

Framework I: **Lawyer Simulation Rounds**

This document lays out the operating framework for how the simulations are run, the work product your team must prepare, as well as general approach and performance guidelines. If you are unclear with any part of the framework, please contact Janka or me.

Part I: Premise

Based on a provided set of facts and background, you and your team members will assume the role of founders in a startup company.

You are to assume: your company has raised money on 2 safes over the last 18 months and has just shaken hands on its first round of venture capital equity funding.

You have received a term sheet summarizing the terms of the VC's proposed investment.

In the role of founders, you and your teammates will meet with your lawyer to review the term sheet proposed by the VC, the implications of the safes you've issued, and to discuss legal and negotiating strategy.

Goals

Your (and your lawyer's) goal will be to form a strategy so that you can close your Seed Round on the best terms possible for your company. Your team will gain practical experience dealing with outside professional advisers and working knowledge of term sheet norms and practices.

Mechanics

The background for the roles that you are to play in the simulation is contained in the "Fact Pack: MIT Celestial, Inc." document. Please review it carefully and prepare the work product outlined below.

The prior safes, the new VC term sheet and the cap table that you will be analyzing with your lawyers (and later negotiating with your VCs) are all posted on Canvas. After you have reviewed these individually, your team should meet to talk about the questions and issues it raises, and to define a set of priorities to discuss with your lawyer.

The simulation will last approximately 60 minutes. This session is then immediately followed by 30 minutes of feedback and Q&A with the lawyer.

The other information necessary to prepare all work products for this round is described in this document.

Janka Hamori, the course TA, will share a Google form on **Thursday, April 3 at noon** listing all lawyer sim times and dates. Please respond with all possible times all your team can attend by **6pm Friday, April 4**. If there are additional circumstances you want to explain, please let us know on the form. We will assign rounds based on your response and post the final Sim schedule Friday evening. Remember, all team members must attend.

The lawyer rounds will take place from **Wednesday, April 9 – Thursday, April 17**. Simulations take place outside of class time, typically late afternoons/early evenings to minimize conflicts with the class day. The meetings will be **in person, off campus, at law firm offices**.

The Team Contact Person should submit all pre-meeting documents on Canvas. Submit your documents 48 hours in advance of your round (your lawyers need time to review them before meeting with you).

Janka will forward all documents to the individual lawyers with whom you will be meeting. She is the sole point person for contact with the lawyers. Do not contact your lawyers directly prior to the round.

It is your responsibility to manage schedule conflicts among team members and to schedule sufficient time between your lawyer and VC rounds to allow adequate preparation.

As you will only have 60 minutes for your simulation, use that time to get as much substance as possible. Arrive a little early. Sims will be downtown or the Seaport, accessible by T/Silver line.

Most law firms will order pizza and snacks in order to have a little informal time to connect with you pre- or post-round. Come hungry! If possible, allocate a little extra time to get to know the lawyers who are volunteering their time to help. They're mostly really nice.

Many teams dress in professional attire to add to the seriousness of the exercise. What you wear, however, is at your discretion.

Part II. Work Product Overview

Pre-Meeting Work Product

Teams will collectively prepare the following 3 pre-meeting documents. **Submit your docs on Canvas. Documents are due 48 hours before your round so that Janka can forward to the lawyers to read and prepare for your round. Janka forwards the documents, not you.**

1. *Firm Profile*. This is a simple, half-page summary of the roles your individual team members will be playing. See Firm Profile Specifics below.
2. *Meeting Agenda*. This document articulates your team's priorities regarding the term sheet. There is no template; use any simple format you deem appropriate. See Agenda Overview below.
3. *Term Sheet and Safe*. Your team should fill in the blanks contained in the "Term Sheet for Simulations," "Cap Table for Simulations" and "Safe for Simulations" documents on Canvas. Don't change the terms; this is simply an exercise in filling in the blanks appropriately so that the lawyers and VCs can refer to them in your rounds. Complete only one Safe (the legal terms for both are identical; only the amounts differ). Thus, add in your team members' names, assign stock holdings to the team members, fill in your company name, etc., where there are blanks. This is a 5-minute keyboard exercise only.

Post-Meeting Work Product

Teams will submit on Canvas the responses to a google form **within 48 hours after your round**.

Please also use this form to flag any other issues related to the substance or process of your meeting that you want me to be aware of. These will be used for classroom discussion during the Lawyer Round-Up session.

Firm Profile Specifics

The firm profile is a half-page document to supplement and personalize the standard Fact Pack document. It helps the lawyers and VCs remember the roles you're playing and where the problems are. In other words, they use it as a cheat sheet when they meet with you.

The Fact Pack uses the company name "MIT Celestial, Inc.". Change "MIT Celestial, Inc." to whatever Team Name your team adopts.

Each team member should be listed, as in a regular pitch deck, with the following blurb:

- a MIT Celestial title
- 2 or 3 key phrases summarizing your real work experience, education or other expertise.

To this basic description, the items marked with an asterisk (*) in the excerpt below from the Fact Pack document should be assigned among the team members and added to the individual profiles:

- *You are each members of the board of directors, and together, you constitute the whole board.*
- *You collectively decide the CEO should own 1,200,000 shares. The rest of you will each own 800,000 shares.*
- *One of you stepped in with a \$300K loan from a windfall short-term stock gain from closing out an Nvidia holding*

You should each assume a MIT Celestial title that matches (or is close to) your actual skill set. The education/work experience should mirror as much as possible your team members' real backgrounds (please don't puff excessively).

As a practical matter, someone on the team should give themselves domain expertise (If you always wanted to be Aero/Astro, here's your chance!). As well, you should also name someone from your team CEO. The lawyers and VCs will look for a decision maker.
Assign other executive titles as your team sees fit.

For example:

-- Katie Smart: Co-Founder and VP Marketing; member, Board of Directors.
formerly Hubdot, senior customer delight officer
BA, Mt. Holyoke College; MBA, MIT Sloan
Katie owns 800,000 shares of MIT Celestial common stock. Katie loaned the company \$300,000 in October 2024.

-- Marlen Manassov, Co-Founder and CTO; member, Board of Directors.
formerly ClosedAI, software scientist
BSEE, Yale University; M.Eng., MIT
Marlen owns 800,000 shares of MIT Celestial common stock.

Part III. Approach to the Sims

- There is no “correct” agenda. It should be a simple outline or working script to keep your team and your lawyer focused during the meeting.
- Make your intros really quick so you can get to work.
- Flag the issues that concern you most or that haven’t made sense in class or from readings yet and highlight those.
- We recommend, however, that you follow your lawyer’s ideas on how to be most productive in your hour long “client counseling session.” (It goes really fast.) They will help you best prioritize the most important strategic and economic issues that are buried in the legal jargon, as well as discount the unimportant ones you can safely ignore.
- The sim is not a test or exam. The goal is to give you practice, as businesspeople, working with and learning from these (and other) elite service professionals who will be critical partners in real life entrepreneurship.
- Focus on understanding the basic concepts that affect your ownership (current and future), your control, your obligations and the downside and upside implications of each. Try to project how these principles apply not only to these simulation rounds, but also to the real-life deals you will do in the future.
- Teams determine the roles and responsibilities of the members in the simulation, although they typically allow for each member to have a chance to lead the questioning for different topics. This decision should be reflected in the agenda.

Remember, your lawyer's day job is to work with real clients in sessions precisely like this one. He or she may have a different approach on how to get the most out of your client meeting. We advise you to follow their lead—that's what (in real life) you pay them for.

Performance Guidelines

One of the goals of this simulation is to defuse some of the stereotypes and misconceptions that exist when entrepreneurs begin working with professional service providers. No one is born knowing how to use—and extract maximum value from—a lawyer. It is surprising how often clients waste their money trying to impress their lawyers. While it can be difficult to own up to areas of ignorance when you're a new CEO in pitch mode, it is truly critical to do so with advisers to get the full benefit of their experience.

***Every dumb question you ask in your Lawyer Round
makes you look smarter in your VC Round.***

It bears repeating that this is a cooperative meeting with your paid professional adviser. Your lawyer gets paid to educate you and advise you on things like blue skies and green shoes--things you've never paid much attention to or perhaps even heard of. Good lawyers are good teachers; they educate and inform easily and without arrogance. They are also good team players, able to contribute their skills and tools to your overall goal.

The most productive sims typically focus on the term sheet and the safe, and on norms—for example, asking questions about unfamiliar terms or legal concepts, understanding the difference between “boilerplate” and critical priorities, being advised on negotiating strategy, and discussing what's typical and what constitutes “market practice” in negotiations.

Start your meeting “in character.” Introduce yourselves as founders of your firm, not MIT students. This all enhances the value of the simulation, and makes it much easier to get the meeting started. (No awkward metamorphoses before the lawyer's eyes.)

On the other hand, any simulation must balance the value of role-playing and verisimilitude against the goal of education. As this is not a course on negotiation, the role-playing should yield to opportunities to learn more, even if it takes you “out of character.”

The 30 minute feedback period, after the simulation, is not structured. The lawyer will give his or her impressions, and then allow for team members to ask questions. You should not be playing any roles.

Your work will be graded on your team's ability to work with, listen and learn from your adviser, discuss constructively, and then integrate what you learn into your VC round.

Remember, you're the client and you're paying for the meeting. Have the answers to your questions repeated or clarified until you are sure you understand.

After your sim, your team will meet to discuss your lawyer's advice within the broader context of your business, as legal advice must always be kept in perspective. But an important first step in developing business judgment is knowing how to listen to a lawyer's pure legal advice and then translate that advice into actionable insight to reach your own business-based decisions.

Resources

Visit your law firm's website. The participating law firms are high-profile, Boston-based practitioners with excellent experience in the venture and tech sectors:

[Goodwin](#)

[Gunderson](#)

[WilmerHale](#)

We will in most cases be able to tell you the names of the individual lawyers you will be meeting with prior to the round. (Many times there are multiple lawyers; firms use our sims to train junior lawyers, so some folks will talk much more than others. That's ok.). Check their backgrounds on the firm site.

Power of Informal Networks

While we have participants at all levels of seniority, use this opportunity to make connections that will follow on after this course. In the time available (sim, debrief, pizza), you may find a peer--or a senior partner--with whom you can build an informal network. Younger lawyers may ping you with a technology question, and you check in with an occasional law question. More senior folks, on the other hand, may appreciate help connecting with the MIT ecosystem. You're both smarter, for free, and you've got a good start on knowing a good lawyer when you're ready to do your next start-up.