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What are the Essentials of the Venture Finance Process?

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Byers goes over the essentials of a venture finance process: angel investors, corporate venture capital, boot strapping and the public. He also discusses the pros and cons of each of these pieces in this process.

Transcript

So, I couldn't do one without talking a little bit about this where does money come from.. Remember we were talking about the retriever, the first dog to get the company started.. And they got a trade stock for ideas, capital and talent.. Let's talk about how they trade stock for capital.. These are the different sources of capital and it's a lot of fun in our classes to dive down and talk about the pros and cons of each one of these.. And you'll hear that a lot in here as well.. For example, there's angel investors which is just wealthy investors, individuals.. There's corporate venture capital which is something like Intel.. There's the traditional VC like the Sequoias, Excels and Kleiner Perkins.. There's bootstrapping which is either personal funds or convincing a customer to pay you some funds upfront..

Then there's other which, what do you think the other is for a moment? It's the public! If the company ever gets really successful they can go public and that becomes an investor for growing the company.. And what got really weird five years ago is the public was really interested in getting involved super early on when there was tons of risks until everything got unraveled.. There are pros and cons on each one.. We could sit here for another half an hour and talk about that.. It's really a lot of fun to do that.. Traditional VC what's the pro? They got lots of money to deploy and for people who really are going for something that would really change the world.. They have lots of money to deploy and they got lots of expertise to bring to the table and help.. And you'll hear that over and over here again.. But what's the downside of VC? It's really expensive money! In terms of the dilution and the ownership that's going to have to be given up in order to have them involved.. And we could do that across the board..

The other one I want to mention here is over and over we see the following, it's really fun to do this one we are teaching this material.. It is a process, all this stuff is a process and a set of mechanisms.. This notion of venture capitalists and entrepreneurs getting together and cutting a deal, like it is some sort of television show or something like that, is really way off line.. In getting the best price like it is a used car.. What really goes on and over and over again it's not the best price that gets the deal done.. There's been academic research on this and there's been just layman research done on this that shows that rarely does an entrepreneur take the best price from a venture capitalist.. They get the most money for the least amount of ownership given up.. It's all the other stuff, all the other terms and conditions that come into play about how they are going to help each other to be successful...