



Stanford eCorner

The Minutia of Negotiations

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How much control do you want over the company? What are the finer points of sales and acquisition? What kind of power must a portfolio company give up to accept VC dollars? Intel Capital Vice President Lisa Lambert discusses how some of these negotiations take place between her investment firm and the emerging companies they fund. Lambert also points out some of the differences in negotiating with a first-time entrepreneur versus a seasoned player - often with surprising results.



Transcript

How much control do you have over the company? Control regarding a budget, regarding strategic changes in direction, regarding decisions on sells, acquisition, debt, et cetera. So, those are all explicitly stated in the protective provisions. You have to negotiate each line item. And so, depending upon how much control you want over the company, those can be more difficult to get. Do you find that negotiating with a seasoned entrepreneurial team is very different than negotiating with someone who's coming at it the first time? I think yes and no. The first timers are generally really paranoid so it's hard to even get them at the table. The more seasoned entrepreneurs - those aren't necessarily more difficult negotiations. You might think they were because they - these people know how to negotiate a term sheet. They understand the language. They've done this before.

But they also, I think, in my experience, they have a better perspective on real value. And some of the novices fight for things they really shouldn't be fighting for. And the senior and more mature teams tend to understand the value that we bring as a company to them as a portfolio company. And they're willing to negotiate on things like participation and whether we have a revenue ratchet or whether we have a protective provision around debt. So, it actually - you would think that you could get away with a lot more from a novice. Uh-huh. And I - we typically find that those are a little more difficult negotiations than... Because they want to negotiate every single point and they... Every single point. Even the things that might not be as important.

That's right. They assume that you're out to take it to them. Imagine that.