



GIFTS  
FROM THE  
GODS

BY KEN GORDON

ILLUSTRATION BY  
TODD BONITA

Whether you borrow from a frowning father-in-law, refinance the house, or sponge off a wage-slave spouse, funding your own company usually involves some unhappy combination of pride-swallowing and belt-tightening. In fact, you may have such awful start-up memories, or such active fundraising-phobia, that you're about to flip past this article — but don't go anywhere! Starting up doesn't *have* to hurt. Below are the stories of two independent professionals whose methods may change your mind about gathering seed money.

### Ten-Grand Twinkies

Chris Smith is a distinguished young filmmaker. His latest film, *American Movie*, which is now available in video stores nationwide, won the Grand Jury Prize for Documentaries at the Sundance Film Festival in 1999. But his main distinction, as far as our story goes, is the way he financed his first feature, *American Job*, a film about low-end wage slavery.

How did he do it?

One word: Twinkies.

About five years ago, Smith was hardly the full-time auteur he is today. "I was working a minimum-wage job at a camera store," he says. He also worked as second assistant cameraman on a country-and-western TV show called *The Road*. "I was in the back loading and un-

loading, borrowed, and stole). But midway through production, Smith saw that he needed more cash to finish. Enter Twinkies, stage left.

It so happened that that year saw the 65th Anniversary of the Twinkie, and the birth of something called The Golden Twinkie Film Awards. The GTFA was a contest that challenged young filmmakers across the country to produce a short piece about America's favorite cream-filled, chemically fortified, tawny little sponge cake. The winners would get a \$5,000 grant to make the film and a \$5,000 cash prize. If Smith won the contest, he could use the money

to finish *American Job*. The idea had a faint *Brady Bunch* — or even, yes, Twinkie — aftertaste, but that didn't stop him.

Smith submitted a script for the "animated short" category. The script was *supposed* to be a tribute to Twinkies, but, as Smith explains, "It didn't really pay tribute to anything." He called it *The Escape*. Set in a Twinkie Factory in Twinkie Village, the plot involved a Quality Control Twinkie with cowboy hat and eyes, two Twinkie

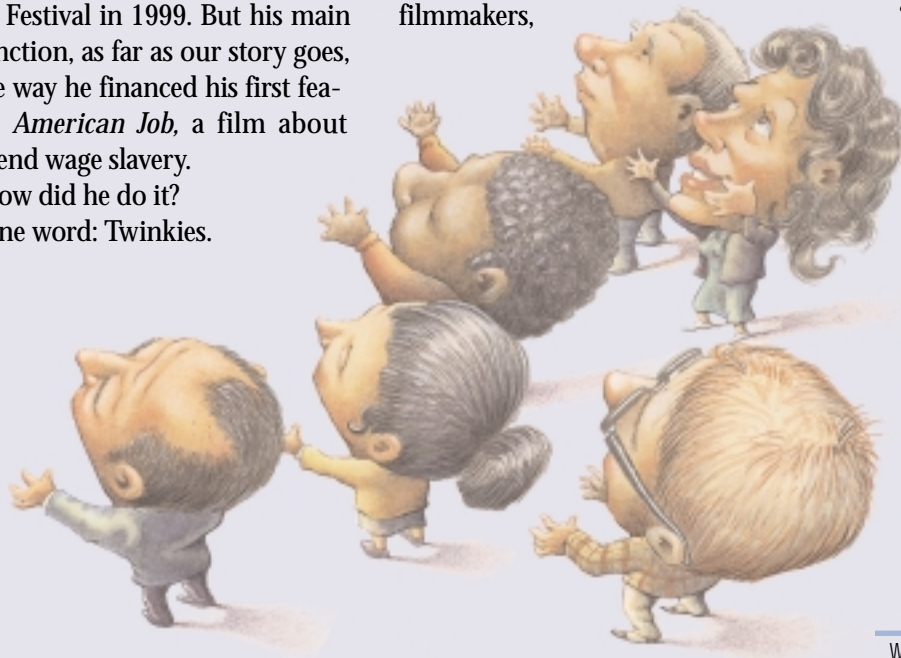
Everyone knows that independent professionals don't get angel financing. And everyone knows that start-up money doesn't just drop into your lap, either. But sometimes ... just sometimes ... what everyone knows is wrong.

## TRUE TALES OF START-UP FINANCING YOU PROBABLY WON'T GET

(Read it and weep.)

loading cameras," he recalls, without a hint of complaint or regret in his voice.

Meanwhile, *American Job* was moving along nicely. He had shot the film during his off-hours for about \$7,000 (which, in the great tradition of independent filmmakers,



### Contests Are Like Clients

Contests are like clients. No, contests are like angels. No, contests are better than both: you enter a contest and, if you win, you get money (and maybe a little free publicity). No strings attached. This seems pretty obvious, but not many IPs think of contests as ways of earning start-up capital. Try plugging key words like “contest” and “award” along with words that describe your work into Google and Yahoo and see what turns up.

TIP

pals, a grocery store, a nighttime janitor, and, of course, a big escape. The director says that *The Escape* shares *American Job's* “alienated nature,” though the Twinkie piece is more “lighthearted on the surface.”

Smith entered.  
Smith won.  
Smith collected  
\$10,000.



He spent as little Twinkie money as possible on the animated short, and as much as he could on his *real* film project, *American Job*. In the end, Smith finished his *Job* for just \$14,000. And while much of the film owed its life to the Twinkie dough, it had a big debt much closer to home. *American Job's* incredibly low production costs were possible because Smith's friends, many of whom saw a rough cut of the film, were so impressed that they worked for nothing. On his Web site, Smith nobly salutes all the people who “donated their time to make this portrait of what it's really like to work in low-end America.” With friends like that, who needs subcontractors?

### Pennies (and Then Some) from Heaven

Few fundraising strategies are as appealing as angel investing. You've heard about angels, right? These usually independent, and independently wealthy, beings pump healthy sums of money into small businesses (between \$50,000 and \$500,000, according to Ron Lieber, author of *Upstart Start-Ups!*). Ideally, getting this kind of funding is a study in symbiosis: the business gets the cash and the angel gets a percentage of the business.

Unfortunately, the annoying truth is that angel investors rarely fraternize with independent professionals. Angels are mainly interested in companies that promise to grow into big businesses: bad news, even for profitable IPs. Nonetheless, members of the two groups *have* joined forces. And there was commerce between them. And it was good.

### She Talks to Angels

Kimber Bishop-Yanke is the founder and president of Inspired By ..., an online cat-

alog featuring “products and stories that create value and an appreciation for the inner strength of women.” And, to paraphrase the always eloquent Black Crowes, she really does talk to angels.

It began when Bishop-Yanke was studying International Management in business school. There she discovered that many female students face similar types of self-esteem and body-image issues. She told herself that one day she would merge these concerns with her professional life.

That day *wasn't* the day she graduated from business school. In fact, she soon jumped into the labor pool and landed a job at ERO Industries. At ERO, she developed water-sports products, designed two promotional videos, and worked in international sales. She stayed for four years, soaking up some extremely valuable experience.

“Then I went to Nepal,” she says, making a buoyant little segue. “I took a month-long vacation and realized that I didn't like the corporate world. I didn't feel fulfilled.

TIPS

#### Do Your Homework

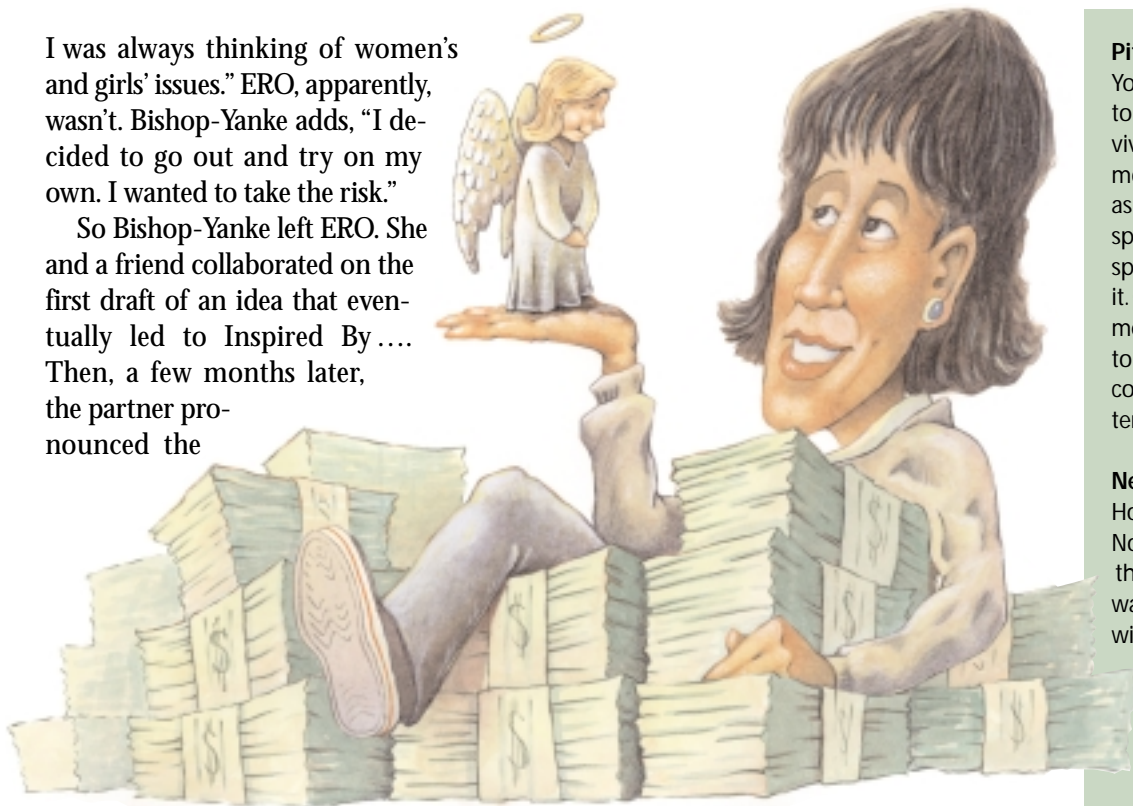
Investors want to see that you understand your business. Before pitching your idea, find out as much about the business end of your industry as you can. Remember, you're going to have to learn to project your economic future as realistically as possible. If it takes a year for you to gain a deep knowledge of your business, then it takes a year. Don't rush this process.

#### It Doesn't Have to Be 100 Pages ...

Every small-business adviser and small-business book will tell you to write a business plan — and they're right. It doesn't have to be 100 pages long, but it does have to be thorough. Your plan should explain how your business will work, discuss your competition, and suggest how much money you'll need to get it off the ground. Check out the small-business section of your local bookstore: there you'll find numerous books on this subject.

I was always thinking of women's and girls' issues." ERO, apparently, wasn't. Bishop-Yanke adds, "I decided to go out and try on my own. I wanted to take the risk."

So Bishop-Yanke left ERO. She and a friend collaborated on the first draft of an idea that eventually led to Inspired By.... Then, a few months later, the partner pronounced the



venture "too risky and too much work" and jumped ship, transforming Bishop-Yanke into an instant IP.

Bishop-Yanke soldiered on. "Believe it or not," she laughs, "I spent an entire year doing research." By 1997 her business plan had swollen to 100 pages. "It was like one of these homework assignments you couldn't stop doing," she says. "During that time I talked to everybody: writers, designers, CEOs—everybody." Along the way, she joined organizations like the Direct Marketing Association and "participated in a couple of very expensive training sessions." In the end, there wasn't much more she could learn.

She knew that Inspired By... would cost a lot of money to get started. First she tapped all the usual fund-raising sources (for example, she dug into her savings and gave her credit cards a workout) — and then she went hunting for angels. Bishop-Yanke began by exhibiting her concept at a 1998 business conference. In May of that year, she attended two similar events.

With each conference, Bishop-Yanke grew more and more confident. These experiences had two important benefits: (1) they gave her the opportunity to refine her pitching skills; and (2) they increased her visibility.

In the midst of furious sessions of talking and listening, of presenting and pitching, of logging on to various funding networks, Bishop-Yanke was introduced to a California-based businesswoman who, she was told, "would be a good person to talk to about investing." This person, who wishes to remain anonymous, eventually became her angel.

How did Bishop-Yanke know that this was the right person for her? Simple: she had in mind a list of four criteria that her potential angel would possess. "I knew that, for me," she says, "the person who'd be interested in investing would probably be a woman; wealthy; an activist; and interested in the women's issues that I have on my agenda." The investor met Bishop-Yanke's requirements. They set up an ap-

### Pitching Practice

You want an angel's money? You'd better learn to pitch. Pitching means articulating in simple, vivid language why an investor should give her money to you. Be certain to practice your pitch as often as possible, refining your spin and your speed. Don't be afraid to try it out on friends, spouses, children, home appliances. Videotape it. Get to know the style and content of your message so well that it becomes second nature to you. That naturalness will inspire trust and confidence. Spluttering, impromptu speeches tend to do little but vacate a room.

### Networking with Angels

How do you, a measly IP, network with angels? Not an easy question to answer. Angels are out there, but they enjoy their anonymity. If you do want to give it a shot, one way to commune with them is to join an official investment network. One option is the Investor's Circle ([www.icircle.com](http://www.icircle.com)), which features 165 accredited investors. Another resource is *Pratt's Guide to Venture Capital Sources*.

You might also want to check out [Moneyhunter.com](http://Moneyhunter.com) or [Garage.com](http://Garage.com). Talking to local business associates, lawyers, and accountants can be helpful as well. You might even try contacting people who have succeeded in your industry.

### TIPS

pointment.

Surprisingly, Bishop-Yanke, a confident woman with a strong sales pitch, didn't go into the meeting alone. "I had a guy in San Francisco — Kaz — who was kind of my mentor. He had raised \$8 million for a computer software company in California. He went in with me to talk to her." When Bishop-Yanke and the angel started talking about women's issues, Kaz suggested that they needed "to get back on track." The investor, however, "was more interested in the social aspects, though she did ask a few questions about the business."

And the business plan?

"Basically, my angel investor — I don't believe she read the business plan."

What?

"She liked what I was saying. She

believed in me.”

*She ... believed in you?*

The angel believed in her to the tune of \$20,000. In fact, Bishop-Yanke's backer wanted to cut a check right then and there, but Kaz suggested they wait until the paperwork was done. The next week Bishop-Yanke received \$5,000; two weeks later, she got the rest of the money. And what did the angel get in return? Not much — not yet, anyway. “The money she gave me will turn into equity once the bigger investors come in,” she explains. Bishop-Yanke, of course, is still on the lookout for other angels. With her persistence, her sales skills, and her business knowledge, she may well convince a few more of them to join her side.

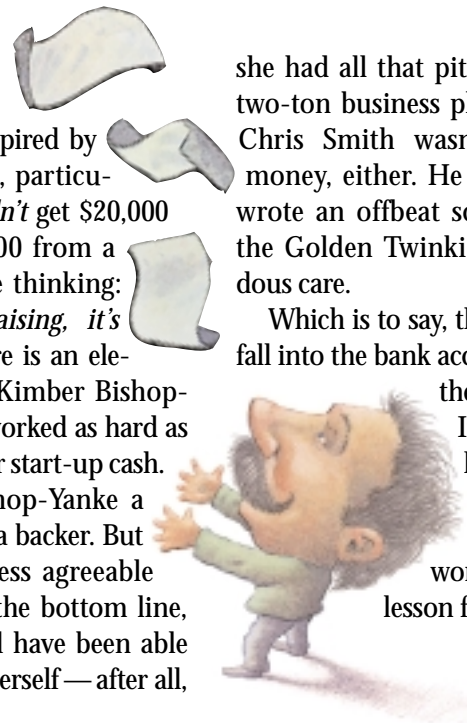
## Making Luck (Out of Nothing at All)

Some of you may be inspired by these stories, but others, particularly those folks who *didn't* get \$20,000 from an angel or \$10,000 from a junk food giant, may be thinking: *This isn't about fundraising, it's about luck!* And yes, there is an element of luck here, but Kimber Bishop-Yanke and Chris Smith worked as hard as any IP ever did to get their start-up cash. Remember, it took Bishop-Yanke a very long time to secure a backer. But *had* her investor been less agreeable and more interested in the bottom line, Bishop-Yanke would still have been able to make a good case for herself — after all,

she had all that pitching practice and a two-ton business plan on her side. And Chris Smith wasn't just handed his money, either. He entered the contest, wrote an offbeat script, and then used the Golden Twinkie cash with tremendous care.

Which is to say, the funding didn't just fall into the bank accounts of our two IPs: they had to hustle for it.

If this is a story about luck, then it's also a story about making luck through hard work. And that's a good lesson for us all. **1099**



## INTERVIEW WITH AN ANGEL

*What do angel investors want? Where do they hang out? And why do they stay so far away from independent professionals?*

*To get some answers, 1099 talked to Bill Oesterle, who is both an angel investor and a “reformed venture capitalist.” (Oesterle spent six years at the Columbus, Ohio, office of CID Equity Partners, where he managed \$350 million in venture capital.) Today Oesterle is the CEO of Angie's List, a company that collects and compiles customer satisfaction information on contractors in the Midwest, Southeast, and Northeast.*

**1099:** What kinds of businesses are angels typically interested in, and why?

**Oesterle:** Well, first of all, angel investors are interested in the widest variety of projects. Unlike venture capitalists, they are interested in more than just

financial gain. Usually they're going to look for an above-market rate of return. Angels are interested in a business that can give them their money back. They're looking for an exit opportunity, for the business to go public or be sold to someone else.

This is the problem for IPs — they aren't an asset that can be sold off. Angels are very interested in liquidity, or an ability to exit. As an angel, you're trying to invest in an asset. With a corporation you're investing in the stock of that corporation. It could be customer allegiance to projects ... physical facilities ... a fleet of trucks. With an IP the asset is very transient. The whole business can pick up and walk away.

**1099:** Just how slim are the chances that an angel might invest in an independent professional? Say, a one-man graphic design business?

**Oesterle:** The chances are much better than you might think. Angel investors come in all different kinds of flavors. Friends and family can be angels. Your favorite

uncle Louie might just be interested in seeing you succeed and getting a modest return on his investment. This is called a *grub-stake*, and it's how most companies get started. “Doctor networks” are also a common source of IP angel investing. You know: Aunt Sally is a respected ophthalmologist and she respects your business and is willing to give you a shot.

**1099:** Are there any angel networks that you can recommend?

**Oesterle:** Almost every city has a venture capital club or investor interest group that is a gathering of angels and other people with angel dollars. Every city has at least one of these clubs.

**1099:** Can anyone with a business idea attend these meetings?

**Oesterle:** Anyone can attend, but to present your business you need to go through a brief screening process. Usually, you pay a few bucks to go to a lunch once a month.

Some clubs host evening events as well, and most of them will

have an annual business fair featuring 20 to 30 companies looking for funding. Once again, attendance is open, but company participation requires some screening. These events have become very popular over the last several years. Out here in the cornfields the lunches are drawing 300 or more people. Attendees include venture-capital firms, individual investors, lawyers, accountants, consultants, and of course, entrepreneurs.

**1099:** Any other angel sources?  
**Oesterle:** You should try one of your clients. If you're doing design work for a business — say, Web design for a successful company that is owned by an individual — ask the owner to meet you. This person knows your work and knows you. A client is your best lead for an angel investor. It's a common story: client says, “We'd love to just have you; we'll give you \$10,000 to get started and a five-year contract.”

*To read the complete interview with Bill Oesterle, go to [1099.com/gifts](http://1099.com/gifts).*