

PART I

# How the Venture Capital Industry Works

CHAPTER 1. What is Venture Capital?

CHAPTER 2. How the Venture Capital Industry Operates

CHAPTER 3. How VCs Make Money

CHAPTER 4. Are All VCs the Same?

CHAPTER 5. The VC Investment Process

**T**his part contains the basic concepts of venture capital. It starts off with the various definitions in use. It goes on to explain the need for venture capital and how it is different from, and cannot be substituted with, bank loans and other forms of capital. A brief explanation of funding needs of a venture during its lifecycle provides you with the stages at which venture capital is required by businesses and provided by the VC industry.

Further, it explains how VC funds are structured and how they operate, their life cycle and the objectives during each phase of their existence, how they make money and what returns they target, and the typical process that is involved in making VC investments.

*“Venture capitalists only have two emotions: fear and greed. All their decisions are reached by balancing one against the other.”*

M. Henos, Venture Capitalist

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*“I never invest in someone who says they’re going to do something; I invest in people who say they’re already doing something and just want funding.”* John Doerr, Venture Capitalist

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*“Most investors prefer learn-it-alls to know-it-alls.”*

Bob Kagle, Venture Capitalist

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*“We divide business plans into three categories: candy, vitamins, and painkillers. We throw away the candy. We look at vitamins. We really like painkillers. We especially like addictive painkillers!”* K. Fong, Venture Capitalist