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New NVCA Model Legal Documents—Now With Recent Market Data

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The National Venture Capital Association, or NVCA, an organization that represents and advocates on behalf of the venture capital community, recently published updated forms of two of its model legal documents. Since 2003, the NVCA has published model venture capital financing documents, which have become the industry standard for practitioners, and the organization continues to update its documents periodically. The most recently updated forms are enhanced model forms of the NVCA Term Sheet and Investors' Rights Agreement. They were created in partnership with Aumni, an investment analytics firm, and represent a step forward in helping practitioners understand prevailing market terms.

Since 1973, the NVCA has been a crucial resource for early-stage companies, venture capital investors, and their respective counsel looking for guidance in the financing and governance of emerging growth companies. The NVCA model legal documents provide standardized forms for companies of all sophistication levels and can serve as a roadmap for drafting the documents required for, and streamlining the process of closing, venture capital financing deals.

The new enhanced forms feature deal term and market insights that aggregate data from 2021 in comparison with data from the previous five years. The 2021 data is derived from an analysis of over 200,000 executed legal agreements from over 90,000 venture capital investors. Hyperlinks are interspersed throughout the forms, in addition to the standard drafting annotations that provide insights and explanatory footnotes. These hyperlinks lead the drafter to relevant data and market analysis regarding specific terms from financing rounds, from Series Seed rounds through Series E rounds and beyond. Upon clicking a hyperlink regarding a specific deal term, the user is taken to market data for that deal term, which is set up to show one data point for the years 2016 through 2020, and one data point for 2021. These hyperlinks provide easy comparisons in how deal terms have trended year-over-year and can assist in negotiations among counsel for startups and their investors.

The updated model Term Sheet is the third version of the term sheet form published by the NVCA and includes nine additional deal term insights. The term sheet includes relevant data for terms and concepts including median investor thresholds, amount raised per financing, company valuation, and observer rights, among others. Customarily, term sheets are non-binding and most law firms have their own preferred form; however, the NVCA form term sheet provides useful economic data and a helpful overview of prevailing and trending deal terms.

The new model Investors' Rights Agreement updates the August 2021 form of the agreement and includes market insights for 13 deal terms, including pay-to-plays, rights to future issuances of stock,

and registration rights. Many of the terms in the Investors' Rights Agreement having to do with registration rights are ones often overlooked by early-stage companies, because it will be a long time, if ever, until these companies become public. However, the NVCA form provides important insights and the updated form provides valuable market data which anyone in the space should understand and appreciate.

In addition to the Term Sheet and Investors' Rights Agreement, the NVCA publishes other model forms which comprise the full suite of venture capital financing documents, including a Stock Purchase Agreement and Right of First Refusal and Co-Sale Agreement, which were last updated in September 2020, and a Voting Agreement, which was last updated in March 2022. The General Counsel Advisory Board of the NVCA meets annually to review and revise the model documents to reflect legal developments and market shifts. We anticipate that the NVCA will roll out enhanced features to the balance of the model documents. Company management, venture capital investors, and counsel in the space will continue to find these enhanced documents helpful in understanding market trends, tracking prevailing deal terms, and negotiating venture capital investments.



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