

EXERCISE

VENTURE CAPITAL TERM SHEETS

Background

One of your startup clients has started talking to potential investors about raising venture capital. This is the first time the founders have raised venture capital and they're curious about term sheets. They know that company valuation and the amount of money being raised will be covered in a term sheet, but they're not as clear on what other terms may be included.

The partner has asked you to explain to the client what's typically found in a Series A term sheet, and asked you to make sure you at least cover the following:

- The most common economic and control rights typically found in a term sheet;
- Any founder-specific issues that may show up in a term sheet; and
- Whether or not term sheets are binding.

The partner would like to meet with you before you call the client to hear your thoughts.

Instructions

Come prepared to discuss what you plan to tell the client.