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For more information,
please contact Dottie DeHart,
DeHart & Company Public Relations,
at (828) 325-4966 or DSDeHart@aol.com

Setting Angel Snares: Ten Tips for Appealing to Angel Investors

You've finally decided to take the plunge and start your own business. The only problem is your bank account. You don't have quite the amount you'll need to make a successful run as an entrepreneur. Not to worry! Entrepreneurial expert Ty Freyvogel shares what you can do to capture the attention of an angel investor.

Pittsburgh, PA (April 2007)—It's time. Your hum-drum day job just isn't cutting it anymore, and a disagreement with your boss was the final push for you to take the plunge and start your own business. Or maybe you're fresh out of college and the suit and tie life that seems so appealing to your friends isn't your cup of tea. And a business plan you developed for one of your classes has got you thinking it could turn into the real thing. But there's only one problem: while you're ready to start your own business, your bank account isn't. Entrepreneurial expert Ty Freyvogel says not to worry because angel investors are becoming more prevalent than ever.

“Angels are private investors who finance start-up businesses and new business explorations with their own money,” says Freyvogel, founder of www.makingsenseofyourbusiness.com, a new site with a plethora of great business advice for any entrepreneur, former entrepreneur, and current angel investor and mentor. “Usually, they have been entrepreneurs themselves and delight in helping start-up or even established companies grow toward success. There are countless angels out there just waiting for a worthy project to fund.”

In fact, a study conducted by the Center for Venture Research at the University of New Hampshire shows that angel investors put \$25.6 billion in new ventures in 2006, up 10.8 percent from 2005. And that number could grow even more if the Access to Capital for Entrepreneurs Act passes in Congress. According to the *Wall Street Journal*, the Act proposes that a 25 percent tax credit be given to angel investors with a net worth of at least \$1 million if they invest in early-stage small businesses. Under the Act, angel investors could offset as much as \$500,000 in investments.

“The money is certainly out there for potential entrepreneurs,” says Freyvogel. “But they’re not going to throw it to just anyone who walks off the streets. To get an angel investor interested enough in your business idea to make the investment, you have to know how to approach him and how to sell your ideas in a way that appeals to the angel’s interests.”

Thankfully, Freyvogel’s experience and knowledge on the subject can guide any entrepreneur to success. Here are his ten tips on how to convince an angel investor to invest in your new business:

1. Perfect your pitch. The pitch is the product or business idea that you will present to your potential angel. It should be well thought-out and fully developed. “Remember that the pitch will provide the investor’s first impression of your project, so it needs to be powerful and convincing,” says Freyvogel. “Your pitch can either impress him or bore him. Obviously, you want to go for the former! Preparation is the most important factor in a powerful pitch, so practice, practice, *practice*.”

2. The big picture is bigger than the product. When you pitch your idea to investors, remember that your product or idea is not as important as the background work you’ve done. Spend time thinking about not only the selling points of your product, but also the strengths of your work team and any marketing information you may have already collected. “Note the accomplishments of your team’s strongest members and study the competition that you will be dealing with,” says Freyvogel. “Remember, angels have usually already been entrepreneurs. They will be impressed by your initiative and by the fact that you knew to research the above elements.”

3. Keep your pitch plainspoken and dynamic. Strike a fine balance between being informative and clear and exciting and energetic. Angels want the facts, but they also want to be inspired. You want your pitch to briefly explain the product you will sell or your company idea. Do not use big flowery words meant to impress them with your erudition. (See . . . don’t use a word like “erudition”!) Most importantly, don’t lie or exaggerate. Investors will learn the truth and then they won’t support you. You also need to remain calm. If you are not a good speaker, bring a member of your future team who *is* a people person. Being nervous and awkward won’t help your cause.

4. Remember that angels invest in people more than ideas. Improve yourself. It is not uncommon for investors to become very active in the life of your company. Therefore, they will be more likely to invest in energetic, friendly people. “So if you are not a kindhearted, likeable person, become one . . . now,” says Freyvogel. “You may want to read a classic book like Dale Carnegie’s *How to Win Friends and Influence People* or take a self-improvement course or just research people skills online. Seriously. Work on becoming a better person and you will be much better equipped to woo potential angels.”

5. Confidently approach angels with the assumption that they *want* to help you. Remember, angels have been there! As former entrepreneurs, most angels know what it’s like starting at the bottom and working their way up. They take personal satisfaction from

helping new business owners make their own dreams come true. So don't worry. You are *not* imposing on an investor by asking for money. They really do want to help.

6. Know which angels are appropriate for your company. To save yourself a little time in your search, be sure you approach only angel investors who would be interested in your kind of business. There are all kinds of angel investors out there, and they all have their preferences. Some prefer investing in start-ups, while others go for established businesses that are looking to expand. And they'll all have limits on the amount they are willing to invest. "Associations (a trusted group for me is BlueTree Capital; others can be easily found online) exist solely for the purpose of helping entrepreneurs connect with the appropriate angels," says Freyvogel. "Ask around. Do your homework. And don't try to fit a square peg into a round hole."

7. Pony up the dough. Investors want to see that you believe in your own product, and nothing talks louder than money. It is mandatory to put some of your own cash on the line. "Angels understand that you don't just have millions lying around, but they will expect you to put up some of your own net worth (the going rate is about 20 percent) toward your business before they contribute," says Freyvogel. "Dip into your savings, or if you have to, put your house on the line. When you are willing to risk your own assets, angels will know that you are a worthy candidate."

8. Stay in your own backyard. Angels often want to be actively involved in your business, so you need to seek an investor who is relatively close to you, geographically speaking. If possible, seek out investors who live within 50 miles of you. "Like a nervous parent who likes to unexpectedly 'drop in' on her child's daycare center, your angel should feel free to check on you at any time," says Freyvogel. "If you're within driving distance, it will be easier for her."

9. Look for risk takers and "live it up" types. Angels are generally quite wealthy and—by their very nature—enjoy taking risks. The same impulses that led them to be successful in their own ventures also shape their leisure pursuits. The combination of a) plenty of discretionary income and b) a propensity to adrenaline rushes means you'll often find them climbing Mount Everest or participating in some other extreme sport or adventure. So if you meet someone who just went on a month-long tour of Nepal or rode along on an African safari, keep him in mind as someone who may be willing to throw a little extravagance your way.

10. If you don't desperately need an investment, you are more likely to get one. You know the cliché "It's easier to find a job when you have a job"? The same principle holds true here. "Proving that you have the ability to get the business up and running on your own will be a big encouragement for potential angel investors," says Freyvogel. "Create a steady customer base and stay current on all of your bills. *Then* pitch to an angel explaining that you would like her investment in order to further develop and grow the company. Explain to your angel how she will get a return on her investment in your business and be clear and precise about what her exit strategy would be. Your prospective angel will be impressed by your independent progress and consideration of her position in the deal. And as a result, she will want to help your business become bigger and more profitable."

Remember above all that angels are people, too. While investors do have the money and power to fund your business endeavors, don't be intimidated by them. Just prepare your business plan and your pitch and approach them with the same enthusiasm that they approached their own businesses with when they were in your shoes.

“Angel investors respond very well to entrepreneurs who are prepared and confident about their future plans,” says Freyvogel. “Most of all, know that they *want* to help you. Make sure you're a worthy candidate, set your snares well, and go catch an angel of your very own!”

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About Ty Freyvogel:

Ty Freyvogel is a visionary entrepreneur who has launched and grown numerous successful small businesses over the course of a 35-year career. He started his first venture in 1975 following graduation from college and a stint as an officer in the United States Army. Before the breakup of the AT&T monopoly in the mid-1970s, Ty saw the potential for growth in the telecommunications market and launched a consulting firm to provide client businesses with communication services. Today, 33 years later, Ty's consulting firm (now called Freyvogel Communications) is still serving the telecommunications needs of Fortune 500 and mid-sized businesses.

Ty's most dramatic entrepreneurial success came when he bought into a new franchise weight loss concept in the late 1970s and achieved spectacular results. He began with a single location in a small market that the parent company had few hopes for and turned it into a profit center within a year. Within the following year, Ty launched another struggling location and made it profitable, too. By his third year of operation, Ty was operating five locations in two states. He and his team received special recognition from the parent company when one of their centers posted one of the first \$1 million performances in the history of the franchise. Over the next few years, Ty and his management team continued to expand, eventually operating 23 profitable weight loss centers in three states before selling the franchise.

Always intrigued by innovative technologies and new business models, Ty has continued investing in various enterprises over the last three decades. His ventures have included a chain of automotive service centers, a manufacturer of fire extinguishers for racing cars, a process for fabricating limestone, a builder of inflatable boats, voicemail and desktop teleconference services, and telephone devices for the deaf.

Altogether, Ty has founded or transformed more than a dozen small and million-dollar enterprises over the course of his career. Today, in addition to operating Freyvogel Communications, Ty is an active “Angel Investor,” working with local groups to locate and invest in burgeoning small businesses and funding highly leveraged transactions.

Ty Freyvogel is also the author of *It's Not Your Smarts, It's Your Schmooze* and *Seize the Century!*, as well as an advice guru on his new website, www.makingsenseofyourbusiness.com. Ty is a dynamic public speaker, who is renowned for his lively and informative speeches that never fail to leave audiences inspired, as well as entertained.

Ty is an avid reader who also enjoys golf, skiing, and off-road bicycling. He and his wife, Katherine, reside in Pennsylvania, where they are active in numerous charities. Together they have raised seven children (which Ty likens to running a small business) and they enjoy spending time with their three grandchildren.

For more information, visit www.makingsenseofyourbusiness.com.