Partnership, Pacific team up

By Bruce Spence
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The San Joaquin Angels - www.sanjoaquinangels.com - operates in affiliation with University of the Pacific and the San Joaquin Partnership, which two years ago updated its strategic plan in part with a call for the development of an angels network to encourage entrepreneurship and business startups.

The group is a vehicle for angel investors to hear from early stage companies seeking investment and gives the angels a pool of expertise and business networking to tap, said Mark Plovnick, CEO of the angels group.

There are approximately six private dinners each year - the first was staged last week - featuring presentations from entrepreneurs who have been screened, but the group makes no recommendations on startups or investments. Individual angel investors decide whether they are interested in investing in any of the companies.

So far, about 30 proposals have come in through the angel group's Web site, and about six or seven involve local entrepreneurs, Plovnick said. The aim is to help local entrepreneurs, he said, but the group considers proposals from anywhere.

Investors, with help from a network of resources, then perform due diligence, structure any deal and monitor their own investment. Membership to the network is by invitation only.

Generally, the minimum individual investment in a company is $25,000. Angel investors must meet Securities and Exchange Commission angel-investor criteria by having $1 million in net worth, or $200,000 in personal annual income or $300,000 in household income.

“Our advice to investors is that these are very risky investments, and you should not put any money in that you need because the odds are not great on these investments,” said Plovnick, who is himself an angel investor.

According to a national study of 539 angel investors in 86 angel networks in the United States and Canada, more than half of the investments returned less than the initial investments, with only 7 percent achieving returns of more than 10 times the original investments.

The study, funded by the Kauffman Foundation, calculated the average annualized rate of return at 27 percent. And Plovnick said it takes at least a couple of years before investors start seeing a return, if there is one.

The angels network isn't an original idea. According to the Angel Capital Association, a professional alliance of angel groups, there are an estimated 265 such networks in the United States and Canada.

Plovnick said Pacific will be involved with future angel endeavors, perhaps involving students who work with investors on "due diligence" research and so on.