



Angel Investing: Best Practices for MIT Enterprise Forum Chapters

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Background

- **More than 300M people in 2003 were involved in entrepreneurial activities around the globe**
 - In 2002, angel investors placed \$15.7 billion in entrepreneurial businesses in the U.S. (Source: Center for Venture Research)
 - In 2002, venture funds invested over \$50 billion in entrepreneurial businesses (Source: VentureOne), but the bulk of this funding was for stages LATER than seed or early stage businesses
 - Angel funding is comparable to venture fund investing for early stage ventures
- **Need for an angel investor oriented organization**
 - to establish best practices
 - To collect data and develop angel investment metrics
- **Angel Capital Association Founded 2003**
 - Kauffman Foundation of Kansas City sponsorship
 - 46 angel capital organizations throughout the U.S. and Canada for initial membership
 - Over 200 angel investor groups involving today.

Angel Investors Play a Major Role in Entrepreneurship

- Approximately one in 10 start-up or early-stage companies in the U.S. receives equity capital from angel investors
- Angel investors, on an individual basis or through groups, may invest up to 90 percent of the independent equity that early-stage businesses receive
- Angel organizations are important because
 - they help individual investors combine their funds with other angels
 - lead to better investing practices as members learn from one another, and
 - make investors more accessible to entrepreneurs as groups publicize their existence in their communities.

Angel Investors Provide Capital for Entrepreneurs (Source: Carl Schramm, President and CEO, Kaufman Foundation)

- "Access to capital is a big hurdle for entrepreneurs, and we're trying to lower it,"
- "While the flow of formal venture capital is important to our economy, only a very small percentage of entrepreneurs receive VC funding."
- "We intend for this alliance to help entrepreneurs and investors alike by increasing awareness and availability of angel funding and establishing enhanced standards for investment practices."

Angel Capital Association Goals

- outline and share best practices for angel organizations;
- develop industry benchmarks for success;
- advise members on processes and relationships with entrepreneurs;
- assist in the development of needed data and research on angel investing,
- create and maintain a vibrant Web portal;
- promote regional collaboration among angel groups, encouraging joint investment; and
- encourage individual angel investors to join angel organizations.

Morphing Angel Investing into an Institution (James Geshwiler, CommonAngels LLC, Boston MA)

- "Angel investors have supported entrepreneurs for decades,"
- "The economic conditions of the past five years, however, have highlighted that being a good investor and supporter of new companies requires attention, discipline and continuous improvement."
- "Angel groups have been growing as a way to institutionalize these processes - and Angel Capital Association takes that a step further, sharing experiences at a national level"

MIT Enterprise Forum and Angel Investment Best Practice Linkages

- MIT Enterprise Forum Constituents
 - Members—Potential entrepreneurs, gathering information about forming a startup
 - Sponsors—Potential suppliers of services to startups
 - Entrepreneurs—Looking for a sounding board on their startup, looking for funding
- Angel Investors
 - Linkage to additional business opportunities
 - Additional viewpoints on the startup
 - Linkage to additional angels and partners
- Joint Sponsorship of Meetings and Networking Events