

## Angel Investors: 7 Online Business Plan Scams and 1 Real Deal

We've all seen the hype: "We'll put your plan in front of thousands of investors!" "We'll write you an award-winning online business plan!" "Only \$3,000 for thousands of investors to learn about your company!"

I cringe every time I see one of these ads. Vultures are preying on honest business people who want to fund their businesses. Here are some ways to spot them:

1. "Only qualified investors see your business plan." Yeah, sure. And who "qualifies" them? Have a friend try to sign up as an investor (that part is usually free). How is she "qualified"? Is there a background check? Does she submit a financial statement? Odds are that she will be asked to do nothing more than sign a statement that she has a certain net worth. That's no "qualification" in my book. So who are these "investors"? Who knows? One could be your strongest competitor.
2. "You approve anyone who sees your business plan." Okay. So what are you going to do to qualify the potential investor? Are you going to run a background check? ask for ID? Ask for tax returns? Or just be so happy that anyone wants to see your business plan that you jump on the idea? (That's how these scams get away with charging thousands of dollars -- too many entrepreneurs are desperate for funding.)
3. "It's only \$500 (or \$300 or \$100) to register." What does it matter if it's free? If it is diverting your time and energy and resources away from finding a viable investor, it's not worth it.
4. "Your idea is great, but we need to put it into our format. This will only cost \$800." Don't walk -- run from these guys.
5. "Your idea is so great that we want to invest \$2,000 in it." (That's after you spend \$5,000 to put it into "their" system.) Do I really need to comment on this?
6. "Talk with a satisfied customer, or 2 or 3." Here's this entrepreneur who just got \$2 million in funding, and he has nothing better to do than sell the web scam to you? Trust me, entrepreneurs who just get funded barely have time to eat, let alone talk.
7. "Look at all these written testimonials." This is harder to disprove because the testimonials look so real -- even the companies might be real. But unless the testimonials, and the companies, can be verified independently, I wouldn't trust them. And I'll lay odds that they cannot be verified independently.

There is one huge exception to this: ACE-Net (<http://activecapital.org>). This is more properly the Access to Capital Electronic Network run by venture capitalists, institutional investors and individual accredited investors. It was developed by the U.S. Small Business Administration's Office of Advocacy to encourage the creation of a national marketplace for investors to find and invest in equity offers by small companies.

ACE-Net isn't for all companies. Those seeking under \$1 million will probably find the paperwork daunting. Those seeking over \$5 million won't qualify. There are special qualifications, and of course lots of forms to fill out -- but nothing like the forms required for a formal initial public offering.

But for those who do qualify, it's an amazing tool in raising financing. Spend some time with the website and the forms, and see if your local SBA office can put you in touch with another company that went through the process.

As with any investor tool, don't rely exclusively on ACE-Net. Use it in conjunction with your personally developed targeted funding search. This, combined with an exceptional business plan, doesn't guarantee success but it places your company head and shoulders above all the rest.

## About the Author

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