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**HOW ANGEL INVESTORS CAN HELP YOUR BUSINESS**

When small business owners need to raise capital to expand their businesses, they have a number of options. One route few business owners consider is finding angel investors.

An angel investor is a wealthy individual who invests in growing small businesses in the hopes of earning a higher return on their money than they could get through the stock market or other investment vehicles. Unlike the terms you receive when you get a bank loan, an angel investor doesn't require regular monthly payments. Instead, they expect their investment to be repaid after several years -- along with a substantial profit.

**How Angels Help**

A good angel provides business assistance in many ways:

- They supply the money you need to grow your business.
- They're often current or former business owners themselves, so they can offer advice on business management.
- They can tap their network to help you locate more angel investors, introduce you to important vendors, or assist you in finding key employees.
- They may become actively involved in the company, helping you negotiate important agreements or introducing you to possible partners.
- They might serve on your advisory board or board of directors, helping to shape company direction and policy.
- By talking about your company to their colleagues, they can help promote your business and find you new customers.

**The Basics of Angel Deals**

In exchange for investing their money, angel investors typically require an ownership stake in your business. In essence, this is the collateral you're putting up on the "loan" they're providing. To determine the value of a partial ownership in your business, you need to obtain a professional business valuation. Once you know the value of your business, you can value a minority stake. For instance, if your business is valued at \$5 million, you might offer an angel investor a 10 percent stake in the business for \$500,000.

The investment agreement will be for a set term -- generally three to five years. At the end of the contract, you'll be expected to repay the angel's investment, plus provide an agreed-upon return. There also may be special provisions for how much the angel will receive if you sell the business or sell stock through an initial public offering (IPO).

These exits are often how angels are paid back, so before entering into an angel agreement, consider your own plans for the business. If you don't envision a sale or IPO in the future, you'll need an alternative plan for paying them back.

**Finding Angels**

There are several ways to meet angel investors. One is to simply network in your own city and talk to other small business owners who may be able to provide leads.

You can also contact angel investor groups. Many angels belong to investor groups and invest as part of the group. Meeting one may allow you to get an investment from the group as a whole, or could lead to an introduction to additional angels. [The Angel Capital Association](#) has a member directory of investors that's organized by state.

Many angel groups and industry organizations such as ACA and [FundingPost](#) hold forums where small businesses can pitch their ideas. Even if you aren't a chosen presenter, attending these events is an opportunity to meet many potential angel investors for your business in a single day or weekend.

You can also look for angel investors on online matchmaking portals such as [RaiseCapital.com](#). Entrepreneurs post profiles of their businesses there and can approach investors with experience in their sector.

*Business reporter [Carol Tice](#) contributes to several national and regional business publications.*

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