



ANGEL CAPITAL ASSOCIATION

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Angels are Important to the Economy:  
*Public Policy Strategies to Promote More  
Investment in Entrepreneurial Companies*

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## Agenda

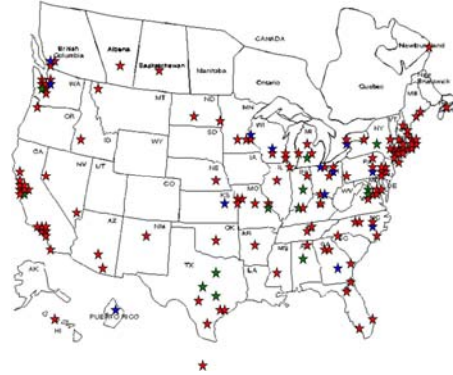
- Who angels are and how they support entrepreneurs and jobs
  - State strategies to stimulate angel investment
  - ACA public policy platform
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## Angel Capital Association Today

- Mission: Support the growth, financial stability, and investment success of its member groups.
- 150 member angel groups
- 6,500 accredited investors
- 20 affiliated organizations
- 49 states/ provinces



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## 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.*

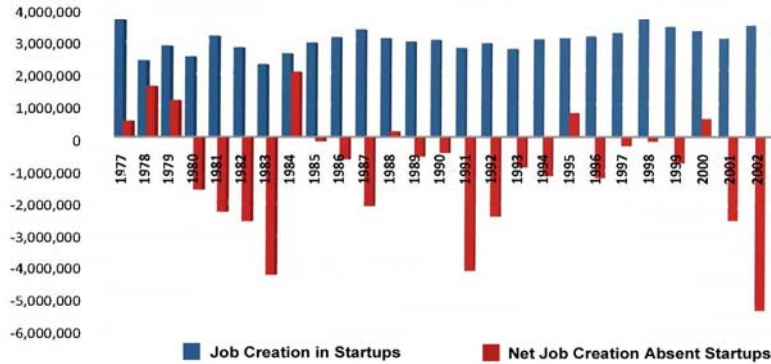


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# HAIL THE JOB CREATORS

## 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



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## Companies Backed by American Angels

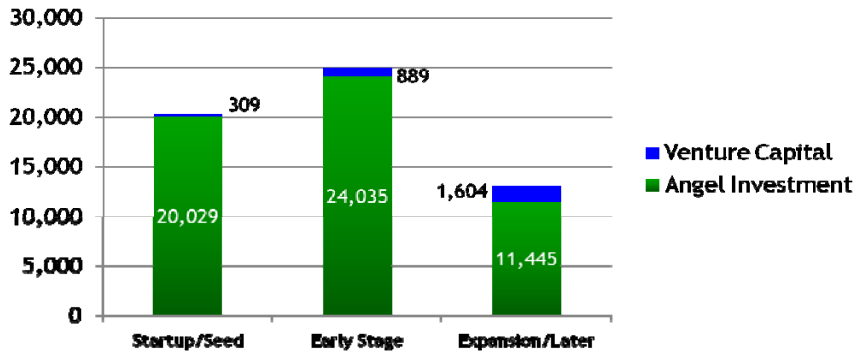




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## Angels Invest in the Majority of Startup & Early Stage Deals

Number of Deals in 2009: Angel Investment and Venture Capital



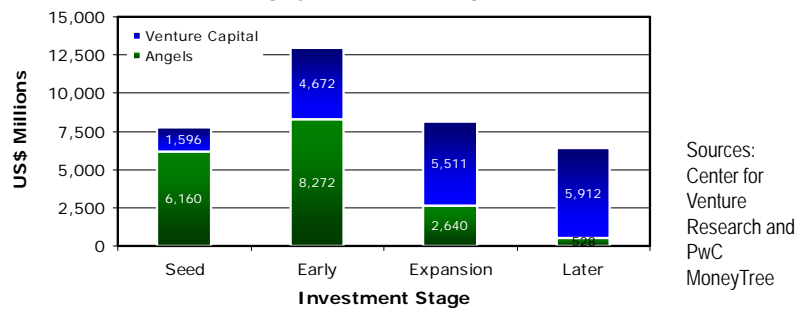
Source: "Jeffrey E. Sohl, Center for Venture Research" and 2010 NVCA Yearbook



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## 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)



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## 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



Founded by  
**KAUFFMAN**  
The Foundation of Entrepreneurship

## Profile of Angels - Median

- |  |                |
|--|----------------|
| • Years investing                      | 9              |
| • Number of investments                | 10             |
| • Total exits/ closures                | 2              |
| • Years as entrepreneur                | 14.5           |
| • Number ventures founded              | 2.7            |
| • Age                                  | 57             |
| • Percent of wealth in angel investing | 10%            |
| • Education                            | Masters degree |

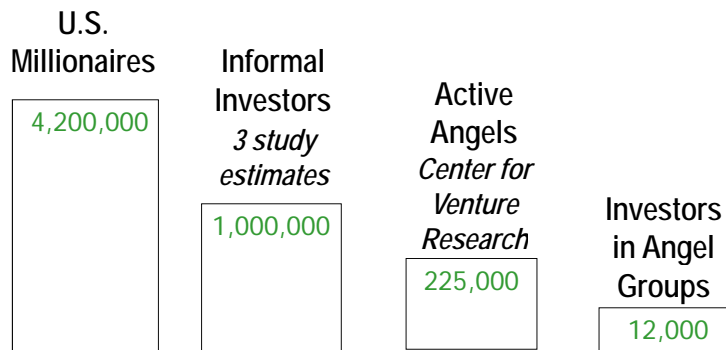
Source: *Returns of Angels in Groups*, Robert Willbank and Warren Boeker  
(funded by Kauffman Foundation)





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

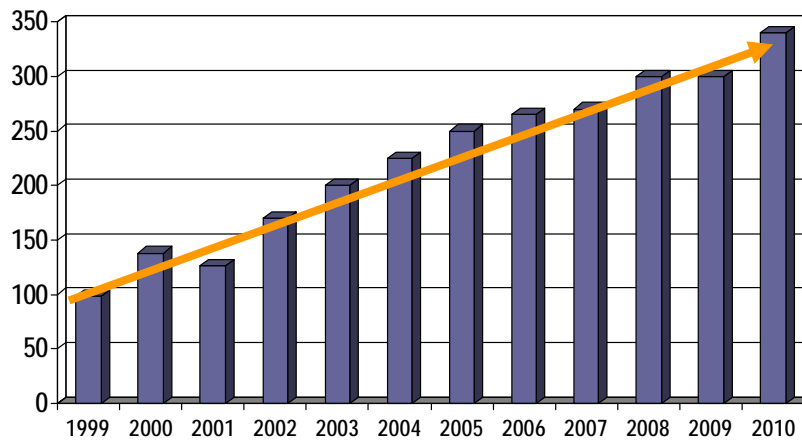


2009 Report from Spectrem: \$1 millionaires down in 2008 27%, those with \$5 million down 28%  
World Wealth Report (Capgemini): 19% drop in HNWI and 22.8% drop in wealth in 2008



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## Growth in Number of American Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ACEF (04-10 data)



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## Average Group Investment Activity by Year

	2009	2008	2007
Number of investments	6.3	6.3	7.3
Total dollars invested	\$1.38 mil	\$1.77 mil	\$1.94 mil
Dollars invested per round	\$218,131	\$276,918	\$265,926
Number of new companies	3.5	3.7	4.5

- Note: Investment numbers reflect investments per group, which is not the same as total deal size (lots of syndication)
- In 2009, 60.8% had follow-on or co-investments with VC firms

Source: ACA Angel Group Confidence Surveys – 2008, 2009, and 2010



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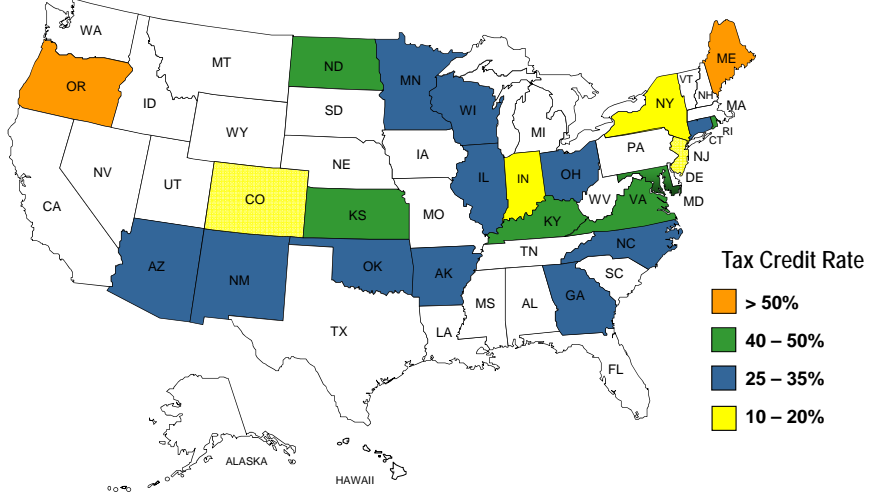
## Many States Support Angels and Startups

- Over 20 states currently have tax credits
- Some states recently added them
  - Georgia and Connecticut
  - Seeking job growth
- Some are ending them
  - Kansas and Hawaii
  - Budget shortfalls



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## States with Tax Credits – Varied, Mixed Success



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## Interesting Models and Strategies



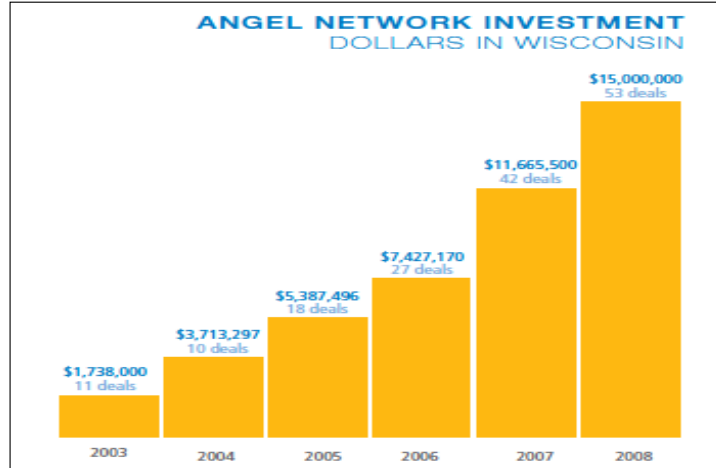
**Third Frontier**  
Innovation Creating Opportunity





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## Tax Credits & Programs Make a Difference in Wisconsin



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## Wisconsin Triples Tax Credits in 2011

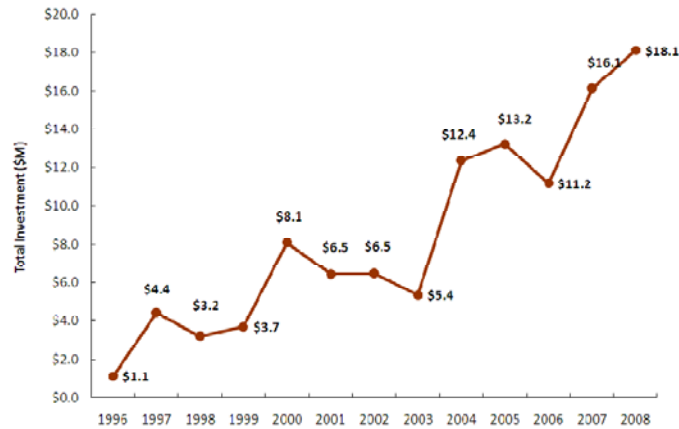
	Now	2011
Income tax credit:	25% (per investment) <i>(12.5% per year - 2 yrs)</i>	25% (per investment)
Effective date:	January 1, 2005	January 1, 2011
Maximum annual aggregate amount of tax credits per year:	\$3 M (2005) \$5.5M (2010)	\$18.25M (2011)
Maximum investment per company:	\$4 M (\$500k/investor)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



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## 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



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## ACA Promotes Stimulus for States

- Reports and studies available on different state programs and legislation:  
[www.angelcapitalassociation.org/public-policy/state-policy-kit/](http://www.angelcapitalassociation.org/public-policy/state-policy-kit/)



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## 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



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## 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



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## 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



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## 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



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## For More Information

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