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# Foreword

Basically, venture capitalists are made up of individuals with a lot of cash to spend, who are looking for opportunities to invest in a business that is likely to succeed and bring forth profits.



## ***Venture Capital Voodoo***

Making Big Money And Fast

# Chapter 1:

## *The Basics On Venture Capitalists*

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### Synopsis

A venture capitalist investment may come from one source or from many wealthy investors who are seeking any opportunity to make more money.



## **Venture Capital Basics**

For those who lack the funds needed to expand their business, there are many options available. One of these options would be the use of a company or organization that's purpose is to invest in potentially successful businesses. For those lacking in the proper credentials to get loans from banks and other financial institutions, venture capitalists can be very useful.

Venture capitalists can bring more to the table than just funds. In most cases they will possess certain skills and management capabilities which can greatly assist your business.

You may be wondering where these venture capitalists get thbere resources from. The answer is simple. In most cases, venture capitalist financing sources come from a pool of wealthy investors, investments banks and other financial institutions which pool their resources together for the purpose of investments. However, since the investor is scratching your back they will likely expect the same in return which may lead to part loss in the ownership of the company, etc. For most business ventures seeking financial assistance, this form of "interference" will offer either an ideal situation or a solution.

Another fact to consider is that the venture capitalist will likely want to have some say in the direction of the company since their funds are tied into it.

# Chapter 2:

## *What You Need To Ask When A Venture Capital Investment Is In Consideration*

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### Synopsis

Whenever an investment is in the process it is not only normal but recommended that questions be asked. Both sides of the investment should be well informed of the facts to ensure it is the best option for everyone. Venture capital investments usually entail a substantial amount of money being lent towards a business endeavor, without the backing of any tangible assets, therefore you should expect to be questioned and have your own questions.



## **The Questions To Ask**

Prior to engaging in a venture capital investment you should be well informed. There are some important questions to be asked and they are as follows:

- The first step is to ask about the business, what it does, what it plans to accomplish and within what time frame. The owner of the business seeking the funds should have a well-organized sales pitch which includes accurate numbers entailing the profits, costs and expansion rates of the business. This should be presented professionally and with confidence in order to grab the attention of the potential investors.
- You should make sure that the business owner is well aware of the risks of the investment. One of these risks may include competitors. You should ask questions regarding to how the business owner plans to beat out their competition and guarantee profitable results. This will give everyone a sense of security and eliminate some of the worry of possible surprises arising in the future.
- Another thing that will ease the weight off everyone's chest is if there is already an established customer base. This is wise to ask about as it will surely play a role in the success for both ends.

# Chapter 3:

## *The Internet Bubble And The Venture Capital Boom*

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### Synopsis

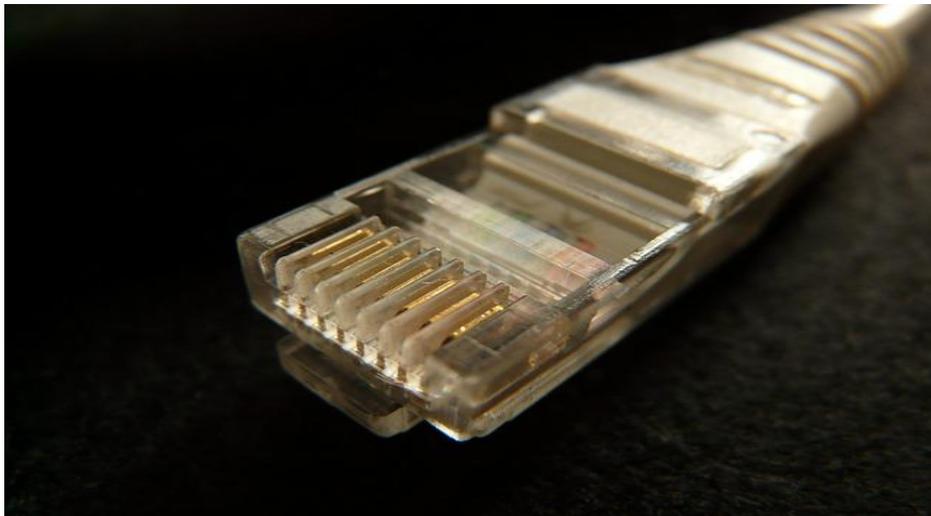
Did you know that venture capitalists played a huge role in the booming of the internet that most of us use today. Imagine the countless opportunities that were brought about by this. This surely would not have been possible without the help of these investors.



## What Happened

Unfortunately there were also some undesired results that came from this boom. Some of which being negative returns and declining levels of investment. Of course this was a disappointment as it was not expected. Many people raced to invest their earning into the internet boom expecting ample opportunity to gain profit, only to be disappointed. There are some who disagree however, their viewpoint is that this period sorted out the weak from the herd and that the strong held their own.

One of the largest issues that these internet companies faced during this time was a lack of proper management regardless of the fact that they had great ideas. This is where venture capitalists were able to largely contribute and solve these issues. These venture capitalist were able to offer valuable services and created structure within the companies which largely aided in their success. Venture capitalists platforms are already risky to start with, thus for some there may have been an overreaction to the upside and downside of the boom.



# Chapter 4:

## *The Venture Capital Method To Maximizing Earnings*

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### Synopsis

Every business begins with the same goal in mind which is to make money. There are many different businesses, each offering their own type of services. When it comes to a venture capitalists however, there services are comprised mostly of funds.



## **Make The Most Profit**

Venture capitalists can make great profits if they are careful. The following are some tips on how to do so:

- Step number one is to have the funds available to invest. This is a great way to slide into a business on nothing more than having investible funds. Once you have the funds you need to start searching for a desirable business to invest in, this step should be exercised with a great deal of caution and should not be just jumped into.
- Gaining shares in the company is also another wise option. This provides the investor with many advantages, a couple of which being the fact that the investor now has a bit of control as well as a larger share of profits. If the business idea has phenomenal profit making possibilities, then the risks involved could be measurably lower, thus making the exercise of capital investment worth the effort and time. The fast returns will also allow the capital investor to move on to other business opportunities.
- Once the investor has put funds into a business and it succeeds, their time will be valuable to other business. This will likely lead to more business opportunities and therefore more money to be made.

# Chapter 5:

## *Venture Capital's Association With Job Creations*

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### Synopsis

Most would likely think that the only role of a venture capitalist is to invest funds into a business that would otherwise lack. This is not the case however, venture capitalists do have other roles.



## **Help Others**

Once new companies are able to establish some sort of financial backing they will be able to provide to the community. They are able to do this by providing not only services but also a way of life to some people as well as a job to pay the bills. This is especially beneficial for a young economy looking for outside investors other than that provided for by the government. With the participation of such capital investors, new businesses can spring up, thus contributing to the vibrancy of the young economy. These jobs will help to contribute positively to the all parties involved from the investing arm to the end user, which is the customer. The opportunities apparent for all levels are not only phenomenal but also immensely beneficial.

Not only can venture capitalists offer a large amount of funds, they can offer a great deal of expertise as well which can greatly benefit a fresh company. In most cases an investor will have a vast amount of knowledge in the area they are investing and their knowledge is quite valuable to say the least. The skills and knowledge of the investor may include management issues, problem solving skills and many other factors.

# Chapter 6:

## *The Risks Of Investing In A Venture Capital Scheme*

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### Synopsis

There are risks that go along with venture capital investments. One of these risks may very well include the fact that there is a lack of information of previous investments. Basically, for all you know past investments might have been total failures.



## **Things To Watch Out For**

Before any investment is made there is usually an extensive study conducted to analyze the potential risks and gains from the investment. However, even with these studies there is no guarantee that the investment will succeed or turn a profit. Adding to this is in most cases there is no collateral in case of failure. To some, this risk may not seem to be that heavy but on the other hand, most investors are quite disturbed by it.

Another large risk in this type of investment is that there is no previous numbers to rely on. This means that the investor will have to trust the business and everyone involved with it, relying completely on their integrity which can be quite nerve wracking.

On paper, all the necessary points of the business entity may present very little or no problems at all, however when actual operations are up and running, this seemingly problem free business engine can start to cause unforeseen problems. This then will eventually eat into the finances originally set aside for the business entity, which may then lead to even further unforeseen setbacks. All this will add to the already preexisting risk factors that capital investors are used to.

It is highly recommended that the investor has extensive knowledge in the area of the investment. Otherwise there is a high risk for poor decisions and failure.

# Wrapping Up

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In all honesty, investments can be quite nerve wracking and potentially have unforeseen and undesired results. However, there are certain measures that can be taken in order to ensure smart choices are being made. Remember, when it comes to investing, there are no guarantees, just informed decisions. I hope this book as informed you well on venture capitalists and I wish you the best of luck!

