

Supplementary Exercises for

Chapter 9 Looking for Investments Outside Silicon Valley

I. Questions on the text:

1. From the title of this text, what can you guess the writer will be discussing? And what is the driving force behind American venture capitalists' looking for investments elsewhere?
2. According the writer, why is it crucial for American investors to know about the European local culture?
3. Why are the investment activities in Europe high-tech oriented? Is it because high-tech businesses are the only businesses they can seek opportunity of making investments in? If no, why?
4. Why did some American venture capital firms suffer a great loss in Europe? What caused the failure of those firms?
5. What are the barriers to favorable investment environments that Europe needs to remove?
6. What is the point of view of the writer regarding investment opportunities in Europe?

II. Read the following passage and choose the best sentence from A to F below to fill in each of the gaps in the passage.

VCs Put Startups in a Sharper Focus

A growing number of VC firms now specialize in funding life-sciences outfits, mostly as a way of differentiating themselves in the competition for the best companies. There are even funds that specialize within the industry. 1) _____ The founders of these specialty funds tend to have been industry analysts and scientists who once worked for VC firms with more general interests, where they helped assess life-sciences startups.

By being able to speak the language of the scientists who often head life sciences startups, specialty VCs have a head start in winning the confidence of those outfits' founders. 2) _____

Positioning themselves as industry experts, the specialty VCs also enjoy a leg-up in marketing themselves to the pension fund and other institutions that provide investment capital. 3) _____

LONGER CYCLES. In addition, the specialty firms argue that they are best positioned to pick winners. They point out, quite rightly, that being able to anticipate in advance how life sciences companies differ in their development from other kinds of ventures enables the firms to structure financing to maximize the chances of success. 4) _____

5) _____ One VC firm specializing in life sciences might distribute stock immediately after a company goes public, while another VC outfit specializing in software companies may make such a distribution nine months to a year after an IPO.

The reason behind such differences: life-sciences stock may languish for several years after an IPO, as the lengthy FDA approval process unfolds. 6) _____

- A. For example, one firm targets medical-imaging ventures.
- B. The VCs argue that access to key university faculty and an understanding of the Food & Drug Administration's (FDA) approval process enable them to gain access to the likeliest big winners in life sciences.
- C. Moreover, the specialist VCs can then offer opportunities that might not be as readily available through more generalized firms -- connections to distributors, vendors, specialty consultants, strategic-partnering candidates, even to management-team candidates.
- D. By contrast, a software player will be expected to increase over the first year as it uses public funds to expand manufacturing and distribution, hike sales and profits, and attract a growing following to the stock.
- A. For example, life-science companies typically have a much longer development cycle and a different range of intellectual-property issues than software companies.
- B. The differing growth cycles influence VCs' investment strategies.

III. E-C Translation:

1. Although Europe is on the right track to create the right culture for venture capital, there are still some obstacles that need to be removed. Entrepreneurship is becoming more widespread, but tolerance for risk taking is far lower than in the US as forming start-ups comes to a much greater personal and social cost. "There is no shortage of money or good ideas," says Tim Duffy, "the problem is to convince people to take risks." And regional differences mean Europe lacks a big

domestic market such as the US, with the consequence that companies find it more difficult to become worldwide leaders in the global market. “Europe does not have yet the frame of reference to build worldwide leaders in the global market,” concludes Archambeau.

2. Most of the American VCs target the European market with a dedicated fund. For instance, Benchmark Capital, Silicon Valley venture capital firm, when it opened its doors in London last year launched a \$750 million fund specifically dedicated to investment in European technology start-ups.
3. Venture capital can facilitate the growth of promising small companies and the development and introduction of new products and technologies into the marketplace. It is an important source of funds used in the formation and expansion of small high-tech companies. Venture capital investments tend to be long term and high risk and have a potential for large payoffs to the investor.

IV. Key to Exercises

Exercise II

- 1) A 2) C 3) B 4) E 5) F 6) D

Exercise III

1. 尽管欧洲能够提供风险资本投资所需要的文化氛围，但仍有一些障碍需要克服。创业精神被欧洲更多的国家的创业者所接受，但与美国人相比，欧洲人不大愿意承担风险，其原因是创办新企业会给个人和社会造成更大的损失。“这里不缺金钱和好的投资设想”，Tim Duffy 说道。“问题是如何让人们去承担风险”。欧洲各国存在区域差异，这意味着欧洲缺乏像美国这样的一个广大的国内市场，其结果便是公司难以在全球市场中成为全球的领导者。“欧洲尚不具备创建全球市场领导者的标准，” Archambeau 结束时说道。
2. 大多数美国风险资本公司都以专项资金的形式投资于欧洲市场。例如，一家位于硅谷名为 Benchmark Capital 的风险资本公司，去年该公司在伦敦开业时投入了七亿五千万美元，专项用于投资欧洲新创立的科技公司。
1. 风险资本能够帮助具有发展前途的小公司得到快速增长，并且能够面对市场需求开发和引进新的产品和技术。风险资本是用于小的高科技公司的创建和扩大规模所需资金的重要来源。风险资本投资对投资者来说，一般投资期限长，风险高，但潜在的收益高。