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## **Entrepreneurs cautioned on prepping for angel investors**

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By Kay Nolan  
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Milwaukee-area entrepreneurs hoping to apply for funds to get their start-up companies off the ground got a dose of hard reality on Thursday from representatives of Wisconsin's 2-year-old Super Angel Fund.

"It's not enough to have a great idea," said Tom Schuster, the fund's general managing partner, who addressed about 75 businessmen and women at a Wisconsin Innovation Network luncheon in Wauwatosa.

Entrepreneurs heard their unique business ideas compared to special snowflakes, but ones that won't accumulate angel funds without cold, hard proof of a new product or service's marketability, existing customers and revenue flow, a solid business plan that shows the likelihood of quick, measurable growth and the ability to establish rapport with investors.

"Angels," according to Schuster, spend a lot of time talking about "de-risking" the ideas into which they put their money, whether a new business has been "developed enough" to be considered "investable," and whether they can already envision themselves exiting the picture as the startup's success grows.

"We get involved once you have a product, once you have a customer," said Schuster. "Above all, the chemistry between us and the entrepreneurs has to be solid. It's very important for us to be 100 percent behind the business."

Schuster was blunt: Wisconsin -- and Milwaukee in particular -- is a financially conservative area. "I can't tell you how hard it is to raise money," he said. "It's not only hard to gather the funds, it's hard to make a deal.

"It was absolutely like pulling teeth from a chicken," he said, on raising an initial \$5 million to get the Wisconsin Super Angel Fund off the ground in March 2013.

Still, Schuster said the fund can since point to a number of successful startup investments in industries as diverse as food products, fantasy sports gaming, machine tools, medical devices and software technology that helps fishing enthusiasts find the best spots.

"We've generated about 60 jobs so far," Schuster said, of positions within the successful startups.

While many exciting new ideas start with an individual, Schuster stressed that startups must put together a team – and be open to creating an outside board of directors for guidance.

“It’s one thing to walk in the door with a great idea, but if you’re alone, all you have is a great idea,” he said. “An outside board is key. They are going to give you feedback that you can’t get anywhere else. You can’t always be right as a businessman.”

If the angel fund group decides a business idea has good potential but needs help developing the idea, entrepreneurs can’t be close-minded, he said, adding the companies should expect frequent visits and suggestions for improvement.

Schuster recommends bringing an accounting professional into the business early on, as well as doing a lot of old-fashioned “boot-strapping,” or raising early funds from “family, friends and fools” who believe in your idea.

“Every single business that we look at is a snowflake,” said Schuster. “They’re all different. They all have different issues. But it all boils down to money and sales.”

Dan Blake, director of the Wisconsin Angel Network, encouraged entrepreneurs to apply for the Wisconsin Technology Council’s 12th annual Wisconsin Governor’s Business Plan Contest.

The initial deadline is Jan. 31 to submit a 250-word summary of an idea or product. The top 50 abstracts will be asked for a 1,000-word executive summary, and invited to attend a “boot camp” in March. Final winners will present detailed business plans at a June conference and will be eligible for up to \$100,000 in prize money and in-kind services, such as accounting and legal aid and office space.

For more information on the contest, go to <http://www.GovsBizPlanContest.com>.