

*Making Everything Easier!™*

# Venture Capital

FOR  
**DUMMIES**<sup>®</sup>  
A Wiley Brand

## **Learn to:**

- Find and secure venture capital for your business
- Gain traction to prove your company's potential to VCs
- Target and achieve key milestones for early-stage businesses

**Nicole Gravagna, PhD**

*Director of Operations, Rockies Venture Club*

**Peter K. Adams, MBA**

*Executive Director, Rockies Venture Club*





**by Nicole Gravagna, PhD, and  
Peter K. Adams, MBA**



## **Venture Capital For Dummies®**

Published by: **John Wiley & Sons**, Inc., 111 River Street, Hoboken, NJ 07030-5774, [www.wiley.com](http://www.wiley.com)

Copyright © 2013 by John Wiley & Sons, Inc., Hoboken, New Jersey

Published simultaneously in Canada

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning or otherwise, except as permitted under Sections 107 or 108 of the 1976 United States Copyright Act, without the prior written permission of the Publisher. Requests to the Publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, (201) 748-6011, fax (201) 748-6008, or online at <http://www.wiley.com/go/permissions>.

**Trademarks:** Wiley, For Dummies, the Dummies Man logo, Dummies.com, Making Everything Easier, and related trade dress are trademarks or registered trademarks of John Wiley & Sons, Inc., and may not be used without written permission. All other trademarks are the property of their respective owners. John Wiley & Sons, Inc., is not associated with any product or vendor mentioned in this book.

<p><b>LIMIT OF LIABILITY/DISCLAIMER OF WARRANTY: THE PUBLISHER AND THE AUTHOR MAKE NO REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE CONTENTS OF THIS WORK AND SPECIFICALLY DISCLAIM ALL WARRANTIES, INCLUDING WITHOUT LIMITATION WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE. NO</b></p>
---

**WARRANTY MAY BE CREATED OR EXTENDED BY SALES OR PROMOTIONAL MATERIALS. THE ADVICE AND STRATEGIES CONTAINED HEREIN MAY NOT BE SUITABLE FOR EVERY SITUATION. THIS WORK IS SOLD WITH THE UNDERSTANDING THAT THE PUBLISHER IS NOT ENGAGED IN RENDERING LEGAL, ACCOUNTING, OR OTHER PROFESSIONAL SERVICES. IF PROFESSIONAL ASSISTANCE IS REQUIRED, THE SERVICES OF A COMPETENT PROFESSIONAL PERSON SHOULD BE SOUGHT. NEITHER THE PUBLISHER NOR THE AUTHOR SHALL BE LIABLE FOR DAMAGES ARISING HEREFROM. THE FACT THAT AN ORGANIZATION OR WEBSITE IS REFERRED TO IN THIS WORK AS A CITATION AND/OR A POTENTIAL SOURCE OF FURTHER INFORMATION DOES NOT MEAN THAT THE AUTHOR OR THE PUBLISHER ENDORSES THE INFORMATION THE ORGANIZATION OR WEBSITE MAY PROVIDE OR RECOMMENDATIONS IT MAY MAKE. FURTHER, READERS SHOULD BE AWARE THAT INTERNET WEBSITES LISTED IN THIS WORK MAY HAVE CHANGED OR DISAPPEARED BETWEEN WHEN THIS WORK WAS WRITTEN AND WHEN IT IS READ. SOME OF THE EXERCISES AND DIETARY SUGGESTIONS CONTAINED IN THIS WORK MAY NOT BE APPROPRIATE FOR ALL INDIVIDUALS, AND READERS SHOULD CONSULT WITH A PHYSICIAN BEFORE COMMENCING ANY EXERCISE OR DIETARY PROGRAM.**

For general information on our other products and services, please contact our Customer Care Department within the U.S. at 877-762-2974, outside the U.S. at 317-

572-3993, or fax 317-572-4002. For technical support, please visit [www.wiley.com/techsupport](http://www.wiley.com/techsupport).

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit [www.wiley.com](http://www.wiley.com).

Library of Congress Control Number: 2013942071

ISBN 978-1-118-64223-8 (pbk); ISBN 978-1-118-78470-9 (ebk); ISBN 978-1-118-78473-0 (ebk)

Manufactured in the United States of America

10 9 8 7 6 5 4 3 2 1

# Venture Capital For Dummies®

*Visit*

*[www.dummies.com/cheatsheet/businessanalysis](http://www.dummies.com/cheatsheet/businessanalysis)  
is to view this book's cheat sheet.*

## Table of Contents

### Introduction

[About This Book](#)

[Foolish Assumptions](#)

[Icons Used in this Book](#)

[Beyond the Book](#)

[Where to Go From Here](#)

## Part I: Getting Started with Venture Capital

### Chapter 1: Nothing Ventured, Nothing Gained: Venture Capital Basics

[Understanding Venture Capital and Venture Capitalists](#)

[Introducing venture capitalists](#)

[Knowing what VC firms look for](#)

[Getting familiar with the VC fund lifecycle](#)

## Choosing the Venture Capital Pathway

Identifying a good venture business

Looking at alternatives to venture capital

## From Zero to Venture Capital: Knowing What to Do to Secure Venture Capital

Preparing your company to attract interest

Putting together the deal

Making your pitch

## Chapter 2: The Venture Capitalist Mindset

### Performing a High-Risk Job: The VC's Role

Clearing up a few myths about venture capitalists

Don't fight 'em, join 'em: Working together on the deal

### Understanding How a Venture Capital Fund Works

Fundraising — where the investment money comes from

Investing — finding companies to fund

Managing — keeping tabs on the investments

Harvesting — collecting the final payout

### Taking a Closer Look VC Investments

Understanding key limitations in the selection process

Making long-term investments for fast growth

Keeping current with the venture capital industry

### Looking into Other Kinds of Funds and Venture Companies

## Chapter 3: Is Working with a VC Right for You?

### Identifying a VC Investible Company

Scalability: Understanding your growth potential

Management: Assessing the entrepreneurial team

Market share: Determining how large your market is

Competitive advantage: Foiling the competition

Making the VC Decision

## Chapter 4: Alternatives to Venture Capital Funding

Taking on Debt

Investor loans: Debt from individuals

Factoring: Accounts receivable finance

Small Business Administration loans

Tapping into microfinance

Raising Money through People You Know

Choosing whom to approach

Discussing terms and agreements

Putting the agreement in writing

Dancing on the Head of a Pin: Angel Capital

Raising capital through angel investors

Connecting with angels

Attracting a Mob: Crowdfunding

Understanding the JOBS Act impact on crowdfunding

Giving perks: Non-equity crowdfunding

Using crowdfunding successfully

Heeding warnings regarding crowdfunding

Accessing Grants to Fund Your Company

Federal grants: Small Business Innovation Research (SBIR)

State grants



[Foundations and commercial entity grants](#)

[Growing Organically: Bootstrapping](#)

[Advantages of organic growth](#)

[Making organic growth work for you](#)

[Knowing When Enough Is Enough](#)

## [Chapter 5: Connecting with Investors Online and Face to Face](#)

[Creating an Online Persona for Your Company](#)

[Creating a website and branded e-mail address](#)

[Connecting through LinkedIn](#)

[Using Twitter](#)

[Finding friends on Facebook](#)

[Blogging about your company](#)

[Launching a Community Campaign](#)

[Having coffee with people](#)

[Going to networking events](#)

[Giving non-pitch presentations](#)

[Online Tools for Real-Life Funding: Investing Sites](#)

[Looking at Gust and AngelList](#)

[Using investing sites effectively](#)

[Making Contact with Investors](#)

[Creating a hit list](#)

[Researching VC firms](#)

[Getting in touch with the VC](#)

[Updating VCs on your company's progress](#)

[Taking time to building relationships](#)

[Mum's the Word: Pursuing Non-Disclosure Agreements](#)

[Knowing when to ask for an NDA](#)

[Keeping your secret sauce a secret](#)

## [Part II: Becoming Attractive to Venture Capitalists](#)

### [Chapter 6: Positioning Your Company for Funding](#)

[Viewing Your Company as a Whole Package](#)

[Avoiding product development tunnel-vision](#)

[Intersecting product development and business development](#)

[Knowing when your company is fleshed out enough for investors](#)

[Overcoming company weaknesses](#)

[Looking at Business Plan Basics](#)

[Knowing who the business plan is for](#)

[Creating the plan: A primer](#)

[Including vital components in your plan](#)

[The living document: Diverting from the plan](#)

[Highlighting Your Product as a Company Keystone](#)

[Thinking strategically about your product](#)

[Developing your product](#)

[Generating excitement via prototypes and beta versions](#)

[Creating a product platform](#)

[Paying Attention to Your Promotion Strategy](#)

[Devising a Marketing Strategy](#)

[Marketing 101: Understanding what goes into a marketing plan](#)

[Including strategic partners in your distribution channels](#)

[Acquiring new customers](#)

[Predicting Future Revenue with a Pro Forma](#)

[Gathering the right financial statements](#)

[Testing and updating your pro forma](#)

[Building a model to shape your business](#)

[Creating multiple pro formas for multiple outcomes](#)

[Validating your numbers](#)

## [Chapter 7: Cultivating Relationships](#)

[Setting the Company's Course: Founders and Those Who Make the Company](#)

[Adding high-value members to your team](#)

[Addressing founders' personal needs](#)

[Advisory boards](#)

[Connecting with Outside Firms and People](#)

[Finding top-notch consultants](#)

[Locating reputable finders](#)

[Entering into strategic partnerships](#)

[Building Relationships with Customers](#)

[Pre-selling your product](#)

[Turning customers into early investors](#)

[Offering free trials and beta tests](#)

[Using payment as proof, not just revenue](#)

[Creating Relationships with VCs through Networking](#)

[When to start networking](#)

[Becoming a leader in your field](#)

[Making sure the initial meeting goes well](#)

[Planting seeds for funding](#)

[Building a Relationship with Your Acquirer](#)

## [Chapter 8: Providing an Exit Strategy](#)

[Understanding the Value of a Good Exit](#)

[Seeing how value increases near the end](#)

[Basing valuation on your exit](#)

[Checking Out Your Exit Options](#)

[Mergers and acquisitions](#)

[IPOs](#)

[Stock buybacks](#)

[Designing Your Exit Strategy](#)

[Knowing your industry](#)

[Thinking about timing](#)

[Developing strategies early](#)

[Understanding the Role of Advisors in Your Exit](#)

[Listing the types of advisors](#)

[Recognizing why the CEO shouldn't lead the exit](#)

[Creating an Exit Story](#)

[Amassing your data](#)

[Developing the story](#)

[Spreading the word](#)

[Avoiding Mistakes That Can Blow an Exit](#)

## [Part III: Getting Your Ducks in a Row: Deal Design and Due Diligence](#)

## Chapter 9: Structuring Pre-VC Deals

Recognizing the Red Flags

Tallying Your Investors in a Cap Table

Fundamentals of the Funding Lifecycle

The concept stage — bootstrapping

The early start-up stage — friends and family

The traction start-up stage — angel capital

The growth stage — venture capital

Putting Together the Term Sheet

Including general terms

Commonly negotiated terms

Comparing Equity and Convertible Debt

The entrepreneur's friend: The attraction of convertible debt

The investor's barely tolerated cousin

Restructuring as You Move from Early Rounds to VC Rounds

Tidying your capitalization table

Unseating board members

Overcoming Pitfalls of Early Deal Structure

Creating a capitalization plan: Your funding roadmap

Calculating how much you should raise

## Chapter 10: Leading the Risk Conversation

Getting into the Mindset of Venture Investors: Horses and Wolves

Horses or wolves? The eyes have it

Learning to speak "horse"

Understanding Risk

[Identifying business risks to success](#)

[Seeing how risk changes over time](#)

[Tying Risk to Valuation](#)

[Using the risk factor valuation method](#)

[Assessing risk with the scorecard method](#)

[Exposing Risk: Strategies That Keep You in the Game](#)

[Addressing both constants and variable risks](#)

[Outlining your mitigation strategies](#)

[Outlining past risks that the company has overcome](#)

[Connecting Cash Raises to Risk and Company Success](#)

[Using lower risk hurdles to plan fundraise timing](#)

[Looking beyond the next milestone](#)

[Finding ways to lower risk](#)

## [Chapter 11: Telling Your Valuation Story](#)

[Valuing Early-Stage Companies](#)

[Why traditional approaches don't work](#)

[Being flexible when talking with a VC](#)

[Choosing the best way to discuss valuation](#)

[Timing your valuation](#)

[Getting the first round price right](#)

[Using Multiple Valuation Methods](#)

[The venture capital method](#)

[The scorecard method](#)

[The risk factor adjusted method](#)

[The simplified net present value method](#)

[The burn rate method](#)

[Summing it all up](#)

[Creating Your Valuation Story](#)

[The five parts of your story](#)

[Fleshing out the story](#)

## [Chapter 12: Negotiating Your Terms](#)

[Scoping Out the Negotiation Landscape: The Fundamentals](#)

[The items on the negotiating table](#)

[Developing the right mindset](#)

[Knowing your negotiation partner](#)

[Recognizing your own power](#)

[Knowing when to stick to your guns and when to be flexible](#)

[Having a plan B](#)

[From Initial Interest to Negotiating Table: Identifying the People Involved](#)

[The managing director — your lead investor](#)

[The investment committee](#)

[Herding kittens, er investors: Syndication](#)

[Handling the Valuation Question during Negotiation](#)

[Providing a number — and a rationale](#)

[Keeping the end in mind: A little piece of a big pie or a big piece of a little pie](#)

[Making sure your “great deal” doesn’t kill your company](#)

[Adopting a strategy that gets you top dollar](#)

[Most-Often Negotiated Term Sheet Terms](#)

[Valuation](#)

[Board seats](#)

[Liquidation preferences](#)

[Protective provisions](#)

[Employee pool](#)

[Anti-dilution clauses](#)

[Vesting of equity](#)

[Dividends](#)

[Redemption rights](#)

[Other terms](#)

## [Chapter 13: Due Diligence: Preparation and Fundamentals](#)

[Peeking under Rocks and behind Trees: An Overview of Due Diligence](#)

[Knowing what VCs look for](#)

[Understanding your role](#)

[Going Step by Step: The Phases of Due Diligence](#)

[The initial vetting](#)

[Learning more by having you pitch](#)

[Deep dive meetings](#)

[Entering into full due diligence](#)

[As Time Goes By: Knowing the Due Diligence Time Frame](#)

[Understanding why it can take so long](#)

[Speeding up the process](#)

[Preparing Documents for Due Diligence](#)

[Going through the due diligence checklist](#)

[A few final pointers](#)

## [Part IV: Pitching to Investors](#)



## Chapter 14: Planning Your Pitch

### Communicating a Lot in a Little Time

Balancing thoroughness and brevity

Having multiple pitches ready

### Creating a Pitch from Scratch

Asking yourself key questions

Tips to follow when creating a pitch deck

### Knowing When to Pitch

Aiming for the beginning of a high-growth phase

Planning for future development

Assessing whether you're ready for investor capital

### Measuring the Success of a Pitch

Managing expectations

Tracking progress after the pitch

### Staying Positive through the Process

Focusing on something new when optimism wanes

Taking positive steps to stay on investors' radar

Cultivating the attitude of a life-long learner

Using confidence and coachability to attract investors

## Chapter 15: Visualizing the Deal: Creating Your Pitch Deck

### Designing Pitch Decks That Work

Creating a pitch for every occasion

Knowing what the pitch deck should contain

Showing off your branding and style

[Knowing what to include on an absentee pitch deck](#)

[Following best practices for a great presentation](#)

[Covering the Important Pitch Topics](#)

[The very first slide](#)

[An overview of your company](#)

[The problem your product solves](#)

[Your product or product line](#)

[Barriers that reinforce your company's value](#)

[Your business model](#)

[Target market](#)

[Your marketing strategy](#)

[Your future milestones as risks](#)

[Your traction](#)

[Your valuation story](#)

[Your team](#)

[Your exit strategy](#)

[The ask and the deal](#)

[Your summary slide](#)

[Using back pocket slides](#)

## [Chapter 16: Show Time! Making Your Presentation](#)

[Choosing the Lead Presenter](#)

[Listing the traits of a great pitch presenter](#)

[Getting everyone pitch ready](#)

[Wowing Your Audience](#)

[Making a connection](#)

[Speaking the message](#)

[Practicing to make perfect](#)

[Honing an elegant performance](#)

[Being on time](#)

[Mastering the Technology](#)

[Using remote control clickers to switch slides](#)

[Running live demos](#)

[Including a video in your pitch](#)

[Depending on Internet connections](#)

[Picking presentation file types](#)

## [Chapter 17: If at First You Don't Succeed — and Even If You Do — Try, Try Again](#)

[Understanding Why Investors Say “No”](#)

[Communicating after the Pitch](#)

[Showing regular progress](#)

[Using e-mail wisely](#)

[Assessing and Fixing What Went Wrong](#)

[Following Up on the Different Outcomes](#)

[Possibility 1 — You enter into due diligence with a VC firm](#)

[Possibility 2 — You hear the words “No, thank you”](#)

[Possibility 3 — You hear nothing at all](#)

[Possibility 4 — You hear “Come back after you hit certain milestones”](#)

[Overcoming Common Obstacles](#)

[Experiencing personality limitations](#)

[Raising money too early](#)

[Pivoting frivolously](#)

[Being in too many markets](#)

[Treating Fundraising as a Process](#)

[Planning for regular pitch opportunities](#)

[Handling failure](#)

[Contacting more VCs](#)

[Planning the next funding round](#)

## [Part V: The Part of Tens](#)

### [Chapter 18: Ten Ways to Lose a Deal](#)

[Being Uncoachable](#)

[Having a Critic](#)

[Quoting an Inflated Valuation](#)

[Pitching an Idea](#)

[Being Invisible or Forgotten](#)

[Confusing People](#)

[Pitching to Only One Investor](#)

[Having Connections in Only One Town](#)

[Failing to Study Up on Your Investors](#)

[Pitching Your Product Instead of Your Deal](#)

### [Chapter 19: Ten Places and People That Can Lead You to a VC](#)

[Service Providers](#)

[Angel Investors](#)

[Other Venture Capitalists](#)

[Online Search](#)

[Networking Events](#)

[Pitch Events](#)

[Mentors](#)

[Broker-Dealers](#)

[Incubator Staff](#)

[Funding Websites](#)

[About the Authors](#)

[Cheat Sheet](#)

[Connect with Dummies](#)

# Introduction

---

If you are reading this book, chances are that you own a company or are planning to start one sometime soon. You are probably thinking about raising venture capital. We appreciate that you have come to us in your search for information. It's okay if you don't know a thing about venture capital or private investments at all. We are here to help! We wrote this book for anyone who's considering seeking venture capital. We help nearly 100 companies each year go through the process of seeking investment. All this time, we have been taking notes on what works and what doesn't.

Venture capital and venture capitalists may seem scary and larger-than-life at first. It turns out that VCs are real people, too! In this book, we demystify the venture capitalist so you can get past that "all powerful man (or woman) behind the curtain" feeling.

Venture capital investment is only one of the many ways that you can fund your company.

- ✓ Venture capital investment can help a start-up company attain much larger milestones in a much quicker timeframe than it would otherwise be able to do.
- ✓ Companies that take venture capital get more than money. They also get the expertise of the VCs and VCs' network of advisors and business people.
- ✓ The venture capital track is the fast track. Companies that take venture capital grow large very quickly or are acquired in a few short years. VC-backed companies don't do anything slowly.

After you read this book, you may choose to pursue VC funding, or you may realize that you have other options that better suit your company and your needs. This book can help you grow your company no matter which path you choose.

## ***About This Book***

We wrote *Venture Capital For Dummies* for smart people with no prior experience raising money from venture capitalists. Founders with great start-up companies come to us every day asking for advice, education, and introductions to investors. We used our experience to create this book.

Through our work at the Rockies Venture Club, we found ourselves teaching each entrepreneur the same information about venture capital investments. We thought boiling all that knowledge down into one little book — this book — would create a handy reference!

Of course, we wrote this book for entrepreneurs, but angel investors, friends of entrepreneurs, and even consultants who help entrepreneurs grow their companies can find useful information here. When everyone in an entrepreneurial community understands the fundraising process, everyone can help support start-up companies.

If you are an entrepreneur, or know an entrepreneur and want to support his or her company, you can find investors. Everyone knows someone who is an investor or knows an investor. This book can help you uncover the investors in your own network.

As you read this book, keep the following things in mind:

- ✓ We use the term *venture capitalist* and *VC* interchangeably, reflecting the way the terms are used in everyday conversation.
- ✓ The sidebars contain extra information that we think supports the main ideas in the book. You can skip them entirely and still get the full facts.

*Venture Capital For Dummies* is a reference book that you can read in any order you wish. If you are feeling particularly technical one day, you can dive into the chapters about investment structure. If you are more interested in understanding investor psychology, you can read those parts first. Focus on the stuff you want to know.

## ***Foolish Assumptions***

In writing this book, we made some assumptions about you, our dear reader. We guess that you are one of the four types of people that we run into through our work in the Rockies Venture Club. You are probably

- ✓ **An entrepreneur:** Not just any entrepreneur, but one who is ready to get his or her company off the ground, grow it fast, and make some money!
- ✓ **An investor:** Angel investors and people who invest in their friends' or family members' start-up companies need to understand the future funding pathway for the companies they support.
- ✓ **An advisor:** Professional consultants and other smart folks (mentors, advisors, gurus, yodas) who donate their time are most helpful when they can give their client companies the best advice possible.
- ✓ **A job hunter:** Jobs are created in start-ups as a matter of course. Venture capital dollars often go to



hire key employees. Further, venture capital itself is an attractive industry where both senior and junior VCs can make good money in an exciting job. Either way, this book can help you understand the start-up/VC landscape as a job hunter.

As a member of one of the listed groups, you have come to the right place. We have the information you need to understand venture capital on a level you may not have dreamed possible. If you don't recognize yourself in this list, we welcome you anyway. Have fun. Look around, and we bet you'll find that you learn a thing or two.

## *Icons Used in this Book*

To help you navigate through this book and find the information you're looking for, we've included a variety of icons.



When you're dealing with the future of your company and venture capital, the stakes are pretty high. You'll find this icon whenever you run the risk of losing an opportunity or delaying your company's success.



As experts, we know about and share with you the best shortcuts, workarounds, and timesavers. You'll find them with this icon.



There's a lot to know and to remember when you're doing all the tasks you need to do to raise funds to help your business grow. Look for this icon to find key concepts and principles.



If you're a detail person, you may appreciate these little nuggets of information. Although interesting, we've included them more for fun. Feel free to skip them if you just want to get to the nuts-and-bolts info. Doing so won't hurt your ability to understand or seek (and hopefully) secure venture capital.



This icon highlights the stories of real business that have already gone down the path you're beginning now.



You can find lots of extra info online related to securing venture capital. This icon points you to these articles.

## ***Beyond the Book***

In addition to the material in the print or e-book you're reading right now, this product also comes with some goodies you can access on the web. Check out the free Cheat Sheet at [www.dummies.com/cheatsheet/venturecapital](http://www.dummies.com/cheatsheet/venturecapital) for information on things you can do to avoid losing a deal, speed up a deal, and find VCs.

Head to [www.dummies.com/extras/venturecapital](http://www.dummies.com/extras/venturecapital) to find pointers on how to work with team members who are

family, find a securities attorney, and dress for your pitch.

## ***Where to Go From Here***

Go ahead and browse this book. Follow your interests and instincts. No previous knowledge is required! Start with a chapter that seems new and interesting or maybe even begin with a topic where you feel more experienced. Head to the table of contents or the Index to find topics that you want to know more about immediately. The table of contents is a great map you can use to find information listed chapter by chapter. The index lets you really want to drill down on a topic. If you're completely new to venture capital, why not begin with the chapters in Part I?

Wherever you go, you're sure to find useful information.

Part I  
**Getting Started with  
Venture Capital**



Visit [www.dummies.com](http://www.dummies.com) for great Dummies content online.

## *In this part...*

- ✓ Discover the mindset that sets founders of venture businesses apart from other business owners.
- ✓ Get the lowdown on what venture capitalists look for, how venture capital fund works, and the legal restrictions that impact which companies are selected for investment.
- ✓ Determine which funding options — venture capital, angel investors, crowdfunding, and more — can best help your company meet its growth goals.
- ✓ Take the first step to securing venture capital by creating opportunities, online and face to face, to attract the attention of a venture capitalist.

# Chapter 1

## Nothing Ventured, Nothing Gained: Venture Capital Basics

---

### *In This Chapter*

- ▶ Getting familiar with venture capital and venture capitalists
  - ▶ Determining whether you have a venture company
  - ▶ Seeing the whole venture capital process
- 

If you're starting a new business, welcome to the club! Starting a business can be the most exciting, scary, enlightening venture that you embark on. If you've been running a business for a while and are just starting to look for money, you've come to the right place!

Venture capital is often misunderstood and feels like a big cloaked, black box to many people. In reality, venture capital is pretty easy to understand after you've been given the basics. Further, venture capitalists are more open about sharing information than people think. You just need to know where to look for the information.

In this book, you discover which companies benefit most from venture capital, how venture capital works, how to connect with VCs, and when the time comes, how to pitch to investors. We also describe the whole start-up funding landscape and explain how to navigate it wisely. This chapter introduces you to venture capital and