

Put in work to find right angel investor for you

Angel investors don't fall from the sky. If you are on the money hunt there's no doubt you've been told to network. That's where most people stop with their advice.

We figure most businesses need funds within 12 months. You can find a spouse or significant other in less time online. So how do you move mountains and raise money at the same time? Strategic, laserlike action is required. Here are some actions we recommend:

- Focus on angel investors and understand how they differ from venture capitalists. If you need money fast, you are not likely to get VC money. You stand a better chance of getting hit with lightning on Long's Peak than you do of getting VC funding.

Angels are investing their own money in the game, have more realistic expectations of returns, favor more advisory roles and invest at earlier stages. Get realistic and look for money in the right places.

- Forget the herd theory. We all know groups where everyone trots out their plans to the crowd of mostly service providers and few, if any investors. While there are a few viable places to do the business beauty pageant — Venture Capital of the Rockies and other annual business plan competitions/investment forums — these events are about pitching your business plans. Forget hawking your business plan at every opportunity.

- Networking is different. Focus on finding the right connections to the right potential investors. You have to be brutally focused on what events, meetings and people will guide you to angel investors. Is the ratio of service providers to actual money folks greater than 10 to one? Are there any folks in your industry/niche market there?

Use your new status (as a newly formed business or as a company new to raising funds) to ask people if this meeting, event, etc. has any merit. Remember that folks are often willing to share valuable information with a newcomer — take advantage of that opportunity.

- Figure out how to use service providers to find angels. Often businesses fail in using service providers — they succumb to their siren song of how they will get you to the gold or how your failure to use them will doom you to poverty. Some entrepreneurs will determine service providers are unnecessary evils to be avoided at all costs. Either approach usually ends with no money being raised.

Gather a list of the top 10 to 20 advisers in each category

— accountants, attorneys, financial advisers/planners who work with high net worth individuals. Compile these lists by talking to the local VCs, the business editors/reporters, the presidents of the local business clubs, personal and business bankers and the most successful local business people you know and admire.

Avoid random meetings with professional advisers at useless networking meetings. Go meet those professional advisers most likely to know the folks with money. Recommendations from advisers and other trusted sources are extremely important to many angels.

- Dig around and find out who has presented to angel groups, and send them an e-mail. Ask if they got any actual investors or good leads or if it was just a colossal waste of time. Like any good survey, ask a good number of folks who have appeared before such groups.

- Compile a list of the top 25 to 50 business sales where founders made big bucks; include the names of founders and others who cashed out. Are these folks around? Do they have any interest whatsoever in investing? Who do you know that knows them?

Even if these folks are not amenable to investing, they may be willing to mentor you and/or lead you to others who will invest. Are there senior executives in your industry who have retired or hit major home runs? Are they worth pursuing, and who do you know that knows them?

- Forget trotting to the local meeting and talking to folks looking to make a sale of their own. Go to the top. Look for the board of directors, the ex-officio members and even the professional service advisers.

- Virtual contact won't get you real angels. Whether it's virtual contact through LinkedIn, another network service or sending out loads of e-mails, asking for a cold introduction is no better than a cold call. Find the companies and people you need to get to, and work from the people you know to get to them.

That means real live phone calls.

Remember the clock is ticking on the money search. The smart entrepreneur fishes where the fish are — persistence and strategy are key.

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GUEST OPINION

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