

When an investor hands you a **Term Sheet**, it's the blueprint for your partnership. While not always legally binding (except for confidentiality and "exclusivity" clauses), it sets the stage for the final contract.

Here is a glossary of the heavy hitters your readers need to know to speak "Investor" fluently.

## The "OPM" Terms Sheet Glossary

### 1. Valuation (The Price Tag)

- **Pre-Money Valuation:** The agreed-upon value of your company *before* you receive the investment.
- **Post-Money Valuation:** The value *after* the investment is added (Pre-money + Investment amount).
  - *Tip:* If your pre-money is \$2M and you take \$500k, your post-money is \$2.5M. You just gave up 20% of the company.

### 2. Liquidation Preference (The "First Out" Rule)

This determines who gets paid first if the company is sold or liquidated.

- **1x Preference:** Investors get their initial investment back before common shareholders (you) get a dime.
- **Participating vs. Non-Participating:** "Participating" means the investor gets their money back *and then* a share of whatever is left. "Non-participating" means they choose either their money back OR their percentage of the sale—whichever is higher.

### 3. Anti-Dilution Provisions (The Protection)

A clause that protects investors if you later sell shares at a lower valuation than what they paid (a "Down Round").

- **Full Ratchet:** The most founder-unfriendly version. It resets the investor's price to the new lower price, regardless of how much was raised.
- **Weighted Average:** A more common, fairer version that adjusts the price based on the amount of money raised at the new lower valuation.

### 4. Vesting (The "Stay Put" Clause)

Investors want to ensure the founders don't take the money and run.

- **Founder Vesting:** Even though you own the company, your shares "vest" over time (usually 4 years with a 1-year "cliff"). If you leave after 6 months, you might lose most of your equity.

## 5. Capital Stack (The Layer Cake)

The total mix of different types of "Other People's Money" used to fund the business.

- **Senior Debt:** Money from sources like [Esource Lending](#) or SBA 7(a) loans. This sits at the "top" of the stack and must be paid back before investors get anything.
- **Equity:** The "bottom" of the stack (Angel/VC money). It's higher risk for the investor but offers higher potential rewards.

## 6. Right of First Refusal (ROFR)

If you (the founder) want to sell your personal shares to someone else, the existing investors have the right to match that offer and buy them first.

## 7. Drag-Along Rights

If a majority of shareholders want to sell the company, they can "drag" the minority shareholders (usually the founders or small angels) along with them, forcing them to sell their shares under the same terms.

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## How to Use This with Esource Lending

When negotiating with an Angel, emphasize that by having your **Senior Debt** (the SBA loan) already organized through a provider like Esource, you have "de-risked" the investment. You aren't asking the Angel to fund the copier or the office lease; you are asking them to fund the **growth** that pays off the entire stack.