

# The Top Ten Lies Angels Tell

with a nod to Guy Kawasaki

1. **“That was a good presentation!”**

I have to say something positive, but you're not getting me to write a check. The fact is most funding pitches are terrible; they're more product pitches with an appeal for money tacked on at the end. Passion, yes, every entrepreneur has heard by now they must show great enthusiasm for their endeavor, but show me how I can get my money back someday, too. Who will acquire you? Are you going to raise venture capital which will keep me in the deal for 6-7-8-9 years? Or are you aware of the new trend towards early exits? Show me how I can get my money back in 3-5 years and even I'll be saying, "that was a good presentation!".

2. **“Fix these few issues and come back in six months.”**

This is so much easier to say to the entrepreneur instead of "you blew it, you're too early". Worst of all, you mean it when you say it even though you know the chances of an entrepreneur re-entering the process is infinitely small, because next time I see you something will nag at me, "wasn't there something flawed with this deal?" You only have one chance to make a first impression. This should remind you of Life's Not Fair.

3. **“We offer more than just money.”**

Like referrals to industry contacts, but all our industry contacts have retired by now.

4. **“I don't think he's coachable.”**

Entrepreneurs can sometimes be cocky, even arrogant. But what's really being said here is that the average angel wants to invest in deals where he can play in your sandbox, too. A self-assured entrepreneur is unlikely to look to me for guidance, so there's no place for me in this deal.

5. **“I can't believe (name of big company) isn't already doing this.”**

I still think big companies innovate.

6. **“Let's let him in to present and we can negotiate a lower pre-money during due diligence.”**

Maybe in 2006. Today though, just like in real estate, if a property is priced too high, no one will bid. We used to be able to generate interest among our fellow angels even if most felt it was too rich, but not in this economy. A deal must meet our sense of a reasonable pre-money valuation to attract any interest at all. (See #10)

7. **“I'm looking to give back.”**

I said this 10 years ago, it sounded so altruistic, and assuming I would make some money as an investor, why not accent the selfless side? Who would think in 10 years I wouldn't make any money at angel investing?

8. "I'm in 18 deals."

But how many are still alive today? And how long has it been since you wrote a check?

At a recent regional angel conference each group leader started off the session by introducing his network and sharing current trends, funding performance and membership growth. What was the most consistent comment from the leaders about their angel group members? "Tired and tapped out," they're waiting to see some exits.

9. "I'm concerned about your barriers to entry."

I forget that it's all about execution. My friend Bill Baker summarizes concisely: "technology doesn't matter anymore".

10. "We're not seeing any quality deals."

Look in the mirror. The reason you're not seeing any good deals is many fold, but most likely it's a derivative of Tired and Tapped Out (see #8). This lament originated in 2008 well ahead of the economic downturn; was it an early indicator? When Angels sit back and instead of being proactive in finding good startups and making seed investments and mentoring the entrepreneurs and instead rely on a website's online application to troll for investments, well, this is what you'll hear. The paranoid corollary to #10 is "all the good deals must be going somewhere else".

11. "We've got an expedited process."

You'll be pulling your hair out in frustration over the time it takes to get a deal closed. First, it's so difficult to find a deal lead, a champion within the angel group who will take the time to shepherd your startup through the process of pitching, rounding up interested members and doing due diligence. (See #8, Tired and Tapped Out.) But even more challenging for entrepreneurs, I see fewer member-led deals coming into the process. A member-led deal is when the angel brings in a deal that he's been mentoring for 6 months to a year and has made an investment in. Member-led deals generate instant credibility, in most cases, with the rest of the Angel herd which can really expedite the process. But without member-led deals then the only deals we see are those thrown over the transom via the website online application; without a champion it's easy for the Angel to sit in judgment and complain, see #10: We're Not Seeing Any Good Deals.

12. "Our group should be able to complete your funding needs just by itself."

Contributed by Ty Danco.