

# Who are Angel Investors and Where to Find Them?

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Angel Investors can be family members, friends, neighbors and colleagues. They can also be doctors, dentists, small business owners, successful salespeople, or anyone else with money.

Angels invest in companies that aren't quite ready for the larger investments of venture capitalist firms.

Venture capitalists firms are firms that usually deal with companies that have the potential to make in the millions. They don't usually deal with companies unless they have been around for at least 4 years; however, sometimes they will lend a minimum of \$100,000.000 to potential business owners. So you might want to contact them with your business proposal and make a presentation.

Angels prefer to invest in markets and technologies that are familiar to them, and typically invest during the seed or start-up stages of such ventures. Angels have patient exit horizons of five years or less. Since most Angels are former successful entrepreneurs, they come with a wealth of knowledge and connections, financing companies that need between \$250,000 and \$5 million.

Angels are individual investors writing checks from their own accounts. They can be "active" investors, serving on boards of directors, or providers of guidance – preferring to service in less formal counseling or mentoring roles.

Angels take bigger risks and are willing to accept lower rewards when they are attracted by the non-financial characteristics of an entrepreneurs' proposal.

Angels can afford the risk inherent in private investment and, at the same time, they are inclined to act, contributing time and money, based in part on their "feel" for a business or the confidence they have in the entrepreneur.

Angel Investors are often retired business owners or executives, who may be interested in angel investing for other reasons in addition to pure monetary return. These include wanting to keep abreast of current developments in a particular business arena, mentoring another generation of entrepreneurs, and making use of their experience and networks on a less-than-full-time basis. Thus, in addition to funds, angel investors can often provide valuable management advice and important contacts.

These Angels are extremely hard to find but they are everywhere. Your best bet is to start networking in your town early in your project. Associations, chambers of commerce, and church groups are all places where you can find investors.

Most Angel Investors like to have hands-on relationships with their investments.

Most firms that Angels invest in are small firms with few employees leading them to offer their expertise in their areas of specialty. This gives the company highly experienced talent that it couldn't afford or sometimes doesn't even understand its value.

What you should look for is somebody you like with a track record of previous successes. You certainly do not want to hookup with an Angel that hasn't been successful in helping a business become successful. Angels should be patient in their investing. It takes time to develop the style of a business and the market for its product or service.

Lastly, you must be sure that these Angels have sufficient funds to follow your needs. It is very traumatic for you to be spending your time always raising money. The obvious things that cause failure of a business are a lack of capital and poor communication with customers, employees and your vendors and keeping your investors in the dark. Do not accept less money than you need!

If you are a poor communicator forget about being the boss. Remember you can be a poor communicator but a great technician with an excellent idea. In that case all you need to do is hire a professional manager and the business can still be successful.

Here are some important thoughts to keep in mind when seeking Angels:

- ❑ Even though experienced Angels receive about 100 deals every year, they only invest in three.
- ❑ Eighty Five (85%) percent of the "executive summaries" of business plans are poorly written. Remember unless you have a good executive summary which should be 2 to 3 pages, chances are investors and banks will not read your entire business plan.
- ❑ Fifty percent (50%) of entrepreneurs that talk to Angels do not have the ability to run a company and sixty percent (60%) of the businesses fail at leadership in the first three years.
- ❑ You will need a bank account to run your business so pick a bank that caters to small businesses.
- ❑ You need to promote your business so you must be active in the area where you customers are. Remember marketing bring in customers. You can run a business initially without employees but not without customers. Customers are also called clients and patrons.

You can find these Angels Investors at:

- ❑ **Individual Banks**: Banks that specialize in small business loans probably will be aware of potential investors. It's important to build relationships with these bank officers especially if you have a bank account there.
- ❑ **Certified Public Accountants (CPA) and Major Accounting Companies**: You can contact CPA's of smaller companies and the Presidents & Marketing Directors of major accounting companies and ask if they have any clients who might want to view your business plan/proposal so you can present an investor presentation.
- ❑ **State Secretary of Commerce's Office**: This office has a list of companies that have raised money and would be willing to share the names of investors with you when you speak with them.
- ❑ **Libraries and Secretary of State's Office**: These entities have a list of members of Board of Directors for private and small companies who have an extensive list of contacts who are investors.
- ❑ **Business Page Advertisements**: You need to check the past and current issues of your newspapers' business section for the names of executives who have just sold their companies or retired and might be interested in becoming an investor. You can also put an add in the business section of newspapers. The add could be entitled "Investors Wanted."
- ❑ **Entrepreneur Clubs & Association Events**: Join these groups and inquire about potential investors.
- ❑ **Chambers of Commerce**: Join these groups and inquire about potential investors.
- ❑ **Trade Shows**: You can find investors for small businesses at these shows.
- ❑ **Distributors**: If distributors will be involved in your business (ex. publishing industry, etc.), you can contact book distributors to see if they would like to become an investor on your project so they can help your book move to a larger market (Wal-mart, Barnes and Noble, Borders, etc.)
- ❑ **Vendors**: Vendors might also be interested in becoming an investor for your business. If you have good credit a vendor (for example - book printer, etc.) will hold your payment for 90 to 120 days. Good credit is usually having a credit score over 720. You can raise your credit score by ordering each of your credit reports (Equifax, Experian, TransUnion) from [www.annualcreditreport.com](http://www.annualcreditreport.com). In the state of Georgia, you can order two free credit reports a year.
- ❑ **Commercial Finance Companies**: These companies can be found in the yellow pages under either their own headings or the heading for factoring companies.

Private Investors can be the same as Angel Investors. These investors can also play a major role in getting your company started. They can be family, friends, vendors, sales representatives, and your contract manufacturer.

These investors are looking for a big return, rather than just being interested in helping you, and they will check your company out very closely before investing.

There are about 250,000 high net-worth private investors in the U.S. who fund over 30,000 small companies each year. They have earned their names by being friendly and patient about investments. Also they provide business wisdom and build relationships along the way. These are individuals who might give you \$25,000 to 1 million for your business. They typically like to invest in groups so each can get a piece of the deal.

These investors are sophisticated, drive a hard bargain, and expect a large return – usually within three to five years.

Many entrepreneurs also tend to use the word I way too much when approaching early investors. Remember that you are selling a “team concept” and you want people to join the group.

Before you approach any investors, be sure to map out your company’s entire plan, with a projectable timetable. Let people see where you intend to go and why type of sales you expect to have.

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