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For Immediate Release
December 18, 2007

Stateline Angels Strive for Best Investment and Operating Practices

New Study Reports that Due Diligence, Industry Experience, and Member Participation
Contribute to Favorable Returns

Rockford, IL – December 1, 2007 – Stateline Angels, an angel investor organization founded in 2004 and based in Rockford, IL, is dedicated to fostering economic growth in the greater Rockford region by investing in entrepreneurial ventures and by providing strategic advice, introductions, and mentoring to help the companies they invest in grow and succeed.

“We are a member-managed organization of about 30 successful business executives, attorneys, physicians, and entrepreneurs from the Rockford area,” says Dale Falconer, president of Stateline Angels. “Our members are accredited investors who have started and run companies and practices and have significant operational experience across a variety of businesses and industries. Our goal is to apply our expertise and a portion of our assets to earn above average investment returns by helping help individuals create and build successful new companies.”

“The Returns of Angel Investors in Groups,” the largest study on the financial returns of angel investors in North America, recently released in a report by the Ewing Marion Kauffman Foundation and the Angel Capital Education Foundation, shows that angel investors participating in organized angel groups achieved an average 27 percent internal rate of return on their investments—2.6 times the investment in 3.5 years. This return compares favorably to that of other private equity investments including early-stage venture capital.

An Angel Investment Group



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“This study demonstrates that angels can earn excellent returns when they invest in innovative companies with good ideas that have the potential to serve big markets,” says DeWayne Fellows, Stateline Angels vice president. “It also shows that in this type of investment there is a wide range of performance in returns and that the inherent risk is great.” In more than 50 percent of the investments reported in the study investor(s) lost some of all of the invested capital.

“When you go into angel investing, it’s not a sure thing,” says Fellows. “When you make the decision to invest there isn’t much of a track record of financial results. You don’t know if the patents are going to hold up. Angel investors have to put a lot of faith in the CEO and the management of the company.”

In conducting the study, Robert Wiltbank of Willamette University in Portland, OR and Warren Boeker of the University of Washington in Seattle, WA analyzed information from more than 85 organized angel groups, 530 angels, and more than 1100 exit events in which companies that had received the investments were acquire, went public, or closed.

“As members of the Angel Capital Association, Stateline Angels exchanges ideas and information regularly with other angel groups,” Fellows says. “We are constantly seeking out and adopting best practices that will improve our investment process and returns. We also look for ways to reduce the commercialization risk for our portfolio companies. This study adds to our knowledge significantly by quantifying the impact that certain strategies can have on both.”

Two factors that appear to impact investment outcomes positively are increased hours of due diligence and angels’ expertise in the venture in which they invest. Angels who participated actively with portfolio companies—whether in coaching and mentoring, providing help with customer leads, or inspecting performance—experienced higher returns.

“There is plenty of good deal flow in this area,” says Falconer. “We review at least two deals every month. Many of us come from manufacturing backgrounds so, as the study suggests, that is naturally where we put a lot of focus, but we define ourselves as opportunistic. We look at all kinds of deals. Some are in IT, some in life sciences, and some are in other disruptive technologies. We do have a sense of local interest and define our radius as three to four hours drive.”

Stateline Angels has made six investments, four of those in the last year. None of their portfolio companies has carried out an exit yet.



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About Stateline Angels

Founded in 2004, Stateline Angels is a self-managed angel investment group of accredited investors that provides capital to early-stage companies. Group founders and members are successful business executives, service professionals, and entrepreneurs in the greater Rockford, IL area who have significant operational expertise in a variety of industries and businesses. Members have dedicated themselves to fostering growth in the Stateline area by assisting individuals to create successful businesses. www.statelineangels.com