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**UNH CENTER FOR VENTURE RESEARCH: ANGEL INVESTORS HAVE RETURNED TO THE MARKET BUT THE POST SEED FUNDING GAP CONTINUES**

DURHAM, N.H. -- The angel investor market appears to be on a sustained upward swing according to an analysis of the first half of 2004 by the Center for Venture Research at the University of New Hampshire.

“Angels have traditionally been the largest source of seed and start-up stage capital in the United States and angels continue to favor these stages, with 59 percent of the first half of 2004 angel investments in seed and start-up stage entrepreneurial ventures,” said Jeffrey Sohl, director of the UNH Center for Venture Research.

The preference to invest seed and start-up stage capital represents the largest stage for angel investment activity, according to Sohl.

Total investments for the first half of 2004 have reached \$12.4 billion, compared with total investments for the year 2003 at \$18.1 billion. A total of 27,500 entrepreneurial ventures received angel funding in Q1-2 2004, a projected 31 percent increase from 2003. The number of active investors in Q1-2 2004 was 135,000 individuals, a projected increase of 23 percent from 2003, with an average of four to five investors joining forces to fund an entrepreneurial start-up.

“While the increase in total investments is encouraging, a post seed funding gap, identified nearly three years ago, has persisted. Also, the percentage of latent investors continues to increase,” Sohl said.

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In Q1 and Q2 2004 angel deals in the post seed stage represented 31 percent of the investments. “While, angels are not abandoning seed and start-up investing, it appears that market conditions are requiring angels to continue to provide some follow-on funding for their investments in the form of additional rounds of financing,” Sohl said.

The post seed funding gap, in the \$2 million to \$5 million range, has forced angels to redistribute seed investment dollars to this post seed stage in order to fill the needs created by the post seed gap.

“Angels are shifting their investment strategies toward post seed investments and thus reducing the proportional amount of seed and start-up capital. This restructuring of the angel market has in turn resulted in fewer dollars available for seed investments, thus exacerbating the capital gap for seed and start-up capital in the United States,” Sohl said.

While membership in angel groups is increasing, there are a larger percentage of latent angels -- individuals who have the necessary net worth, but have never made an investment, according to the Center for Venture Research. In Q1-2 2004, 61 percent of the membership in angel groups were latent angels, compared with 48 percent latent investors in 2003.

“This represents a steady increase over the last four years. This increase in latent investors over time indicates that while many high net worth individuals may be attracted to the early stage equity market, they have not converted this interest into direct participation. This lack of active involvement may be the result of the current trend to rush to form angel groups, rather than meeting the more basic systemic need for educational programs and research to move the latent angel to the active investor,” Sohl said.

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The Center for Venture Research (CVR) has been conducting research on the angel market since 1980. The CVR's mission is to provide an understanding of the angel market and the critical role of angels in the early stage equity financing of high growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the CVR is dedicated to providing reliable and timely information on the angel market to entrepreneurs, private investors and public policymakers. The Center for Venture Research also provides reports on state level angel activity. For more information visit [www.unh.edu/cvr](http://www.unh.edu/cvr) or contact the CVR at 603-862-3341.

To view the complete Q1 and Q2 2004 Angel Investor Market Analysis, visit [http://www.unh.edu/news/docs/CVR\\_Q122004.pdf](http://www.unh.edu/news/docs/CVR_Q122004.pdf).

**EDITORS: Jeffrey Sohl, director of the UNH Center for Venture Research and professor of decision sciences, is available to discuss the results of the Q1 and Q2 2004 Angel Investor Market Analysis and the angel market overall. He can be reached at 603-862-3341 or [jesohl@christa.unh.edu](mailto:jesohl@christa.unh.edu).**