

Straight Talk Appearances

"Papering the Deal": The Basics of Term Sheets and Other Documentation in Private Equity Transactions

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Introduction

The term sheet is the first step in the process leading to definitive agreements that will reflect the terms of the venture capital or other private equity transaction. A term sheet is the "agreement to agree" on the main points of a deal. There is always a tension in the preparation of the term sheet between whether to have a tightly negotiated, detailed term sheet, with most of the terms explicitly spelled out, or to have a more generalized term sheet, with the understanding that significant terms will continue to be negotiated during the due diligence process. The former approach can make drafting the definitive documents easier because the parties have spelled out the specific terms of the transaction, although it may be more difficult to re-negotiate key terms as the parties go through the process of conducting due diligence and documenting the transaction, even though not all provisions in a term sheet are binding. On the other hand, a simpler term sheet requires that more effort be expended during the final documentation phase of the transaction, but gives the parties more room to maneuver (and possibly re-trade) before the definitive documents are completed.

To read more click on the attached document.