

Evolution of Decision and Control Rights in Venture Capital

Contracts: An Empirical Analysis - Additional Tables

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1 Introduction

In this appendix we present additional tables omitted from the paper that look at the robustness of our claims. For the convenience of our readers we repeat the data description included in the paper.

We then present seven different summary tables that test the robustness of our descriptive statistics from various angles. We start with two tables that test whether our findings differ if we only consider firms that reach higher (3rd and more) rounds. We then proceed to look at those firms where more rounds are expected. We do not find systematic differences from the results reported in the main part. To consider whether learning is driving our results on more rights in higher rounds, we concentrate on first and third rounds in the third time period. We would expect that there should be no difference in rights if learning were the only cause of increases. Finally, we address the question whether the increase in rights over rounds is driven by inexperienced VCs (that is non-for profit VCs). While our results are somewhat weaker, they still persist.

We then proceed to look at learning. First, we address the question whether learning is driven by inexperienced VCs (that is non-for profit VCs). We do not find evidence for this. Independent VCs seems to learn on the same basis as all other categories. Second we check whether learning is driven by the increase in rights over rounds only. For this we proceed to consider only first rounds by independent VCs for all three periods. Again, we can rule out this result.

Third we check the robustness of our time-to-exit variable. We use only those observations that we could initially infer from the contracts. What we find is that the results in the paper are confirmed.

We finally present the empirical correlations for all the contractual elements considered in the paper.

2 The Data Set

Our analysis uses a proprietary, hand-collected data set which was compiled on the basis of comprehensive and detailed documents made available to us by the KfW in Frankfurt, Germany. The KfW has a unique position in Germany's venture capital market. Being Germany's largest promotional bank, it is in charge of large support programmes that channels state funds to the private sector. However, during the time period covered in our sample⁴ KfW never invested directly in any of the portfolio firms but supported the firms by promoting the investment of the VC. In this position, it became indirectly involved in a significant part of all venture capital deals in Germany in the last decade. Since these programmes allowed VCs to partially refinance their financial engagement in the portfolio firms via KfW, VCs had to apply for these refinancing schemes by submitting all details of the relationship of the VC and the portfolio firm, most notably, the term sheets, the business plans and the shareholders agreement. By giving us access to these documents, KfW gave us the unique chance to collect detailed information on the relationship between the VC and its portfolio firm. Also, KfW supported a large proportion of the population of all investments realized by the German venture capital industry in the time period under consideration⁵.

In order to reduce the very time-intensive task of collecting detailed information from the shareholders agreements and the other documents to a manageable size, we selected a random sample. We categorized each portfolio company into one of three classes with respect to their investment date (before 1997, between 1998 and 2000, and 2001-2004) and eight classes with respect to the programme or programme combination through which their VC investor was supported by the KfW. This categorization was undertaken with the objective to achieve a balanced representation

⁴ The time period we cover starts in 1990 and ends in 2004.

⁵ According to the German Venture Capital Association (German Venture Capital Association (BVK). Jahresbericht 2003. Berlin, 2003 and German Venture Capital Association (BVK). BVK Statistik 2003. Berlin, 2003.) there were 11854 seed, start-up and expansion deals by its members in the relevant time period; KfW supported almost 7100 deals of potential members. This implies a market coverage of approximately 60%.

of the population. We then drew a proportional random sample of 300 portfolio companies.

For each investment round, we evaluated the company's balance sheet data and its business plan in order to get information with respect to the market position of the company and details about the financed project. Moreover, we took from the term sheet and the shareholder's agreement detailed information about the security design, the timing and conditions of the investment, the syndication of the investment, control and information rights of the venture capitalists and exit covenants. We translated this information into quantifiable variables. We complemented this data set with information about the venture capitalist who was refinanced by KfW, i.e. its type (as indicated by the German venture capital organization), origin or industry focus. Overall, we gained a detailed picture of the control and information rights embedded in these contracts as well as on the characteristics of the entrepreneurial firm, the founder(s) and the venture capitalists involved.

As usual in this type of studies we were confronted with the problem that not always all data were available. Thus observations may vary depending on the variable studied. Typically, the amount invested and valuations were the most reliable variables, whereas information on staging or investment memoranda were sometimes missing.

2.1 Sample and Sample Selection Issues

Table 1 gives an overview of the sample that constitutes the basis for our analysis. Unfortunately, the data for 10 portfolio companies could not be evaluated, therefore our random sample finally consists of 290 portfolio companies which were financed in 464 investment rounds starting in 1991 until 2004.

As already indicated, this sample is a random draw from a large proportion of the population of all investments in the German venture capital industry in the time period under consideration. Therefore, we are confident that we do not have any major selection bias in our sample in this

direction. In addition, since we have been responsible for the sample selection process ourselves, we could make sure that no selection bias occurred via the provider of all our documents (the KfW).

One obvious selection bias which we were not able to circumvent is the fact that we are concentrating on one particular geographic region (Germany) and the associated venture capital market. To a lesser degree this is true for the time period. We take all this into consideration, by interpreting our data sample as the description of a situation of a young and evolving venture capital market. We especially address potential dynamics of the contractual designs along the time axis and thereby look for learning processes which may have occurred in this maturing and evolving venture capital market.

Table ?? provides an overview of the main characteristics of our sample. The average amount invested per financing round is about 5.4 million euros and the portfolio companies are in average 4.77 years old when they receive VC financing for the first time. The means are considerably smaller (13,1 million euros and 3 years) which indicates that there exist some outliers. At this point, one can already infer that the percentage of start-up financing is quite high in our sample. Indeed, 10,3% of the financing rounds correspond to seed financing and 56,2% to start-up financing whereas only 19% of the financing rounds are related to expansion and 6% to later stage⁶.

Most of the portfolio companies of our sample (70%) are so called "Gesellschaften mit beschränkter Haftung" (Limited Liability Firm) and only 28% are so called "Aktiengesellschaften" (Public Limited Liability Firm). Almost all portfolio companies have their head office in Germany (92%) but they are active in a broad range of industries: 5% in the field of biology or biotechnology, 12% in the medical area, 27% in the IT and software branch, 6% in the telecommunication and 10% in the internet sector, 15% in automobile and engineering and finally 4% in chemistry. 14%

⁶ For 8,5% we do not have any information about the investment phase.

of all portfolio companies could not be classified in neither of these industries. Finally, 39% of all financing rounds were syndicated whereby the syndicate consists in average of 3.69 partners and staging was used in almost 80%.

2.2 Data Description

In what follows, we will describe the data set in more detail and introduce the variables necessary for our regressions.

Firm Characteristics

First of all, we have information about the project and the respective portfolio company. The variable AGE represents the age of the firm when the corresponding financing round was closed. The variable FINISHED PRODUCT indicates whether the firm has a product that can be sold. Moreover, we observe the firm's industry: LIFE-SCIENCE, INTERNET, IT/TELECOM, TRADITIONAL HIGH-TECH INDUSTRIES and OTHER INDUSTRIES are all dummy variables that indicate the project's industry. The dummy GROWTH INDUSTRIES is a dummy variable that indicates whether the firm's industry is research intensive, that is whether it is a Biotech, IT/Telecoms or a Traditional High-Tech firm. Furthermore, we observe the firm's development stage in each financing round. On the one hand, we know whether the firm has finished its product tests, if it already has a finished product, if the firm holds any patents or if it even has reference customers. On the other hand, we have information about the development stages as defined by the German Venture Capital Association. We distinguish seed and start-up firms and expansion and later stage firms: the dummy EARLY STAGE indicates whether the firm belongs to the first group (dummy equals one) or not (dummy equals zero). Furthermore, we often have the firms' balance sheet data at the date of each financing round: we know if the firm has any revenues (if this is the case the dummy REVENUES takes value 1) and whether its balance sheet is audited or not (if this is the case the dummy AUDITED BALANCE SHEET takes value one).

We also know the size of the firm's balance sheet. Moreover, the FIXED ASSET RATIO (FAR) indicates the ratio of fixed assets to balance sheet total whereby we use balance sheet data of the year preceding the year of closing of the corresponding financing round⁷. Finally, we know if the portfolio company has received funding from other investors apart from the VC we are looking at. We define a dummy OUTSIDE FINANCE that takes value one if the portfolio company has received bank, angel or other VC finance before the first round of VC financing we are looking at or if VC financing takes place via a syndicate of various VCs.

Last but not least, we have information about the entrepreneurs running the portfolio firm. We know whether we face a repeat entrepreneur, i.e. if any of the founders has already run a firm (this is captured by the dummy variable REPEAT ENTREPRENEUR). We also know whether any of the founders has a background in engineering, which we code as SCIENCE BACKGROUND. If any of the founders has a PhD or a degree above⁸, we code the variable RESEARCH DEGREE to take value one.

2.2.1 Investment Conditions

Second, we have information, about the investment conditions. We classify each VC according to his type into three categories named INDEPENDENT VC, PUBLIC VC and OTHER VCs. The latter category includes both bank(-dependent) and corporate VCs⁹. Additionally, we know whether the VC's are specialized in specific industries or development stages. Moreover, we observe the total amount invested, the financing instrument used and the timing of the investment. We define a dummy variables for the occurrence of staging. The STAGING dummy captures whether the project is financed in several steps or not.

⁷ As we have many missing values in our sample, we adopt the following procedure. For all firms in a first financing round with an age of less than one year at the date of contracting and an investment phase of seed or early, we set the fixed asset ratio to zero. If we lack information for higher rounds, we use the same ratio as in the round before. If this ratio is not available, we code both as missing value. Additionally, we do not resort to the preceding round in the case of second rounds where we coded the first round data to be zero.

⁸ In Germany, this means doctoral degrees, a Habilitation, a Privatdozent or a professorship.

⁹ We also include the business angels in our sample in this category.

Also, we observe the year when the financing round is closed and define three time dummies. PERIOD 1 takes value one if the financing round was closed during the early period of relatively low venture capital activity, namely before 1998, PERIOD 2 if it was closed during the boom, i.e. between 1998 and 2000 and PERIOD 3 if it was closed after 2000 - a period of relative decline and reorganization of the venture capital industry.

2.2.2 Voting and Control Rights

Most important of all we know the amount of voting rights the VC holds. We code this as VOTING RIGHTS/CASH-FLOW RIGHTS. We repeat the same exercise for the amount of voting rights the VC has on the firm's board: BOARD VOTING RIGHTS. VC VOTING MAJORITY and BOARD MAJORITY are dummy variables that take value one if the VC has a majority in either the firm's shareholder meeting or on the firm's board. Finally, we measure the degree of supermajority provisions by looking at the REQUIRED DECISION MAJORITY and the BOARD REQUIRED MAJORITY. Our previous measures for the VCs majorities take these into account.

Of course, we observe the types of control rights used in the firm: VETO RIGHTS is the sum of the following veto rights: OPERATIONAL VETO RIGHTS, STRUCTURAL VETO RIGHTS, VETO ASSET SALES, and the two veto rights against profit distribution, both for the board and for shareholders. OPERATIONAL VETO RIGHTS is the sum of the veto rights that govern the entrepreneur's actions in the firm: a veto against changes in the firm's line of business, a veto right against certain financial decisions such as capital expenditures or the use of derivative instruments, a veto right against changes in the firm's head count and veto's against other decisions, i.e. against lawsuits on behalf of the firm. STRUCTURAL VETO RIGHTS is the sum of the veto rights that secure the VC's position in the firm: A veto right against changes in the shareholders' agreement, a veto that forbids the firm's dissolution and a veto against changes in the firm's capital structure such as giving out new shares. Often the shareholders have a veto

right against the use of the firm's profit.

LIQUIDATION RIGHTS is the sum of a debt dummy and the STAGING dummy. We also create two dummies that take value one when a VC (or an independent VC) has any liquidation right. The PUT OPTION dummy takes value one when then VC has the right to put his shares to the entrepreneur after a specific period of time, that is when he is able to force a buy-back by the entrepreneur. The DRAG ALONG tells us whether the VC has the right to force the entrepreneur to sell his stake to an (outside) bidder while the TAKE ALONG dummy tells us whether the VC has the right to demand from the entrepreneur to include his stake in any sale of the entrepreneur's stake. We code all this variables to take value if these rights are presents. Sometimes qualifying conditions are present. However, for sake of simplicity, we do not consider these elements here.

The EXIT RIGHTS dummy is the sum of the sale rights found in the sample, that is the sum of the dummy for the existence for an anti-dilution protection, the VC's preemption right dummy, the drag and take (tag) along dummies and finally the info duty dummy. The preemption right allows the VC to buy the entrepreneur's stake in the firm if the entrepreneur were to sell his stake for the price paid by the potential buyer, while the info duty dummy forces the entrepreneur to inform the VC about potential buyers of the firm that approach the entrepreneur. We also code the presence of IPO rights: Piggy back rights allow the VC to include his shares in any offering of the founder's shares in a public market, while the priority registration right allows the VC to register his shares with priority to those of the entrepreneur in case not all can be listed at once. We also know whether the VC has a LIQUIDATION PREFERENCE (that is if his claims are senior to those of the entrepreneur, even if both hold equity). We also have a dummy variable called RIGHT TO REPLACE ENTREPRENEUR that takes value one exactly when the VC has this right. ANTI-COMPETITION CLAUSE takes value one if the VC has the right to ban the entrepreneur to work in a related industry if he leaves the firm. Finally FOUNDER VESTING

takes value one if the entrepreneur is not allowed to keep all his equity in firm if he resigns from his position in the firm. We do not discern whether there is a difference between the VC firing the entrepreneur or the entrepreneur leaving on his own.

2.2.3 Other Variables

Finally, we observe several other variables: First, the DUMMY VC MAJORITY indicates whether the VC has the majority of voting rights in the firm. Second, TIME TO EXIT denotes the time the VC thinks he needs to exit the venture¹⁰. The DUMMY TRADE SALE EXPECTED indicates whether the VC thinks that a trade sale is expected by the VC. This expectation is often stated by the VC in his investment memorandum. The fact that this is stated in the investment memorandum means that the VC expects this prior to him signing the contract with the entrepreneur, but that the entrepreneur is not necessarily aware of this. Therefore, causality should run from the expectation of the possibility of a TS to the inclusion of the term in the contract.

¹⁰ We often had no information about this variable, as we took it directly from the VC's investment memorandi. For the programmes covered, KfW's maximum investment horizon was ten years. Thus, we set this variable to 10 when we faced an investment with debt only and no information about the expected contract duration. We ran robustness checks and found no differences in our results.

Table 1: Descriptive Variables: Rounds - Robustness 1

Category	Variable	Full Sample			1st Rounds only			2nd Rounds only			3rd Rounds and more		
		Obs	Mean	Std.Dev.	Obs	Mean	Std.Dev.	Obs	Mean	Std.Dev.	Obs	Mean	Std.Dev.
Veto Rights	Veto Shareholder's Agreement	122	.9918033	.0905357	35	.9714286	.1690309	34	1	0	53	1	0
	Veto Asset Sales	94	.7340426	.4442108	25	.68	.4760952	26	.7307692	.4523443	43	.7674419	.4274626
	Veto Capital Structure	122	.9016393	.2990297	35	.8857143	.3228029	34	.9117647	.2879022	53	.9056604	.2950978
	Veto Business Plan	85	.4117647	.4950738	24	.5	.5107539	24	.4166667	.5086102	37	.3513514	.4839775
	Veto Others	94	.6276596	.4860205	24	.5833333	.5036102	26	.6538462	.4851645	44	.6363636	.4866071
	Veto Financial Decisions	95	.6105263	.4902179	25	.68	.4760952	27	.6296296	.4921029	43	.5581395	.5024855
	Veto Head Count	88	.6590909	.4767313	24	.75	.4423259	25	.72	.4582576	39	.5641026	.5023561
	Veto Company Dissolution	122	.9344262	.2485563	35	.9428571	.2355041	34	.9411765	.2388326	53	.9245283	.2666788
	Board Veto Profit Distribution	74	.9189189	.2748228	17	.8235294	.3929526	22	.9090909	.2942449	35	.9714286	.1690309
Voting Rights	Shareholders Veto Profit Distribution	98	.7857143	.4124356	24	.625++	.4945354	28	.8214286	.390021	46	.8478261	.3631584
	Required Decision Majority	111	.5419523	.1006944	31	.5406452	.1018802	34	.5507853	.1090868	46	.5363043	.9511067
	VC Voting Majority	128	.34375	.4768251	37	*.1081081 +++++	.3148001	37	°.° 2972973	.4633732	54	.537037	.5033084
	Voting Rights/Cash-Flow Rights	128	.4170352	.2237333	37	*30.69027++++	18.7131	37	°.° 39.16297	20.62553	54	50.99037	22.26202
	Board Voting Rights	72	.4864319	.2381617	19	41.47316+++	21.94003	21	45.61905	23.15258	32	54.885	24.40976
	Board VC control	72	.4444444	.5003911	19	.2105263++++	.4188539	21	°.° 38.09524	.4976134	32	.625	.4918694
	Board required majority	56	.4822036	.121186	15	48.91133	14.75783	16	46.875	12.5	25	48.6668	10.67211
	Board exists?	129	.627907	.4852475	38	.5+	.5067117	37	.6486486	.4839775	54	.7037037	.4609109
	VC has termination rights	129	1.310078	.5836101	38	1.526316++++	.5060094	37	°.°° 1.405405	.4977427	54	1.092593	.622488
Termination Rights	Ind VC has termination rights	98	.9693878	.1731504	32	1+	0	26	°.1	0	40	.925	.2667468
	Staging	127	.9055118	.2936651	35	1+++	0	37	1	0	55	.7818182	.4168182
	Debt	130	.5076923	.5018748	38	*.6578947+++	.4807829	37	.4594595	.5052279	55	.4363636	.5005048
	Put Option	112	.1696429	.3770056	33	.1212121	.331434	32	.21875	.4200134	47	.1702128	.3798826
	Anti Dilution Protection	116	.4396552	.4984985	30	*.2333333++++	.4301831	34	.4411765	.5039947	52	.5576923	.501506
	VC preemption	116	.8362069	.3716933	33	.7272727+	.452267	33	.8484848	.3641095	50	.9	.3030458
	E preemption	116	.3793103	.4873205	33	.3030303	.4666937	33	.3939394	.4961977	50	.42	.4985694
	Drag Along	118	.5847458	.4948672	33	.4545455++	.5056499	34	.5585235	.5039947	51	.6862745	.4686233
	Take Along	118	.6949153	.4624068	33	.5454545++	.5056499	34	.6764706	.4748581	51	.8039216	.4009792
IPO Rights	Info Duty	112	.2946429	.457931	32	.1875+	.3965578	33	.2727273	.452267	47	.3829787	.4913686
	Piggy back	116	.0344828	.1832572	34	0+	0	32	.03125	.1767767	50	.06	.2398979
	Priority Registration	97	.0103093	.1015346	27	0	0	28	0	0	42	.0238095	.1543033
	Liquidation preference	121	.4876033	.5019247	34	.3529412++	.4850713	34	.4411765	.5039947	53	.6037736	.4937931
	Right to Replace Entrepreneur	127	.3858268	.4887179	36	**1.3888889++++	.3507362	36	°.° 36.11111	.4871361	55	.5636364	.5005048
	Founder Vesting	123	.1626016	.370511	35	.1714286	.3823853	35	.3228029	.3228029	53	.1886792	.3949977
	Anti-competition clauses	123	.796748	.4040644	35	.7428571	.4434396	34	.7941176	.4104256	54	.8333333	.3761774

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only firms that have three rounds at minimum are considered. The first section states the results for the complete sample, the other three are for all observations in the first, second and third or higher rounds respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analogue for the difference between the first and third round, while °°, °°, ° denotes statistical significance between the second and third round.

Table 2: Descriptive Variables: Rounds - Robustness 2

Category	Variable	Full Sample			1st Rounds only			2nd Rounds only			3rd Rounds and more			
	Variable	Obs	Mean	Std. Dev.	Obs	Mean	Std.Dev.	Obs	Mean	Std. Dev	Obs	Mean	Std. Dev	
Veto Rights	Veto Shareholder's Agreement	187	.973262	.1617497	117	.974359 ⁺⁺	.1587417	48	.9583333	.2019409	22	1	0	
	Veto Asset Sales	170	.8	.4011817	107	.8317757	.3758257	44	.75	.4380188	19	.7368421	.4524139	
	Veto Capital Structure	186	.8064516	.3961453	116	.7931034	.4068381	48	.8333333	.3766218	22	.8181818	.394771	
	Veto Business Plan	166	.5963855	.4921064	105	.5809524	.4957696	44	° .7045455	.4615215	17	.4117647	.5072997	
	Veto Others	158	.6075949	.498387	97	.628866	.4856179	42	.5238095	.5054867	19	.6842105	.4775669	
	Veto Financial Decisions	168	.702381	.4585779	105	.7047619 ⁺⁺	.4583375	44	.8181818	.3901537	19	.4210526	.5072573	
	Veto Head Count	166	.6385542	.4818729	103	.631068	.484875	44	° .7272727	.4505106	19	.4736842	.5129892	
	Veto Company Dissolution	188	.9042553	.2950265	118	.9152542	.2796906	48	.8958333	.3087093	22	.8636364	.3512501	
	Board Veto Profit Distribution	117	.8974359	.3046936	69	.884058	.3225009	33	.9090909	.2919371	15	.9333333	.2581989	
	Shareholders Veto Profit Distribution	172	.6744186	.4699598	107	.635514 ⁺	.4835506	44	.7045455	.4615215	21	.8095238	.4023739	
Voting Rights	Required Decision Majority	178	52.20601	7.177985	109	53.05202	8.400052	49	50.5102	3.571429	20	51.75	5.910517	
	VC Voting Majority	207	.1884058	.3919838	133	.1353883 ⁺⁺⁺	.3433779	52	° .1923077	.3979586	22	.5	.5117663	
	Voting Rights/Cash-Flow Rights	207	30.8156	24.27373	133	**26.11534 ⁺⁺⁺	23.00956	52	35.75404	23.55799	22	47.55818	24.70269	
	Board Voting Rights	73	43.41795	28.29027	37	40.67162	29.27521	21	39.79286	23.12104	15	55.26733	30.95881	
	Board VC control	68	.3088235	.4654432	32	.1875 ⁺⁺	.3965578	21	° .2857143	.46291	15	.6	.5070926	
	Board required majority	62	49.47323	10.01358	28	50.02393	11.14861	20	50.8335	3.727525	14	46.42857	13.36306	
	Board exists?	211	.4075829	.4925534	138	** .3115942 ⁺⁺⁺	.4648322	51	°° .4901961	.5048782	22	.8181818	.394771	
	VC has termination rights	208	.9951923	.7256355	137	**1.131387 ⁺⁺⁺	.7155574	50	.76	.7159979	.7159979	21	.6666667	.5773503
	Ind VC has termination rights	151	.8609272	.347174	100	** .92	.2726599	36	.7222222	.4542568	15	.8	.4140393	
	Staging	215	.4604651	.4995978	141	.4822695	.5014669	52	.4038462	.4954545	22	.4545455	.5096472	
Sale Rights	Debt	215	.6790698	.4679235	141	***.7659574 ⁺⁺⁺	.4249084	52	.5384615	.5033822	22	.4545455	.5096472	
	Put Option	186	.1397849	.3476997	122	.1557377	.3641018	47	.106383	.3116605	17	.1176471	.3321056	
	Anti Dilution Protection	198	.2222222	.4167936	127	.1574803 ⁺⁺⁺	.3656956	50	°° .26	.4430875	21	.5238095	.5117663	
	VC preemption	188	.5478723	.4990319	125	.496 ⁺⁺	.501996	44	.5909091	.4973503	19	.7894737	.4188539	
	E preemption	188	.1914894	.3945239	125	.2	.4016097	44	.1363636	.3471418	19	.2631579	.4524139	
	Drag Along	193	.2901554	.4550143	126	*.1984127 ⁺⁺⁺	.4003966	47	°°° .3404255	.4789752	20	.75	.4442617	
	Take Along	192	.4114583	.4933845	126	** .3253968 ⁺⁺⁺	.4703933	47	°° .5106383	.5052912	19	.7368421	.4524139	
	Info Duty	190	.1789474	.3843209	126	.1349206 ⁺⁺	.3430026	47	.212766	.4136881	17	.4117647	.5072997	
	Piggy back	184	.0163043	.1269888	116	0	0	48	.0416667	.2019409	20	.05	.2236068	
	Priority Registration	167	.0179641	.1332203	107	0	0	44	.0454545	.2107071	16	.0625	.25	
Others	Liquidation preference	188	.3191489	.4673916	121	.2479339 ⁺⁺⁺	.4336087	47	°°° .3404255	.4789752	20	.7	.4701623	
	Right to Replace Entrepreneur	200	.225	.4186302	129	.1627907 ⁺⁺⁺	.3706139	49	°°° .2244898	.4215698	22	.5909091	.5032363	
	Founder Vesting	198	.0909091	.2882085	128	.0703125	.2566776	49	.0816327	.2766417	21	.2380952	.4364358	
	Anti-competition clauses	200	.715	.4525472	129	.7054264	.4576281	49	.7142857	.4564355	22	.7727273	.428932	

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only firms that are not financed until break-even are considered. The first section states the results for the complete sample, the other three are for all observations in the first, second and third or higher rounds respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analog for the difference between the first and third round, while °°, °, ° denotes statistical significance between the second and third round.

Table 3: Descriptive Variables: Rounds - Robustness 3

Category	Variable	1st Rounds only			3rd Rounds and more		
Category	Variable	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.
Veto Rights	Veto Shareholder's Agreement	52	1	0	34	1	0
	Veto Asset Sales	40	.825	.3848076	26	.8076923	.4019185
	Veto Capital Structure	52	.9230769	.2690691	34	.9411765	.2388326
	Veto Business Plan	37	.4864865	.5067117	19	.4736842	.5129892
	Veto Others	36	.7777778	.421637	26	.7692308	.4296689
	Veto Financial Decisions	37	.8108108	.3970613	26	.6923077	.4706787
	Veto Head Count	38	.6315789	.4888515	22	.6818182	.4767313
	Veto Company Dissolution	52	.9807692	.138675	34	.9705882	.1714986
	Board Veto Profit Distribution	32	1	0	25	.96	.2
	Shareholders Veto Profit Distribution	41	.7804878	.4190582	29	.9655172	.1856953
Voting Rights	Required Decision Majority	39	51.53846	6.801107	27	53.37037	9.989025
	VC Voting Majority	55	***.3090909	.466378	35	.7142857	.4583492
	Voting Rights/Cash-Flow Rights	55	***38.84804	24.36146	35	58.528	22.04075
	Board Voting Rights	29	*50.44138	22.2315	24	61.66625	22.97963
	Board VC control	28	**4285714	.5039526	24	.75	.4423259
	Board required majority	21	49.20714	12.33405	18	48.14833	12.64021
	Board exists?	57	***.5614035	.5006262	35	.8285714	.3823853
Termination Rights	VC has termination rights	55	*1.309091	.5732535	35	1.085714	.5621089
	Ind VC has termination rights	49	.9387755	.2422261	27	.9259259	.2668803
	Staging	56	.7678571	.4260205	36	.8055556	.4013865
	Debt	57	.4912281	.5043669	36	.3611111	.4871361
	Put Option	51	.1568627	.36729	30	.1666667	.379049
	Anti Dilution Protection	52	***.4615385	.5033822	34	.7647059	.4305615
Sale Rights	VC preemption	53	***.7358491	.4450991	32	.96875	.1767767
	E preemption	53	.3773585	.4893644	32	.5	.5080005
	Drag Along	51	***.5294118	.5041008	33	.8787879	.331434
	Take Along	52	***.5961538	.4954545	33	.9090909	.2919371
	Info Duty	51	***.2941176	.460179	30	.4	.4982729
	Piggy back	49	.0612245	.2422261	31	.0645161	.249731
IPO Rights	Priority Registration	40	.05	.2207214	25	.04	.2
	Liquidation preference	54	.5925926	.4959656	35	.7428571	.4434396
	Right to Replace Entrepreneur	53	***.3962264	.4937931	36	.7222222	.4542568
	Founder Vesting	53	.2830189	.4547763	34	.2647059	.4478111
	Anti-competition clauses	54	.8703704	.3390495	35	.8571429	.3550358

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only firms whose deals were done in the third period (between 2001-2004) are used. The first section states the results for the complete sample, the other three are for all observations in the first, second and third or higher rounds respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analogue for the difference between the first and third round, while $\circ\circ\circ$, $\circ\circ$, \circ denotes statistical significance between the second and third round.

Table 4: Descriptive Variables: Rounds - Robustness 4

Category	Full Sample			1st Rounds only			2nd Rounds only			3rd Rounds and more		
	Obs	Mean	Std. Dev.	Obs	Mean	Std.Dev.	Obs	Mean	Std. Dev.	Obs	Mean	Std.Dev.
Veto Rights	Veto Shareholder's Agreement	262	.9847328	.1228482	146	.9863014	.1166369	.974359	.159085	38	.8518519	.362014
	Veto Asset Sales	203	.8128079	.39103	114	.8157895	.3893673	.7903226	.4104015	27	.9473684	.2262943
	Veto Capital Structure	262	.9312977	.2534313	146	.9246575	.2648517	.9246575	.2465209	38	.4285714	.5070926
	Veto Business Plan	189	.5555556	.4982238	110	.5636364	.4982036	.5826069	.4968138	21	.7586207	.4354942
	Veto Others	193	.7202073	.4500648	106	.7264151	.4479162	.6896552	.4666753	29	.5555556	.5063697
	Veto Financial Decisions	196	.6938776	.4620615	109	.7155963	.4532137	.7166667	.4544196	27	.6521739	.4869848
	Veto Head Count	190	.7	.4594683	109	.6972477	.4615711	.7241379	.4508512	23	.9473684	.2262943
	Veto Company Dissolution	262	.9465649	.22533	146	.9520548	.2143858	.9358974	.2465209	38	.9473684	.2262943
	Board Veto Profit Distribution	148	.8581081	.3501241	76	.8026316	.4006574	.8026316	.3282607	22	.9032258	.3005372
	Shareholders Veto Profit Distribution	200	.705	.4571872	107	.6261682	.4860966	.7419355	.4411417	31	.5334375	.9014717
Voting Rights	Required Decision Majority	230	.5194496	.688068	126	.5152913	.6204045	.5205097	.6946498	32	.5897436	.4983102
	VC Voting Majority	279	.2724014	.4459953	160	.2	.4012559	.2625	.4427689	39	.5439538	.2068177
	Voting Rights/Cash-Flow Rights	279	.4176847	.2027301	160	.3733551	.198016	.4447875	18.03942	39	.556124	24.41109
	Board Voting Rights	146	.433274	.212211	78	.4015	.2008479	.4015	.1908189	25	.6	.5
	Board VC control	145	.3172414	.4670155	77	.2337662	.4260005	.3023256	.4647008	25	.4824579	12.29142
	Board required majority	114	.5044184	.99735	63	.5185762	.9409389	.4895844	.9406884	19	.7631579	.4308515
	Board exists?	281	.6014235	.4904787	163	.5582822	.4981219	.5582822	.4902531	38	1.078947	.5873246
	VC has termination rights	276	1.210145	.614076	159	**1.289308	.5990067	1.113924	.6402592	38	.9	.3051286
	Ind VC has termination rights	250	.912	.2838632	153	.9346405	.2479708	.8656716	.3435784	30	.7948718	.4090739
	Staging	272	.7573529	.4294736	156	.7628205	.4267231	.7272727	.4482822	39	.4358974	.5023561
Sale Rights	Debt	285	.4912281	.5008024	165	*.5393939	.499963	.4197531	.4965933	39	.125	.3360108
	Put Option	235	.1276596	.3344227	137	.1240876	.3308913	.1363636	.345804	32	.6052632	.4953554
	Anti Dilution Protection	249	.4297189	.496033	139	.3669065	.4837038	.4583333	.5017575	38	.9142857	.2840286
	VC preemption	247	.7732794	.4195606	142	***.6971831	.4611032	.8571429	.3524537	35	.3714286	.4902409
	E preemption	247	.340081	.474698	142	.3239437	.4696354	.3571429	.4826171	35	.7777778	.421637
	Drag Along	248	.5604839	.4973319	142	.5	.5017699	.5714286	.4984448	36	.8333333	.3779645
	Take Along	247	.6315789	.4833558	141	.5602837	.4981221	.6714286	.4730851	36	.40625	.4989909
	Info Duty	239	.2970711	.4579271	139	.2446043	.431407	.3529412	.4814377	32	.0285714	.1690309
	Piggy back	237	.0295359	.1696613	133	.0300752	.17144	.0289855	.1689948	35	.0333333	.1825742
	Others	Priority Registration	197	.035533	.185943	109	.0366972	.1888859	.0344828	.1840592	30	.6842105
Liquidation preference		255	.5254902	.5003318	146	.4726027	.5009674	.5492958	.5011054	38	.6410256	.4859705
Right to Replace Entrepreneur		258	.3527132	.4787431	143	.2797203	.4504394	.3421053	.4775669	39	.2432432	.4349588
Founder Vesting		252	.1785714	.3837552	140	.1857143	.3902723	.1333333	.3422238	37	.8157895	.3928595
Anti-competition clauses		256	.8085938	.3941787	145	.8137931	.3906228	.7945205	.4068478	38		

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only firms founded by independent VCs are considered. The first section states the results for the complete sample, the other three are for all observations in the first, second and third or higher rounds respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analogue for the difference between the first and third round, while °, °°, °°° denotes statistical significance between the second and third round.

Table 5: Descriptive Variables: Periods - Independent VCs only - Robustness 5

Category	Variable	Full Sample			1st Period only			2nd Period only			3rd Period		
		Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.
Veto Rights	Veto Shareholder's Agreement	262	.9847528	.1228482	24	.9583333	.2041241	148	.9797297	.1414019	90	1	0
	Veto Asset Sales	203	.8128079	.39103	20	***1++++	0	119	.7983193	.4029517	64	.78125	.4166667
	Veto Capital Structure	262	.9312977	.2534313	24	**7083333+++	.4643056	148	°.9324324	.2518547	90	.9888889	.1054093
	Veto Business Plan	189	.5555556	.4982238	20	.6	.5026247	117	°.5213675	.5016918	52	.6153846	.4912508
	Veto Others	193	.7202073	.4500648	17	.5294118++	.5144958	114	°.6929825	.4632932	62	.8225806	.3851418
	Veto Financial Decisions	196	.6938776	.4620615	20	.65	.4893605	116	.6810345	.4680977	60	.7333333	.4459485
	Veto Head Count	190	.7	.4594683	20	.8	.4103913	114	.6842105	.4668818	56	.6964286	.4639609
	Veto Company Dissolution	262	.9465649	.22533	24	.875	.337832	148	°.9324324	.2518547	90	.9888889	.1054093
	Board Veto Profit Distribution	148	.8581081	.3501241	12	.75	.452267	75	°.7333333	.4214946	61	.9836066	.1280369
	Shareholders Veto Profit Distribution	200	.705	.4571872	19	.5263158+++	.5129892	112	°.5892857	.4941746	69	.942029	.2354007
Voting Rights	Required Decision Majority	230	.5194496	.6.88068	21	.53.65095	9.481483	136	.51.35787	5.681113	73	52.54795	7.951312
	VC Voting Majority	279	.2724014	.4459953	24	.0833333+++	.2823299	161	°.1614907	.3691311	94	.5106383	.5025672
	Voting Rights/Cash-Flow Rights	279	.41.76847	20.27301	24	*29.33625+++	20.12896	161	°.37.55528	16.76006	94	52.15885	21.57209
	Board Voting Rights	146	.43.3274	21.2211	8	.41.79	24.70779	76	°.35.17395	16.97622	62	53.52032	21.38562
	Board VC control	145	.3172414	.4670155	7	***0+++	0	76	°.1842105	.3902316	62	.516129	.5038194
	Board required majority	114	50.44184	9.9735	7	***50+++	0	60	°.52.228	6.315236	47	48.22745	13.56457
	Board exists?	281	.6014235	.4904787	25	*.36+++	.4898979	160	°.56875	.4968058	96	.71875	.4519694
	VC has termination rights	276	1.210145	.6144076	24	1.291667	.5500329	159	1.232704	.6383817	93	1.150538	.5887761
	Ind VC has termination rights	250	.912	.2838632	20	***1+++	0	147	.9047619	.2945471	83	.9036145	.2969133
	Staging	272	.7573529	.4294736	23	.7826087	.4217412	153	.7385621	.440861	96	.78125	.4155687
Sale Rights	Debt	285	.4912281	.5008024	25	.72+++	.4582576	163	°.5521472	.4988057	97	.3298969	.4726179
	Put Option	235	.1276596	.3344227	21	.0952381	.3007926	131	.129771	.3373413	83	.1325301	.3411274
	Anti Dilution Protection	249	.4297189	.496033	24	***.0416667+++	.2041241	136	°.3308824	.4722703	89	.6853933	.46699
	VC preemption	247	.7732794	.4195606	22	***.4090909+++	.5032363	137	°.7372263	.4417557	88	.9204545	.2721389
	E preemption	247	.340081	.474698	22	.1818182++	.394771	137	.3138686	.4657667	88	.4204545	.4964608
	Drag Along	248	.5604839	.4973319	22	**2272727+++	.428932	140	°.5	.5017953	86	.744186	.4388768
	Take Along	247	.6315789	.4833558	22	**3181818+++	.4767313	138	°.557971	.4984372	87	.8275862	.3799295
	Info Duty	239	.2970711	.4579271	21	.0952381+++	.3007926	135	°.2074074	.4069599	83	.4939759	.503003
	Piggy back	237	.0295359	.1696613	20	0++	0	133	°.0075188	.086711	84	.0714286	.2590862
	Priority Registration	197	.0355533	.1855943	20	0++	0	112	.0178571	.1330273	65	.0769231	.2685431
Others	Liquidation preference	255	.5254902	.5003318	21	***.1428571+++	.3585686	143	°.4405594	.4981993	91	.7472527	.436995
	Right to Replace Entrepreneur	258	.3527132	.4787431	22	**0909091+++	.2942449	143	°.2376222	.4272091	93	.5913978	.4942398
	Founder Vesting	252	.1785714	.3837552	20	***0+++	0	142	°.1056338	.3084564	90	.3333333	.4740455
	Anti-competition clauses	256	.8085938	.3941787	21	***.4761905+++	.5117663	145	.8137931	.3906228	90	.8777778	.3293773

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only firms founded by independent VCs are considered. The first section states the results for the complete sample, the other three are for all observations in the first (1990-1997), second (1998-2000) and third (2001-2004) time period respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analoge for the difference between the first and third round, while °, °°, °°° denotes statistical significance between the second and third round.

Table 6: Descriptive Variables: Periods - Robustness 6 - Only First Rounds

Category	Variable	All Periods				Period 1			Period 2			Period 3		
		Obs	Mean	Std. Dev.	Std. Dev.	Obs	Mean	Std. Dev.	Std. Dev.	Obs	Mean	Std. Dev.	Std. Dev.	
Veto Rights	Veto Shareholder's Agreement	146	.9863014	.1166369	.2294157	19	.9473684	.2294157	.1031421	33	.9893617	.1031421	.0	
	Veto Asset Sales	114	.8157895	.3893673	0	15	***1++	0	.4006574	23	.7391304	.4489778	0	
	Veto Capital Structure	146	.9246575	.2648517	.4188539	19	.7894737++	.4188539	.2639388	33	.9255319	.2639388	0	
	Veto Business Plan	110	.5636364	.4982086	.4577377	15	.7333333	.4577377	.5029642	20	.52	.5029642	.4023739	
	Veto Others	106	.7264151	.4479162	.5149282	12	.5833333	.5149282	.4490816	21	.7260274	.4490816	.8	
	Veto Financial Decisions	109	.7155963	.4532137	.4140393	15	.8	.4140393	.4713172	20	.6756757	.4713172	.4103913	
	Veto Head Count	109	.6972477	.4615711	.3518658	15	*.8666667	.3518658	.4730162	21	.6712329	.4730162	.4830459	
	Veto Company Dissolution	146	.9520548	.2143858	.2294157	19	.9473684	.2294157	.2457602	33	.9361702	.2457602	0	
	Board Veto Profit Distribution	76	.8026316	.4006574	.48795	7	.7142857	.48795	.4521508	22	.7234043	.4521508	0	
	Shareholders Veto Profit Distribution	107	.6261682	.4860966	.5135526	14	.4285714+++	.5135526	.4984448	23	.5714286	.4984448	.2881041	
Voting Rights	Required Decision Majority	126	.5152913	.6204045	4.1675	16	.5104187	4.1675	5.826621	26	.5138095	5.826621	8.274149	
	VC Voting Majority	160	.2	.4012559	.3153018	19	.1052632+++	.3153018	.341565	36	.1333333	.341565	.5039526	
	Voting Rights/Cash-Flow Rights	160	.3733551	19.8016	20.9142	19	31.92895++	20.9142	17.27184	36	.3525981	17.27184	23.65346	
	Board Voting Rights	78	40.15	20.08479	29.65818	5	48.198	29.65818	16.64944	24	.3458306	16.64944	20.99892	
	Board VC control	77	.2337662	.4260005	0	4	***0+++	0	.3535534	24	.1428571	.3535534	.5089774	
	Board required majority	63	.5185762	9.409389	0	4	***50	0	7.517723	19	53.342	7.517723	12.99826	
	Board exists?	163	.5582822	.4981219	.4701623	20	**.3+++	.4701623	.4985326	38	.5619048	.4985326	.4710691	
	VC has termination rights	159	1.289308	.5990067	.5619515	19	1.263158	.5619515	.614427	36	1.326923	.614427	.5766625	
	Ind VC has termination rights	153	.9346405	.2479708	0	16	***1+	0	.254068	35	.9313725	.254068	.2840286	
	Staging	156	.7628205	.4267231	.4608886	18	.7222222	.4608886	.4148243	37	.7821782	.4148243	.4502252	
Sale Rights	Debt	165	.5393939	.499963	.4442617	20	.75+++	.4442617	.4973922	38	.5700635	.4973922	.4807829	
	Put Option	137	1.240876	.3308913	.25	16	.0625	.25	.3468266	34	.137931	.3468266	.327035	
	Anti Dilution Protection	139	.3669065	.4837038	.2294157	19	***.0526316+++	.2294157	.4829515	34	.3604651	.4829515	.5039947	
	VC preemption	142	.6971831	.4611032	.5072997	17	**.4117647+++	.5072997	.4608249	35	.7	.4608249	.3823853	
	E preemption	142	.3239437	.4696354	.3321056	17	**.1176471++	.3321056	.4740455	35	.3333333	.4740455	.4970501	
	Drag Along	142	.5	.5017699	.4696682	17	.2941176++	.4696682	.5022643	33	.4782609	.5022643	.6666667	
	Take Along	141	.5602837	.4981221	.5072997	17	.4117647+	.5072997	.5016826	34	.5333333	.5016826	.4624973	
	Info Duty	139	.2446043	.431407	.341565	16	.125+++	.341565	.3953251	34	.1910112	.3953251	.5039947	
	Piggy back	133	.0300752	.17144	0	15	0+	0	.1084652	33	.0117647	.1084652	.2919371	
	Priority Registration	109	.0366972	.1888859	0	15	0	0	.1689948	25	.0289855	.1689948	.2768875	
Others	Liquidation preference	146	.4726027	.5009674	.4031129	16	**.1875+++	.4031129	.4988241	36	.4468085	.4988241	.4780914	
	Right to Replace Entrepreneur	143	.2797203	.4504394	.3321056	17	.1176471+++	.3321056	.4005491	35	.1978022	.4005491	.5020964	
	Founder Vesting	140	.1857143	.3902723	0	15	***0+++	0	.341839	35	.1333333	.341839	.4970501	
	Anti-competition clauses	145	.8137931	.3906228	.5	16	.625+	.5	.3869585	35	.8191489	.3869585	.3228029	

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. Only first rounds financed by independent VCs are considered. The first section states the results for the complete sample, the other three are for all observations in the first (1991-1997), second (1998-2000) and third (2001-2004) time period respectively. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the first and second round. +, ++, +++ is the analogue for the difference between the first and third round, while +, ++, +++ denotes statistical significance between the second and third round.

Table 7: Descriptive Variables: Time To Exit - Robustness 7

Category	Variable	Full Sample			1-3 years			4-6 years			7-10 years		
		Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.	Obs	Mean	Std. Dev.
Veto Rights	Veto Shareholder's Agreement	223	.9820628	.1330219	108	1	0	60	.8113208	.3940977	55	.9272727	.2620818
	Veto Asset Sales	198	.7979798	.402525	93	.7419355++	.4399413	53	.8113208	.3940977	52	.8846154	.3226025
	Veto Capital Structure	222	.8648649	.3426404	108	.9814815++	.1354454	60	.000.9833333	.1290994	54	.5	.5046949
	Veto Business Plan	187	.5347594	.5001294	81	.5679012+++	.4984544	52	.5769231	.4988675	54	.4444444	.5015699
	Veto Others	187	.7700535	.4219279	87	.6896552+++	.4653167	53	.00.754717	.4343722	47	.9361702	.2470922
	Veto Financial Decisions	196	.6734694	.4701448	89	*.5629213	.4753903	53	.00.7924528	.4094316	54	.5740741	.4991257
	Veto Head Count	191	.5549738	.4982748	83	.6746988+++	.4713353	55	.000.6727273	.4735424	53	.245283	.4343722
	Veto Company Dissolution	225	.9511111	.2161165	108	** .9537037	.2111056	62	.00.1	0	55	.8909091	.3146266
	Board Veto Profit Distribution	160	.91875	.2740765	75	.88++	.3271499	44	.9318182	.2549717	41	.9756098	.1561738
	Shareholders Veto Profit Distribution	199	.7638191	.4258058	90	.7666667	.4253221	56	.8035714	.4008919	53	.7169811	.4547763
Voting Rights	Required Decision Majority	164	53.10366	8.289707	92	51.78261+++	6.852971	50	.000.51.62	6.000822	22	62	12.23967
	VC Voting Majority	230	.2565217	.4376656	115	.3391304+++	.475486	61	.000.3114754	.4669398	54	.0185185	.1360828
	Voting Rights/Cash-Flow Rights	230	36.69975	22.86792	115	44.30784+++	19.75769	61	.000.43.01443	17.05396	54	13.36407	19.08612
	Board Voting Rights	105	45.97352	20.07708	67	48.19433	21.64788	32	42.89156	15.14836	6	37.61167	23.76579
	Board VC control	104	.3846154	.4888602	67	.4328358	.4992079	32	.28125	.4568034	5	.4	.5477226
	Board required majority	79	50.52772	9.837497	52	*49.03231+++	10.64047	25	.000.52.3336	6.59746	2	66.835	.2333465
	Board exists?	235	.5234043	.500518	117	.6923077+++	.4635236	63	.000.5714286	.4988466	55	.1090909	.3146266
	VC has termination rights	235	1.195745	.6634401	118	**1.101695	.6046802	61	1.360656	.578296	56	1.214286	.824936
	Ind VC has termination rights	185	.9189189	.2737003	108	.8888889+++	.3157348	57	.9473684	.2252818	20	1	0
	Staging	232	.75	.4339489	115	.7913043++	.4081549	63	.00.8095238	.3958308	54	.5925926	.4959656
Sale Rights	Debt	238	.5294118	.5001861	119	**3.1109244+++	.4648291	63	.000.5714286	.4988466	56	.9464286	.2272078
	Put Option	211	.2227488	.4170806	100	.19	.3942772	56	.2321429	.4260205	55	.2727273	.4494666
	Anti Dilution Protection	205	.4146341	.4938648	103	.5533981+++	.4995715	56	.000.4464286	.5016207	46	.0652174	.2496374
	VC preemption	211	.2227488	.4170806	100	.19+++	.3942772	56	.000.2321429	.4260205	55	.2727273	.4494666
	E preemption	217	.3870968	.4882123	105	** .4666667	.5012804	58	.2931034	.459161	54	.3333333	.475831
	Drag Along	217	.4470046	.4983331	103	*.6407767+++	.4821189	59	.000.4915254	.5042195	55	.0363636	.1889186
	Take Along	216	.5555556	.4980582	103	.6893204+++	.4650348	58	.000.637931	.4847961	55	.2181818	.4168182
	Info Duty	215	.227907	.4204612	106	.3113208+++	.4652333	55	.000.2727273	.4494666	54	.0185185	.1360828
	Piggy back	197	.0456853	.2093336	101	*.0792079+++	.27141	55	.0181818	.13484	41	0	0
	Priority Registration	172	.0465116	.2112052	84	** .0952381+++	.2953066	47	0	0	41	0	0
Others	Liquidation preference	220	.4636364	.4998132	107	.6448598+++	.4808078	59	.000.559322	.50073	54	0	0
	Right to Replace Entrepreneur	211	.3364929	.4736334	108	.4351852+++	.4980926	57	.000.3684211	.4866643	46	.0652174	.2496374
	Founder Vesting	205	.1463415	.3543134	103	.184466+++	.3897604	56	.000.1785714	.3864591	46	.0217391	.147442
	Anti-competition clauses	210	.8095238	.8253778	105	.8666667+++	.341565	56	.00.9464286	1.432349	49	.5306122	.5042338

Notes: Summary statistics for 464 investment rounds into 290 entrepreneurial firms by venture capital funds. The variable used is the robust version of TTE where no correction for "Stille Gesellschaften" has been made. The first section states the results for the complete sample, the other three are for all observations in the sample. The second part summarizes the distribution of veto rights for expected contract durations between 1 to 3 years, the third part for durations between 3 to 6 years and the fourth for durations between 6 to 10 years. ***, **, * denotes statistical significance at the 1%, 5%, and 10% level respectively for the difference between the the shortest and middle durations. +, ++, +++ is the analogue for the difference between the shortest and longest durations, while .000, .00, .0 denotes statistical significance between the middle and the longest durations.

Table 8: Contractual elements: correlations Part I

	(2*)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Veto Shareholder's Agreement																	
Veto Asset Sales	1.0000																
Veto Capital Structure	-0.0065	1.0000															
Veto Business Plan	0.1158	0.0994	1.0000														
Veto Others	0.3223	0.2163	0.2897	1.0000													
Veto Financial Decisions	0.3170	0.0296	0.1924	0.1009	1.0000												
Veto Head Count	-0.0619	0.1964	0.2955	-0.0301	0.2635	1.0000											
Veto Company Dissolution	0.0541	0.3404	-0.0477	0.3027	0.0404	0.1291	1.0000										
Board Veto Profit Distribution	0.0442	0.4083	0.2343	0.3669	-0.1143	-0.1472	-0.0197	1.0000									
Shareholders Veto Profit Dist.	0.0000	0.3500	0.3169	0.4867	-0.1078	-0.0732	0.2691	0.8606	1.0000								
Required Decision Majority	-0.0175	0.0746	0.2131	0.1576	-0.0971	0.1796	0.0519	-0.1256	0.0243	1.0000							
VC Voting Majority	-0.0174	0.2523	-0.0962	0.0715	-0.0184	0.0274	0.1344	0.1709	0.3836	-0.1566	1.0000						
Voting Rights/Cash-Flow Rights	-0.0027	0.5121	0.1209	0.1668	0.0015	0.1273	0.1781	0.2876	0.4349	-0.0402	0.8246	1.0000					
Board Voting Rights	-0.0123	0.3793	0.0013	0.1316	-0.1494	0.1555	0.4254	0.1716	0.1775	0.2877	0.3530	0.4334	1.0000				
Board VC control	0.0762	0.1743	-0.2000	0.0661	-0.0350	0.1874	0.2887	0.1486	0.0926	0.3781	0.4334	0.7993	1.0000				
Board required majority	0.0728	-0.0220	-0.2287	-0.1224	0.4158	-0.1123	-0.0390	-0.0405	-0.7327	0.3401	0.2515	-0.3866	-0.2063	1.0000			
Board exists?	-0.0514	0.2206	-0.0685	0.0844	-0.0889	0.1004	0.1066	-0.1043	0.1683	0.1053	0.3677	0.3787	0.3308	0.2242	-0.0346	0.4249	-0.1609
VC has termination rights	-0.0504	-0.1955	-0.0670	0.1084	0.0126	-0.0752	-0.0341	-0.0348	-0.1068	0.1636	-0.1432	-0.2274	-0.0875	-0.1303	-0.0695	-0.0692	1.0000
Ind VC has termination rights	-0.0414	-0.0483	-0.0794	0.1126	-0.0643	0.1700	-0.0392	-0.0449	-0.0264	0.1033	-0.0926	-0.0807	0.0996	0.0826	-0.0472	0.0251	0.6270
Staging & Puts	-0.1145	0.1068	-0.0032	0.2452	-0.0809	-0.1637	0.1149	0.0272	0.2372	0.2585	0.0487	0.0238	-0.0669	-0.0561	-0.0227	0.0072	0.5422
Staging	-0.0767	0.0605	-0.0960	0.1545	-0.1099	0.0144	0.1691	0.0703	0.1496	0.0622	-0.0513	-0.0964	-0.0091	0.0050	-0.1180	0.0332	0.5861
Debt	0.1638	-0.3276	-0.0477	-0.0956	0.0478	-0.1573	-0.1744	-0.0990	-0.2415	0.0219	-0.3226	-0.4426	-0.0758	-0.1072	0.0092	-0.2744	0.3637
Put Option	-0.0559	0.1311	0.0973	0.2035	0.0085	-0.1967	0.0599	-0.0383	0.1368	0.3368	0.0408	0.0440	-0.0815	-0.1072	0.0708	-0.0441	0.1569
Anti Dilution Protection	-0.1300	0.2759	-0.0650	0.1513	-0.1095	0.2531	0.0837	0.2114	0.2952	0.0308	0.3324	0.4161	0.2451	0.2139	-0.0532	0.4033	-0.1575
VC preemption	-0.1443	0.6784	0.2764	0.2637	-0.0498	0.164	4	0.3103	0.3499	0.4880	0.1272	0.2884	0.5422	0.3308	0.2242	-0.0346	0.4249
E preemption	-0.1007	0.2312	0.1085	0.3957	0.0065	0.016	2	0.1058	0.0584	0.1527	0.3598	0.0047	0.1204	0.2386	0.3150	0.1760	0.0609
Drag Along	0.1361	0.3750	0.2215	0.3613	-0.0970	0.0496	0.1715	0.2810	0.4694	-0.1085	0.4645	0.5395	0.1890	0.1176	-0.0743	0.3981	-0.1083
Take Along	-0.1193	0.4728	0.2605	0.1022	-0.0048	0.2086	0.2162	0.2145	0.3277	0.0323	0.3369	0.5288	0.2615	0.1320	-0.0464	0.4425	-0.0688
Info Duty	0.1235	0.2201	0.2343	0.1895	-0.0962	-0.0125	0.1005	0.1486	0.2976	0.0362	0.1114	0.2137	0.0710	-0.1118	-0.3030	0.3153	-0.1439
Piggy back	-0.0786	0.0728	0.0415	-0.0144	0.0536	-0.1329	0.0333	0.0624	0.1145	-0.0868	0.1820	0.2042	0.1519	0.1226	0.0466	0.1261	0.0294
Priority Registration	-0.2389	0.0892	0.1010	0.0000	0.1052	-0.1718	0.0285	0.0615	0.1137	-0.0666	0.2011	0.2554	0.0275	-0.0338	-0.0723	0.0746	-0.0193
Liquidation preference	-0.0078	0.3812	0.1394	0.2428	-0.1589	0.1323	0.1309	0.2988	0.4572	-0.0493	0.3704	0.4520	0.2910	0.1320	0.1411	-0.0581	0.3886
Right to Replace Entrepreneur	-0.0498	0.2784	-0.0437	0.1065	-0.1153	0.0863	0.1568	0.2067	0.3754	-0.0048	0.8851	0.7816	0.5207	0.6057	-0.0704	0.4134	-0.1517
Founder Vesting	-0.1129	0.1634	-0.0857	0.1697	-0.0698	-0.0188	0.0920	0.1217	0.2431	-0.0693	0.3635	0.3074	0.0701	0.1037	0.2886	0.2858	0.0515
Anti-competition clauses	0.1035	0.1148	-0.0788	0.1185	0.0529	-0.0554	0.0466	0.0019	0.0675	0.1166	-0.0265	0.0109	-0.0702	-0.1387	-0.0323	-0.0474	-0.0327

Notes: Pairwise correlations for 464 investment rounds into 290 entrepreneurial firms. Asterics denote statistical significance at the 10% interval. * For variable 1 we could not compute any empirical correlation.

Table 9: Contractual elements: correlations Part II

	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
Veto Shareholder's Agreement																	
Veto Asset Sales																	
Veto Capital Structure																	
Veto Business Plan																	
Veto Others																	
Veto Financial Decisions																	
Veto Head Count																	
Veto Company Dissolution																	
Board Veto Profit Distribution																	
Shareholders Veto Profit Dist.																	
Required Decision Majority																	
VC Voting Majority																	
Voting Rights/Cash-Flow Rights																	
Board Voting Rights																	
Board VC control																	
Board required majority																	
Board exists?																	
VC has termination rights																	
Ind VC has termination rights																	
Staging & Puts	1.0000																
Staging	0.5412	1.0000															
Debt	0.5987	0.7518	1.0000														
Put Option	0.2029	-0.0378	-0.0644	1.0000													
Anti Dilution Protection	0.1455	0.7090	0.0681	0.0053	1.0000												
VC preemption	0.0503	0.1090	0.1919	-0.5402	-0.0191	1.0000											
E preemption	-0.0010	0.0854	0.0207	-0.3322	0.1381	0.3495	1.0000										
Drag Along	0.1325	0.2101	0.0914	-0.1523	0.2510	0.1178	0.3664	1.0000									
Take Along	-0.0733	-0.0038	0.0003	-0.3304	-0.0057	0.4421	0.5889	0.3183	1.0000								
Info Duty	-0.0082	-0.0891	-0.0702	-0.2615	-0.0312	0.4168	0.7356	0.1735	0.6549	1.0000							
Piggy back	-0.1837	-0.1216	-0.0290	-0.1699	-0.1268	0.2211	0.3464	-0.0315	0.4341	0.3213	1.0000						
Priority Registration	-0.0369	0.0795	-0.0088	-0.1629	0.1441	0.1354	0.1195	0.1757	0.2080	0.1628	0.0088	1.0000					
Liquidation preference	-0.0455	0.0939	0.0608	-0.2597	0.1057	0.1039	0.1137	0.1794	0.2106	0.1577	-0.0107	0.6555	1.0000				
Right to Replace Entrepreneur	0.1079	0.0286	0.0711	-0.4378	-0.0272	0.4255	0.5029	0.1688	0.4325	0.4072	0.2558	0.1202	0.2287	1.0000			
Founder Vesting	-0.1393	-0.0015	-0.0438	-0.3203	-0.0336	0.3759	0.2980	0.0854	0.5082	0.3686	0.1367	0.2707	0.2520	0.3661	1.0000		
Anti-competition clauses	0.0451	0.1444	0.0019	-0.2386	0.2048	0.3179	0.2055	0.0900	0.2196	0.1827	0.0198	0.2156	0.2591	0.2765	0.4065	1.0000	
	0.0102	0.1602	0.0226	0.0569	0.2211	-0.0158	0.1454	0.1471	0.0025	-0.0584	0.0313	0.0114	-0.0318	-0.0876	-0.0172	-0.0349	1.0000

Notes: Pairwise correlations for 464 investment rounds into 290 entrepreneurial firms. Asterisks denote statistical significance at the 10% interval.