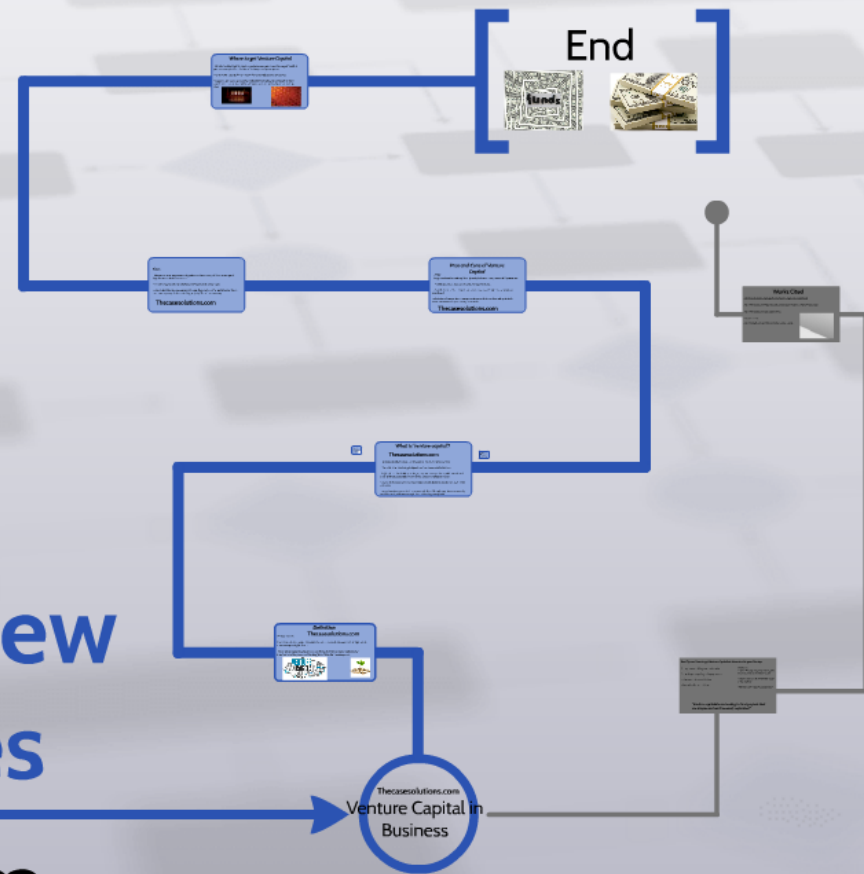


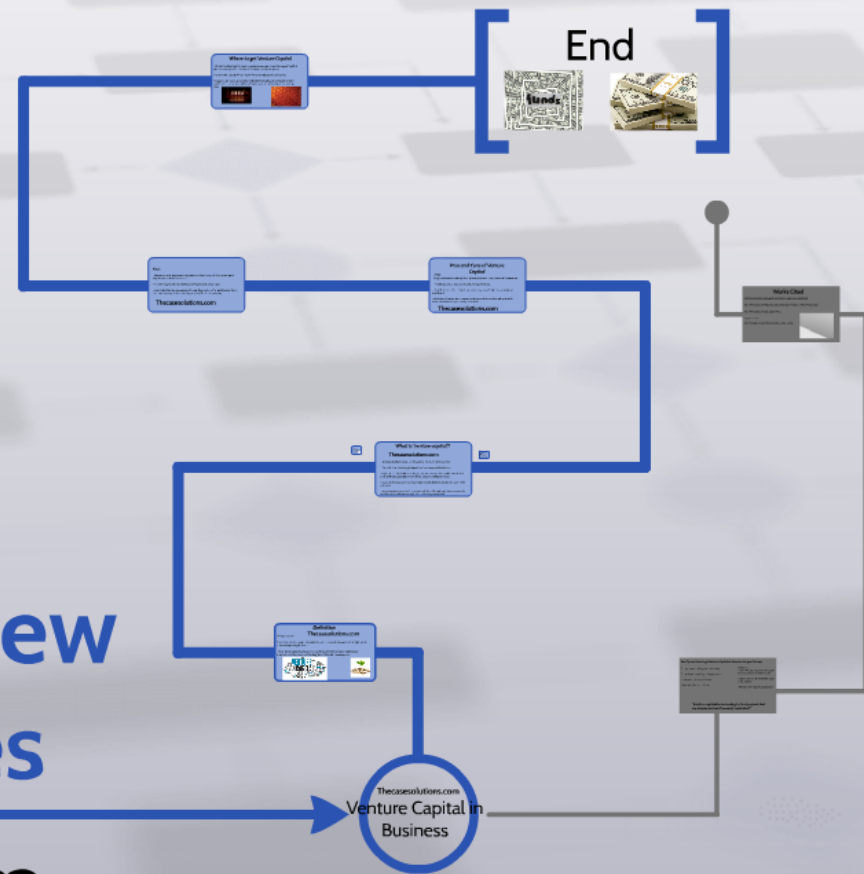
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Venture Capital in Business

Definition

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Capital invested in a project in which there is a substantial element of risk, typically in a new or expanding business.

These new or expanding businesses are thought of to have great potential by investors, and they see a positive long term future for the companies.



What is 'venture capital'?

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- Typically wealthy investors are involved primarily in the transaction
- The return the investors get depends on the success on the business
- High risk associated with investing money into a new business; with internal and external threats potentially harming the company and losing money
- Many Venture Capital Firms invest money, which becomes equity they own in the company
- Angel investors are similar to venture capitalists; although angel investors are only one individual, while venture capitalists can be large companies

Difference Between Angel Investors & Venture Capitalists

- Venture capitalists' investments are usually larger
- Angel investors are not as heavily involved with management, while venture capitalists can take on management roles
- Angel investors are individuals with their own successful business endeavors and have contacts for start up companies
- Both invest to get high rates of return

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Top Venture Capital Firms (2014)

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- *Andreessen Horowitz - \$1,020,000,000 invested in USA (consumer products, software)*
- *Khosla Ventures - \$809,000,000 invested in China/USA (software)*
- *SV Angel - \$736,000,000 invested in Silicon Valley, NYC, San Francisco (commercial services, software)*
- *Accel Partners - \$721,000,000 invested in Europe & USA (communications, networking, healthcare technology, media)*
- *NEA - \$690,000,000 invested in Asia, Brazil, USA (energy services, IT services, pharmaceuticals, biotechnology, software)*

Pros and Cons of Venture Capital

PROS

- Large investments made by firms: typically between \$500,000 and \$5,000,000
- Provide great resources: consultants, management, etc.
- Want the best for the companies to ensure success and high rates of return on investment
- Contacts and connections through venture capitalists can be made, potentially more investments in good start up companies

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Cons

- Companies may not produce a big return on investment, VC firms may expect large returns on their investments
- Timeline may be extensive before an official investment is made
- Many individuals and companies will make the investment for partial ownership in the company, may ask for controlling majority (51% of the company)

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