



# ANGEL CAPITAL ASSOCIATION

## What is an angel investor?

An “angel” is an individual who invests directly into promising entrepreneurial businesses in return for stock in the companies. Angel investors are typically high net worth individuals who invest their own funds, in early stage ventures, throughout the United States, and then work with those companies to help them achieve success through high growth. Because angels invest directly in the company, they take the same risk as the entrepreneurs they support; this is very different than banks and others who lend money, rather than investing.

*Angel investment is different from venture capital.* Venture capital typically takes place in a growth phase after the first seed money has created a viable company, and venture capitalists invest other people’s money. By contrast, angel investors traditionally invest smaller amounts of personal money in mostly local startup companies at a time when most venture capital would still find the company too unproven and too small to justify their support.

*Angel investors provide up to 90% of outside equity for startups.\** In 2011, angel investors provided an estimated \$22.5 billion to approximately 66,230 entrepreneurs.

In order to better invest their funds and share individual expertise, some individual angels join together with other angels in an organization to evaluate, invest in, and mentor entrepreneurial ventures. Typically, these angels pool their capital to make larger, smarter investments.

While angels would like all of their deals to succeed, investing in early-stage companies is very risky. The latest data shows that while angel investing can achieve a 20+% return, angels lose some or all of their money in 52% of all angel group deals.\*\*

## Angel Capital Association

The Angel Capital Association (ACA) is the North American trade association of angel groups and private investors that invest in high growth, early-stage ventures. The Angel Capital Association provides professional development for angel groups, family offices and private investors, delivers services and benefits to support the success of ACA member portfolio companies and serves as the promotional voice for the North American angel community and the public policy voice for the US professional angel community.

- 170 member angel groups
- 20 affiliated organizations
- 7,500 accredited investors in member groups
- Present in 44 states

\*Sources: Kauffman Foundation

\*\*Source: *Returns of Angels in Groups*, Robert Wiltbank, published by Kauffman Foundation

## Angel investors are important to their community, the economy and our country

**Angels help small business.** In addition to financial capital, angels with extensive personal experience in creating successful businesses mentor and coach key officers in their portfolio companies, helping to promote long-term growth. They introduce entrepreneurs to potential customers and investors, offer counsel during challenging times for business, and help start-up firms gain credibility and market share. Angels are motivated by getting returns on their investment – sometimes substantial ones, consistent with the very high risks of investing in start-ups. But many are also motivated by community development and a love of mentoring entrepreneurs.

**Angels create jobs.** From 1980 to 2005, firms less than five years old accounted for ALL net job growth in the United States.\*\*\* These early stage firms need investment to create jobs. Angel capital is among the top sources for such companies to fuel their job creation. Indeed, angel capital typically is provided to companies with the potential to grow to hundreds of employees and \$10 to \$50 million in sales within 3 to 7 years of start-up.

**Angels continue a legacy of American innovation and competition.** To continue to lead the globe in areas of internet, healthcare, telecom and energy, the United States needs investors who can promote innovation in these areas. Angels are an important component of that role, typically at the critical moments of start-up to early development, often making the difference between a company remaining on the runway or soaring into flight.

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