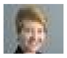

# Getting attention (and cash) from VCs and angel investors



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by Heather Huhman, Entry Level Careers Examiner

Many college students and recent graduates are starting their own businesses these days, whether the reason is their Generation Y entrepreneurial spirit or the sluggish job market. But, these individuals don't have a lot of capital and are often the victims of "reverse ageism." So, how can you break through to get attention – and cash – from venture capitalists (VCs) and angel investors to launch your new business?
**1. Make waves on campus.** "Students and recent graduates starting a business need to first demonstrate that they can capture attention of – and lead – their peers, school administrators and alumni in unique, groundbreaking ways before anyone in the investment field is going to put money behind them to go out and drive a business," said Charlie O'Donnell, co-founder and CEO of Path 101. "So, this means it's not just enough to run the school's finance club, but the backable entrepreneurs are the ones that, while in school, thought bigger, like helping to conceive of and implement a real student managed investment fund, and then worked with the alumni office to solicit funds for it."

**2. Learn how to build lasting relationships with professionals.** "Students are also notoriously bad at creating long-term relationships with professionals," said O'Donnell. "One of the angel investors in my current company is someone who I worked for at an internship that I started when I was 17! Eleven years later, he put a significant amount of money into my business. Students have to get out and get to know people – and get people to get to know them. That's why a digital presence like a blog or Twitter can be so valuable."

**3. Be upfront about your age.** "I started my first company while still in school, at 14, back in Karachi, Pakistan," said Zaki Mahomed, CEO of TimeSvr. "That was a long way away from the young prodigy culture of Silicon Valley. I learned early on that your age is always going to be hanging in the air, and it's best to be the first to address it, in order to get it out of the way."

**4. Create something newsworthy.** "Any press – either from blogs or the mainstream – is a good indication that you're doing something right. VCs pay attention to what others are paying attention to," said Nate Westheimer, entrepreneur in residence at Rose Tech Ventures.

**5. Involve great people.** "Find relevant mentors and advisors and get them truly engaged in the business. This isn't building an 'advisory board' in name only. Rather, it means finding ways to really get some experienced people with strong reputations involved in your business in a meaningful way. Then, leverage those folks to get introductions to investors," said David Cohen, executive director of TechStars.

Bruce Bachenheimer, program director of entrepreneurial studies at The Lubin School at Pace University, adds, "Build a real board of advisors, not just people who agree to let you use their name as 'window dressing' for a business plan or investor pitch – rather, experienced entrepreneurs and seasoned professionals who will dedicate the necessary time to understand your business and formulate meaningful advice. The young entrepreneur should not only assemble such a board, but must understand what is required to keep the advisors engaged and committed."

**6. Show that your business has traction with the market.** "The best evidence is customer acceptance. Facebook was being used by hundreds, if not thousands, of students before they sought outside financing," said Robbie Kellman Baxter, president and founder of Peninsula Strategies.

**7. Focus your investor targets.** “Make sure that your business is appropriate for the type of investing that your target investor does,” said Diana Benedikt, founder and principal of Venture Insight Advisors. “Some deals will just never get big enough for VCs who are looking for ‘home run’ type wins, where the payouts are huge (i.e., Google). It’s a waste of everyone’s time to try to sell a small deal to an investor who only does big deals. Also, angel investors want to see their deals passed down the ‘financial food chain’ – meaning the good ones will want to see your deal financed later by a VC who, if they’re only looking for the next Google, won’t put money in a small opportunity.”

Cohen adds, “Don’t spray and pray. Do your research, and approach the right investors for your business with the right approach for them. You just need one interested investor who can introduce you to others. So, look for those investors that you respect and that have strong experience in the market you're entering.”

**8. Initially, ask for advice, not funding.** “Be open to feedback from potential investors and think of the first meeting as relationship building, not an investment meeting. Your goal in the first meeting is to get a second meeting, and the sure way to get a second meeting is to make progress based on feedback from the first meeting,” said Cohen.

**9. Network, network, network.** “There are countless examples of companies raising capital from networking events,” said Dave Lavinsky, president and co-founder of Growthink, Inc. “I recently interviewed a CEO of a venture backed company who met his investor at a MIT alumni event. Even if the fellow alumni won’t invest, they can refer you to someone who can.”

**10. Don't quit your day job.** “No matter how long they tell you it will take to get your money, it will take longer. Be ready to wait, and wait some more. Some funds hold out on you to see if you still have a viable business and plan months later, for fear they would be throwing money down the drain at the minute they meet you,” said Anthony Migyanka, managing partner at Mobile Money Minute, LLC.

**11. Build a great team.** “At the end of the day, VCs invest in people, so the stronger your team, the better. Balance your team with known successful people and young, eager and capable individuals,” said YuChiang Cheng, CEO of World Golf Tour, a recently launched start-up. “Determine your strengths and build your team from what you are missing. If you can’t hire or find co-founders, identify three to five great advisors who can mentor you, make introductions and vouch for you to investors.”

**12. Be prepared.** “This means do your homework and prepare investor materials that tell a compelling business case and at the same time, answer the questions that all investors will have. Who? What? How?” said Benedikt. “Imagine that the investor is managing your money. You want him to have the key pieces of information to make a proper investment decision on your behalf, right?”

Caspar A. Szulc, executive vice president and co-founder of Innovative Medicine, LLC, adds, “Whether you’re 19 or 60, what matters most is a well prepared and concise business plan. Investors will want to see something on paper before they have a face meeting, and having a well constructed business plan is essential to spur interest. Take the extra time to make sure your business plan is solid and forecasts a realistic yet attractive picture. If your plan is solid, when it comes time to present, investors will already be interested regardless of age.”

Recommended reading:
The Successful Business Plan: Secrets & Strategies
Finding an Angel Investor in a Day

**13. Don’t be disappointed by disappointment.** “I was turned down for investment more than 30 times, and I didn’t speak with that many people! Patrick Byrne from Overstock.com was trying to raise a lot more money than I did and was rejected by more than 50 firms,” said Mark Newman, CEO of HireVue. “If you can’t accept rejection, don’t try to raise money from investors. As you go out in the market, don’t take anything personally – refine the pitch and improve the approach.”