



ANGEL CAPITAL ASSOCIATION

Angel Investors – Critical Initiators of Startups and Job Creation

SEC Advisory Council on Small and Emerging Companies

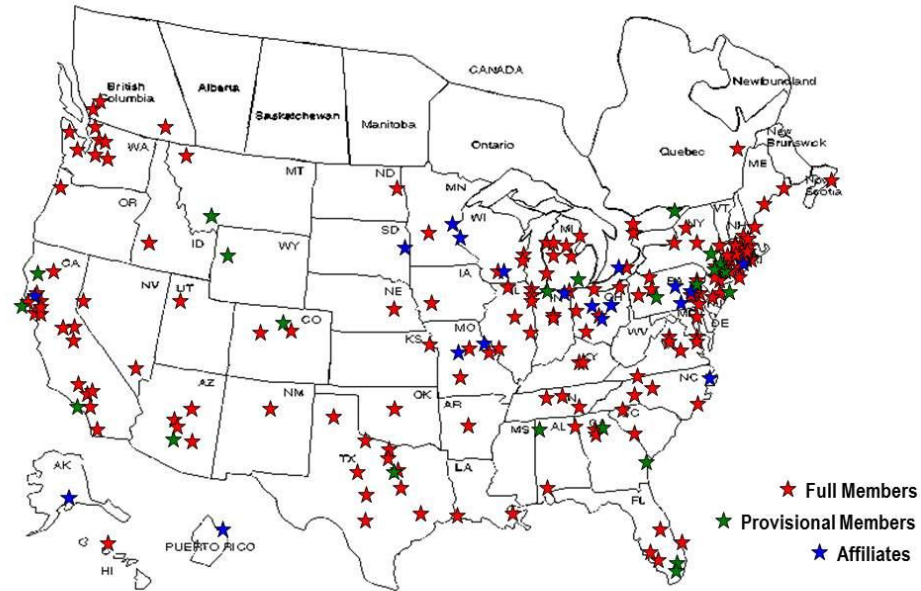
September 17, 2013

David Verrill – ACA Chairman and Founder/Managing Director, Hub Angels

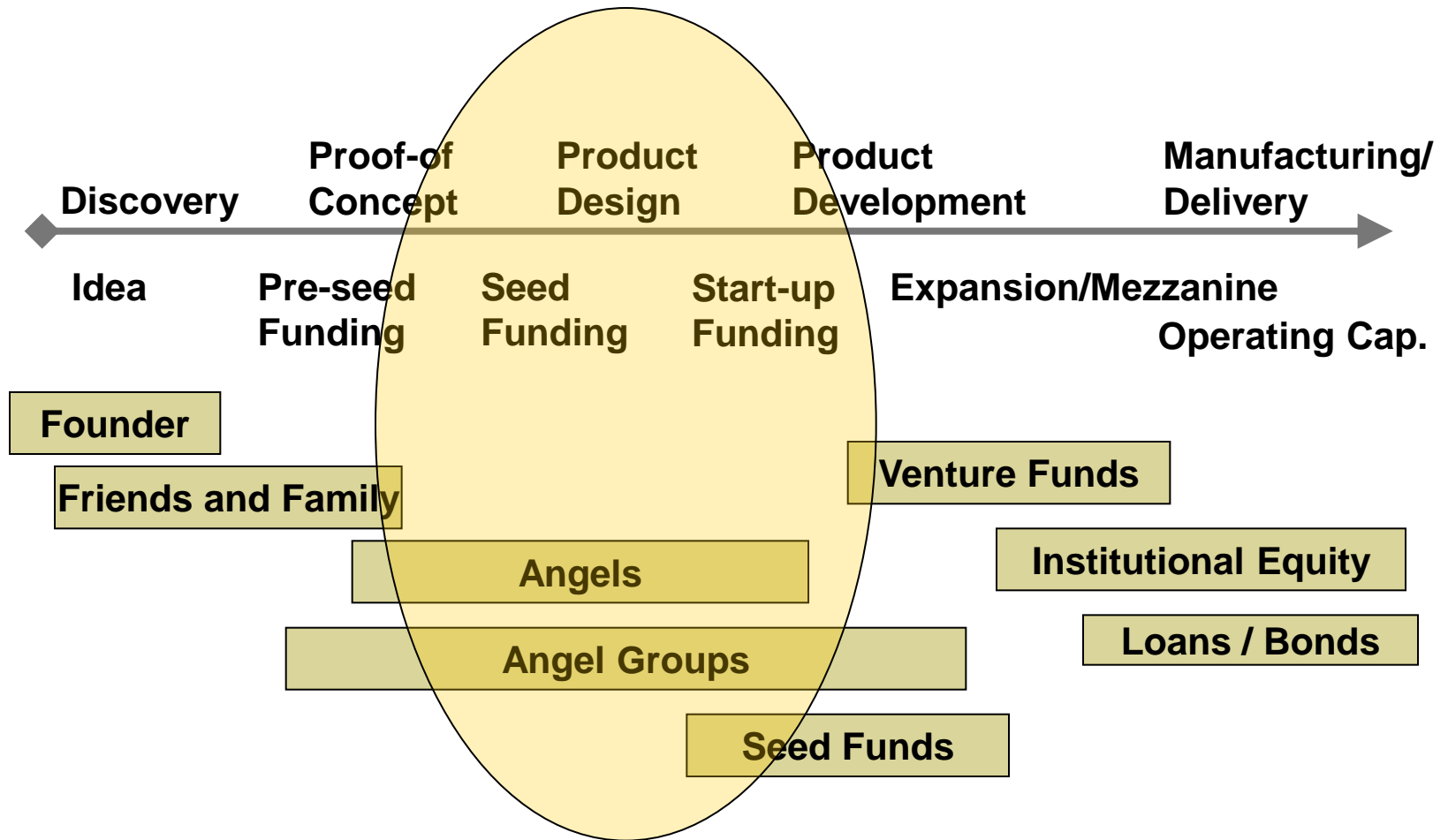
Marianne Hudson – ACA Executive Director and Member, Women’s Capital
Connection and Mid-America Angels

Angel Capital Association

- Mission: Fuel the success of angel groups and private investors who actively invest in early-stage companies
- Largest trade group for angels:
- 200+ member angel groups
- 10,000 accredited investors
- Individuals, accredited portals
family offices
- 50 states/ 5 Canadian provinces
- Charitable partner:



Financing Life Cycle



Angels Provide Less Equity by Total Dollars – BUT...

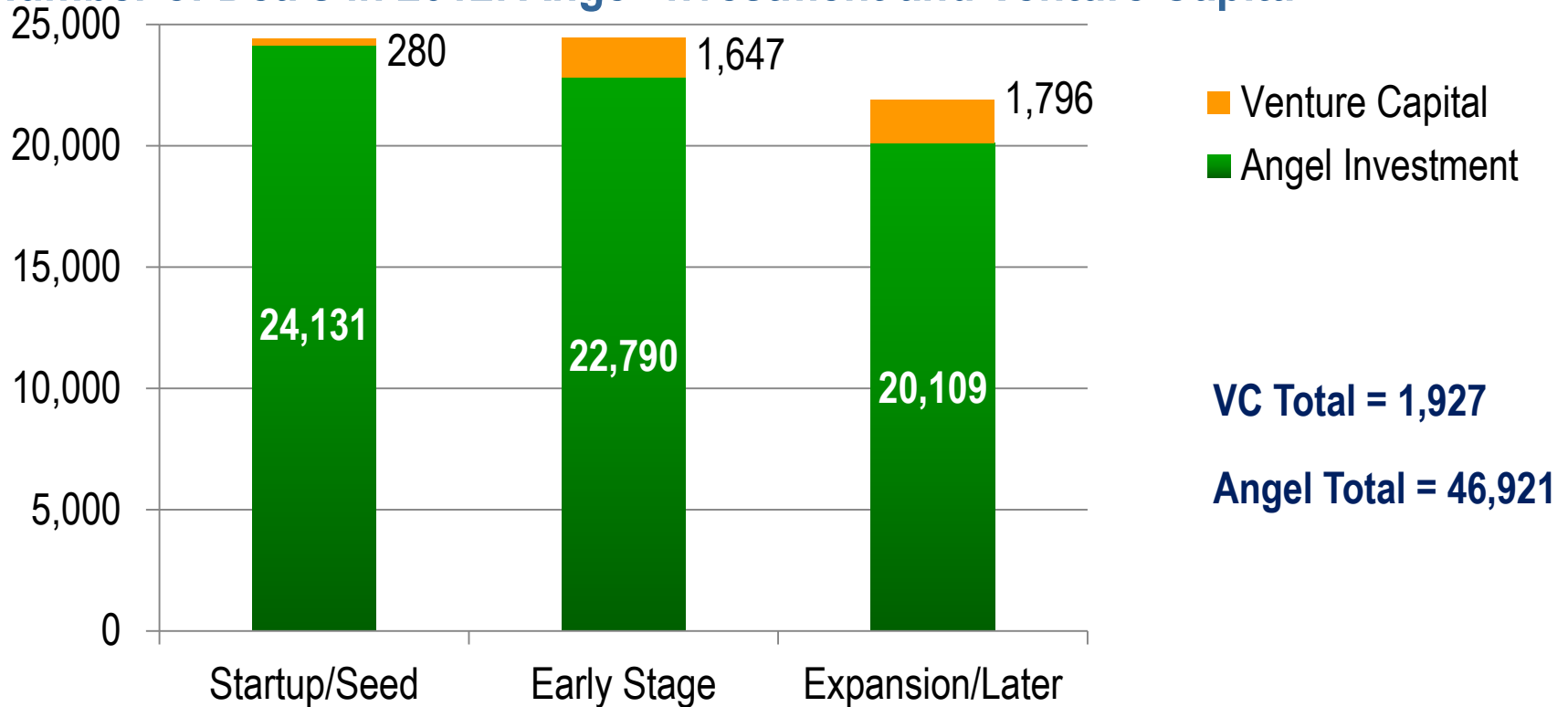
- Angel Investors (\$23B)
- Venture Capital (\$27B)
- Private Equity (\$347B)





Angels Fund Nearly All Seed/Early-Stage Deals...

Number of Deals in 2012: Angel Investment and Venture Capital



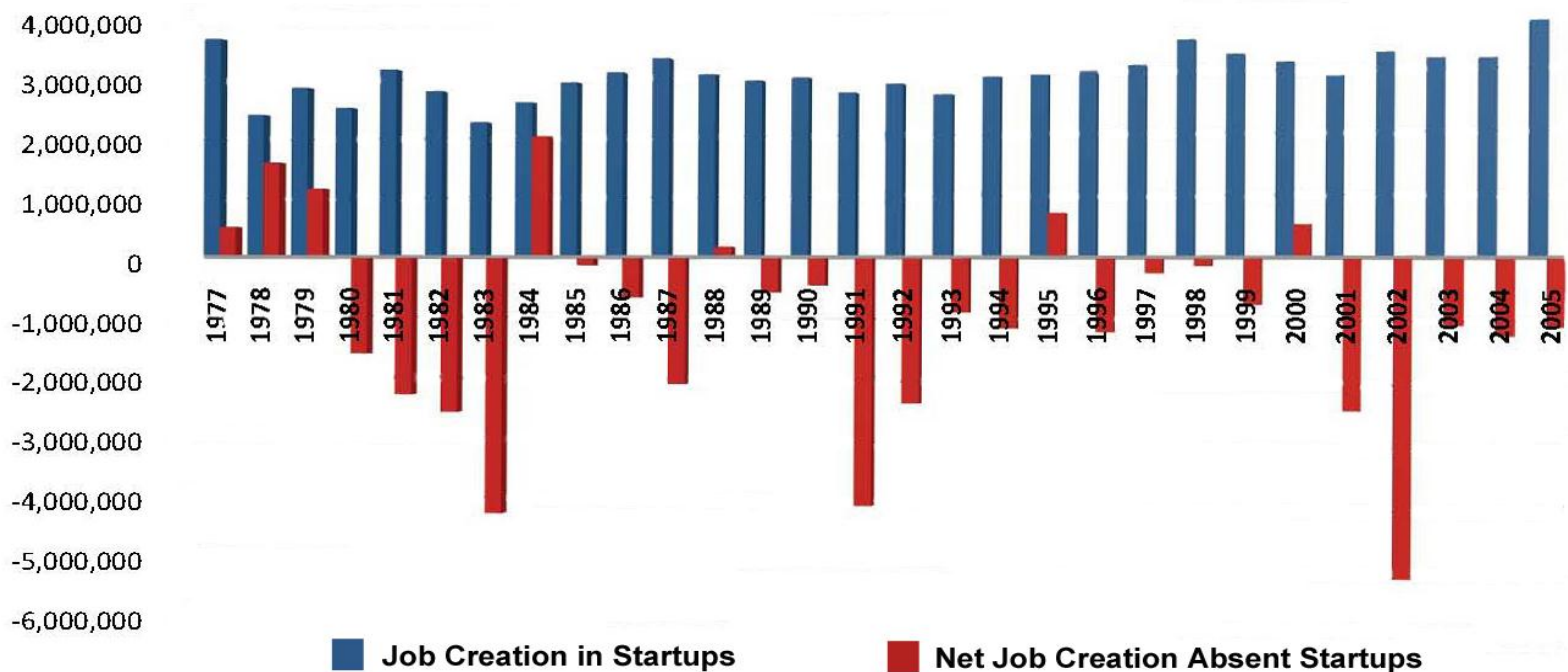
Without angels few startups would make it to VC, PE or IPO funding

Source: Jeffrey E. Sohl, Center for Venture Research and 2013 NVCA Yearbook

...And Startups Create the Most Net Jobs

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. Kauffman Foundation, January 2009.



ANGEL CAPITAL ASSOCIATION

Angel Investment Landscape

Stats, Trends and Impact



Angels Fund Majority of Startups in USA

Angels Provide ~90% of Outside Equity for Startups

Angel Investors (2012)

- \$22.9 billion
- **67,000 deals**
- 24,000 seed
- 22,800 early stage
- 20,100 expansion
- > 268,000 individuals

Venture Capital (2012)

- \$26.7 billion
- **3,700 deals**
- 280 seed
- 1,650 early stage
- 1,800 later/expansion
- 522 active firms



Who are Angel Investors?

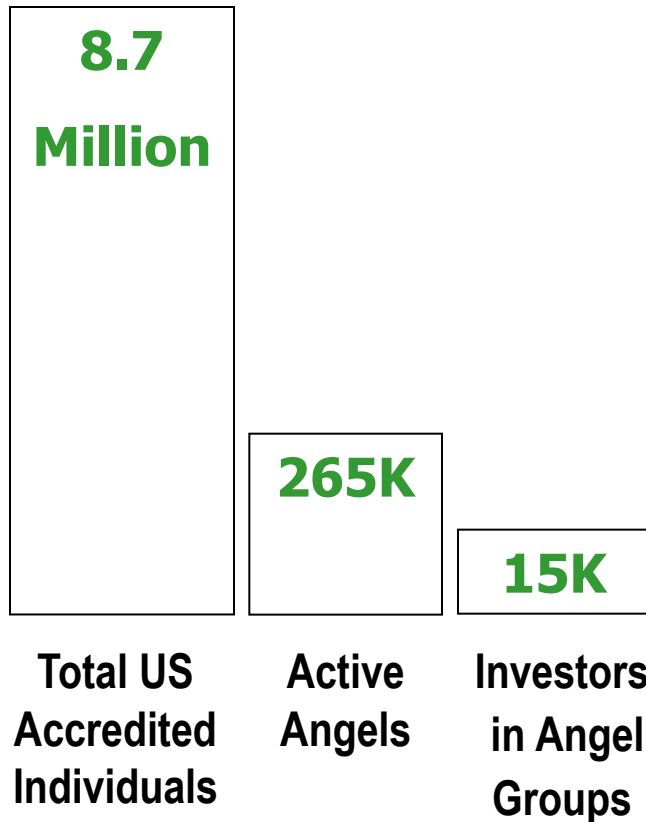
- **Often successful entrepreneurs or retired business persons**
 - Active investors providing money, expertise, and their network
 - Contribute to their local ecosystem (mentoring, judging, educating)
- **Accredited investors – SEC definition (*US & a few others*)**
- **Invest their own money (**not money managers**)**
- **Generally invest in local companies with high-growth potential**
- **Invest in businesses not run by family**

**In 2012, 268,000 investors funded ~\$22.9B in about 67,000 deals
(2/3rds early-stage)**

What Motivates Angels?

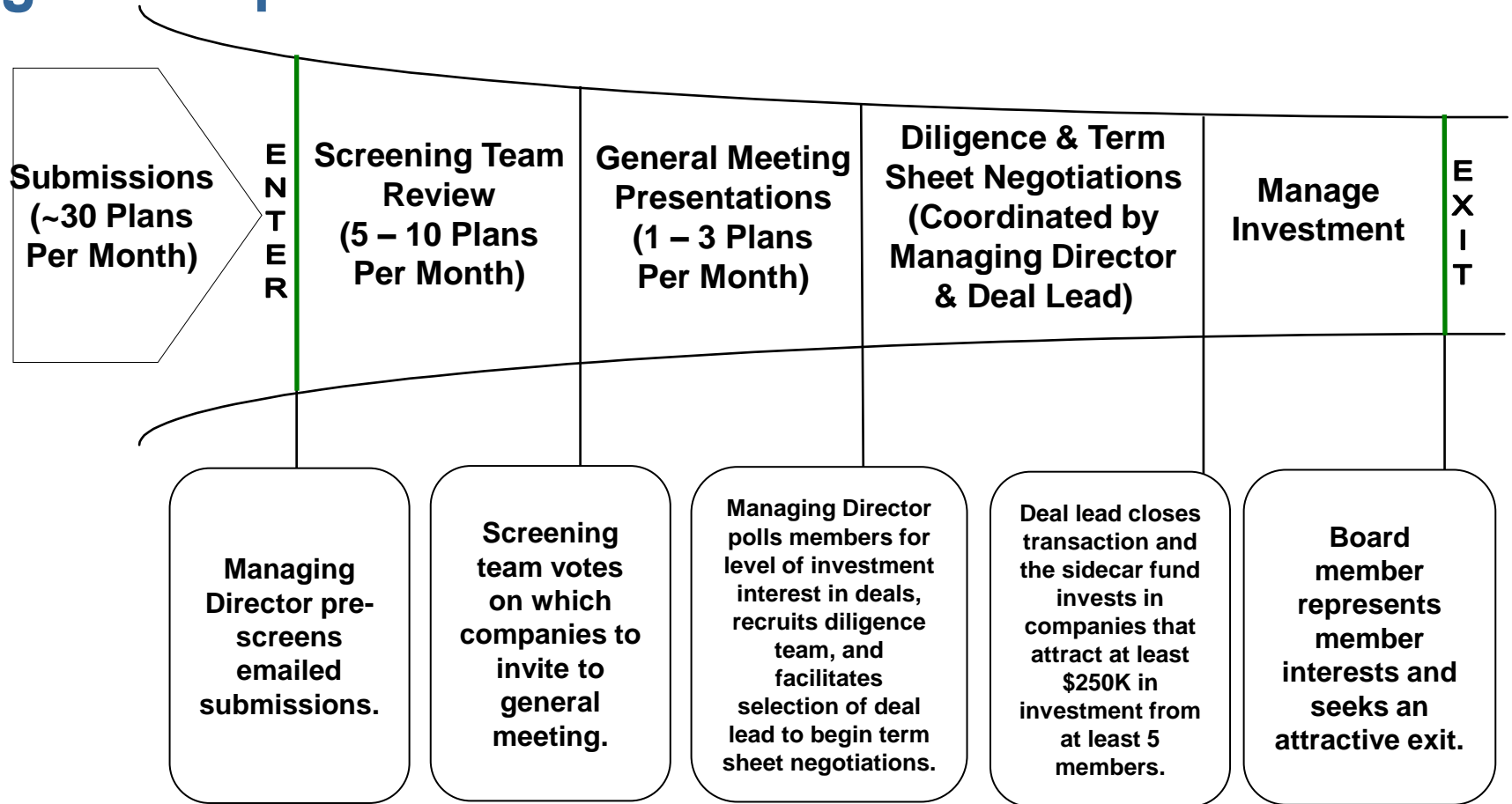
- Help entrepreneurs
- Stay engaged – use skills and experiences to help build a business
- Give back to community or university
- Active form of investing – not just watch markets
- Find their next opportunity
- Network and learn
- Return on Investment is the metric

Angel Groups Take Professional Approach



- **Experienced, Accredited Investors**
 - Successful Entrepreneurs/Business People
 - Median Years Investing – 9
 - Median Number of Investments – 10
- **Invest Where We Live & In What We Know**
 - Main Street – Not Wall Street
 - 300+ Groups – In Every State
 - Work as a Team
- **Focused on Best Practices**
 - Deal Screening
 - Due Diligence
 - Term Sheets
 - Valuation
- **Support Companies We Invest In**
 - Board Seats and Advisory Boards
 - Contacts, Advice, Recruiting, Strategy
 - Follow-on Funding and Exits

Angel Group Evaluation & Investment Process



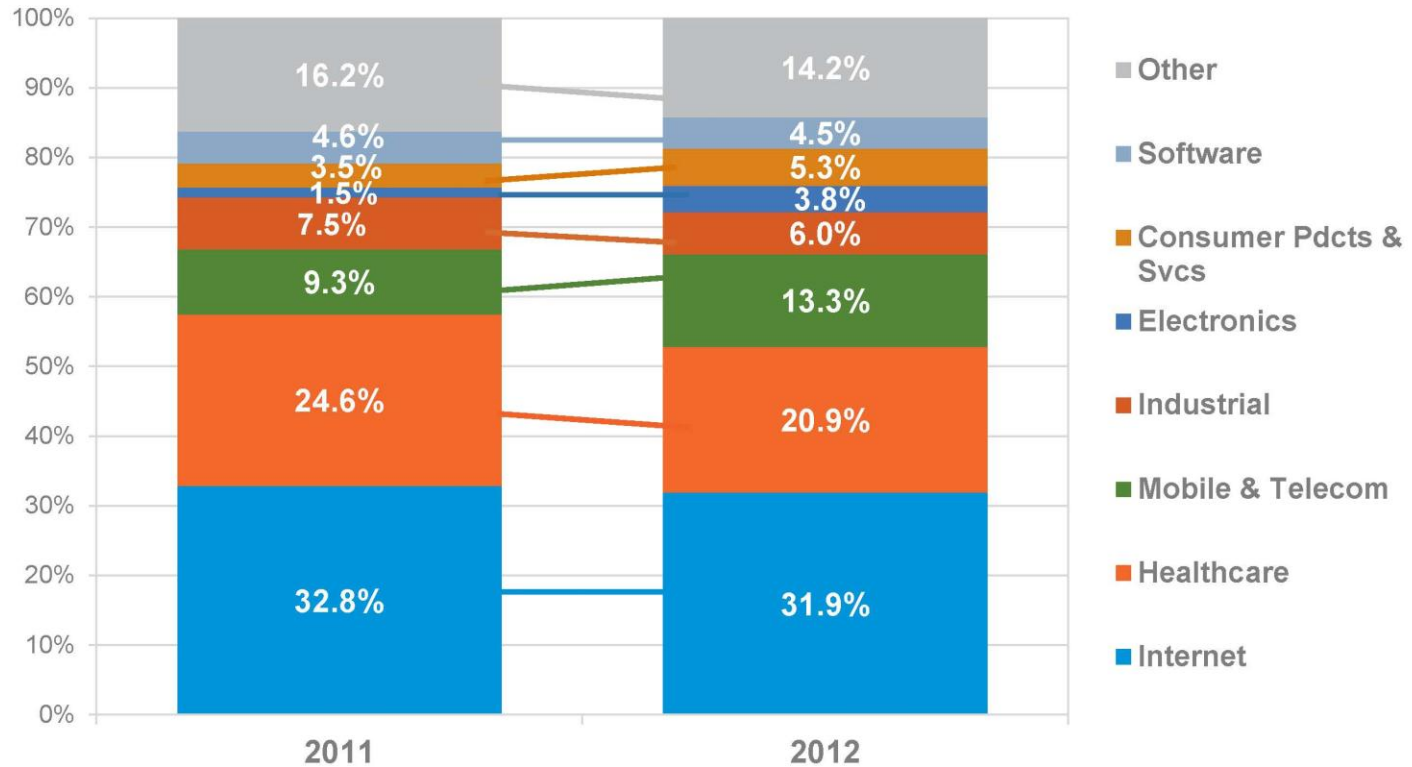
Source: James Geshwiler, CommonAngels, Boston



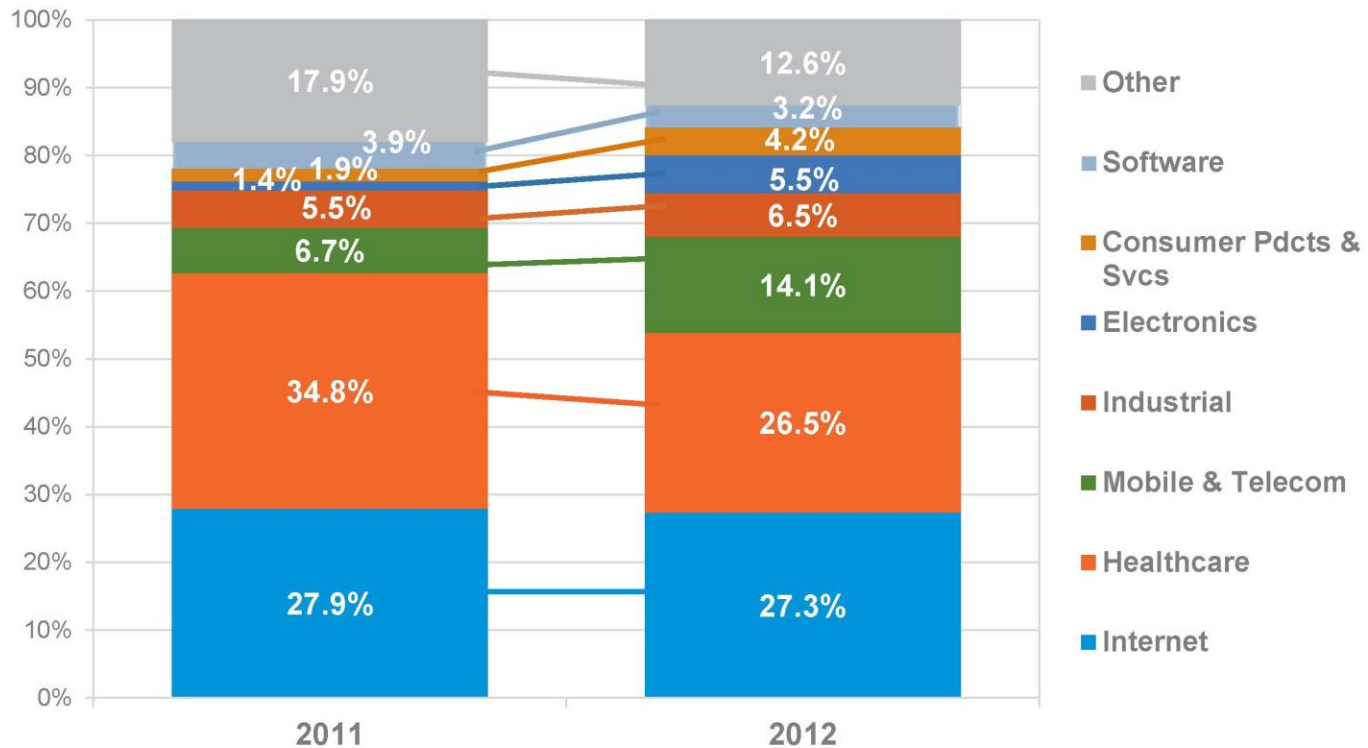
The Angel-Entrepreneur Connection

- Many angels provide mentoring before and after investment
- Many serve as board members or observers
- Some join venture as C-level executive for an interim period
- Information rights in term sheet
- Often invest in multiple rounds to ensure entrepreneurs can grow
- Develop relationships with Venture Capital firms for expansion capital
- Help lead M&A process early on
- Angel monitoring/ mentorship improves startup health
 - Harvard/MIT study shows angel support improves startup success rate

Angel Group Deals by Sector

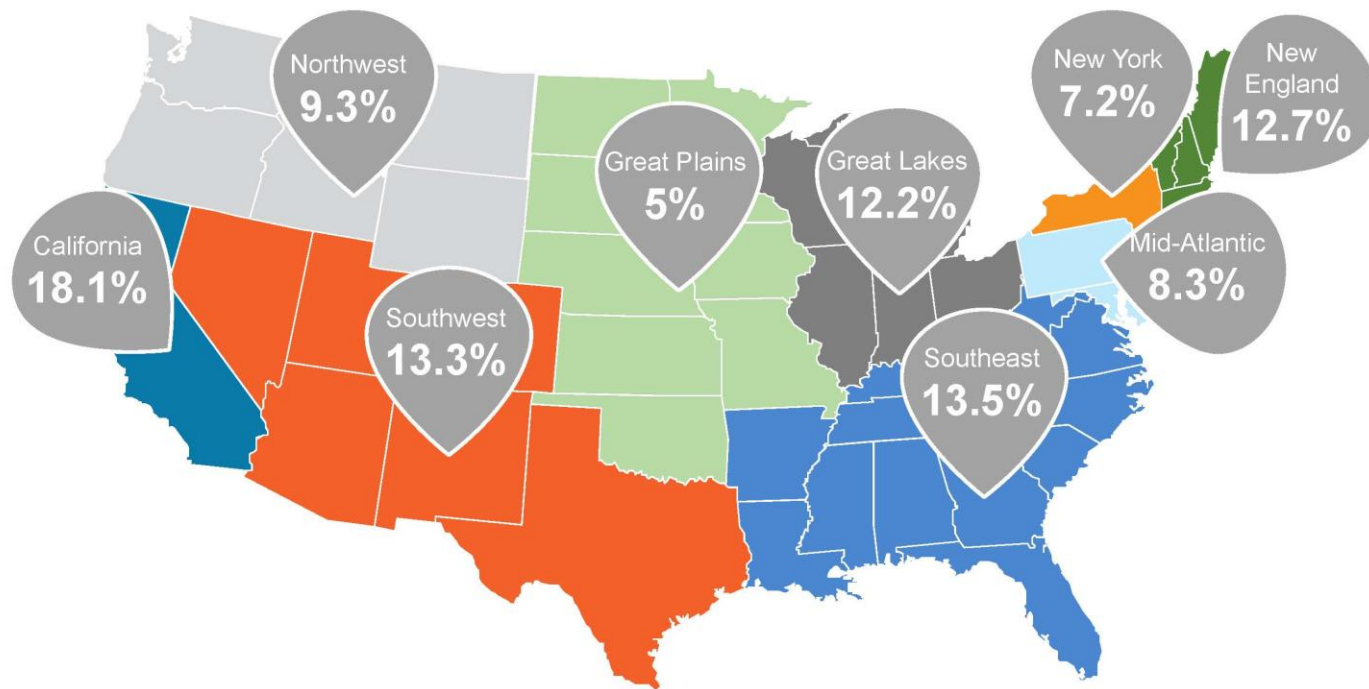


Angel Group Dollars by Sector



Angel Investment Deals Distributed Nationally

Share of Angel Group Deals by Region 2012

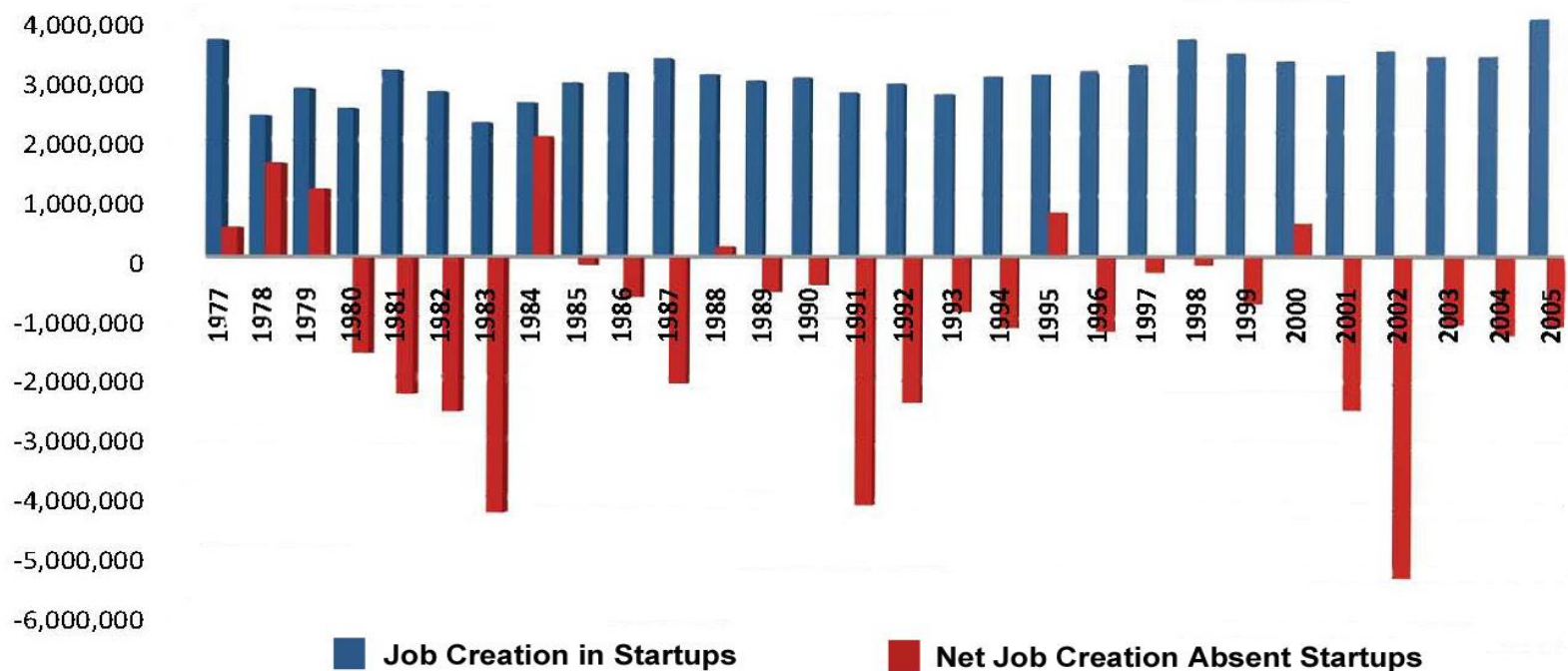




Startups Create the Most Net Jobs

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