

Book Review:

Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist

by Brad Feld and Jason Mendelson

Overview

Venture Capital—a name filled with intrigue that connotes risk, rich people, and incredible reward. In their book Venture Deals, Brad Feld and Jason Mendelson seek to strip the word of some of its mystery and dig into the details of how this type of business investment actually works, and what entrepreneurs need to know for it to work for them. This book is the product of the two venture capitalists' gleanings from years of working with entrepreneurs, investing in them, and trying to coach them up to being better prepared for the process. For years, this advice took the form of a blog, and has now has been combined into Venture Deals.

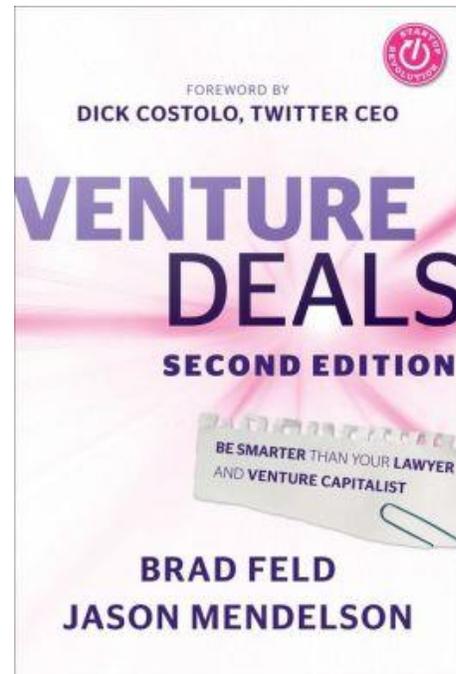
So what is venture capital, anyway?

One thing this book does very well is walk you through a standard VC deal, introducing the terminology and key players that can mean success to the businesses that seek this funding. Feld and Mendelson describe the application process, what types of documents and presentations they look for (hint: it's never going to be a business plan for Feld and Mendelson), and spend some time unpacking the construction of a term sheet, which is the formal business agreement that details the form of a venture capital deal. Venture capital funds, it turns out, can be very complicated, and the explanation here of how the funds are structured is illuminating. Venture Deals does a nice job of describing how they actually work, and who actually makes decisions.

Being prepared

The authors stress being prepared and reaching out to only the types of venture capitalists that fund the kind of business you have and the type of funding you're looking for. Is it agribusiness or health sciences? Seed stage or a later round? These definitions will help you narrow down your funding options—and then an experienced researcher can help you to further narrow in to the funds that would be appropriate. Once you know which funds could work, it's important to learn about their style. Talking to companies they've funded in the past, or haven't funded, can go a long way towards helping you to be prepared when you're actually sitting down to a meeting.

The book also recommends picking a lawyer to work with you through these complicated decisions, and even more so to pick a lawyer that has VC experience and knows what they're doing. Again, do your research, find connections that allow you to talk to people that've worked with them before, and make a decision you will feel confident in later.



The Devil

is in the details, and there are many many details in this book. In fact, most of the book is densely packed explanations and specific terms. Though I read all of it, there were significant portions where I didn't actually learn what I was reading. Follow-on rights? ARR? I wouldn't be able to explain what those are. But I also don't have to. I can keep it as a reference for when I do talk to someone that really needs to know the details of a VC financing.

Should you read this book?

This book is written for a specific reader: those that expect to actually deal in venture capital on a regular basis, either as an entrepreneur, a service provider like a lawyer, or even a venture capitalist. For others, it might provide an interesting look into the field, but I bet they'll get bogged down with the technicalities. If you're not sure, check out Brad Feld's blog at Feld.com, or find one of his and Mendelson's videos online.

If you *are* someone that needs to know about venture capital in an intimate way, I think this book should be right on your shelf. It's readable, and anecdotes and examples help liven up what the authors admit is pretty dry material. I look forward to reading more of their work, like [Startup Communities: Building an Entrepreneurial Ecosystem in Your City](#), at some point in the future.

Terence O'Neill is the Entrepreneurship Librarian at Michigan State University, where he works to connect entrepreneurs to resources that will better inform their business decisions. Through a background in libraries and community education, Terence has worked to support business and innovation internationally and throughout Michigan.

Have a book you want reviewed, or another comment? You can reach Terence at oneillt@msu.edu.