- Negatives- rarely have 'deep pockets'- no second & third round financing

Corporate venturing: to accept funding from a large corporate. These companies invest in promising new ventures to exploit their ideas, obtain the benefit of their new technologies and gain an edge on the market. This can also prove profitable in the same way it provides a good return for professional VC's.

- Positives- provides useful financial support & access to wide range of business contacts
    - May also be synergies between the different businesses if industry is related
    - Having a significant investor can add to a company's profile in the business & investment communities
- Negatives-
    - Does each party understand other's motivation?
    - Is a reciprocal arrangement planned where the venture will provide business advice/contacts? Does venture have a good track record?
    - How important is investee business to the venture?
- Companies raising venture capital can expect to have to give special protection to their investors via the share agreement
- The terms of venture capital ensure VC's can exit investment when opportunity presents itself, and ensures they do not suffer too much if investee company does not perform as originally expected
- 'drag-along rights' apply is an offer is made for a company- they give majority SH who wishes to sell, the right to force minority to join in the sale on the same terms.
    - Prevents minority SH's stopping the deal taking place
    - 'tag-along rights' – any offer made to one SH has to be made to others
- 'anti-dilution protection' – in the event of a 'down-round' (shared being issues at lower price), some/all of the VC's existing shares will be re-priced as if they had been issued at this low price
    - Increases no of shares and minimises dilution