

# ANGEL INVESTORS

**Definition:** *An individual who invests his or her own money in an entrepreneurial company*

# ANGEL INVESTORS



## The Principle

**An Investor lends you money for an agreed period of time, to use in investments. You pay back when you refinance, when you sell the property, or longer term if agreed.**

**Remember our “Cost of Money” from the Numbers section.**

# LET'S TALK MONEY .....

(DISCLAIMER)



- Kristina talked about the Mindset of money raising and the relationship management
- I will go through the practicality
  - Who is an angel? (common misconception)
  - What do they want to see?
  - What do they ask/objections do they have?
  - The process
  - Lending implications
  - What has changed?
- Next Steps

# HOW DO WE PAY THEM?



**Interest and Capital paid at the end of the term (Rolled Up / Balloon Payment)**

**Interest and Capital paid through the term**

**Interest paid monthly, Capital Paid at the end of the term (Interest Only)**



**£100K Loan from Angel for Property Purchase plus all fees**

**10% Per Annum (important)**

**1 year Loan Agreement = £10k Interest**

**Sold for £130k (profit for you after their loan)**

**Interest and Capital paid at the end - total repayment = £110K after 12 months**

**Interest and capital repayment =  $\frac{£110k}{12} = £9,166.67$  PCM (ouch)**

**Interest Only =  $\frac{£10000}{12} = £833.33$  PCM + £100K paid back at the end of the term**

## OPTION #1



## OPTION #2



**We only offer two options**

**Clear preference on  
which (reward investors  
who are happy to wait)**

# OPPORTUNITY FOR INVESTMENT



- **Begin to build lists of interested parties (GENERAL INTEREST)**
- **Have you closed a property yet or not? Chicken or Egg?**
- **Use a tiered System....**
  - **1. How can we do the deal ourselves?**
  - **2. Can we find a joint venture partner?**
  - **3. Do we have someone to source this deal to?**

**Approach in this order. Each have considerations.....**

# LIST BUILDING



## ANGELS

- DAVE
- ANNA
- ROGER
- STEVE.

## J.V

- GARY
- LIAM

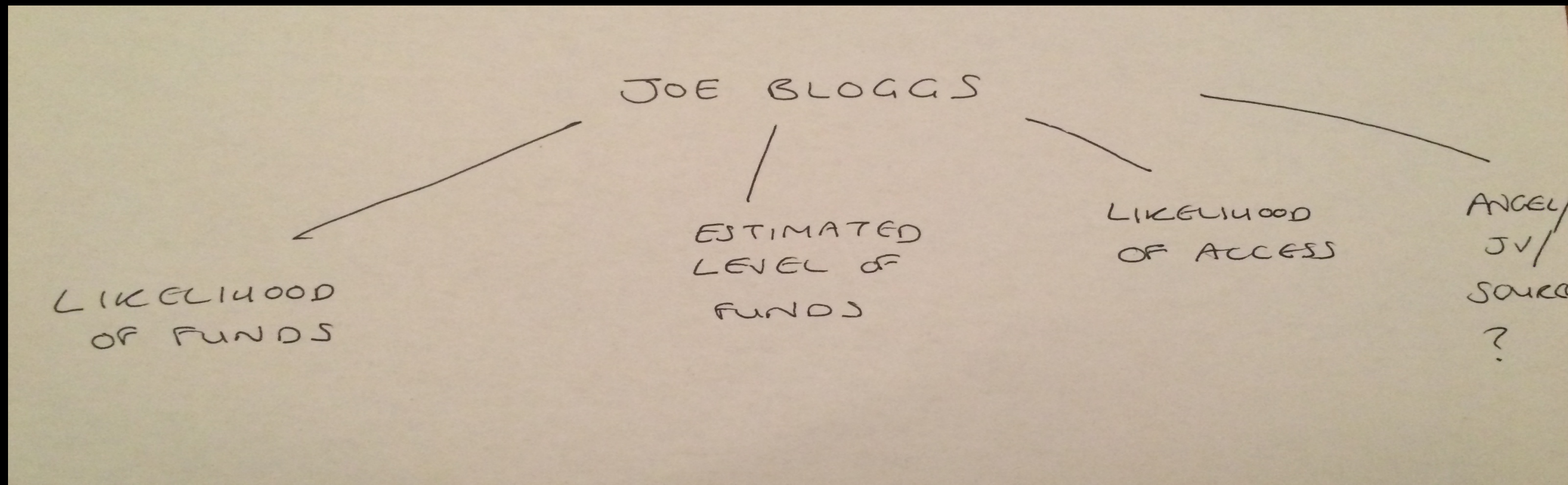
## SOURCE

- SIGNNA
- PETER
- JUDY.

# GET OUT OF YOUR COMFORT ZONE



- Take out your phone
- List every individual in that phone.
- Example of qualification diagram...



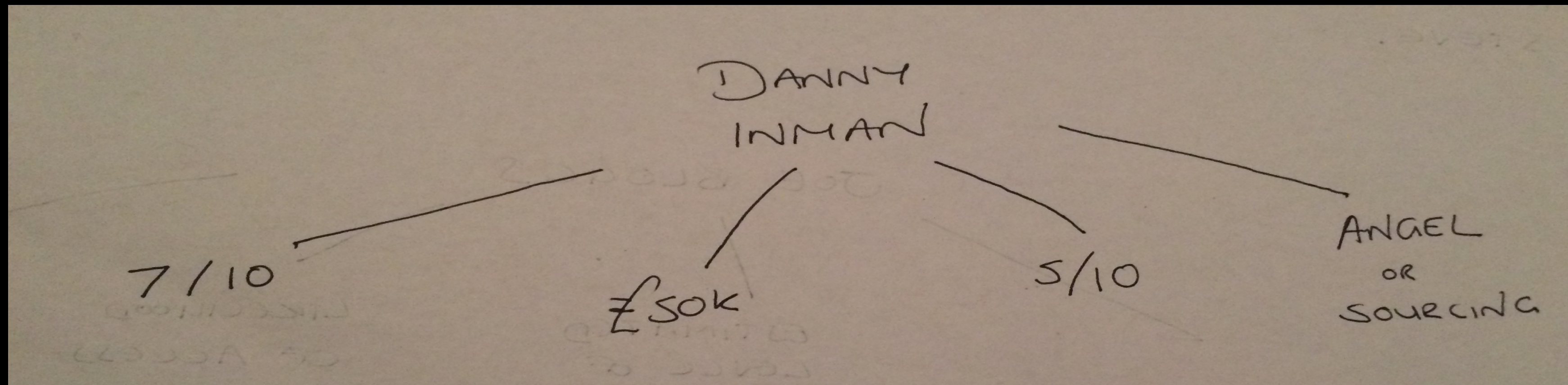
# GET OUT YOUR COMFORT ZONE



Rank in an order least likely to most likely:

- A) To be willing to lend
- B) To have funds

We work through the list from least likely to most likely



# HOW DO WE APPROACH THEM?



**Direct vs Indirect?**

**How did the discussion begin? (Who approached who and how?)**

**Going in Cold?**

**“Feedback on proposal?” - “value your opinion?”**

**Ask for referral?**

**Personality types? Investment experience? Relationship with them? etc**

**Pension holders**

**Vendors**

**Business sale  
companies**

**F and F**

# **WHY DO WE RAISE FUNDS?**

**Social Media**

**Other Investors**

**Referrals  
IFA'S/Brokers/Agents  
existing lenders etc**

**Business Networking**

# WHAT HAS CHANGED IN THE MARKET?



**A LOT...**

**Use of social media as an acceptable and understood business marketing tool**

**Speed of the world - people want answers quickly.**

**Time availability - people are "busy"**

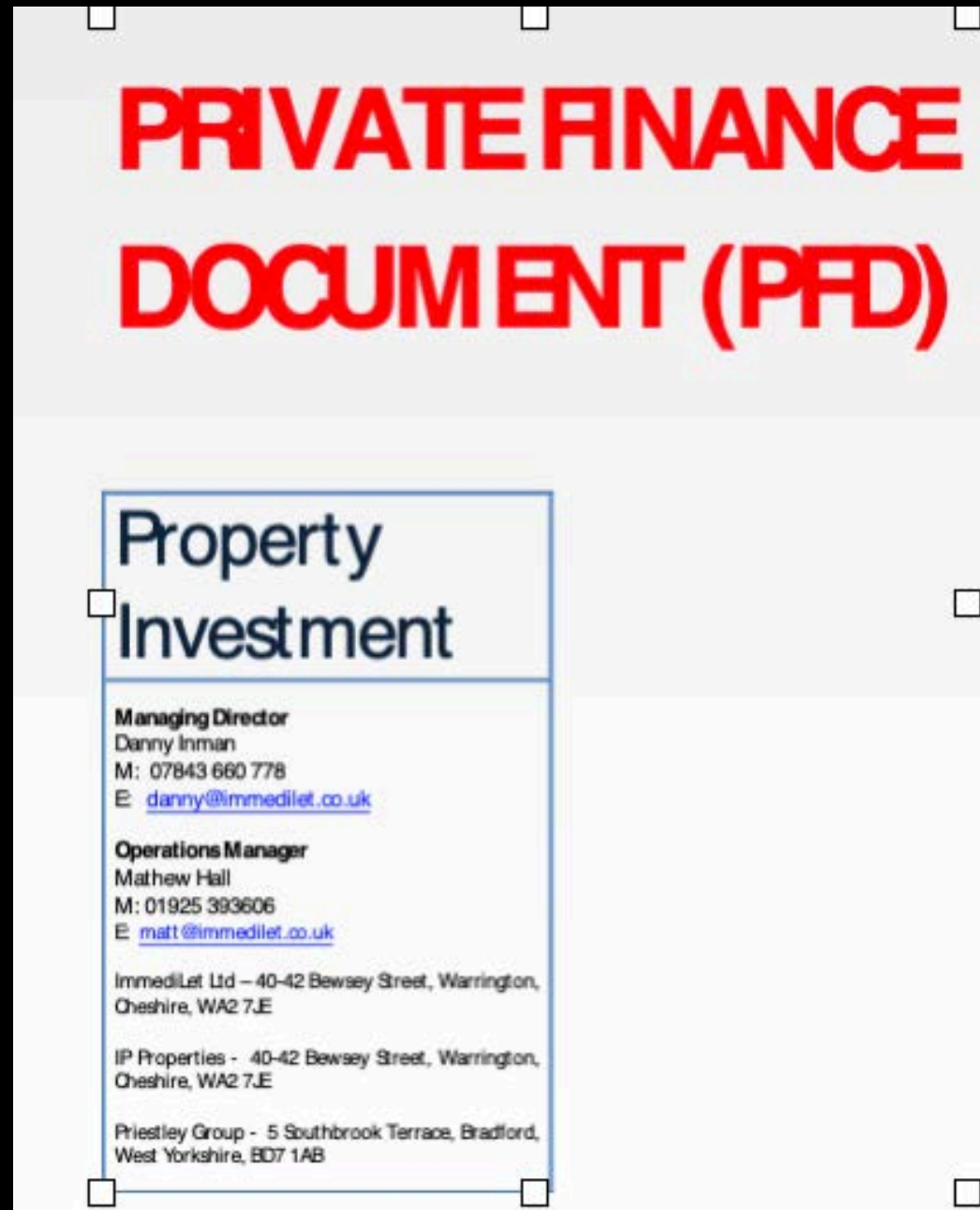
**The market has changed - (discounts available, stock available etc) - so strategy has changed**

**Tax laws have changed (clause 24)**

**Increased exposure of the general public to the property market (easing lending restrictions) and property education.**

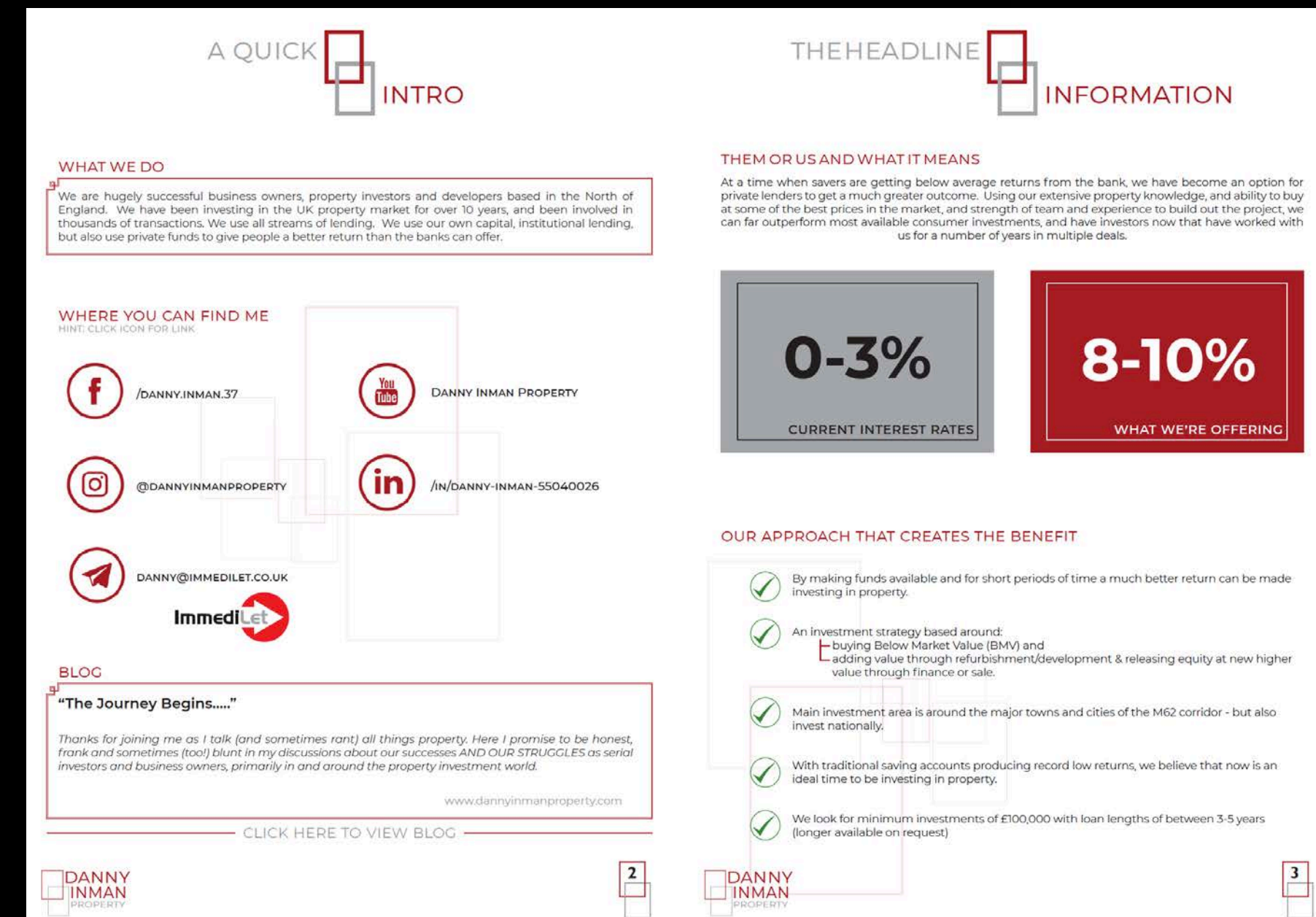


# LOAN PROPOSAL - WHAT IS RIGHT?



Long (30 pages)  
Every eventuality covered  
Market research and indicators  
Very deal specific  
Indirect

2010  
VERSUS  
2020



Short (6 pages)  
Direct - keep the main things the main things.  
Lend to the business  
Open

# WHAT SHOULD BE IN A MODERN LENDER PROPOSAL?



- **What are the MUSTS to be included?**  
**Why?**
- **What can we lose?**  
**Why?**
- **Where should we be putting this?**  
**Why?**



# **YOU HAVE CLOSED THE MONEY. NOW WHAT?**



- **When do you take the money?**
- **How do you take the money? (direct or into the solicitor)**
- **What do we recommend you do? (proof of funds, AML checks)**
- **How does it vary? (based on security) - eg who is providing the loan agreement.**

# HOW SHOULD OUR APPROACH CHANGE?



- Do you lend on a deal by deal basis and/or take general lending?
- **Security options - 1st charge, 2nd charge, restriction, loan agreement, personal guarantee.**
- Lending into a personal name and/or company? Why? What are the implications? (Section 24 vs CT61) - TAKE ADVICE
- **Terms of lending? Short term vs long term?**
- Approach? Type of targeting? Closing tactics?
- **Marketing - PS13/3 / FCA / CCA / ASA ?**

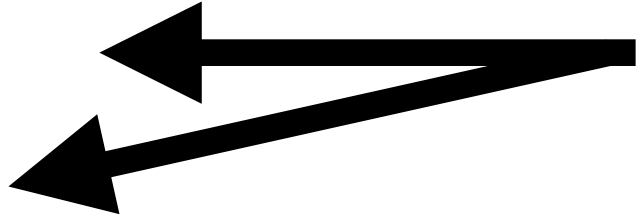


**VAGUE IS LEGISLATIONS WAY - OPEN TO INTERPRETATION - WHAT IS YOURS?**

<u>LENDER</u>	<u>BORROWER</u>	<u>OUTCOME</u>
PERSONAL	PERSONAL	CLAUSE 24 IMPACTED
COMPANY	PERSONAL	CLAUSE 24 IMPACTED
PERSONAL	COMPANY	CT61 POTENTIAL IMPACT.
COMPANY	COMPANY	NON-EFFECTED COMMERCIAL RATE OF INTEREST.

## Income Tax: accounting for tax deducted from interest etc

Companies (including non resident companies trading from a branch or agency in the UK and local authorities) must similarly deduct tax by virtue of ITA07/S874 and other provisions from a range of payments listed at ITA07/S946, for example from

- payments of yearly interest
  - annual payments
  - patent royalties
  - royalties etc to a person who lives abroad
  - the proceeds of a sale of patent rights paid to a non-UK resident
  - chargeable payments connected with exempt distributions (CTA10/S1086)
  - directions for deduction from payments to non-UK residents (ITA07/S944).
- 

# LEGISLATION



- **PRIVATE LOANS ARE NOT REGULATED BY THE FCA**
- **UNREGULATED LENDING IS LENDING THAT IS NOT SECURED AGAINST AN ASSET SOMEONE WILL LIVE IN, OR THAT THEIR FAMILY WILL LIVE IN.**
- **IS THE INVESTOR SHARING IN THE RISK? IS THEIR PAYMENT DEPENDING ON THE PERFORMANCE OF THE INVESTMENT? IF SO THEY ARE A JV - NOT A LENDER. THEY FALL UNDER PS13/3.**

## **A certified HNWI**

You confirm that you either:

- have a net income in excess of £100,000 per annum or
- have net assets in excess of £250,000 beyond your pension fund assets and your private residence

## **A certified Sophisticated Investor**

You confirm that have been one of the following:

- A director of a company turning over at least £1 million within the last two years
- Have made more than one investment in an unlisted company in the last two years
- A member of a network or syndicate of business angels for at least six months
- Have worked in the past two years in a professional capacity in the private equity sector or in the provision of finance for small and medium enterprises

**Talk about loans over “investments”**

**Do not offer “guarantees”**

**Forgiveness over permission?**

**What are you comfortable with?**

# JOINT VENTURE PARTNERSHIPS



- **TRUST IS A MUST** – never JV if you have any doubts
- **Establish what each party is bringing to the table.....make sure roles and responsibilities are highlighted and everyone is clear on what is expected from each party.**
- **CLARITY IS KEY**
- **Credit check all potential joint venture partners and be clear in current activities.**
- **Protect joint ventures in SPV arrangements – potentially see one project through to completion before committing to others.**
- **Regular transparent meetings/discussions to discuss progress and/or obstacles**
- **Be clear on exits and the “what if’s?”**
- **PS 13/3 applies to marketing – are they a “sophisticated investor?”**

