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October 17, 2023

Term Sheet Tear Down Happy Hour



BBG Ventures & Perkins Coie co-hosted a Term Sheet Tear Down Happy Hour during NY Tech Week, teaching women and diverse founders the intricacies of term sheet negotiation and "founder-friendly terms." The interactive conversation with BBGV Principal Claire Biernacki and Perkins Coie Counsel Yashreeka Huq covered actionable tactics for getting the best terms possible and real talk on what to avoid. They discussed the hypothetical scenario below and drilled down on some of the key terms.

We discussed the following hypothetical scenario at our event and then drilled down on some of the key terms.

Hypothetical Scenario

- **Scenario:** Agatha and Sonia are founders of PerkinsCo and have hit some strong metrics so they've chosen to skip a pre-seed round and raise a bigger priced seed round. They've met with many investors and Fiona Brophy at New York Ventures has expressed interest in investing and they've sent over a term sheet with the following terms:
 - \$5m round, \$2.5m by NYV
 - \$20m pre-money
 - 10% post-money option pool (included in pre-money)
 - 2/1 board
 - Customary protective provisions at 60% threshold for voting
 - Customary preferred director blocking rights
 - Perpetual pro rata rights
- **Facts only PerkinsCo knows:**
 - They are in negotiations with a CTO hire who is requiring a 7% equity stake on a post-money basis and they think they need a 5% option pool on top of that to execute their hiring plan over the next 18-24 months
 - They promised a board seat to an important advisor

- **Facts only New York Ventures knows:**

- They were in talks with a company in a similar space, but the deal fell apart because that company wanted a \$30m pre-money valuation
- The investment committee agreed to this deal only if they get a board seat and if they have a 10% ownership stake

Term Sheet

Speakers include:

- **Yashreeka Huq**
Counsel, Perkins Coie
- **Claire Biernacki**
Principal, BBGV

Authors

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