Questions and Answers from ARC Appalachian Angel Capital Fund Formation RFP Webinars
May 14–15, 2012

General Questions

Q: How does one demonstrate the ability to coordinate investors? Applicants are ranked on this item . . . how does one show it?
A: This capability could be demonstrated in several ways. An applicant could discuss existing relationships with qualified investors, or relationships with partners who work closely with qualified investors. The applicant could also note specific interest expressed by qualified investors to participate in an angel fund, or investor interest in helping identify other qualified investors within the target area.

Q: Will applicants be required to submit federal form SF-424 at this point?
A: No.

Q: Please explain about "repaying ARC support" as described in page 1 of the RFP.
A: The RFP notes: **"**Selected applicants are anticipated to raise over $1 million each in local investment capital for early-stage and/or expanding companies. Upon formation of a fund, the angel investors typically self-finance the fund's ongoing activities, and, if appropriate, provide reimbursement of start-up support, enabling continued support for other entities to form new additional angel funds in Appalachia."

It is standard practice in the industry that the entity providing the start-up funds be reimbursed for expenses related to fund formation after an angel fund is successfully capitalized. The repayment of the ARC support, budgeted at $30,000 per fund, would be requested only if a fund is successfully capitalized. This repayment will be used by ARC to support the formation of new angel funds in anticipated future rounds of this RFP.

Please note that repayment of the budgeted startup support is not a contractual requirement of successful applicants, but a request that will be made of angel investors at the time of fund formation.

Q: Would repaying ARC support only apply to the "direct grant" award, or would it also apply to technical support awards?
A: This repayment request would apply to all awards made under this RFP that result in successful fund formation.

Questions on Angel Fund Creation Phases

Q: Will the RAIN Source Capital templates be made available to the direct grant awardee (RFP award option II)?
A: The RAIN best practices and templates will be made available to the "technical assistance" awardees. A "direct grant" awardee may subcontract a portion of the workplan to RAIN Source

Capital, which would facilitate access to the relevant templates and best practices. The working assumption is that a direct grant applicant that has a track record of capably forming and operating a successful angel fund will have access to appropriate templates and best practices.

Q: What is the role of the "founding group?"
A: The role of these three to five individuals (community equity business leaders) is to take a leadership role in designing an angel fund relevant to their community and to fundraise from their network to capitalize the fund at $1 million or more.

Q: What should the geographic span of an angel fund be?
A: It depends on your entrepreneurial environment. We advise clients not to have too small or too large a geography, as both have challenges. When the span is too small, it is difficult to recruit members and generate appropriate deal flow. When it's too large, members may be spread too far apart to effectively manage the fund and deploy the capital to early-stage companies.

Questions on Angel Investing Environment

Q: We have a number of people raising new funds in our state/region. The targeted investors' first question is always about the historical returns of the predecessor funds. Is there any historical information out there about performance of angel funds? I have a copy of a Kauffman study from 2007 showing historical performances of angel investors from across the United States as a reference.
A: The Wiltbank 2007 study reports a 27 percent IRR from 276 angel groups and 539 individual angel investors. The Wiltbank May 2009 study of 1,048 angel investors in the UK reports a 22 percent IRR. The Q1 2012 Cambridge Associates VC index (composite of all types of VC funds) reports ten-year returns of 3.27 percent, and the VC index for early-stage funds' ten-year returns are 1.6 percent. Recently other press releases indicated that angels are not getting returns; nor is the VC industry. At least some of this is due to the recession and the lack of liquidity. Although it is important for angel investors to track their returns, their primary objective is to help local companies be successful by creating an impact on the community and region, and to make enough of a return to "stay in the game."

Q: In the rural funds you have started in the Midwest, how large were the CSA populations (combined statistical areas) in which they were established?
A: 54 percent of rural RAIN funds in the Midwest were established in CSAs of 50,000 or fewer persons; 13 percent of funds were in CSAs of 200,000 or more persons, as noted below:

Population Range	***Percentage of Capitalized RAIN Angel Funds***
20,000 and less:	23% of capitalized funds
20,000 to 50,000	31% (does not include the 23% at the range of 20,000 and less)
50,000 to 75,000	13%
75,000 to 100,000	8%
100,000 to 150,000	4%
150,000 to 200,000	8%
200,000 and greater	13%