

EXERCISE**RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENTS****Background**

You're helping Wave Metrics on its Series A financing. The company has agreed to grant all "major investors" a right of first refusal and co-sale right over any transfers by a founder.

Angie and Tom, the co-founders, are not exactly sure what this means and are generally concerned about their ability to sell or transfer their shares in the future, even to their family members. The partner reassures them that the investors have allowed all of the standard exemptions from the transfer restrictions. However, Angie and Tom have asked for a clearer explanation so that they can be sure they understand the deal.

The partner has scheduled a conference call with the founders and would like you to take the lead on describing the right of first refusal and co-sale rights as well as explaining what types of transfers are permitted by the standard exemptions.

Instructions

Be prepared to discuss the following:

- What's a right of first refusal?
- What's a co-sale right?
- How do these rights play out if a founder were to propose a sale of shares to a third party?
- What are the standard exemptions that the partner was referring to?