

Morgan Lewis

Strategic Investments and Acquisitions

VC Taskforce

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January 28, 2010

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Overview of Transactional Issues for Corporate Investors

- Governance Issues/Risks
 - Board Membership vs Observer Rights, Confidentiality Obligations
- Strategic Considerations
 - Exclusivity
 - Customer Relationship/Supply Terms
 - Acquisition/Change of Control
- Financing Terms
 - Minority Shareholder Issues
 - Transfer Restrictions
- Due Diligence Issues
 - Intellectual Property/Patent Issues
- Corporate Reputation/Publicity

Mechanics Of How A Deal Is Done

- Term Sheet
- Purchase Agreement
- Financing, Time and Responsibilities Checklist

Mechanics Of How A Deal Is Done (cont.)

- **Closings**

- **Single Closing**

- *Review Purchase Agreement*

- **Multiple Closings**

- *Review applicable portions of Purchase Agreement*
 - *Addendum Agreement*

Basic Deal Structure

- **Equity**
 - Common Stock
 - Preferred Stock
- **Debt**
 - Convertible
 - Other
- **Warrants**
 - Simple Warrant Coverage
 - Staged Financing (with milestones)

Preferred Stock Features

- **Liquidation Preferences**
 - Participation Features
 - Preference Features
- **Dividend Preference**
- **Redemption Features**
 - Mandatory
 - Optional

Preferred Stock Features (cont.)

- **Voting Rights**
 - General
 - Special
- **Antidilution Features**
 - General
 - Price-Based
 - *Weighted Average*
 - *Pay to Play*



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