What Are The NVCA Model Venture Capital Financing Documents?

A "template" set of model legal documents for venture capital investments put together by a group of leading venture capital attorneys. The model venture capital financing documents consist of:

- Term Sheet
- Stock Purchase Agreement
- Certificate Of Incorporation
- Investor Rights Agreement
- Voting Agreement
- Right of First Refusal and Co-Sale Agreement
- Management Rights Letter
- Indemnification Agreement
- Model Legal Opinion

All of the above model legal docs were reviewed in the spring and early summer of 2013 and updates were made accordingly. Click here to review noteworthy changes that were made to the 2012 set of documents.

In general, these documents are intended to reflect current practices and customs, and we have attempted to note where the West Coast and East Coast differ in a number of their practices. However, one of our goals in drafting these documents is also to reflect "best practices" and avoid hidden legal traps, even if doing so means straying from current custom and practice. We have attempted to avoid, or at least point out, certain problematic provisions that have become "market standard" terms. We have generally tried to indicate such issues with a footnote and explanatory language.

The model documents aim to:

- reflect and in a number of instances, guide and establish industry norms
- be fair, avoid bias toward the VC or the company/entrepreneur
- present a range of potential options, reflecting a variety of financing terms
- include explanatory commentary where necessary or helpful
- anticipate and eliminate traps for the unwary (e.g., unenforceable or unworkable provisions)
- provide a comprehensive set of internally consistent financing documents

- promote consistency among transactions
- reduce transaction costs and time

What Is The Value Of These Forms?

Annually, our industry closes several thousand financing rounds, each consuming considerable time and effort on the part of investors, management teams and attorneys. A conservative estimate is that our industry spends some $200 million in direct legal fees annually to close private financing rounds. In an all-too-typical situation, the attorneys start with documents from a recent financing, iterate back and forth to get the documents to conform to their joint perspective on appropriate language (reflecting the specifics of the deal and general industry best practices), and all parties review numerous black-lined revisions, hoping to avoid missing important issues as the documents slowly progress to their final form. In other words, our industry on a daily basis goes through an expensive and inefficient process of "re-inventing the flat tire." By providing an industry-embraced set of model documents which can be used as a starting point in venture capital financings, it is our hope that the time and cost of financings will be greatly reduced and that all principals will be freed from the time consuming process of reviewing hundreds of pages of unfamiliar documents and instead will be able to focus on the high level issues and trade-offs of the deal at hand.

How Will The Documents Be Kept “refreshed” And Up-to-date?

The working group (whose membership will not remain static) will continue to touch base approximately once a year to determine whether any changes need to be made to the documents, including in light of any recent legal developments or actual experience using the documents in deals. Also, users of these documents are encouraged to send any comments and suggestions to Sarah Reed (Charles River Ventures). Comments and suggestions will be taken into consideration as the documents are further revised and refined over time.

Who Will "own" These Documents?

No one will own the documents. They will be in the public domain. However, the "mother" forms are posted here on the publicly accessible portion of the NVCA web site so that users downloading them from this site can be assured that they are always using the most current and up-to-date version.

DISCLAIMER: EACH DOCUMENT IS INTENDED TO SERVE AS A STARTING POINT ONLY, AND SHOULD BE TAILORED TO MEET YOUR SPECIFIC REQUIREMENTS. THE DOCUMENTS SHOULD NOT BE CONSTRUED AS LEGAL ADVICE FOR ANY PARTICULAR FACTS OR CIRCUMSTANCES.