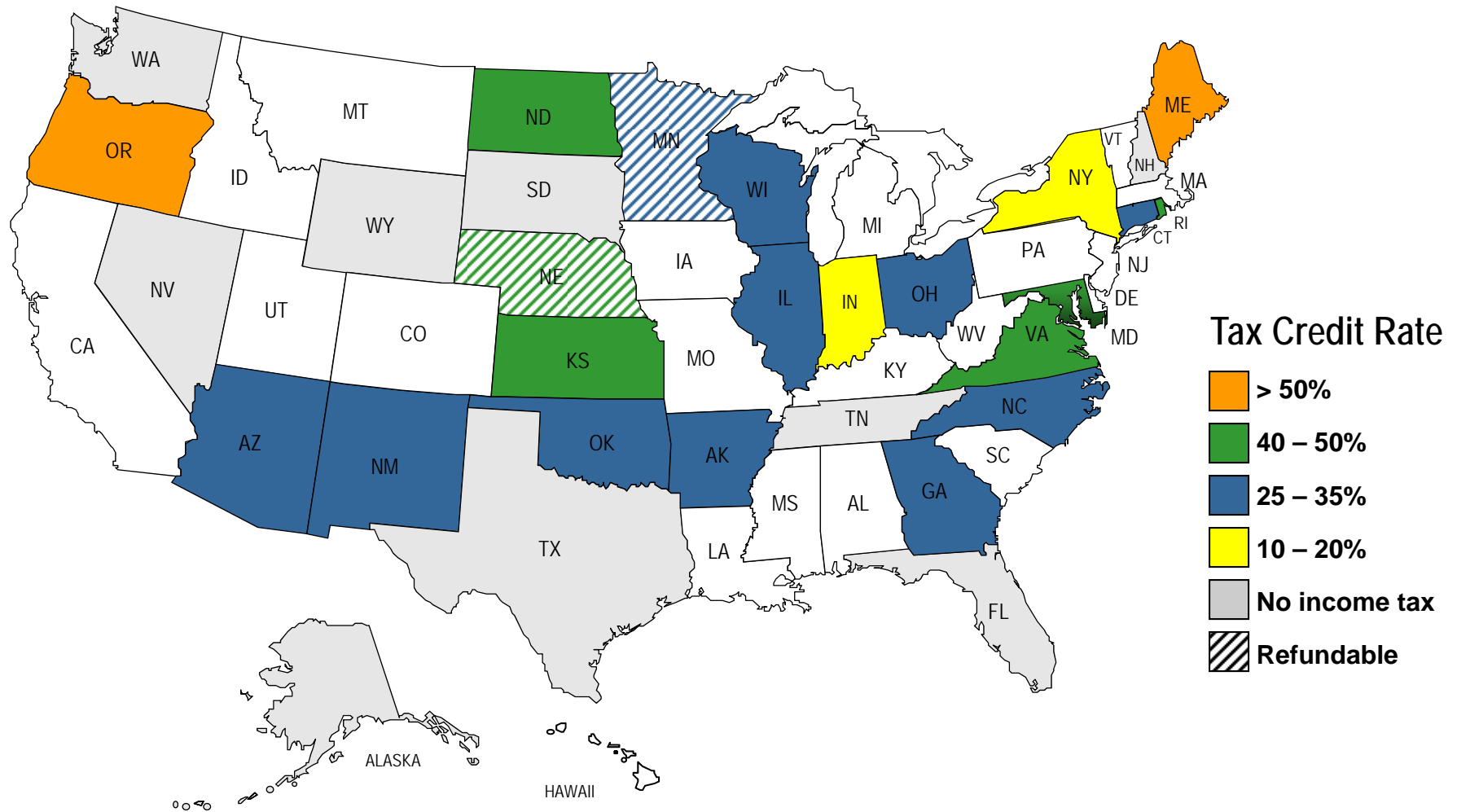
Many States Support Angels and Startups

- More than 20 states currently have tax credits
 - Some states recently added them
 - Georgia, Connecticut, Illinois, Minnesota
 - Seeking job growth and leveraging additional investment
 - Some have ended them in last few years
 - Iowa and Hawaii
 - Budget shortfalls
-
-



ANGEL CAPITAL ASSOCIATION

States with Tax Credits – Varied, Mixed Success





ANGEL CAPITAL ASSOCIATION

Interesting Models and Strategies



Third Frontier
Innovation Creating Opportunity



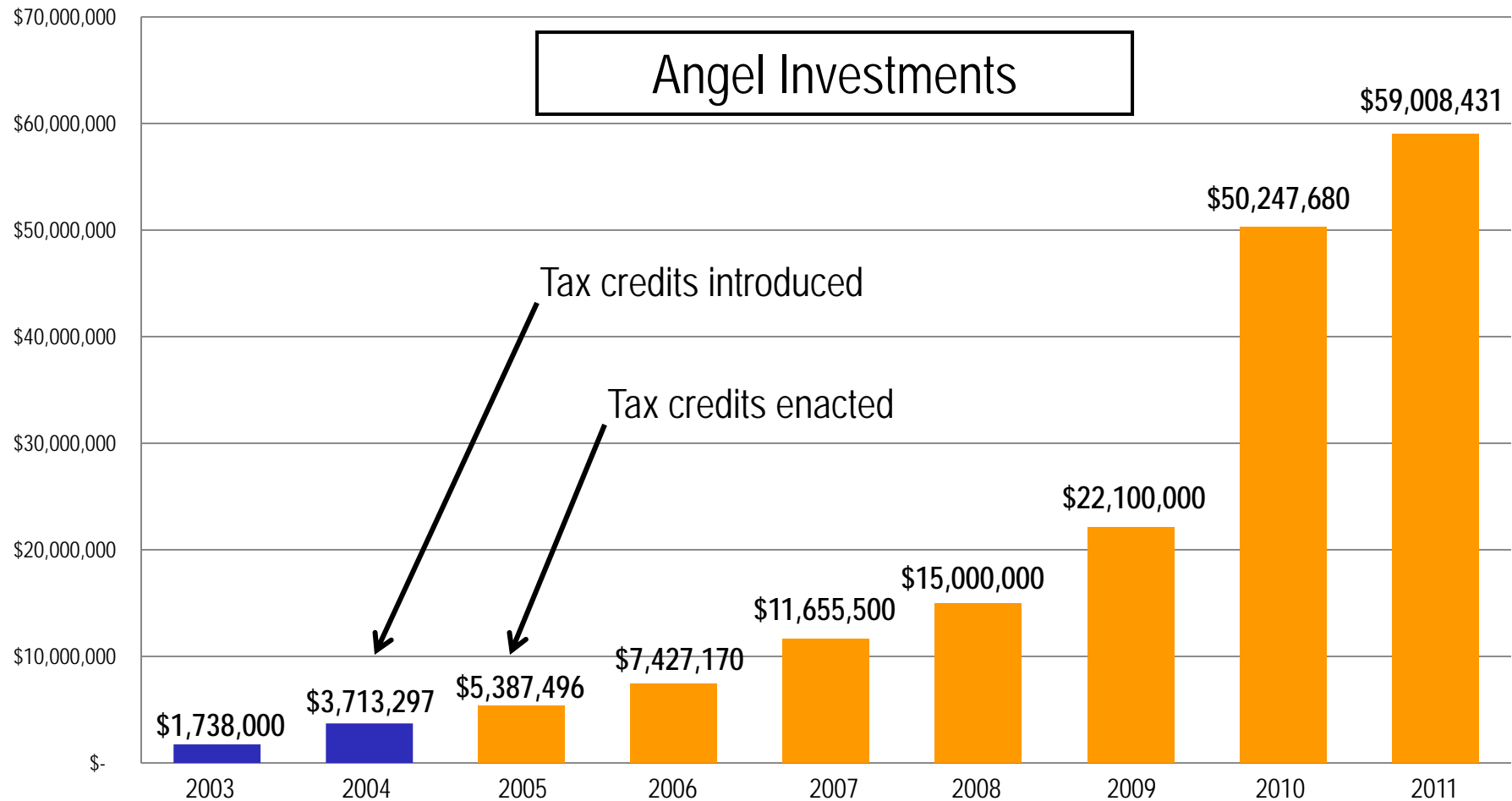
Source*
capital

Discover the Power of RAIN Angel Funds*





Tax Credits & Programs Make a Difference in Wisconsin





ANGEL CAPITAL ASSOCIATION

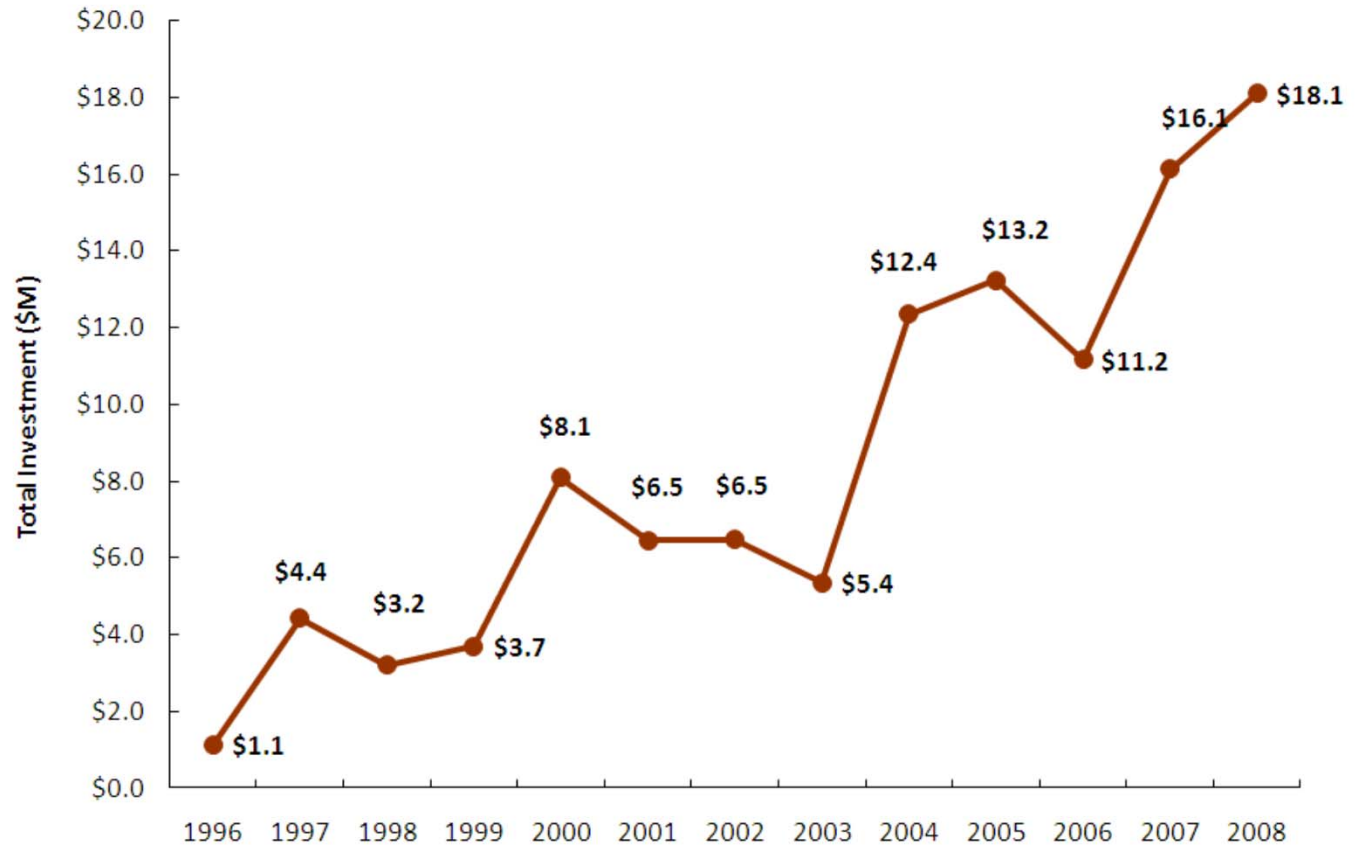
Wisconsin Triples Tax Credits in 2011

| | Now | 2011 |
|--|---|----------------------|
| Income tax credit: | 25% (per investment) <i>(12.5% per year - 2 yrs)</i> | 25% (per investment) |
| Effective date: | January 1, 2005 | January 1, 2011 |
| Maximum annual aggregate amount of tax credits per year: | \$3 M (2005) \$5.5M (2010) | \$18.25M (2011) |
| Maximum investment per company: | \$4 M (\$500k/investor) | \$8 M |
| Total state expected investments: | \$30 M (2005) | \$180M (2010) |



Ohio Technology Investment Tax Credit Generates Private Investment

Total credits = \$28.5M
Private \$ = \$109.8
Companies = 422
Return = 4:1



Source: Ohio Department of Development



ANGEL CAPITAL ASSOCIATION

ACA Promotes Stimulus for States

- Reports and studies available on different state programs and legislation:

www.angelcapitalassociation.org/public-policy/state-policy-kit/





What States and Communities Can Do:

- Befriend local angels
 - Offer workshops on investing
 - *Power of Angel Investing is available*
 - Reduce risk for investors
 - Manage risks AND expectations
 - Connect entrepreneurs to mentors and education resources
 - Insist entrepreneurs tell story well/ are prepared
-
-



Other Supportive Policies & Programs

- Develop more data and research to build understanding
- Education and coaching
 - Entrepreneurs
 - Angels and potential investors
 - Entrepreneurial support community
- Angel-(venture) forums
- Support admin costs for angel groups – or promote events to share info among angels, angel groups
- Systematic information and support
 - Wisconsin Angel Network
- Connect angels & mentors to:
 - University tech transfer offices
 - Promising, but not-ready for angel money entrepreneurs



ANGEL CAPITAL ASSOCIATION

ACA Public Policy Platform

- Maintain accredited investor standards
 - Preserve Federal preemption (Reg D) of seed stage stock
 - Develop good tax policy
 - Low capital gains tax rates
 - Angel tax credits at state and federal levels
 - Keep angel investment private
-
-



Federal Angel Stimulus

- 100% exemption for 2010 and 2011 investments on Qualified Small Business Stock (*0% taxes on gains from these investments*)
 - Four bills to include tax credits for angel investments in Congress in 2010
-
-



ANGEL CAPITAL ASSOCIATION

For More Information

Marianne Hudson

Executive Director

Angel Capital Association

mhudson@angelcapitalassociation.org

913-894-4700

- www.angelcapitalassociation.org
-
-