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Term Sheet Discussion

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# The Panel



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# How To Raise Financing

- Investor Ready Plan and Materials
- Securities Law Compliance
  - General Solicitation
  - Raising money from investors inside Sweden
  - And Outside Sweden
- Swedish Ecosystem

# The Term Sheet

- What Is It's Purpose?
- Pros and Cons of Detail
  - One page?
  - Three pages?
  - Ten pages?

# Protocol – Who Does What?

- Who Drafts and Presents the Term Sheet?
- Who Sets Valuation?
- Who are the Key Players?

# Term Sheets By Stage

- Friends, Family and Fools
- Seed Stage – Prof. Angels and Institutional
- Venture Rounds – Early
- Follow-On Rounds – Expansion and Growth

# What is the “Security”?

- Common Stock
- Convertible Notes
  - Interest Rate, Discounts and/or Warrants
  - Unsecured or Not
- Series Seed
- Venture Equity – Convertible Preferred
- Venture Debt

# Fundamental Concepts

## Economic Rights

- Upside and Downside
- Risks and Rewards

## Control Rights

- How are Decisions Made?
- By Whom?



# Economics

- Pre-Money and Post-Money Valuation
- Liquidation Preference
- Vesting/Reverse Vesting
- Equity Incentives/Option Pool
- Antidilution

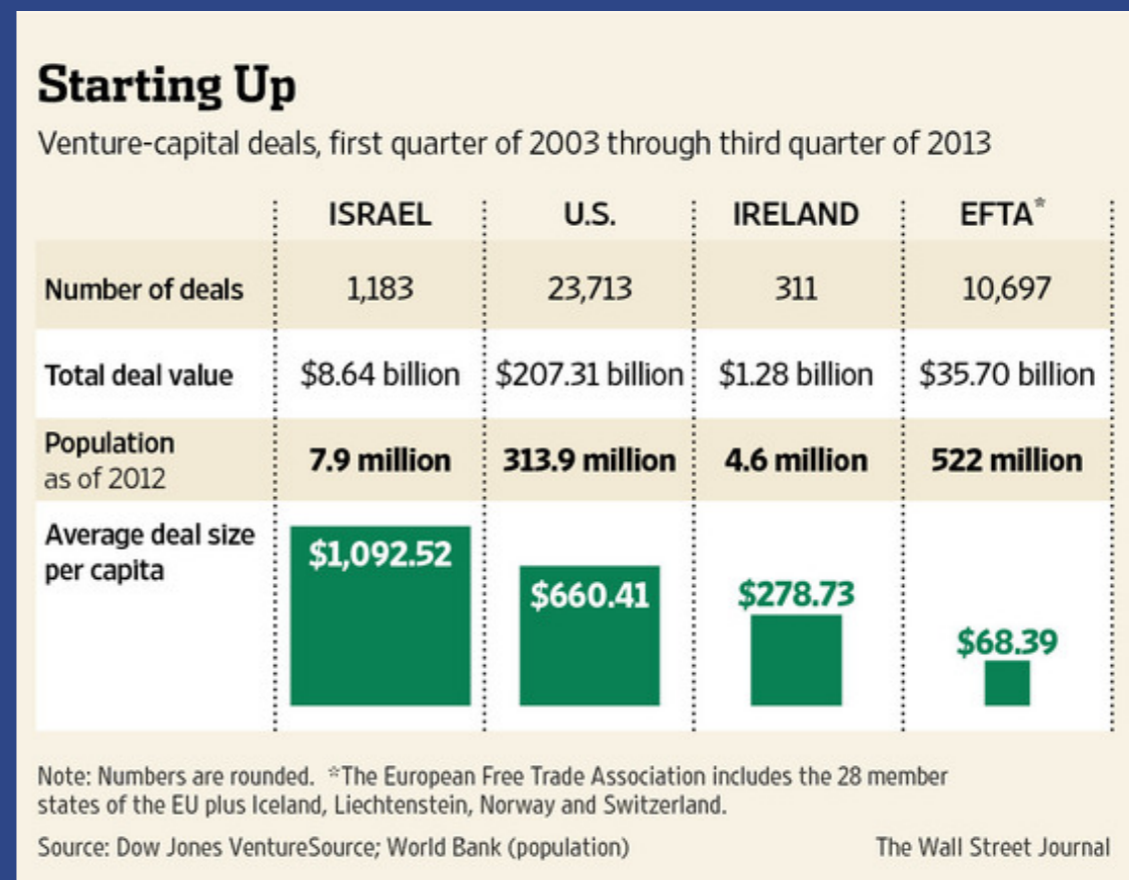
# Control

- Composition and Election of Board of Directors
- Protective Provisions
- Drag-Along Rights
- Redemption Rights
- Right of First Refusal/Right of Co-Sale
- No-Shop/Confidentiality

# Swedish Ecosystem

- Recent WSJ article by Ben Rooney - *Europe's "Most Entrepreneurial" Countries.*

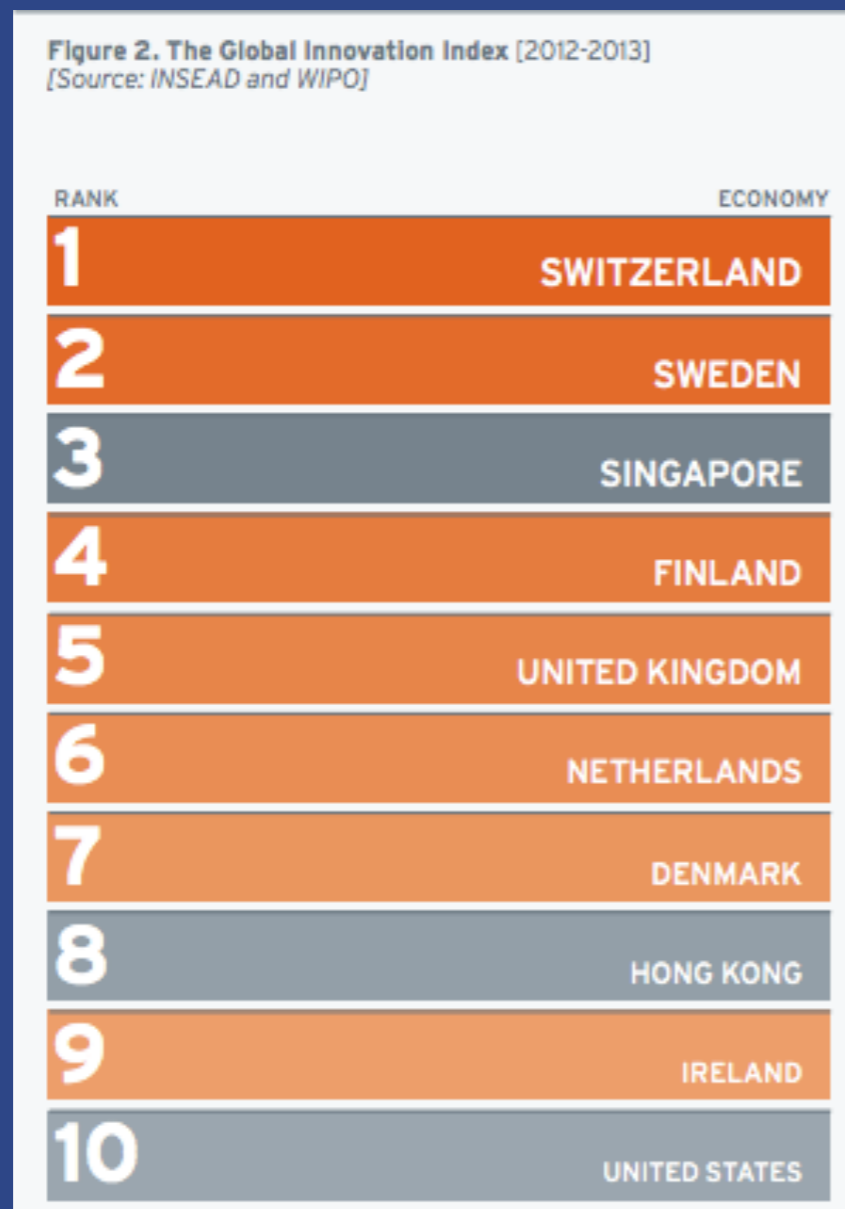
- Sweden is 2<sup>nd</sup> in Europe\*
- Sweden 3.7X EU avg\*



\* How is this calculated: Total amount of venture capital raised by tech companies in each European country since 2003, divided by population to get the per capita figure, then averaged it out over the 39 quarters.

# Swedish Ecosystem

- The recent publication on *The Case For Investing In European Venture Capital* by EVCA indicates:



- Sweden is ranked 2<sup>nd</sup> in Global Innovation Index.

Figure 2. The Global Innovation Index can be found on page 10 [www.o.eu/publications/VC\\_report\\_interactive.pdf](http://www.o.eu/publications/VC_report_interactive.pdf)

# EU VC Ecosystem

- EVCA report illustrates recent VC funding shortage in Europe

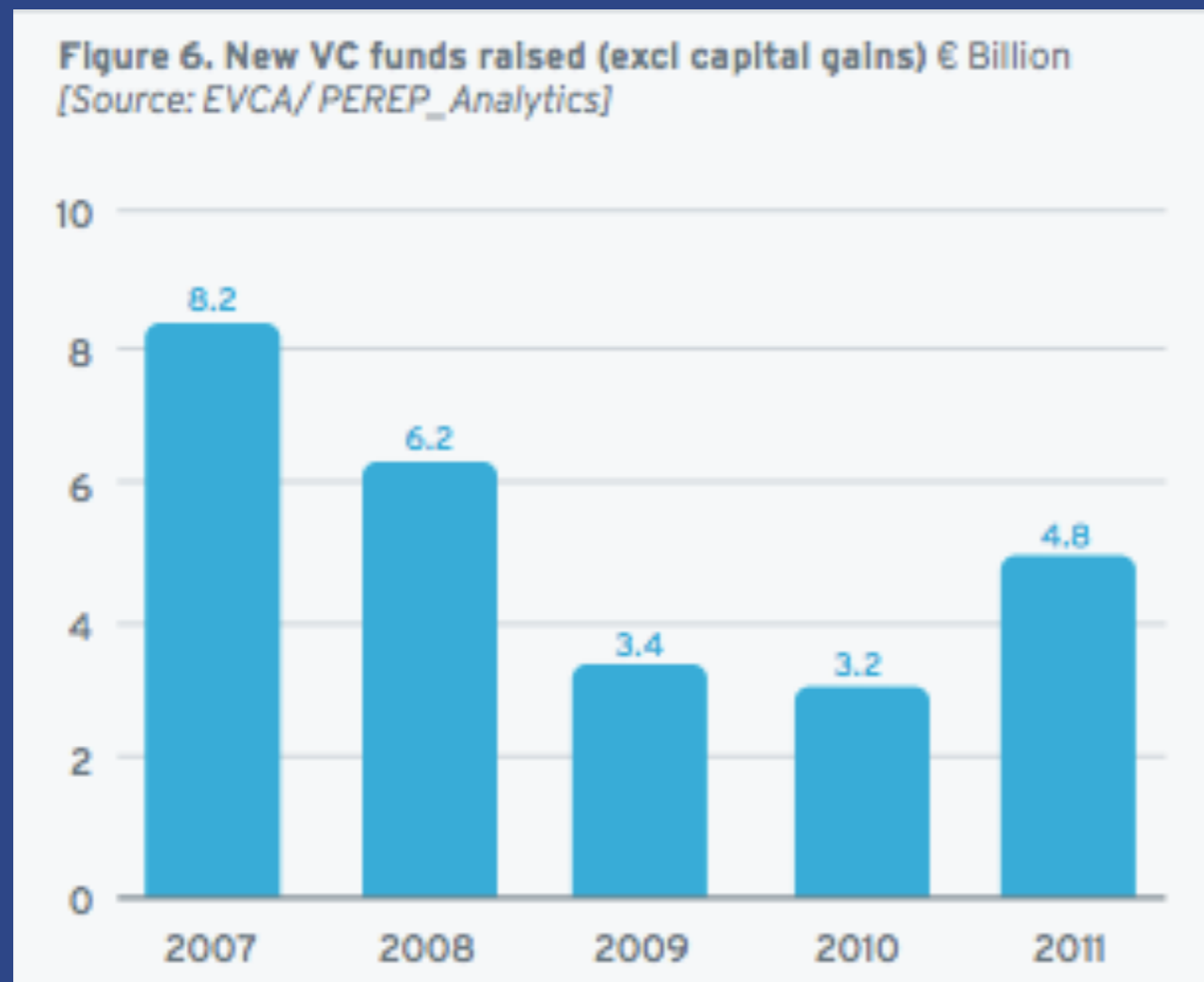


Figure 6. New VC fundsraised can be found on page 19 [www.o.eu/publications/VC\\_report\\_interactive.pdf](http://www.o.eu/publications/VC_report_interactive.pdf)

# EU VC Ecosystem

- EVCA report illustrates huge imbalance between seed and later stage funding in EU vs USA.

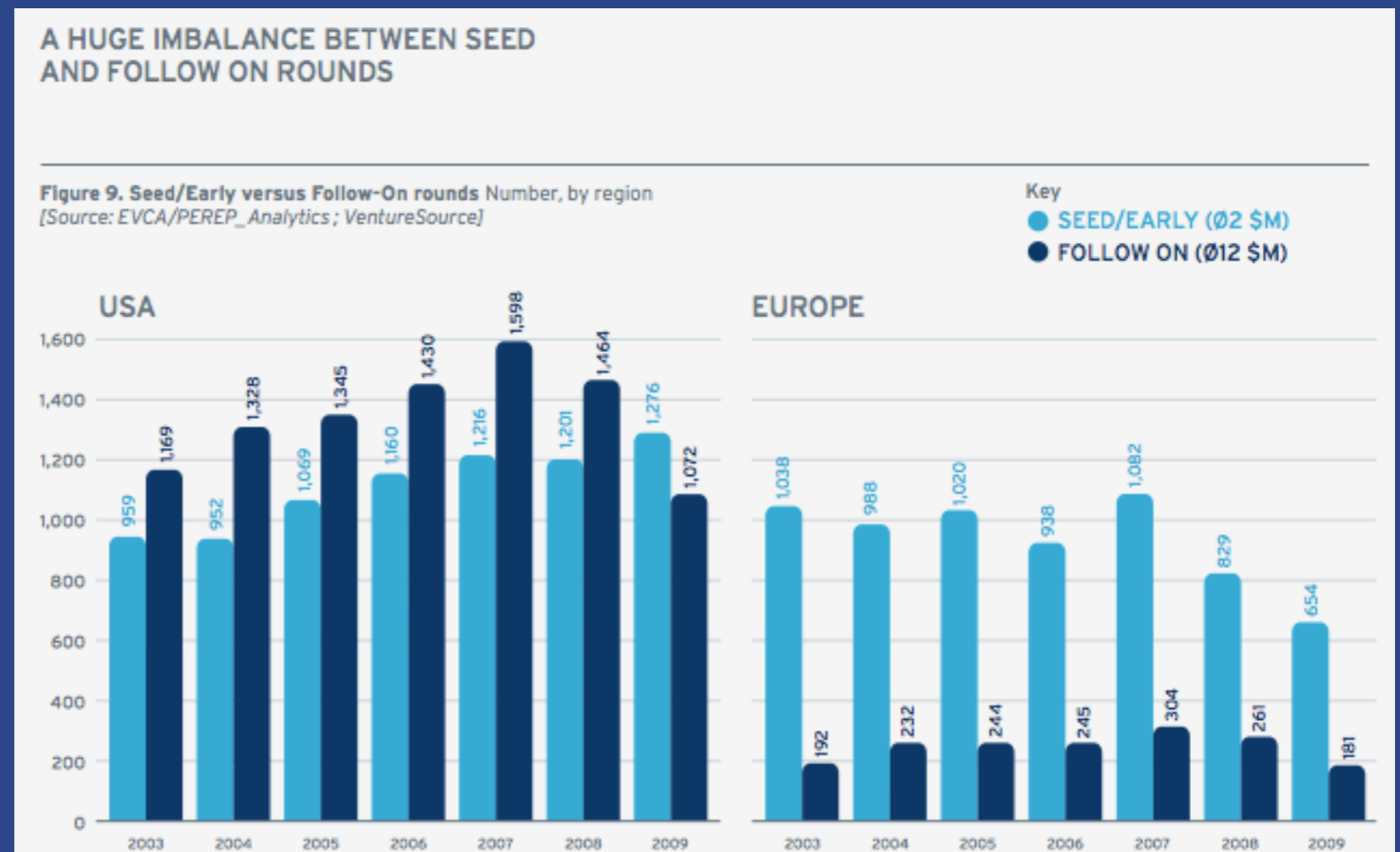


Figure 9. Seed/Early versus Follow-On rounds can be found on page 20 [www.o.eu/publications/VC\\_report\\_interactive.pdf](http://www.o.eu/publications/VC_report_interactive.pdf)

# Questions?

# A little self promotion...

A Term Sheet Battle is a live negotiation event. Part education, part entertainment, they are designed to *demystify* the term sheet negotiation process by watching an entrepreneur, lawyer and VC have real discussions over a mock term sheet.

Past event videos and materials accessible at:

[termsheetbattle.com](http://termsheetbattle.com)

Or follow us on Twitter:

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