

TERMINOLOGY

Communicating Effectively About Angel Investing

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PURPOSE

This document provides the working definitions employed by the AAAI in the conduct of its operations and the pursuit of its mission.

A clear set of commonly understood terms, a jargon, is an essential tool in formulating, disseminating and promoting effective communications about a specialised body of knowledge and activities.

In providing the definitions and descriptions in this document the AAAI is seeking to frame the wider discussions about Angel investors and their investing activities in such a way as to make the discussions accessible and meaningful to all parties in Australia and internationally.

CONTEXT

The definitions and descriptions provided hereunder are intended to scope the activities of private individuals investing their own money and the other investors and activities that associate themselves with those primary investors.

ANGEL CAPITAL

Angel Capital is the name given to the asset class that represents the investments made by individual investors when investing as Angel Investors.

Angel Capital is a private equity asset class in which individuals invest for high order capital returns on equity investments that support rapid value growth, commercial ventures.

ANGEL INVESTORS

The AAAI has chosen to use the term 'Angel Investor' rather than the historical European terminology of Business Angel that has been used by our government and media in the past. Angel Investor is preferred because it more accurately describes the activity of these individuals and because a change in terminology is intended to help shift the thinking that currently stems from preconceived and obsolete notions of the activity, of the people involved and of the appropriate actions of government, institutions and the corporate sector when engaging with these investors.

WHO IS AN ANGEL INVESTOR?

An Angel is a person who invests his/her own cash in an unlisted growth company for equity or convertible debt as a personal decision with the objective of realising a capital return in the foreseeable future.

WHAT IS AN ANGEL GROUP?

An Angel Group is a collection of individual Angel Investors who combine under a common brand with defined rules of membership and conduct to collectively identify, review, select and evaluate Angel investments. Members of an Angel Group typically make an individual investment decision for each investment opportunity.

WHAT IS AN ANGEL SYNDICATE?

An Angel Syndicate is the subset of Angels who decide to invest in a particular deal.

WHAT IS SYNDICATION OR CO-INVESTMENT?

Syndication or co-investment is what occurs when an Angel Group, or other lead Angel investor, recruits other individuals, companies, or funds to invest in a deal .

WHAT IS AN ANGEL NETWORK?

In many countries this term is used interchangeably with Angel Group. The AAAI has created a distinction to avoid the confusion that currently occurs with the use of this term.

An Angel Network is a mailing list of potential and/or active Angel Investors. This is typically used by service providers to shop deals in exchange for a fee.

WHAT IS AN ANGEL FUND?

An Angel Fund is a pooling of money by Angel Investors and refers to an Angel Group that operates on the basis of one-in all-in for each investment opportunity.

WHAT IS AN ANGEL SIDE-CAR OR CO-INVESTMENT FUND?

An Angel Side-Car Fund or Co-investment Fund is a pooling of money that provides other investors passive access to the deal flow and investments of the Angel, or Angel Group by investing in opportunities alongside the Angels according to a predefined formula or set of rules.

ANGEL CONDUCT

The AAAI has defined a Code of Conduct which forms the basis for the professional conduct of Angel investing by all members of the Angel Capital asset class.

CODE OF CONDUCT

We, the members of the AAAI, in recognition of the importance of our investments and related activities in affecting the livelihoods of others, and in accepting a personal obligation to our peers and the communities in which we act, do hereby commit ourselves to the highest ethical and professional conduct and agree that every member of the Association is expected to comply with this Code of Conduct.

A member shall, in respect of any Angel investment, or related activity in which the member is an actual or prospective investor or advisor, comply with the following standards of conduct:

- (1) Members shall act with honour, integrity, dignity, diligence and in good faith in order to merit the trust of their peers and of the community.
- (2) Members shall act with honesty, equity and without discrimination towards all individuals in the community.
- (3) Members have an obligation to be ethical in judgement and actions.
- (4) Members shall not take improper advantage of their position as an actual or prospective investor, or advisor.
- (5) Members shall, where relevant, take reasonable steps to inform themselves, their peers, their portfolio companies and their advisors, of the social, environmental, economic and other possible consequences which may arise from their actions.
- (6) Members shall not make improper use of information acquired as an actual or prospective investor, or advisor.
- (7) Members shall promptly and properly manage any conflict of interests which may arise.
- (8) Confidential information received by members in the course of considering, making, or advising on an Angel investment remains the property of the person or company from which it was obtained and it is improper for the members to disclose, or allow to be disclosed that confidential information, unless that disclosure has been authorised by that company or person from whom the information is provided, or is required by law.
- (9) Members shall not engage in conduct likely to bring discredit upon their Angel investments, their peers, or the Association.
- (10) Members have an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of this Code. Members shall not assist in or induce a breach of this Code and shall support those who seek to uphold the Code if called upon, or in a position to do so.
- (11) Members will respond promptly, fully and honestly to AAAI research of Angel investing. All information gathered in research by the AAAI, or its nominated agent, will be treated in accordance with this Code, the AAAI Privacy Statement and presented in results of the research as anonymous, aggregated data.
- (12) Members will respect and be cognisant of the confidentiality and copyright of all documents and materials provided by the AAAI, by AAAI affiliated Angel groups in Australia and by suppliers, partners and other Angel associations that deliver to members information, materials, education and advice via the AAAI.