TOP TAKEAWAYS

Corporate Venture Capital Programs

1. Corporates are not all waiting to just invest in later rounds. With the significant growth of corporate venture capital recently, many corporates are now investing in much earlier financing rounds than they have historically.

2. A Target Company's industry is very relevant. In certain industries such as smart/autonomous car and fintech, having a corporate venture capital (and their corporate affiliate) investor on board is a more crucial accelerator of growth and product development than in other verticals.

3. Communicating objectives and investment philosophy early on is key. Corporate venture capital participation in a financing round may still carry negative connotations, but these can often be overcome when the corporate's investment manager can establish a good personal relationship with the executive(s) of a target company and clearly communicate early on what investment terms the corporate will and won't require.

4. Deal flow does not just come through internal business units. A corporate venture capital investment manager's network of co-investors can be critical in sourcing new investment opportunities.

5. Traditional corporate investor deal terms may be softening. While corporate venture capital investors may no longer push very hard in its investment agreements for a right of first refusal in connection with a portfolio company acquisition, they will more often than not require at least a right of first notice of an acquisition offer. However in some cases, a right of first refusal will be required in the case of a target company receiving an acquisition offer from a competitor of the corporate venture capital investor.

6. The commercial aspect of an investment is still prevalent. Corporate venture capital investors may not require a separate commercial agreement at the time of the closing of the venture financing, but such an agreement is often expected within some appropriate time afterwards.

7. The right corporate investor can be founder friendly. There is a general sentiment that corporate venture capital investors can be more supportive of a target company's development and growth over an acquisition for a financial return, the latter which financial investors will naturally be more focused on.

8. Corporate venture capital investors can be different. It is critical for a target company to diligence a potential corporate venture capital investor and understand what investment and strategic dynamic they are looking to create (or impose) on the company. Many can be very supportive and take a hands-off approach in terms of the investment agreement terms, or post closing, the company's execution of its business plan, while other investors may be

more involved in, or "watchful" of, the decisions a company's executives are making or commercial path a company starts to take.

For more information on Corporate Venture Capital Programs, please feel free to contact the moderators directly:

Dave Kantaros
Foley & Lardner LLP
dkantaros@foley.com

Todd Rumberger
Foley & Lardner LLP
trumberger@foley.com