

Venture capitalist essay examples

[Finance](#), [Investment](#)



Abstract

The article deliberated upon is titled as The Two Cycles of Venture Capital written by David Rosenberg. The article is based on an analysis conducted on two quotes; the first quote outlines that venture capital is essentially an arbitrage opportunity between the different values attributed to an asset by the private and public market and the second quote states that Joe Bananas' is a venture capitalist who invested in businesses with the owner who invited him to become their partner because of his connection. Moreover, the article outlines the nature of the venture cycle as a cycle that provides equilibrium of stimulus to the venture capitalist through the process of remuneration, legal constraints in a limited partnership, and emphasis on reputation centered on unenforceable implicit contract. The article also mentions the various duties and responsibilities of a venture capitalist, among them being negotiating for a profitable business environment, protect the rights and interest of their investors, and the fiduciary care and loyalty. In addition, the article outlines the options that investors have in a down or falling market. The investor may choose either to accept the losses or still maintain the right to participate in future funds, forego participation, in a future limited partnership with lesser invested funds, or sue the partners managing the funds.

Personal response

The article is in some way a success and a failure. Beginning with the positive part of the article; it has been able to explain that venture capitalist is not necessarily just one wealthy financier, but mostly they are formed

under limited partnership that have a fund pool venture capital, which can be, devoted to several companies. The VC does not only invest in start-up funds but also it extends investment to employment of expertise, managerial skills, time and connections in developing the young business to a huge profitable corporation. The article outlines a detailed explanation on the legal obligations governing a limited partnership. The author also succeeds in explaining the cycle of investment and the venture capital cycle and how they are integrated to the VC corporations.

However, the article fails to give a direct and well understood meaning of venture capital which can be stated as money given by an outside financier to fund a new, developing, or a business on the verge of breakdown. Also, the article also fails to mention necessary risks that can be linked to the issuance of capital which might be risky due to inability to predict future profits and cash flows. In addition, not all the VC pays off, some may lead to an increased failure rate. More so, the article fails to mention alternatives other than venture capitals. One such alternative funding source is an angel investor a terminology used for an investor who helps in increasing the business level. The article still fails to mention a well outlined business submission plan required in approaching a VC. Principally, the business plan should consist of a depiction of the prospects and market extent, review of the competitive landscape and solution, detailed financial projection, and a capitalization table.

Paraphrasing information from the article

The terms of forming a limited partnership in the venture capital agreement are negotiable between the business owner and the person or corporation

providing the investment funds. The negotiation should be centered on such terms that ensure mutual benefit for both the business owner and the investor.

Conclusion

The article particularly is successful in outlining the major issues that affect Venture Capitalist ranging from the legal perspective, Venture Capitalist duties and responsibilities, and response of investors to a failing market. However, the article fails to outline some crucial issue such as the direct and simple meaning of Venture Capitalist, how to create a business submission plan, and outlining the numerous risk involved in the process.

Reference

- Cumming, D. (2010). *Venture Capital: Investment Strategies, Structures, and Policies*. New York: John Wiley & Sons.
- Rosenberg, D. (2003). The Two Cycles of Venture Capital. *Journal of Corporation Law*, 433.