STAGES OF CAPITAL pdf

1: The Basic Steps of Capital Budgeting - Financial Web

Venture capital is a source of financing for new businesses. Venture capital funds pool investors' cash and loan it to startup firms and small businesses with perceived, long-term growth potential.

This is a very important source of funding startups that do not have access to other capital and it typically entails high risk and potentially high returns for the investor. Most venture capital comes from groups of wealthy investors, investment banks and other financial institutions that pool such investments or partnerships. This form of raising capital is popular among new companies, or ventures, with a limited operating history that cannot raise capital though a debt issue or equity offering. Often, venture firms will also provide start-ups with managerial or technical expertise. For entrepreneurs, venture capitalists are a vital source of financing, but the cash infusion often comes at a high price. The Stages in Venture Capital VC Investing Angel investors are most often individuals friends, relations or entrepreneurs who want to help other entrepreneurs get their businesses off the ground - and earn a high return on their investment. The term "angel" comes from the practice in the early s of wealthy businessmen investing in Broadway productions. Usually they are the bridge from the self-funded stage of the business to the point that the business needs true venture capital. They typically offer expertise, experience and contacts in addition to money. Seed - The first stage of venture capital financing. Seed -stage financings are often comparatively modest amounts of capital provided to inventors or entrepreneurs to finance the early development of a new product or service. These early financings may be directed toward product development, market research, building a management team and developing a business plan. A genuine seed-stage company has usually not yet established commercial operations - a cash infusion to fund continued research and product development is essential. Seed-stage VC funds will typically participate in later investment rounds with other equity players to finance business expansion costs such as sales and distribution, parts and inventory, hiring, training and marketing. Early Stage - For companies that are able to begin operations but are not yet at the stage of commercial manufacturing and sales, early stage financing supports a step-up in capabilities. At this point, new business can consume vast amounts of cash, while VC firms with a large number of early-stage companies in their portfolios can see costs quickly escalate. Start-up - Supports product development and initial marketing. Start-up financing provides funds to companies for product development and initial marketing. This type of financing is usually provided to companies just organized or to those that have been in business just a short time but have not yet sold their product in the marketplace. Generally, such firms have already assembled key management, prepared a business plan and made market studies. At this stage, the business is seeing its first revenues but has yet to show a profit. This is often where the enterprise brings in its first "outside" investors. First Stage - Capital is provided to initiate commercial manufacturing and sales. Most first-stage companies have been in business less than three years and have a product or service in testing or pilot production. In some cases, the product may be commercially available. Formative Stage - Financing includes seed stage and early stage. Later Stage - Capital provided after commercial manufacturing and sales but before any initial public offering. The product or service is in production and is commercially available. The company demonstrates significant revenue growth, but may or may not be showing a profit. It has usually been in business for more than three years. Third Stage - Capital provided for major expansion such as physical plant expansion, product improvement and marketing. Expansion Stage - Financing refers to the second and third stages. Mezzanine bridge - Finances the step of going public and represents the bridge between expanding the company and the IPO Balanced-stage financing refers to all the stages, seed through mezzanine.

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2: The Three Stages of Raising Capital for Entrepreneurs - Allegiance Capital Corporation

What Are the Stages of Venture Capital Financing? Venture capital is a term that's frequently thrown around when the discussion turns to getting startups off the ground. While most know that it's a source of funding, fewer people are familiar with exactly how venture capital financing works.

Capital projects are the ones where the cash flows are received by the company over long periods of time which exceeds a year. Almost all the corporate decisions that impact future earnings of the company can be studied using this framework. This process can be used to examine various decisions like buying a new machine, expanding operations at another geographic location, moving the headquarters or even replacing the old asset. These decisions have the power to impact the future success of the company. This is the reason the capital budgeting process is an invaluable part of any company. The capital budgeting process has the following four steps: The generation of good quality project ideas is the most important capital budgeting step. Ideas can be generated from a number of sources like senior management, employees and functional divisions or even from outside the company. Hence, all the project proposals are analyzed by forecasting their cash flows to determine expected the profitability of each project. Creating the Corporate Capital Budget: Once the profitable projects are shortlisted, they are prioritized according to the available company resources, a timing of the cash flows of the project and the overall strategic plan of the company. Some projects may be attractive on their own, but may not be a fit to the overall strategy. A follow up on all decisions is equally important in the capital budgeting process. The analysts compare the actual results of the projects to the projected ones and the project managers are responsible if the projections match or do not match the actual results. Capital Budgeting Process for various Categories of Projects: Capital budgeting projects are categorized as follows: Replacement Projects for Maintaining Business: Such projects are implemented without any detailed analysis. The only issues pertaining to these types of projects are first whether the existing operations continue and, if they do so, whether the existing processes should be changed or maintained as such. Replacement Projects for Reducing Cost: Such projects are implemented after a detailed analysis because these determine whether the obsolete, but still operational, equipment should be replaced. Such projects require a very detailed analysis. These projects are undertaken to expand the business operations and involve a process of making complex decisions as they are based on an accurate forecast of future demand. Such projects also consist of making complex decisions that require a detailed analysis as there is a great amount of uncertainty involved. Such projects are required by an insurance company or a governmental agency and often involve environmental or safety-related concerns. These projects will not generate any revenue, but they surely accompany new projects started by the company to produce revenue. Some projects that cannot be easily analyzed fall into this category. A pet project involving senior management or a high-risk project that cannot be analyzed easily with typical assessment methods are included in such projects. Principles of Capital Budgeting Process The capital budgeting process is based on the following five principles: All the capital budgeting decisions are based on the incremental cash flows of the project, and not on the accounting income generated by it. Sunk costs are not considered in the analysis. All the cash flows of the project should be based on the opportunity costs. Opportunity costs account for the money that the company will lose by implementing the project under analysis. These are the existing cash flows already generated by an asset of the company that will be forgone if the project under analysis is undertaken. The timing of the receipt of the cash flows is important. As per the time value of money concept, cash flows of the project received earlier has more value than the cash flows received later. All the cash flows from the project should be analyzed on an after-tax basis. The company should evaluate only those cash flows that they will keep, not those that they will pay to the government. The financing costs pertaining to a project should not be considered while evaluating incremental cash flows. Evaluation and Selection of Capital Projects All the capital projects are thoroughly analyzed on the basis of their cash flows forecast. However, the evaluation and selection of capital projects are also affected by the following categories: Independent versus Mutually Exclusive Projects: Independent projects are unrelated to each other and are thus, evaluated independently based on the individual profitability of each project. For example, assume both projects X and Y are independent and are profitable as well, then there is a probability that the company will accept both the projects. However, mutually exclusive implies that only one of the projects from a set will be accepted and that there is a competition among the projects itself. For example, if projects X and Y are mutually exclusive, the company cannot select both but only either X or Y. Some projects are implemented in a certain sequence or order so that the investment in one project today generates the opportunity to invest in other future projects. If a project implemented today is profitable, it will create the option to invest in the second project next year. Unlimited Funds versus Capital Rationing: If a company has unlimited funds, it can execute all the projects where expected returns are in excess of the cost of capital. However, many companies have capital constraints and have to use capital rationing. Capital budgeting process is an amalgamation of very complex decisions and their assessments. A single project can easily harm or enable the company to a large extent. Hence, an analyst needs to understand all the steps involved as well as the basic principles of the capital budgeting process.

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3: 3 Main Stages of Capital Formation | Economy

In Stages of Capital, Ritu Birla brings research on nonwestern capitalisms into conversation with postcolonial studies to illuminate the historical roots of India's market society.

Here are the basics of capital budgeting and how it works. Capital Budgeting Basics A company undertakes capital budgeting in order to make the best decisions about utilizing its limited capital. For example, if you are considering opening a distribution center or investing in the development of a new product, capital budgeting will be essential. It will help you decide if the proposed project or investment is actually worth it in the long run. Identify Potential Opportunities The first step in the capital budgeting process is to identify the opportunities that you have. Many times, there is more than one available path that your company could take. You have to identify which projects you want to investigate further and which ones do not make any sense for your company. If you overlook a viable option, it could end up costing you quite a bit of money in the long term. Evaluate Opportunities Once you have identified the reasonable opportunities, you need to determine which ones are the best. Look at them in relation to your overall business strategy and mission. See which opportunities are actually realistic at the present time and which ones should be put off for later. Cash Flow Next, you need to determine how much cash flow it would take to implement a given project. You also need to estimate how much cash would be brought in by such a project. This process is truly one of estimating--it takes a bit of guesswork. You need to try to be as realistic as you can in this process. Do not use the best-case scenario for your numbers. Most of the time, you need to use a fraction of that number to be realistic. If the project takes off and the best-case scenario is reached, that is great. However, the odds of that happening are not the best on new projects. Select Projects After you look at all of the possible projects, it is time to choose the right project mix for your company. Evaluate all of the different projects separately on their own merits. You need to come up with the right combination of projects that will work for your company immediately. Choose only the projects that mesh with your company goals. Implementation Once the decisions have been made, it is time to implement the projects. Implementation is not really a budgeting issue, but you will have to oversee everything to be sure it is done correctly. After the project gets started, you will need to review everything to make sure the finances still make sense.

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4: Stages of Capital | Duke University Press

"Stages of Capital is a historical study of law and legal arrangements, even much of it new and uncharted, and an illuminating account of colonial economic governance." â€”G Balachandran, Reviews in History.

The following points highlight the three main stages of capital formation. Creation of savings 2. Conversion of savings into investment 3. The actual production of capital goods. Capital formation depends on savings. Saving is that part of national income which is not spent on consumption goods. In other words, in order to save more and more people have to curtail their consumption voluntarily. If people reduce their consumption savings will increase. If consumption falls some resources used in the production of consumption goods will be released. Those resources can be reabsorbed in the industries producing capital goods. These two factors depend on a large number of factors like total income of the people, consumption expenditure, various individual motives as those of family affection, foresight, prudence, avarice and social prestige, the law and order situation in the country, investment facilities, rates of interest, etc. Similarly, the corporate saving is determined by the factors like taxation laws, legal requirements regarding reserve fund, profits, etc. Conversion of savings into investment: Often people save money but this saving largely goes waste because saving is hold in the form of idle balance as in rural areas , or to purchase unproductive assets like gold and jewellery. To accelerate the rate of capital formation it is absolutely essential to convert savings into investible resources. Thus, the second stage of capital formation is concerned with channelizing the savings of the household sector and convert these into loanable funds. The greater the institutional facilities and greater the efficiency of these institutions are, the larger would be the mobilisation of the savings for productive activities. Like individuals, companies also save. Most progressive organisations do not distribute their entire net profit after tax as dividends. A certain portion is retained for investment purposes. In fact the major portion of undistributed profit is ploughed back for expansion and diversification. In this case, banks and other financial institutions have hardly any role to play. Companies utilise their own surplus for investment purposes, i. The actual production of capital goods: Banks and financial institutions convert the savings of the household sector into loanable funds. Such funds are acquired by business funds to purchase capital goods like plant, equipment, machinery, etc. They place order for machines and structures and make advance payments to the suppliers of capital goods. Thus the third stage of capital formation is concerned with the actual production of capital goods. The process of capital formation is not complete unless business firms acquire capital goods so as to be able to expand their production capacity. Financiers live in a word of illusion. They count on something which they call capital of the country which has no existence. When Kanoria Chemicals Ltd. X builds a new house, we say that an act of investment has taken place. In fact, capital formation refers to net investment in fixed assets, additions to the stock of real capital. Gross fixed capital formation includes depreciation; net capital formation excludes it. However, in our day-to-day conversation we use the term investment rather loosely to mean buying a piece of land, an old security, or any title to property. In the true sense of the term, such purchases are to be treated as financial transactions or portfolio changes, and not as acts of investment. This is because what one is buying the other is selling. Thus, in economics investment refers to the creation of real capital. Strictly defined, investment is expenditure on real capital goods. In this sense, it is the amount by which the stock of capital of a firm or economy changes, once we have allowed for replacement of worn-out capital. Otherwise, these savings would remain idle or go waste and would not result in the creation of real capital which could step up the volume of production in the country. However, the mere existence of banks and financial institutions is not enough. This is no doubt important but does not guarantee an increase in the rate of capital formation. In the ultimate analysis capital formation depends on the existence of genuine entrepreneurs who are eager to make use of the savings of the community to create capital investment goods. It is often said that the scarcest resource in developing countries like India is neither land nor capital but entrepreneurship. Due to shortage of this most important factor, savings of the community often remain idle. Since there is not sufficient demand for funds, commercial banks sometimes have excess reserves. It may be noted at the end that, all the three stages of capital formation are interdependent. The third stage assumes importance when the first two stages are complete. It is to be noted that, a high rate of capital formation is essential for accelerating the rate of economic growth, as the production of a larger amount of capital goods constitutes and strengthens the infrastructure of an economy. But, the rate of capital formation is found to be low in the developing countries like India owing to inadequate facilities for high rate of savings and investment. In such countries the government, however, plays an active role in promoting capital formation through the expansion of public enterprises and through the increase in institutional facilities for saving and investment. The construction of roads and bridges, factories, canals and irrigation centres, soil conservation, transport system, etc.

STAGES OF CAPITAL pdf

5: First stages of capital project underway | Goshen Central School District, Goshen, NY

Stages of Investment Capital The method of seeking investment capital for your company and who you might approach for investment capital could depend upon the stage that you company be a the time. At the concept stage you would be seeking seed capital, which is usually form friends and family.

Facilitating public issue 1. Seed Capital It is an idea or concept as opposed to a business. The characteristics of the seed capital may be enumerated as follows: It is the earliest and therefore riskiest stage of Venture capital investment. The new technology and innovations being attempted have equal chance of success and failure. Such projects, particularly hi-tech, projects sink a lot of cash and need a strong financial support for their adaptation, commencement and eventual success. However, while the earliest stage of financing is fraught with risk, it also provides greater potential for realizing significant gains in long term. Seed capital is provided after being satisfied that the entrepreneur has used up his own resources and carried out his idea to a stage of acceptance and has initiated research. The asset underlying the seed capital is often technology or an idea as opposed to human assets a good management team so often sought by venture capitalists. Volume of Investment Activity It has been observed that Venture capitalist seldom make seed capital investment and these are relatively small by comparison to other forms of venture finance. The absence of interest in providing a significant amount of seed capital can be attributed to the following three factors: Seed capital projects by their very nature require a relatively small amount of capital. Larger venture capitalists avoid seed capital investments. This is because the small investments are seen to be cost inefficient in terms of time required to analyze, structure and manage them. The time horizon to realization for most seed capital investments is typically years which is longer than all but most long-term oriented investors will desire. The risk of product and technology obsolescence increases as the time to realization is extended. These types of obsolescence are particularly likely to occur with high technology investments particularly in the fields related to Information Technology. Start up Capital It is the second stage in the venture capital cycle and is distinguishable from seed capital investments. An entrepreneur often needs finance when the business is just starting. The start up stage involves starting a new business. Here in the entrepreneur has moved closer towards establishment of a going concern. Here in the business concept has been fully investigated and the business risk now becomes that of turning the concept into product. Start up capital is defined as: Establishment of company or business. The company is either being organized or is established recently. Establishment of most but not all the members of the team. Development of business plan or idea. The business plan should be fully developed yet the acceptability of the product by the market is uncertain. The company has not yet started trading. In the start up preposition venture capitalists investment criteria shifts from idea to people involved in the venture and the market opportunity. Before committing any finance at this stage, Venture capitalist however, assesses the managerial ability and the capacity of the entrepreneur, besides the skills, suitability and competence of the managerial team are also evaluated. If required they supply managerial skills and supervision for implementation. The time horizon for start up capital will be typically 6 or 8 years. Failure rate for start up is 2 out of 3. Start up needs funds by way of both first round investment and subsequent follow-up investments. The risk tends t be lower relative to seed capital situation. The risk is controlled by initially investing a smaller amount of capital in start-ups. The decision on additional financing is based upon the successful performance of the company. However, the term to realization of a start up investment remains longer than the term of finance normally provided by the majority of financial institutions. Longer time scale for using exit route demands continued watch on start up projects. Volume of Investment Activity Despite potential for specular returns most venture firms avoid investing in start-ups. One reason for the paucity of start up financing may be high discount rate that venture capitalist applies to venture proposals at this level of risk and maturity. They often prefer to spread their risk by sharing the financing. Early Stage Finance It is also called first stage capital is provided to entrepreneur who has a proven product, to start commercial production and marketing, not covering market expansion, de-risking and acquisition costs. At this stage the company passed into early success stage of its life cycle. A proven management team is put into this stage, a product is established and an identifiable market is being targeted. British Venture Capital Association has vividly defined early stage finance as: Little or no sales revenue. Cash flow and profit still negative. A small but enthusiastic management team which consists of people with technical and specialist background and with little experience in the management of growing business. Short term prospective for dramatic growth in revenue and profits. The early stage finance usually takes 4 to 6 years time horizon to realization. Early stage finance is the earliest in which two of the fundamentals of business are in place i. A company needs this round of finance because of any of the following reasons: Project overruns on product development. Initial loss after start up phase. The firm needs additional equity funds, which are not available from other sources thus prompting venture capitalist that, have financed the start up stage to provide further financing. The management risk is shifted from factors internal to the firm lack of management, lack of product etc. At this stage, capital needs, both fixed and working capital needs are greatest. Further, since firms do not have foundation of a trading record, finance will be difficult to obtain and so Venture capital particularly equity investment without associated debt burden is key to survival of the business. The following risks are normally associated to firms at this stage: The early stage firms may have drawn the attention of and incurred the challenge of a larger competition. There is a risk of product obsolescence. This is more so when the firm is involved in high-tech business like computer, information technology etc. Second Stage Finance It is the capital provided for marketing and meeting the growing working capital needs of an enterprise that has commenced the production but does not have positive cash flows sufficient to take care of its growing needs. Second stage finance, the second trench of Early State Finance is also referred to as follow on finance and can be defined as the provision of capital to the firm which has previously been in receipt of external capital but whose financial needs have subsequently exploded. This may be second or even third injection of capital. The characteristics of a second stage finance are: Second round financing typically comes in after start up and early stage funding and so have shorter time to maturity, generally ranging from 3 to 7 years. This stage of financing has both positive and negative reasons. Cost overruns in market development. Failure of new product to live up to sales forecast. Need to re-position products through a new marketing campaign. Need to re-define the product in the market place once the product deficiency is revealed. Sales appear to be exceeding forecasts and the enterprise needs to acquire assets to gear up for production volumes greater than forecasts. High growth enterprises expand faster than their working capital permit, thus needing additional finance. Aim is to provide working capital for initial expansion of an enterprise to meet needs of increasing stocks and receivables. It is additional injection of funds and is an acceptable part of venture capital. Often provision for such additional finance can be included in the original financing package as an option, subject to certain management performance targets. Later Stage Finance It is called third stage capital is provided to an enterprise that has established commercial production and basic marketing set-up, typically for market expansion, acquisition , product development etc. It is provided for market expansion of the enterprise. The enterprises eligible for this round of finance have following characteristics. Established business, having already passed the risky early stage. Expanding high yield, capital growth and good profitability. Reputed market position and an established formal organization structure. It is also called last round of finance in run up to the trade sale or public offer. Venture capitalists prefer later stage investment vis a vis early stage investments, as the rate of failure in later stage financing is low. It is because firms at this stage have a past performance data, track record of management, established procedures of financial control. The time horizon for realization is shorter, ranging from 3 to 5 years. This helps the venture capitalists to balance their own portfolio of investment as it provides a running yield to venture capitalists. Further the loan component in third stage finance provides tax advantage and superior return to the investors. There are four sub divisions of later stage finance.

6: Various Stages of Capital Replacement Fund

This stage involves the conÂ-version of money-savings into the making of capital goods, or what is known as investment. The latter, in turn, hinges on the existing technical facilities available in the country, existing capital equipment, entrepreneurial skill and venture, rate of return on investment, rate of interest, governÂ-ment policy, etc.

Austin , â€" also present-day capital of the State of Texas Native American capitals[edit] Some Native American tribes, in particular the Five Civilized Tribes , organized their states with constitutions and capitals in Western style. Since they did business with the U. Federal Government, these capitals can be seen as officially recognized in some sense. Major Ridge chose the site because of its centrality in the historic Cherokee Nation which spanned parts of Georgia, North Carolina, Tennessee and Alabama, and because it was near the confluence of the Conasauga and Coosawattee rivers. Thousands of Cherokee would gather in New Echota for the annual National Councils, camping along the nearby rivers and holding long stomp dances in the park-like woods that were typical of many Southeastern Native American settlements. The log cabins, limestone springs and park-like woods of Red Clay served as the capital until the Cherokee Nation was removed to Indian Territory Oklahoma on the Trail of Tears. After the Civil War, a turbulent period for the Nation which was involved in its own civil war resulting from pervasive anger and disagreements over removal from Georgia, the Cherokee Nation built a new National Capitol in Tahlequah out of brick. The building served as the capitol until , when the Dawes Act finally dissolved the Cherokee Nation and Tahlequah became the county seat of Cherokee County, Oklahoma. The Cherokee National government was re-established in and Tahlequah remains the capital of the modern Cherokee Nation ; it is also the capital of the United Keetoowah Band of Cherokee Indians. Cherokee 20th centuryâ€"present Eastern Band of Cherokee Approximately four to eight hundred Cherokees escaped removal because they lived on a separated tract, purchased later with the help of Confederate Colonel William Holland Thomas , along the Oconaluftee river deep in the Smoky Mountains of North Carolina. Some Cherokees fleeing the Federal Army sent for the "round up," fled to the remote settlements separated from the rest of the Cherokee Territory in Georgia and North Carolina in order to remain in their homeland. However, the Union forced the Creeks to cede over three million acres half of their land of what is now Arkansas, after some Creeks fought with the Confederacy in the American Civil War. It was probably named after Ocmulgee , on the Ocmulgee river in Macon , a principle Coosa and later Creek town built with mounds and functioning as part of the Southeastern ceremonial complex. However, there were other traditional Creek "mother-towns" before removal. The Ocmulgee mounds were ceded illegally in with the Treaty of Indian Springs. Iroquois Confederacy[edit] Onondaga Onondaga privilege c. Jimerson Town was founded in the s following the formation of the Allegheny Reservoir. The Senecas also have an administrative longhouse in Steamburg but do not consider that location to be a capital. Window Rock Window Rock Navajo: It lies within the boundaries of the St. Michaels Chapter, adjacent to the Arizona and New Mexico state line. Unrecognized national capitals[edit] There have been a handful of nations within the current borders of the United States which were never officially recognized as legally independent sovereign entities; however, these nations did have de facto control over their respective regions during their existence. Vermont Republic[edit] Before joining the United States as the fourteenth state, Vermont was an independent republic known as the Vermont Republic. Two cities served as the capital of the Republic:

7: List of capitals in the United States - Wikipedia

The board also needs to ensure that the Capital Replacement Fund has been adequately funded to this point. During the developmental stage, the Capital Replacement Fund is funded in accordance with a study prepared for the Public Offering Statement.

The investor may or may not take an active roll in management, perhaps sitting on the board of directors or other forms of participation. The risk at this stage is higher for the investor, but if the company is successful the return can be much greater. The seed capital of a company may be put in by the founders or Friends and Family, but more capital is needed. Research and Development Stage â€" At this stage of the company, the investor is usually helping to finance the research and development of a product. Where in the initial stage, the company may have been financed by the founder or friends and family, additional capital is now needed to complete the research and development of the product, create a working prototype, or to bring the product to the stage of marketing. The company may have completed market studies, have a management team in place and a business plan developed. The company should be generating revenues at this time but may not show profits yet. Hopefully a good management team is in place, including marketing people and the company is well on its way to fulfilling their business plan. Mezzanine â€" At this time, the company has increasing sales, may be near the break-even or even profitable and needs funds for further expansion, marketing and working capital. The company is now looking at a more assured future, raising additional funds for growth, perhaps even an IPO. The comp0any may be anticipating other exciting events that would enhance the growth of the company. Bridge â€" The Bridge is when the company needs what might be considered short term capital to accomplish a particular goal. It could be a merger or an IPO or to sustain the company while other financing is arranged. A bridge could be in the form of equity or debt. The bridge financing is usually considered short term, to be paid off in the near future. Acquisition or Merger â€" The company may need additional capital to finance an acquisition or a merger of another company, this allowing the company to grow more dramatically. Turnaround â€" The company may have need of additional capital to turn the company around from unprofitability to profitability. Perhaps the company has gone through a period of problems and the effect of the infusion of capital may allow the company to change course and bring the company to a profitable position, perhaps through an increased marketing program. The effect of the infusion of capital must be clearly defined in the business plan, as the investor must believe that the added capital will accomplish the job. Investors usually view turnaround money as being a symptom of underlying management, manufacturing or marketing problems. Each stage of a company may bring in investors with different goals and desires. Usually, they can tell from just an executive summary if there is even an interest. If so, they would then review the business plan in depth. If, after reviewing the business plan, the investor, is still interested, the real due diligence starts. It may first include a visit with the principles of the company and doing research into the background of those individuals. The will review the financial statements presented, review the products, including any testing results, market potential, manufacturing costs, the projections of the company, and any other area of the company that would be of interest and relate to the success of the company. The investor may desire to play an active droll in the company, perhaps in some management position or sit on the board of directors. This may not be all bad if the investor has expertise that can be offered which will help in the success of the company. Each investor must establish in his own mind the criteria for investing. Investors sometimes lean toward industries that they know and understand, such as technology, oil and gas and retail products, among a few. Some may prefer to invest close to home, which allow him to keep better tabs on the company. He has to determine if wants to co-invest with others and the reward to risk ratio. The investor may want other professional to study the company and advise him. And of course the investor must be contented with the terms of the investment. Please read important disclaimer.

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8: VentureVest Capital Corporation

Stage 4: Expansion stage/second stage/third stage capital Growth is often exponential by this stage. Accordingly, VC funding serves as more fuel for the fire, enabling expansion to additional markets (e.g., other cities or countries) and diversification and differentiation of product lines.

An association usually has a study prepared by an engineer to determine a recommended funding amount based upon an estimate of the remaining useful lives of these elements, the eventual replacement costs and funds accumulated to date. At each stage, different factors are considered when calculating and allocating funds to the Capital Replacement Fund. We will look at each stage and go through the various factors that apply at each stage. Different portions of the common elements are at various stages of completion therefore, the Capital Replacement Fund is often funded based on a pro-rata calculation, which reflects which common elements have been completed and which have not. For units that have been sold, the owners pay their portion through the maintenance fees. In addition, the Developer normally makes contributions to the replacement fund for unsold units. However, the following factors need to be considered: Does the association have a clubhouse and other recreational amenities? If so, have these common elements been completed? It is recommended from the date of completion, replacement funding for these amenities may be funded in full. Unit owners pay their share through maintenance assessments and the balance due on behalf of all the unsold units to the date of their sale may be funded by the Developer. If the association is a high-rise building, typically all of the common elements are completed prior to the sale of the first unit. Therefore, the Capital Replacement Fund may be funded in full with the Developer paying his share based upon the unsold units. Some associations consist of multiple low to mid rise buildings. In those cases, the capital replacement schedule should refl ect each building separately and each building may be funded in full from the date the first unit is sold in that building. The same issue exists regarding the Developer paying his share for unsold units. One approach is to have only the sold units pay for these elements as the argument is that these elements are completed in proportion to units sold, therefore, there is no amount due from the unsold units. Another approach is to calculate the percentage completion for each element and have both the unit owners and the Developer fund their respective portions. This raises an additional question, how often do you calculate the percentage completion and what happens if the unit owners pay more than their share? The answer is not always the same and each case should be considered separately. Transition to Unit Owner Control Transition is the process where control of the board and the common elements is conveyed from the Developer to the unit owners. The unit owner controlled board and the Developer go through a due diligence, a negotiation process to ensure that the association is left in the hands of the unit owners in a sound financial position and that construction defects have been appropriately addressed. The board also needs to ensure that the Capital Replacement Fund has been adequately funded to this point. During the developmental stage, the Capital Replacement Fund is funded in accordance with a study prepared for the Public Offering Statement. This study is usually prepared prior to actual construction and is based on architectural drawings and discussions with the Developer. More often than not, the actual construction will be different from the initial plan and sometimes the differences may material. In addition, due to the time frame from issuance of the Public Offering Statement to transition, replacement costs and remaining useful lives usually have changed. Therefore, it is recommended that a full reserve study be conducted to evaluate potential deficiencies in the study that was used in the Public Offering Statement and to ensure that future funding is adequate. Any material differences found between the two studies usually become an item that is discussed as part of the transition negotiation process. Unit Owner Control â€" The Early Years Post transition, a signifi cant question that the board faces is what type of funding methodology should the association follow. There are three main types of funding and their advantages and disadvantages are as follows: Full Funding - Under this methodology, also known as component funding, the association funds for each common element separately based on each items remaining useful life and estimated replacement cost. The advantage is that this is the most conservative form of funding and if correctly followed, the association will usually have the funds to replace all of the common elements as, and when, needed. The disadvantage is that over time, the association builds up a pool of money that is unused since all the items are not replaced at the same time. Threshold Funding - This is also known as the pooling method. Under this method, the association sets a replacement funding goal of keeping the replacement fund balance above a specified dollar amount threshold at its lowest accumulated amount, as specified by the board. The advantage here is that by lowering the contribution the association does not build as high a pool of unused money, and keeps the maintenance fee lower. The disadvantage is that this is a more aggressive form of funding and if certain elements age prematurely or cost more, then the association may be caught in a situation where it does not have sufficient funds to make the necessary repairs as needed. The lower the percentage, the lower the threshold level, and the lower the annual contribution. Also, the lower the percentage, the funding plan becomes less conservative. Baseline Funding - This funding method sets a replacement funding goal of keeping the replacement fund balance at or above zero at its lowest point of accumulation. The advantage to this method is that the annual contribution to the Capital Replacement Fund is at the lowest possible level. The disadvantage is this is the most aggressive, most risky form of funding, and if any major common element ages prematurely or costs more to replace than originally anticipated, the association most may not have sufficient funds. Boards who adopt this methodology, should clearly understand the risks to this approach. From inception through the early years, we usually recommend that the association use the full funding methodology. In addition, there may be defects in construction that have not yet come to light. By using the full funding methodology, the board may be able to take care of unforeseen expenses while going through the transition process. As an association ages, it may consider using a form of threshold funding. The Mature Association At this point, transition is a distant memory and all construction defects have long ago been dealt with. The association is often at the stage where some major projects are being undertaken to replace some of the larger common elements. As projects become due, the board has to ensure that the association has the appropriate financial capability. The factors to be considered are: How old is the Capital Replacement Study? We typically recommend that the study be updated every three to five years or sooner if significant monies have been spent on replacement fund projects or issues with common elements surface. This will help ensure that association is adequately funding for cost increases and aging of common elements. What funding methodology should the association use? At this stage, using the threshold funding methodology is becoming more common. We still do not recommend baseline funding as we consider it too aggressive. Often, associations experience the inclusion of certain elements that were initially excluded due to their estimated useful lives. If the window is forty years, than only components with a useful life of up to forty years would be included. The most common example is the siding of a building. Therefore, serious consideration should be given to identify and include items in the study. In addition, if extra funding is needed, the association always has other options including the right to increase regular assessments, pass special assessments, borrow monies or delay major repairs and replacements until funds are available, if possible. He can be reached at This email address is being protected from spambots. You need JavaScript enabled to view it.

9: The Stages in Venture Capital Investing

There are stark differences between the launchpad, incubator and accelerator stages of raising capital. After going through a thousand pitch decks for our newest cohort of portfolio companies, as.

The following schematics shown here are called the process data models. All activities that find place in the venture capital financing process are displayed at the left side of the model. Each box stands for a stage of the process and each stage has a number of activities. At the right side, there are concepts. This diagram is according to the modeling technique developed by Sjaak Brinkkemper of the University of Utrecht in the Netherlands. Seed stage[edit] The Seed Stage This is where the seed funding takes place. The investor will investigate the technical and economical feasibility feasibility study of the idea. To open this portal, the venture needs some financial resources, they also need marketeers and market researchers to investigate whether there is a market for their idea. To attract these financial and non-financial resources, the executives of the venture decide to approach ABN AMRO Bank to see if the bank is interested in their idea. After a few meetings, the executives are successful in convincing the bank to take a look in the feasibility of the idea. After two weeks, the bank decides to invest. They come to an agreement and invest a small amount of money into the venture. The bank also decides to provide a small team of marketeers and market researchers and a supervisor. This is done to help the venture with the realization of their idea and to monitor the activities in the venture. Risk[edit] At this stage, the risk of losing the investment is tremendously high, because there are so many uncertain factors. The market research may reveal that there is no demand for the product or service, or it may reveal that there are already established companies serving this demand. Young shows that the risk of the venture capital firm losing its investment is around Kerr, Josh Lerner, and Antoinette Schoar, however, shows evidence that angel-funded startup companies are less likely to fail than companies that rely on other forms of initial financing. A business plan is presented by the attendant of the venture to the venture capital firm. A management team is being formed to run the venture. If the company has a board of directors, a person from the venture capital firms will take seats at the board of directors. The prototype is being developed and fully tested. In some cases, clients are being attracted for initial sales. The management-team establishes a feasible production line to produce the product. The venture capital firm monitors the feasibility of the product and the capability of the management-team from the board of directors. To prove that the assumptions of the investors are correct about the investment, the venture capital firm wants to see the results of market research to see if there are sufficient consumers to buy their product market size. They also want to create a realistic forecast of the investment needed to push the venture into the next stage. If at this stage, the venture capital firm is not satisfied about the progress or market research results, the venture capital firm may stop their funding and the venture will have to search for another investor s. When there is dissatisfaction and it is related to management performance, the investor may recommend replacing all or part of the management team. Example[edit] Now the venture has attracted an investor, the venture needs to satisfy the investor to invest further. To do that, the venture needs to provide the investor a clear business plan, idea realisation, and how the venture is planning to earn back the investment that is put into the venture, of course with a lucrative return. Together with the market researchers, provided by the investor, the venture has to determine how big the market is in their region. They have to find out who are the potential clients and if the market is big enough to realise the idea. From market research, the venture comes to know that there are enough potential clients for their portal site. But there are no providers of lunches yet. To convince these providers, the venture decides to interview providers and try to convince them to join. With this knowledge, the venture can finish their business plan and determine a forecast of the revenue, the cost of developing and maintaining the site, and the profit the venture will earn in the following five years. After reviewing the business plan and consulting the person who monitors the venture activities, the investor decides that the idea is worth further development. Risk[edit] At this stage, the risk of losing the investment is shrinking because the nature of any uncertainty is becoming clearer. However, the causation of major risk becomes higher The venture capital firm could have underestimated the risk involved, or the product and the purpose of the product could have changed during development. This is the first encounter with the rest of the market, the competitors. The venture is trying to squeeze between the rest and it tries to get some market share from the competitors. This is one of the main goals at this stage. Another important point is the cost. The venture is trying to minimize their losses in order to reach the break-even. The management team has to handle very decisively. The venture capital firm monitors the management capability of the team. This consists of how the management team manages the development process of the product and how they react to competition. If at this stage the management team is proven their capability of standing hold against the competition, the venture capital firm will probably give a go for the next stage. However, if the management team lacks in managing the company or does not succeed in competing with the competitors, the venture capital firm may suggest for restructuring of the management team and extend the stage by redoing the stage again. In case the venture is doing tremendously bad whether it is caused by the management team or from competition, the investor will cut the funding. Example[edit] The portal site needs to be developed. If possible, the development should be taken place in house. If not, the venture needs to find a reliable designer to develop the site. Developing the site in house is not possible; the venture does not have this knowledge in house. The venture decides to consult this with the investor. After a few meetings, the investor decides to provide the venture a small team of web-designers. The investor also has given the venture a deadline when the portal should be operational. The deadline is in three months. In the meantime, the venture needs to produce a client portfolio, who will provide their menu at the launch of the portal site. The venture also needs to come to an agreement on how these providers are being promoted at the portal site and against what price. After three months, the investor requests the status of development. Unfortunately for the venture, the development did not go as planned. The venture did not make the deadline. According to the one who is monitoring the activities, this is caused by the lack of decisiveness by the venture and the lack of skills of the designers. The investor decides to cut back their financial investment after a long meeting. The venture is given another three months to come up with an operational portal site. If the venture does not make this deadline in time, they have to find another investor. Luckily for the venture, with the come of the new designer and the consultant, the venture succeeds in making the deadline. They even have two weeks left before the second deadline ends. Risk[edit] At this stage, the risk decreases because the start-up is no longer developing its product, but is now concentrating on promoting and selling it. These risks can be estimated. The risk to the venture capital firm of losing the investment drops from The venture tries to expand the market share they gained in the previous stage. This can be done by selling more of the product and having a good marketing campaign. Also, the venture will have to see whether it is possible to cut down their production cost or restructure the internal process. This can become more visible by doing a SWOT analysis. It is used to figure out the strength, weakness, opportunity and the threat the venture is facing and how to deal with it. Apart from expanding, the venture also starts to investigate follow-up products and services. At this stage the venture capital firm monitors the objectives already mentioned in the second stage and also the new objective mentioned at this stage. The venture capital firm will evaluate if the management team has made the expected cost reduction. They also want to know how the venture competes against the competitors. The new developed follow-up product will be evaluated to see if there is any potential. Example[edit] Finally the portal site is operational. The portal is getting more orders from the working class every day. To keep this going, the venture needs to promote their portal site. The venture decides to advertise by distributing flyers at each office in their region to attract new clients. This way the venture also works on expanding their market. Because of the delay at the previous stage, the venture did not fulfil the expected target. From a new forecast, requested by the investor, the venture expects to fulfil the target in the next quarter or the next half year. This is caused by external issues the venture does not have control of it. This is approved by the investor. Risk[edit] At this stage, the risk to the venture capital firm of losing the investment drops from However, new follow-up products are often being developed at this stage. The risk of losing the investment is still decreasing, because the venture relies on its income from sales of the existing product. The main goal of this stage is for the venture to go public so that investors can exit the venture with a profit commensurate with the risk they have taken. At this stage, the venture achieves a certain amount of market share. This gives the venture some opportunities, for example:

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