



MECHANICS OF VENTURE CAPITAL

By Shyam Prasad Gupta
 1. Seed Stage: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 2. Early Stage: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 3. Series A: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 4. Series B: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 5. Series C: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.

MECHANICS OF VENTURE CAPITAL

By Shyam Prasad Gupta
 1. Seed Stage: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 2. Early Stage: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 3. Series A: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 4. Series B: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.
 5. Series C: The first round of financing, typically provided by family, friends, and angel investors. It is used to develop a prototype and conduct initial market research.

CHARACTERISTICS OF VENTURE CAPITAL

- High risk
- Long time commitment
- High liquidity requirements
- High exit requirements
- High exit requirements
- High exit requirements
- High exit requirements
- High exit requirements

ADVANTAGES AND DISADVANTAGES OF VC

- Advantages:**
- Provides financial support
 - Offers expertise and mentorship
 - Provides access to networks
 - Offers advice on business strategy
 - Provides access to legal and accounting services
 - Offers advice on business strategy
 - Provides access to legal and accounting services
 - Offers advice on business strategy
- Disadvantages:**
- High risk of failure
 - High exit requirements
 - High exit requirements
 - High exit requirements
 - High exit requirements
 - High exit requirements
 - High exit requirements
 - High exit requirements

OBTAINING FINANCING

- Apply to various sources of capital
- Seek out angel investors
- Network with industry contacts
- Prepare a business plan
- Prepare a pitch deck
- Prepare a financial model
- Prepare a legal structure
- Prepare a legal structure
- Prepare a legal structure

WHAT'S VENTURE CAPITAL?

- Venture Capital: Financial capital provided to early-stage, high-potential, high-risk growth startups.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.
- VC funds are raised by investing equity in companies in exchange for ownership.

Works Cited

1. "Advantages and Disadvantages of Venture Capital." *The Cases Solution*, n.d. Web. 1 Jan. 2013. <http://www.thecasesolution.com/advantages-and-disadvantages-of-venture-capital/>

2. "What is Venture Capital?" *Investopedia*, n.d. Web. 1 Jan. 2013. <http://www.investopedia.com/terms/v/venturecapital.asp>

3. "What is Venture Capital?" *Investopedia*, n.d. Web. 1 Jan. 2013. <http://www.investopedia.com/terms/v/venturecapital.asp>

4. "What is Venture Capital?" *Investopedia*, n.d. Web. 1 Jan. 2013. <http://www.investopedia.com/terms/v/venturecapital.asp>



MECHANICS OF VENTURE CAPITAL

By Stephen J. Paine, Capital Ventures
A seed stage of venture capital financing is typically provided to a start-up business at an early stage. The amount of seed capital is typically in the range of \$1 million to \$5 million. The purpose of seed capital is to provide the entrepreneur with the funds necessary to develop a prototype, conduct market research, and establish a sales and marketing program. Seed capital is typically provided by venture capitalists, business angels, and family members of the entrepreneur.

MECHANICS OF VENTURE CAPITAL

By Stephen J. Paine, Capital Ventures
A venture capital financing round is used at an early stage in a new stage of venture capital financing. The product or service is in development and is being marketed and sold. The company demonstrates significant revenue growth, but may or may not be showing a profit.
- Seed stage: financing for the early stage of a company.
- Start-up stage: financing for the early stage of a company.
- Mezzanine stage: financing for the growth and expansion of a company.
- Later stage: financing for the growth and expansion of a company.

CHARACTERISTICS OF VENTURE CAPITAL

- High risk
- Long time commitment
- High level of involvement
- High level of risk
- High level of involvement
- High level of risk
- High level of involvement
- High level of risk

ADVANTAGES AND DISADVANTAGES OF VC

- Advantages**
 - Provides financial support
 - Offers expertise and advice
 - Provides networking opportunities
 - Provides mentorship
- Disadvantages**
 - High level of risk
 - Long time commitment
 - High level of involvement
 - High level of risk
 - High level of involvement
 - High level of risk
 - High level of involvement
 - High level of risk

OBTAINING FINANCING

- Apply for various types of financing
- Seek out investors and lenders
- Network with other entrepreneurs
- Seek out investors and lenders
- Network with other entrepreneurs
- Seek out investors and lenders
- Network with other entrepreneurs
- Seek out investors and lenders

WHAT'S VENTURE CAPITAL?

- Venture Capital: financial capital provided to early-stage, high-potential, high-risk growth startups.
- VC fund raises money by issuing equity in companies it invests in.
- VC funds invest in companies that don't have access to other capital.
- VC funds invest in companies that don't have access to other capital.
- VC funds invest in companies that don't have access to other capital.

Works Cited

"Advantages and Disadvantages of Venture Capital." *The Cases Solution*.
"What is Venture Capital?" *The Cases Solution*.
"What is Venture Capital?" *The Cases Solution*.
"What is Venture Capital?" *The Cases Solution*.

WHAT'S VENTURE CAPITAL?

- Venture Capital: financial capital provided to early-stage, high-potential, high risk, growth startup companies
- VC fund makes money by owning equity in companies it invests in
- Important source of funding startups that don't have access to other capital
- Entails high risk and returns for investor
- Angel investors: individuals who want to help other entrepreneurs get their businesses off the ground - and earn a high return on their investment

MECHANICS OF VENTURE CAPITAL

The Stages in Venture Capital Investing

1. Seed: First stage of venture capital financing. Comparatively modest amounts of capital provided to inventors or entrepreneurs to finance the early development of a new product or service
2. Early Stage: For companies that are able to begin operations but are not yet at the stage of commercial manufacturing and sales. Supports a step-up in capabilities.
 - Start-Up: Supports product development and initial marketing. Start-up financing provides funds to companies for product development and initial marketing.
 - First Stage: Capital is provided to initiate commercial manufacturing and sales.

MECHANICS OF VENTURE CAPITAL

The Stages in Venture Capital Investing

3. Formative Stage: Financing includes seed stage and early stage.
4. Later Stage: Capital provided after commercial manufacturing and sales but before any initial public offering. The product or service is in production and is commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit.
 - Third Stage: Capital provided for major expansion.
 - Expansion Stage: Financing refers to the second and third stages.
 - Mezzanine (Bridge): Finances the step of going public and represents the bridge between expanding the company and the IPO
5. Balanced-stage: Financing refers to all the stages, seed through mezzanine.

CHARACTERISTICS OF VENTURE CAPITAL

- Illiquid
- Long-term commitment
- Difficulty determining market values
- Limited historical risk and return data
- Entrepreneurial/management mismatches
- Fund manager incentive mismatches
- Lack of knowledge of the competitors
- Vintage cycles
- Extensive operations analysis and advice may be required

ADVANTAGES AND DISADVANTAGES OF VC

Advantages

- Provides funding needed
- Allow entrepreneurs to build company with OPM
- Venture capitalist: source of information, provide resources and contacts, expertise, experience
- Value-added service: Mentoring, Alliances, Facilitate exit

Disadvantages

- Longer timetable, ie. 3-5 years = seek elsewhere (NOT VC)
- Securing a deal with VC can be a long and complex process
- Must pay fees (legal and accounting)
- Giving up part ownership
- Creates financial pressure (generate cash for payments of capital, interest and dividends)
- Agree to certain restrictions
- Under great scrutiny
- Control, Intrusion, Pricing

OBTAINING FUNDING

- Apply to various Venture Capital Organizations by presenting a business plan and giving a formal pitch
 - ex: Canada's Venture Capital & Private Equity Association (CVCA)
Venture Capital Corporation
National Venture Capital Association (NVCA)
- Network; get a good lawyer and accountant which can be excellent sources of introductions
- Use investment portals to your advantage. GetCapital.org is a great resource for connecting entrepreneurs with investors.
- Internet and eBusiness can help building your business; use to access investors online