



1. What is venture capital?

Venture capital is defined as the classic investment in the illiquid equity securities of a privately held business. Classic venture capital funds are managed by institutions (usually limited partnerships) which are staffed by full time professionals. Venture capital funds are motivated solely by the goal of producing capital gains and (less) current returns on the securities in which they invest.

2. What are some common characteristics of venture capital?

Venture capital funds make long term investments in companies averaging 3-7 years. These funds target compound annual investment returns in the range of 25% to 100%. They are compensated primarily based upon the actual performance of the investments made.

3. What is not venture capital?

Venture capital is not investment intermediary services such as merchant banking, investment banking or business brokerage services. It is also not consulting services, penny stock strategies, public shell merger strategies or any other fee income motivated financial services.

4. What are some common financing terms?

(The following definitions were excerpted from Pratt's Guide to Venture Capital, a well known venture capital source that can be found in most public libraries).

Seed Financing is a relatively small amount of capital provided to an inventor or entrepreneur to prove a concept and to qualify for start-up capital. This may involve product development and market research as well as building a management team and developing a business plan, if the initial steps are successful.

Research and Development Financing is a tax-advantaged partnership set up to finance product development for start-ups as well as more mature companies. Investors secure tax write-offs for the investments as well as a later share of the profits if the product development is successful.

Start-up Financing is provided to companies completing product development and initial marketing. Companies may be in the process of organizing or they may already be in business for one year or less, but have not sold their product commercially. Usually such firms will have made market studies, assembled the key management, developed a business plan and are ready to do business.

First-Stage Financing is provided to companies that have expended their initial capital (often in developing and market testing a prototype), and require funds to initiate full-scale manufacturing and sales.

Second-Stage Financing is working capital for the initial expansions of a company that is producing and shipping, and has growing accounts receivable and inventories. Although the company has made progress, it may not yet be showing a profit.

Third-Stage or Mezzanine Financing is provided for major expansion of a company whose sales volume is increasing and that is breaking even or profitable. These funds are used for further plant expansion, marketing, working capital, or development of an improved product.

Bridge Financing is needed at times when a company plans to go public within six months to a year. Often bridge financing is structured so that it can be repaid from the proceeds of a public underwriting. It can also involve restructuring or major stockholder positions through secondary transactions. Restructuring is undertaken if there

are early investors who want to reduce or liquidate their positions or if management has changed and the stockholdings of the former management, their relatives and associates are being bought out to relieve a potential oversupply of stock when public.

Acquisition Financing provides funds to finance an acquisition of another company.

Management/Leveraged Buyout funds enable an operating management group to acquire a product line or business (which may be at any stage of development) from either a public or private company; often these companies are closely held or family owned. Management/leveraged buyouts usually involve revitalizing an operation, with entrepreneurial management acquiring a significant equity interest.

5. What criteria do venture capitalists look at when evaluating a company for investment?

Venture capitalists target high growth companies with the potential in three to seven years of exponential growth. The main criteria venture capitalists look at include the expertise of the management team, the thoroughness of the business plan, management's ability to execute the business plan and the growth potential of the product or service.

6. What are angel investors?

These investors are private individuals that make investments in a company in exchange for equity ownership. Angel investors typically include family members, friends, associates and high networth individuals looking for alternatives investment.

7. How can my company be considered as a presenter for one of the Forum's monthly presentations?

The criteria for the monthly presentations are entrepreneurial companies in business for at least three years, with a minimum of \$500,000 in annual revenue/sales and located in the state of Florida. Interested companies should submit their current business plan or detailed executive summary to the Florida Venture Forum for review by the programming committee. Startup companies are not generally profiled as a monthly presentation. However, startup companies are acceptable at the annual Florida Venture Capital Conference. Please see information on the Conference in another part of the web site.