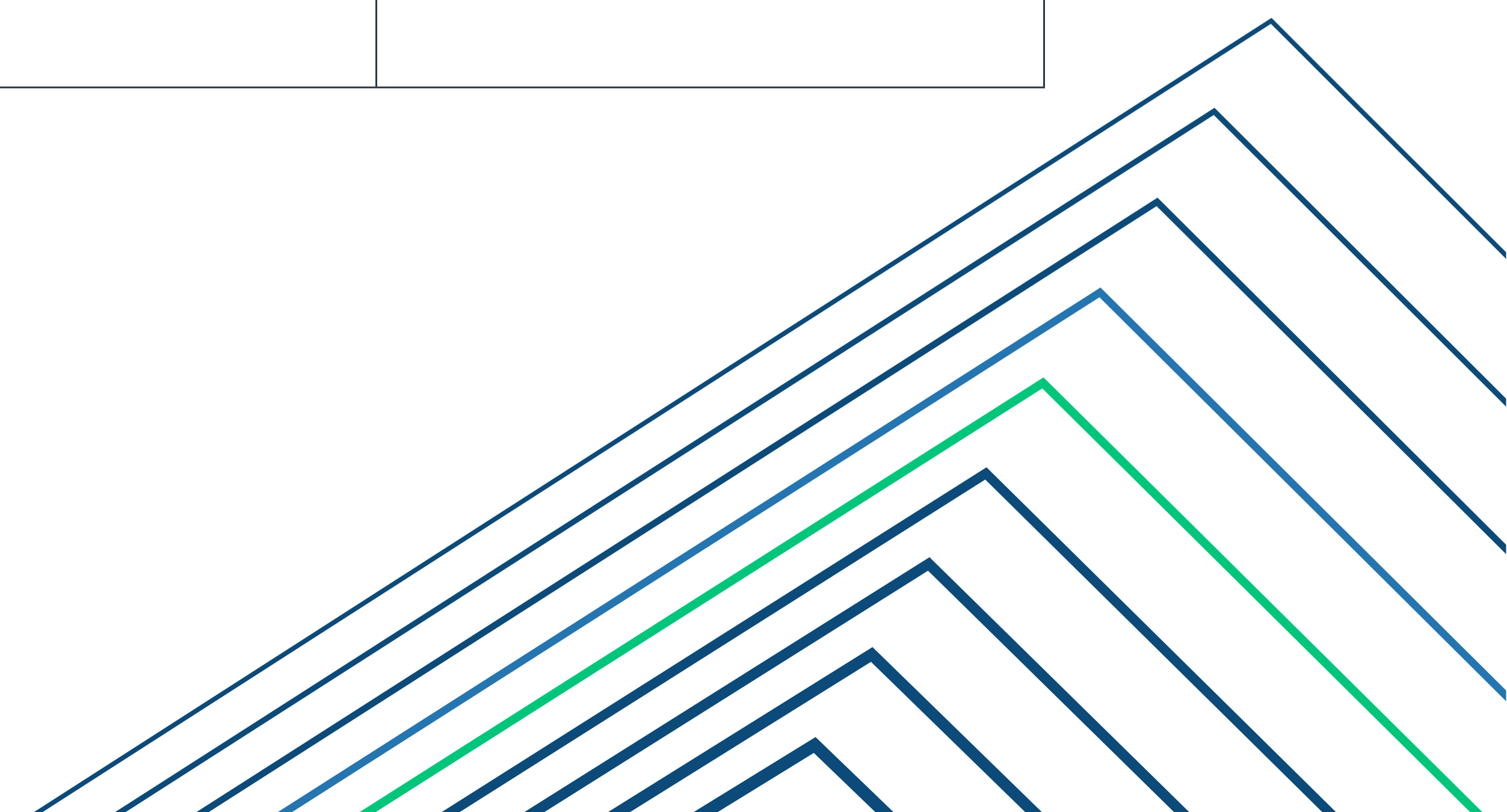


# Venture Capital Term Ranking

Rank these components of the typical VC term sheet 1-9 to see how you should work to structure your deal with a prospective VC investor. You won't be able to negotiate all these points, so identify terms that are most important and focus on those.

VC Term	Rank
<p><b>Investment Amount</b> The more funding you take, the more equity you'll need to relinquish.</p>	
<p><b>Valuation</b> This is the current estimated value of your company; the higher the valuation the lower the percentage of equity you'll need to relinquish.</p>	
<p><b>Liquidation Preference</b> This protects investors in case of a negative liquidity event; it is usually set at 1X.</p>	
<p><b>Dividends</b> These may or may not be paid – they vary from 5-15%; “cumulative” dividends can present a financial hurdle at exit, “non-cumulative” are better.</p>	
<p><b>Conversion</b> The ratio is usually 1-to-1, preferred stock to common; it happens automatically at an IPO and when approved by preferred stockholders.</p>	

(continued)



# Venture Capital Term Ranking

VC Term	Rank
<p><b>Voting Rights</b> The majority of preferred stockholders are those usually given authority to change any rights or number of shares, declare or pay a dividend, change the number of directors, or dissolve or sell the company.</p>	
<p><b>Drag Along</b> Selling the company requires a majority vote of the board, preferred stockholders, and those who hold 1% of more of the stock.</p>	
<p><b>Board</b> VCs will need a seat on the board and 1 seat for investors and 2 for the founders is typical.</p>	
<p><b>Vesting</b> The shorter the time period, the better.</p>	

This material, including without limitation to the statistical information herein, is provided for informational purposes only. The material is based in part on information from third-party sources that we believe to be reliable but which has not been independently verified by us, and, as such, we do not represent the information is accurate or complete. The information should not be viewed as tax, accounting, investment, legal or other advice, nor is it to be relied on in making an investment or other decision. You should obtain relevant and specific professional advice before making any investment decision. Nothing relating to the material should be construed as a solicitation, offer or recommendation to acquire or dispose of any investment, or to engage in any other transaction.

