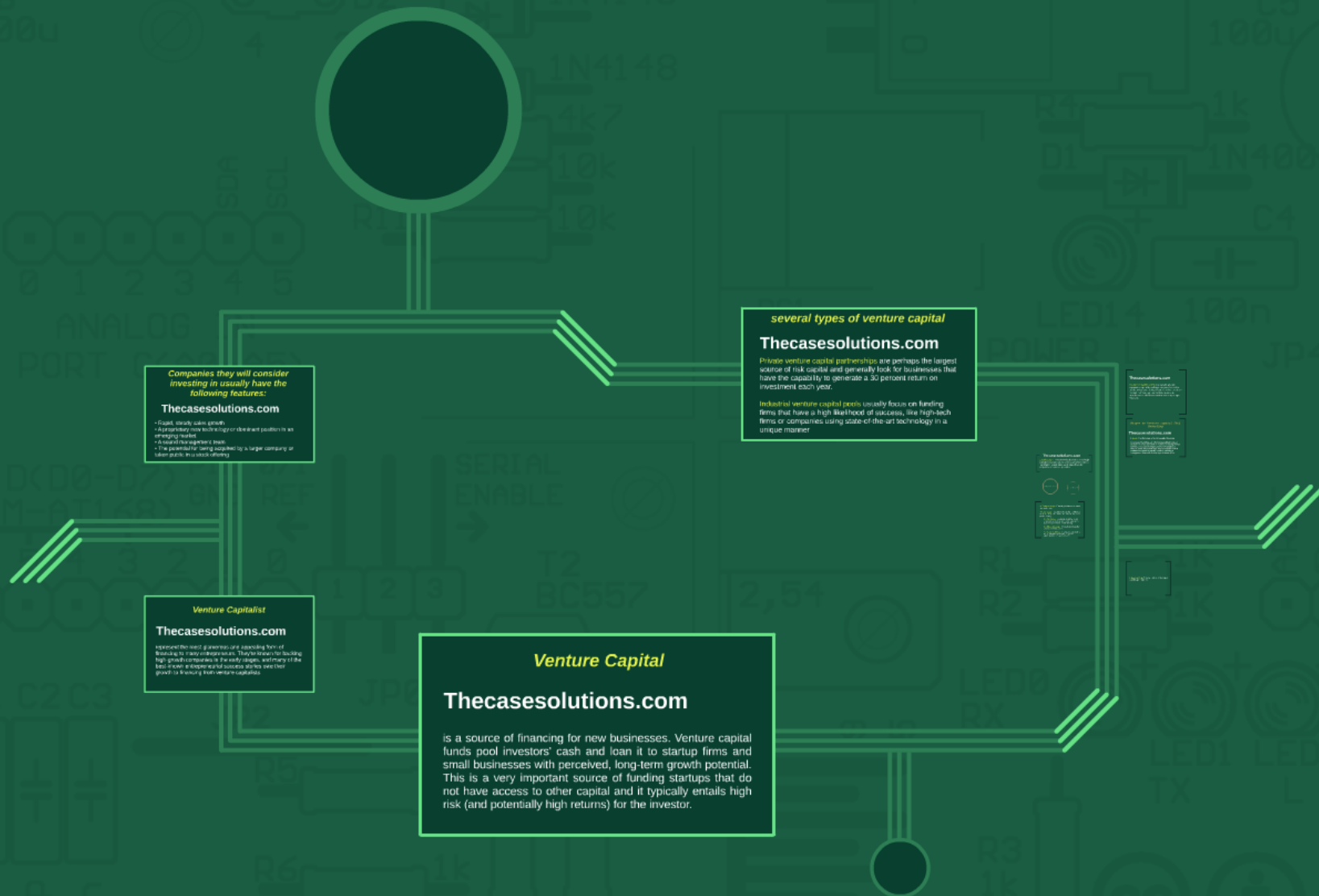
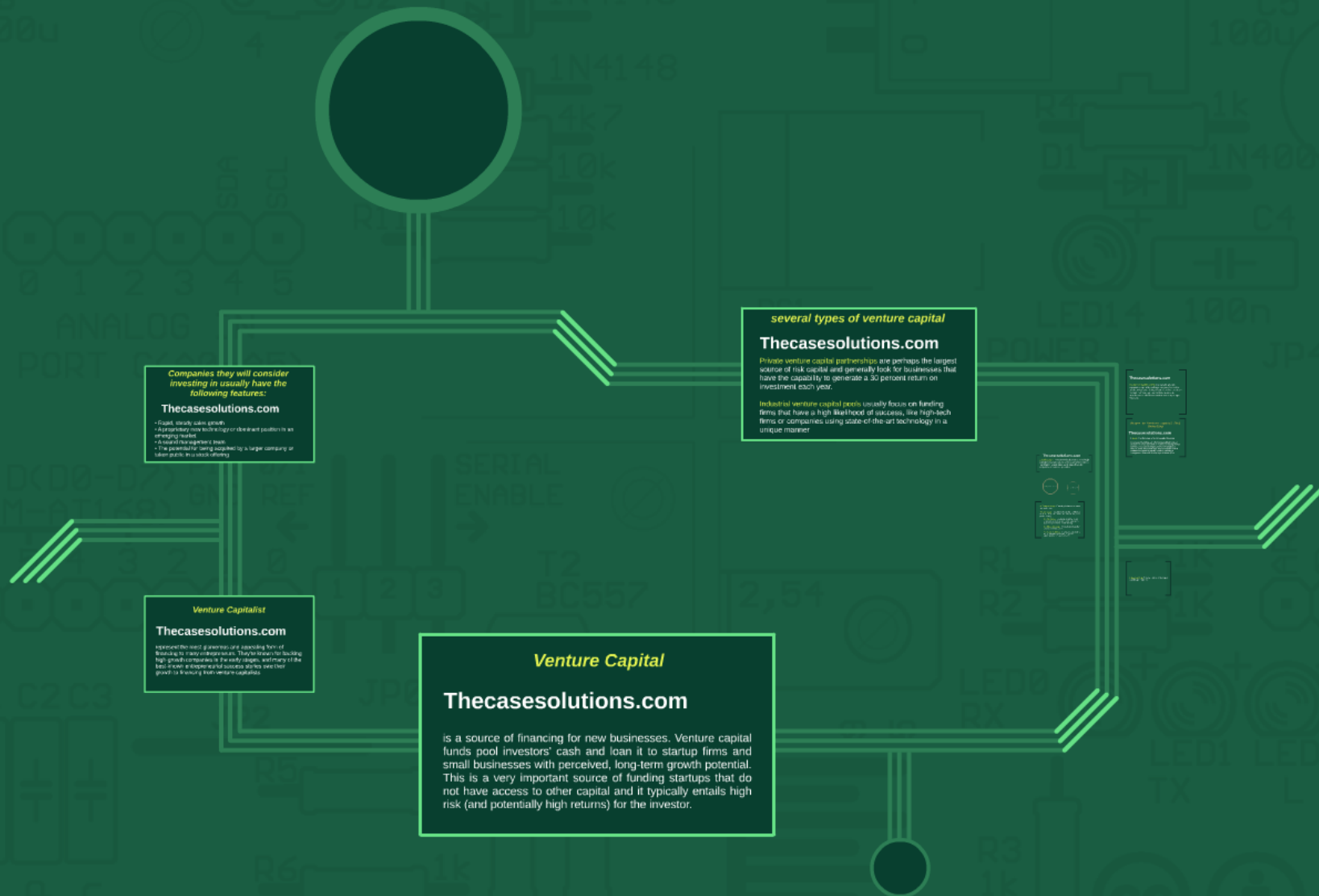


# SenseGiz: Funding a Start-up



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## *Venture Capital*

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is a source of financing for new businesses. Venture capital funds pool investors' cash and loan it to startup firms and small businesses with perceived, long-term growth potential. This is a very important source of funding startups that do not have access to other capital and it typically entails high risk (and potentially high returns) for the investor.

## *Venture Capitalist*

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represent the most glamorous and appealing form of financing to many entrepreneurs. They're known for backing high-growth companies in the early stages, and many of the best-known entrepreneurial success stories owe their growth to financing from venture capitalists.

***Companies they will consider investing in usually have the following features:***

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- Rapid, steady sales growth
- A proprietary new technology or dominant position in an emerging market
- A sound management team
- The potential for being acquired by a larger company or taken public in a stock offering

*several types of venture capital*

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**Private venture capital partnerships** are perhaps the largest source of risk capital and generally look for businesses that have the capability to generate a 30 percent return on investment each year.

**Industrial venture capital pools** usually focus on funding firms that have a high likelihood of success, like high-tech firms or companies using state-of-the-art technology in a unique manner

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**Investment banking firms** traditionally provide expansion capital by selling a company's stock to public and private equity investors. Some also have formed their own venture capital divisions to provide risk capital for expansion and early-stage financing.

# *Stages in Venture Capital (VC) Investing*

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**1. Seed** - *The first stage of venture capital financing.*

*Seed-stage financings are often comparatively modest amounts of capital provided to inventors or entrepreneurs to finance the early development of a new product or service. These early financings may be directed toward product development, market research, building a management team and developing a business plan.*



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2. **Early Stage** - For companies that are able to begin operations but are not yet at the stage of commercial manufacturing and sales, early stage financing supports a step-up in capabilities.