XV Research Workshop on Institutions and Organizations (RWIO)

Contracting for innovation, risk, and uncertainty: legal and institutional analysis in venture capital contracts in Brazil

Keywords: risk financing; startups; innovation; venture capital

1. Introduction

This paper aims to connect the theoretical framework of contracting for innovation with the contractual structure of the venture capital (VC) market in Brazil. VC investments are booming in Brazil. Over recent years, the number of VC deals and the amount of capital invested in Brazilian startups peaked (ABVCAP, 2021). However, the Brazilian VC market is still incipient compared to developed economies, and the institutional environment, despite recent improvements, presents obstacles to implementing a healthy VC market (Silva, 2019; Lima Júnior et al, 2021).

As a risky investment, venture capitalists have to deal with the uncertainty of early-stage business financing and with the local legal environment. Research on VC is primarily based on experiences from the United States and Europe. The first initiatives of formal VC investments were held in the US, and the legal practices and contractual arrangements developed there spurred globally, including in Brazil (Lerner, 2009). However, despite the benefits of using already proven and tested instruments, the adoption of legal mechanisms does not occur without adaptation to local contexts.

Contracting for innovation is a rising theoretical approach aiming at understanding the main features and patterns, inside and extra-contractual, which deals with risks and uncertainties typical of the innovation process (Gilson et al., 2009, 2012; Lessa, 2011). Through case studies based in the US, the literature identified four main patterns in contracts for innovation concerning transaction length, iterative co-design, governance mechanisms, and learning (Gilson et al., 2009). Transaction length implies a long-term collaboration, with governance mechanisms mitigating opportunism. These contracts for innovation may also contain mechanisms promoting learning and iterative cooperation between the parties through contract development.

The venture capital investments contracts deal with risks and uncertainties of three main categories: technological, management, and early-stage risk (Gilson, 2003). Technological risk concerns scientific challenges of the product or service in development.

Management risk refers to the future decisions of the company and their impacts on the VC investment goals. Early-stage risk deals with the business performance in the market. Both theoretical approaches from contracting for innovation and VC contracts came from studies based on US experience (Gilson, 2003; Lerner, 2009, Gilson et al., 2009). Law has a crucial role in the VC market; however, there are still limited studies focusing on the legal framework enabling and constraining risk financing. Additionally, VC is a strategic tool in promoting an innovation-friendly national system, stimulating entrepreneurship.

This paper aims at building bridges between contracting for innovation and the VC market experience in Brazil. It is a work in progress paper organized through a literature review and a descriptive analysis of documents released by the Association for Private Capital Investment in Latin America (LAVCA) and by Anjos do Brasil. Our preliminary findings link the contracting for innovation patterns with categories of risks and uncertainties in the VC contractual framework. The expected result is building a taxonomy of risks, uncertainties, and the legal mechanisms in use in the VC market in Brazil. Besides filling the literature gap, this research introduces the role of Law shaping and implementing markets.

2. Uncertainty and innovation

The innovation process is plentiful of risks - potential problems that can be measured probabilistically - and uncertainties - different from risks, uncertainties are unknowable and unmeasurable a priori[1]. While legal contracts have been developed through the centuries to allocate risk and rewards in an - ideally - efficient manner, this is much harder to do when dealing with the unpredictable unknown. Difficult does not mean impossible, however, and although law cannot "create" innovation, and sometimes it can even harm it[2], it can also be a powerful instrument to incentivize by reducing the uncertainty surrounding its financing and usage[3].

That is because some of the issues related to innovation uncertainty are not technological, but also relational. In other words, when the development and financing of innovation are taken by different parties, and there is technological and financing uncertainty, there is a chance that the entrepreneur may operate in an opportunistic manner (Bergemann and Hege, 2005, p. 719-723). Another problem is that, since unpredictable - or too costly to predict - changes may happen along the collaborative innovation process, potential conflicts

[1] As pointed out by economist Frank Knight in his classic book: KNIGHT, Frank. **Risk, Uncertainty and Profit**. Nova York: Augustus M. Kelley, 1964. It's important to notice that under this definition of uncertainty, information asymmetries consist in a problem of risk (not uncertainty) since they rely on one party having critical information that the other one does not (which makes contracting riskier). But under uncertainty, such information does not even exist.

[2] For an account of how law (dis)incentivize innovation, see (COUTINHO, D. R.; MOUALLEM, 2016).

[3] That is not the only way that law can incentivize innovation, but a full account of law's importance would be out of this article's scope, which is reduced to VC financing.

may arise which were not predicted in the original contract (Gilson and Sabel; 2010, p. 28-30).

In order to address these issues, some recent advancements include the creation of contracts that mix formal and informal mechanisms that function as a means to incentivize collaboration and avoid opportunism (Gilson and Sabel, 2010, p. 4-6). Such contracts oblige the parties to exchange information and sets instruments for resolution of conflicts, but do not create substantial obligations to deliver, buy or sell a product (ibid., p. 6-9).

Other legal advancements have been made to deal with uncertainty for specific kinds of innovation financing. This is the case of the VC industry, whose challenges and tools we discuss in the next section.

3. Contracting for innovation and VC

There is a specific and relevant correlation between the contracting for innovation approach and the VC contractual structure.

On one side, economic actors are restructuring and mobilizing themselves in a way that breaks through the vertical model of the Chandlerian firm establishing an horizontal collaborative role model for entrepreneurial and innovative economic activity (Gilson et al, 2009). This paradigm change, from a vertical-hierarchical model to a horizontal-collaborative one, responds to a shift from a risk framework to an uncertainty frame (Lessa, 2011).

On the other hand, the VC markets' organization in North and South America's, Europe's and Middle East's experiences are fundamentally contractually built.[4] This, in a sense that, whether internally or externally, that is, whether structuring the actors of VC market or the ways through which these actors will relate to each other, the legal instruments upon which the innovative economic activities are built support consensus-based transaction-specific investments.[5]

These approaches, however, are placed in different points of what can be called an economic and institutional chain for innovation, or better called an innovation system. This means that although there is this congruent element of contracting, there are different kinds of contracts, or even better, different ways of contracting both for the specific kind of

[4] For a panoramic review on USA's, Israel's, Germany's and Chile's VC Market experience, and how those countries arranged itself for this market building, see (Gilson, 2003) - *Engineering a Venture Capital Market: Lessons from the American Experience*.

[5] To the argument about the disintegration of entrepreneurial's vertical structure in benefit of an interfirm collaboration model, consult (Gilson et al, 2009).

obligational relation so called contracting for innovation, and for connecting these different types of economic actors: the entrepreneurs, who can be classified as the productive actor, and the investors, que may be classified as the financial side of the link.

In turn, the financial subsystem is composed of at least two types of actors: real institutional investors with a specific profile - *with the funds and the taste for high-risk, high-return investments*[6] - and venture capitalists - *a specialized financial intermediary to serve as the nexus of a set of sophisticated contracts*[7]. In short, there are at least three components in a venture capital market: entrepreneurs, institutional investors (*stricto sensu*) and VC funds – or *venture capitalist*. And the relations among them lay down upon a complex contractual mesh that organizes not only the actors, internally, but also the environment (or market) itself - which is placed in the way and manner these actors interact and relate to each other.

The contractual mesh, in turn, composes an obligational and financial network organized in a chain shape, which is structured fundamentally in three chain-links (the venture capital fund-portfolio company relation, the investor-venture capital fund relation, and the company-company) and the sewing of these links (the exit and the reputational sewings), which coordinates the timing of investing in and out, and organizes the issues related to the shares, the property rights and the intellectual property rights, to name a few. That is a sunny frame on the basic structure of a venture market, which behaves not strictly as represented in it, but in some variable forms of this general version.

Thus, each VC market structures itself in variable ways. Sometimes with a coincidence of functions - as it was the case of the German WFG Program, which concentrated the functions of investor and the financial intermediary - sometimes with a more diverse and specific way of structuring investments - as it is practiced is some Latin American environments, with Special Purpose Vehicles (SPVs) used to allocate off-shore resources for the specific purpose of venturing, which isn't properly a *venture capital fund* but a different kind of financial intermediary, that addresses the specific regional feature of legal uncertainty and/or for tax avoidance).

So, in a very succinct way of bringing it, the argument is that the intersection between *the venture capital markets* and *the contracting for innovation* legal approaches are built upon one fundamental societal and organizational change, from a hierarchical and vertical model to an collaborative and horizontal one of relationships building for innovative economic activities between companies, entrepreneurs and researchers in a context in which uncertainty overcomes risk as an essential element of that economic activity, and one

[6] Gilson, 2003.

[7] Gilson, op. cit.

fundamental organizational market structure, the angular form of organizing the investments cash flow from resources owners investor to entrepreneurs through financial intermediaries.

On those two pillars, we argue, the VC's and Contracting for Innovation legal approaches, may find a constructive convergence path for organizational elements in an innovation system and market building research design agenda.

4. Uncertainty and the venture capitalist and entrepreneur relationship

When it comes to the financial relationship between the innovative firm and the venture capitalist, the central problem brought by the literature consists of the, at least potential, conflicts of interest between investors and entrepreneurs, *i.e*. the ‘principal-agent’ or simply the ‘agency problem’ (Buchardt et. al., 2016; Kaplan and Strömberg, 2000). The central aspect of “agency theory” is that the agent who determines the task (principal) and the one that executes it have different goals and risk aversion, with high monitoring costs for the principal (Eisenhardt, 1989). When it comes to the VC process of financing, there is the constant risk that the entrepreneur, after being funded, behaves in an opportunistic manner - by putting less effort than necessary for the young firm's success - making the VC lose money in the process.

In order to avoid - or at least, diminish - those problems, many modern legal instruments have been developed, which will be explained below. Suffice to say that they allow the investor to either uphold cash-flows, exercise control rights over the financed firm, or a mixture of both (Fried and Ganor, 2006; Kaplan and Strömberg, 2002; Hellman, 1998)[8].

The empirical literature, on the other hand, tries to discover the actual behavior of venture capitalists and their relationship with the financed firm (Kaplan and Strömberg, 2000; Gompers and Lener, 2001). It also focuses on how institutions, geography, and other contextual variables affect the (under)development of this market (Grilli et al, 2019; Cumming and Dai, 2009; Gompers and Lener, 2001). Unfortunately, most of the literature on venture capital tends to focus on the United States or Europe, with few studies focusing on other countries or regions (Croce et. al., 2013; Bertoni et. al., 2012).

Brazil, for instance, is an example of a country in which the theme of VC has not been thoroughly researched. It’s important to notice, however, that the theme has not been completely ignored, thanks to a few interesting studies that do try to map the development of VC finance in Brazil, with its many ‘national idiosyncrasies’ which add additional

[8] The VC firm can also protect itself by collecting information before (screening) or during (monitoring) the project (Kaplan and Strömberg, 2002).

complexities to the topic (De Carvalho et al, 2012; Meirelles et al, 2008; Ribeiro et. al., 2006; Silva, 2019; Lima Júnior et al, 2021).

5. Legal structure of VC investments in Brazil

Investing in startup companies involves high level of risk and uncertainty as their business models are mostly based on technologies development and innovation. Venture capitalists have developed proper legal and management tools to deal with those specific characteristics and the investment business model developed in the US, where the VC industry was born, spurred globally, including in Brazil.

Institutional investors, venture capitalists, investments vehicles (in Brazil, the most common is the equity investment fund – "FIP"), and, at least, private companies, are part of the VC investment cycle. The institutional investors (investments banks, pensions funds, family offices, etc) contribute capital in the vehicle of investments, which is operated by the venture capitalist. They must screen and select startups, invest the funds resources, monitor investee companies, and search for exit opportunities for their investments – mainly through strategic sale or initial public offering. It is important to highlight that some Brazilian VCs still use the offshore structure for the capital contribution on selected startups (Silva, 2019).

Under the investor viewpoint, three principal aspects affect the legal structure of VC investments. First refers to compensation, because the venture capitalists always seek better financial return according to potential supported risks. Following, it is necessary to understand the level of control the investor will seek on investee companies, in other words: corporate governance. Finally, the liability risk is considered, which, depending on the legal structure adopted and the control provisions used by the investor, may leave him more or less exposed to liability risks for obligations assumed by the investee (Salama, 2018).

Another important feature of VC investments is the long term to complete the investment cycle. In general, VC funds have a lifespan of 10 to 12 years, with an initial period of 2 years for the venture capitalist to screen, select and invest in startups. Followed by the monitoring stage - usually 4 to 5 years - and a final stage where the venture capitalist search for exit opportunities for the investments to finally distribute the eventual profits among the institutional investors.

In general, the legal structure of VC investments in Brazil has two main templates that differs according to the investment stage of the target company. Investments in early-stage companies - mostly angel investments, pre-seed, and seed capital – are structured through Convertible Notes (*Contrato de Mútuo Conversível*) or by a Put Option Agreement. However, series A, B, or growth capital investments are established by Share Purchase Agreements (Lobo and Potenza, 2016; Salama, 2018).

The Convertible Notes is a loan contract against payment of interest, which has previous conditions: the conversion of debt into the equity of the investee. The hypothesis of conversion usually are (i) a new round of investment, or (ii) going public on the stock exchange. Therefore, until convertible events take place, the investor figures as a company's lender, conferring greater protection over the company's obligations. Moreover, the Convertible Notes gives greater agility to the investment procedure because it is less complex than other legal instruments, and dismisses the company's valuation, which must happen in the future, when the startup attains maturity, and the valuation can be more objectively defined.

In the Put Option Agreement, the investors purchase the rights to exercise, by payment, future corporate equity, considering a pre-fixed value. The main difference with the Convertible Notes is that it does not involve a loan to the company, it is just a future equity interest agreement. Just like the Convertible Mutual Agreement, the Share Option Agreement brings less risk to the investor, because it bounds to a future condition or a previous term agreed.

The VC investments in growth companies that aim to expand the business model generally involves bigger financial rounds and are structured by a Share Purchase Agreement and a Shareholders Agreement. At that stage, investors become partners/shareholders of the investee company and demand high levels of corporate governance.

Regardless of the legal instrument adopted, there are some standard clauses and conditions on VC investments agreements that aim to relieve risks and uncertainty between investor and investee company. Those provisions are negotiated earlier in the investment process and outlined in a Term Sheet that is a letter of intent between the investor and the company which we are going to discuss in the next sections.

6. Term Sheet

According to Gordon and Orozco (2015, p. 197), the inherent risk of VC equity finance plus information asymmetries faced by the parties, may lead them to negotiate control provisions in a term sheet before signing a contract. According to the authors, the term sheet provisions ought to reflect the risk level that the parties are willing to assume and the thrust level they have in each other (id.).

It is relevant to notice that the entrepreneur and investors do not necessarily share the same objectives (Gordon and Orozco, 2015). While the former's main goal is to remain in control of the business until it matures - when he can exit - the latter wants to maximize the return from the investment with minimum risk (id., p. 201-204). To reach an agreement, the entrepreneur might accept stronger control provisions from the investor, or the former may give up some control to generate trust and facilitate cooperation (id., 209 - 211).

In this context, there are some clauses adopted in term sheets on VC financing initiatives. As Gordon and Orozco explain (2015, p. 216-234) this entail: (I) staging (the investor allocate resources in different steps of the project as it develops successfully), (II) security provisions (the investor has rights to common or prefered stock with conversion rights, liquidity preferences and participation rights), (III) redemption rights (the business buys back the investor participation), (IV) registration certain rights (it's the right of the investor in participate at the Security Exchange Commission registration of the company or to demand the registration of a specific class of shares under particular conditions), (V) pay-to-play (the investor must invest the equivalent of its participation in future equity rounds), (VI) preemption (investors can only sell shares to outsiders after the entrepreneurs had refused to buy them), (VII) co-sale rights (while the investor hold shares, the entrepreneur cannot sell its own equity participation), drag-along rights (minority shareholders cannot block a business sale), (VIII) anti-dilution (protects investor from dilution of its control rights when the firm issues new equity), (IX) provisions for investor control (board seats, special voting rights), (X) special employment provisions (provisions about firms employees and management), (XI) restrictive covenants (a series of provisions that restrict business actions and protects the investor from liabilities).

The purpose of the above clauses is clear: to protect the investor interests against opportunistic behavior of the entrepreneur by furnishing the former control over resource allocation (staging), on the firm's/entrepreneurs actions (pay-to-play, anti-dilution, special employment provisions, co-sale rights, restrictive covenants) or exit options (security provisions, registration rights, redemption rights). Some clauses also protect the entrepreneur from a third investor's opportunistic behavior (preemption). Finally, some clauses can protect both the entrepreneur and the investor (drag-along rights).

7. Analysis of Brazilian Term Sheet models

After reviewing the literature about risk, uncertainty, and VC contracts, we are going to investigate how this theoretical framework is applied in the Brazilian context of VC investments. To do that we use two term sheet models available that are suited for different stages of investments. The first one, provided by Anjos do Brasil, is a term sheet designed for initial investments (i.e. angel, pre seed, and seed) throughout convertible notes. The other term sheet refers to direct investments (series A round) formalized by share purchase agreements and is provided by LAVCA. For simplification purposes we are going to refer them as Anjos TS and Lavca TS, respectively. It is important to note that both documents do not refer to any particular deal and are standardized models intended to reflect the best practices of the Brazilian VC market (LAVCA, 2003; Anjos do Brasil, 2016).

As discussed earlier, the term sheet is an initial document, a letter of intent that summarizes all the essential financial and legal terms of a deal and quantifies the value of the transaction between a company and an investor (Wilmerding, 2001, p.7). In the VC investment process, the term sheet appears early in the negotiation and is most often produced by the venture capitalists. The potential investor reviews the company's business plan and proceeds with informational interviews with the entrepreneur. Following they engage in preliminary negotiations about the financial terms of the transaction that are outlined in the term sheet with the major provisions of the equity deal. After the term sheet's negotiation is finalized, the investor conducts a legal due diligence in the company and then the parties negotiate the purchase agreement – or the convertible notes – and other collateral documents to consummate the exchange of equity for capital (Gordon and Orozco, 2015). Wilmerding (2001) highlights the value of a term sheet as its ability to make the parties focus on the essence of the deal prior to initiating those other costly legal documents.

Despite being a non-binding legal document[9][10], the term sheet usually includes an exclusivity clause that requires the entrepreneur not to solicit competing term sheets from other investors. Important to note that term sheets have a limited life span during the investment process. Once other investment documents (i.e., share purchase agreement; shareholders agreement and articles of incorporation) are signed, the term sheet completed its journey and is no longer relevant. However, the provisions negotiated in the term sheet remain effective on the investment documents and keep regulating the equity relation between investors and the company. According to Gordon and Orozco (2015, p. 197), the term sheet is the document where the parties negotiate the allocation of risk through financing and control terms and the next subsections present some of those provisions found in the analysis of those two Brazilian term sheet models[11].

7.1. Type of security

The nature of the security selected for an investment contract means a form of influence and structural control over the company through the allocation of ownership rights attributable to a type or class of security. VC investors usually require a form of preferred

[9] "This Term Sheet is a non-binding document, with the exception that only the following sections are binding on the parties: "Exclusivity", "Confidentiality" and "Applicable Law and Jurisdiction". Any other items will become binding only after signing the Definitive Documents and meeting the other conditions for closing the Transaction." (Anjos TS, p. 7)

[10] "This Term Sheet is non-binding and is intended solely as a summary of the terms that are currently proposed by the Parties, except for the paragraph immediately below regarding confidentiality. A binding agreement will not occur unless and until all necessary corporate approvals have been obtained and the Parties have negotiated, approved, executed and delivered the appropriate definitive agreements. The Parties acknowledge that they neither intend to enter, nor have they entered, into any agreement to negotiate any definitive agreements pursuant to this Term Sheet, and either Party may, at any time prior to the approval, execution and delivery of such definitive agreements, propose different terms from those summarized herein or unilaterally terminate all negotiations pursuant to this Term Sheet for any reason and without any liability whatsoever to the other Party. Unless otherwise agreed to in writing, each Party shall be solely liable for all of its own fees, costs and other expenses in conjunction with negotiation and preparation of any definitive agreements pursuant to this Term Sheet." (Lavca TS, p. 37)

[11] The present study does not aim to address all contractual provisions; our purpose is to highlight only the terms used to mitigate risk and uncertainty in the VC investment as the literature indicates.

shares on their investments. Preferred shares have a more senior position in the company's capital structure with some rights and powers that common shares do not hold. Usually, preferred shares provide the shareholder with control terms that mitigate investor risk and allow for priority over resources as stipulated by the security. As we can observe, both term sheets have preferred shares as a type of security for investments.

> "Securities to be Issued in Round
> [***] Convertible Class A non-voting preferred Shares ("Preferred Shares") of the Company, initially convertible 1-for-1 into Common Shares, at a purchase price of R$[***] per share (same price for all investors)" (Lavca TS, p.38)
>
> "The Investment may be converted at any time after the signing of the Convertible Notes, until the Maturity Date ("Conversion Period"), at the Investor's sole discretion, based on a post-money valuation that will represent [insert]% ([insert in full] percent]) of the Company's capital, through the subscription of preferred shares, nominative and without par value, with unrestricted voting rights, priority in the reimbursement of capital over common shares, profit sharing on equal terms with common shares and possibility of conversion into common shares ("Investor Shares"). The Founding Partners and any other partners of the Company will have to waive any preemptive rights in relation to the subscription of the Investor's Shares." (Anjos TS, p. 5)

7.2. Conversion rights

Conversion provisions allows the preferred shareholder to convert his shares into common stock if those common shares become more advantageous to the investor than owning preferred stock. In this scenario, the investor can preserve the benefits of holding preferred shares without loosing the possible advantages of owning common shares at some point of the investment cycle. It is a typical provision on equity investments and, in our analysis, only the Lavca TS present conversion rights. In the case of the Anjos TS, we consider that this term should appear during the negotiation of the convertible notes.

> "Conversion Rights
> The Bylaws will contemplate that the holders of the Class A Preferred would have the right to convert the Class A Preferred into shares of Common Stock at any time. The initial conversion rate for the Class A Preferred would be 1-for-1." (Lavca TS, p. 38)

7.3. Liquidation preference

Liquidation preference is a protection for the investor in the case of a company closing down. This clause enables favorable treatment for preferred shareholders in the case of a liquidation. Some term sheets stipulate a multiple on the value of the investment that the shareholders will receive. According to Wilmerding (2001, p. 42), investor favorable terms will generally provide the investor to receive three-times return on their initial investment. In our study, the Lavca TS presents a premium condition on the liquidation preference clause. The Anjos TS only grants preference on the liquidation process with no multiple defined.

> "Liquidation Preference
> In the event of any dissolution, liquidation, or winding up of the Company, the holders of the Class A Preferred would be entitled to receive, prior to any distribution to the holders of Common Stock, the nominal value of their shares plus a premium corresponding to ___% of the value of share capital volume plus all declared but unpaid dividends thereon. After the full preference amounts on all outstanding shares of Class A Preferred had been paid, any remaining funds and assets of the Company legally available for and the Common Stock on a pro rata, as converted basis. If the Company had insufficient assets to permit payment of the preference amount in full to all Class A Preferred shareholders, then the assets of the Company would be distributed ratably to the holders of the Class A Preferred in proportion to the preference amounts each such holder would otherwise be entitled to receive." (Lavca TS, p. 38)

> "Liquidation preference. In the event of a Company's liquidation event, the Investor, as holder of preferred shares, will receive, before any distribution to common shareholders, the adjusted amount of the Investment effectively paid in the Company, in addition to all declared and unpaid dividends agreed." (Anjos TS, p. 5)

7.4. Participation Rights

Participation rights – or dividend rights – entitle shareholders in receiving any distributions from the company. In the VC context, these provisions aim to protect the investor in the event of liquidation of the company. As we have seen above, the Anjos TS combine the dividend provision in the liquidation preference clause. The Lavca TS has a more detailed provision that grants cumulative dividends to the investor in a percentage that shall be negotiated in the term sheet.

> "Dividend Rights
> The Bylaws shall contemplate that the Class A Preferred would be entitled to an annual per share cumulative minimum dividend equal to at least ___% of the whole amount of the net profit, payable in every fiscal year that shows net

> profits, accumulated profits or profits reserves. The dividends would be cumulative and would be paid prior to payment of any dividend with respect to the Common Stock. After payment of the preferential dividend to the holders of the Class A Preferred, any further dividends would be paid *pari passu* to the holders of the Class A Preferred and the Common Stock on an as-converted basis. The Class A Preferred also would be entitled to capitalize *pari passu* with the holders described immediately above the credit related to any dividends declared by the Board on a pro-rata basis." (Lavca TS, p. 38)

8. Conclusions

[TO BE COMPLETED]

References

ABVCAP (2021). Inside VC. Venture Capital in Brazil. The Brazilian Private Equity and Venture Capital Association.

Bergemann, D., Hege, U. (2005). The financing of innovation: Learning and stopping. RAND Journal of Economics, p. 719-752.

Bertoni, F., Colombo, M., Quas, A. (2012). Patterns of Venture Capital Investments in Europe. Available at SSRN 1920351.

Burchardt, J. (2016). Venture Capital Contracting in Theory and Practice.

Coutinho, D., Mouallem, P. (2016). O Direito Contra a Inovação? A persistência dos gargalos jurídicos à inovação no Brasil. In: LASTRES, M. M.; CASSIOLATO, J. E.; LAPLANE, G.; SARTI, F. O futuro do desenvolvimento: ensaios em homenagem a Luciano Coutinho. Campinas: Unicamp, p. 181-214.

Croce, A., Martí, J., Murtinu, S. (2013). The Impact of Venture Capital on the Productivity Growth of European Entrepreneurial Firms: 'Screening' or 'Value added' Effect?

Cumming, D..; Dai, N. (2009). Local Bias in Venture Capital Investments. **Available at SSRN 1034222.**

De Carvalho, A., Gallucci Netto, H., Sampaio, J. (2012). Private equity and venture capital in Brazil: an analysis of its recent evolution. **Available at SSRN 1996729**.

Eisenhardt, K. (1989). Agency theory: An assessment and review. **Academy of management review**, v. 14, n. 1, p. 57-74.

FRIED, J., Ganor, M. (2006) Agency costs of venture capitalist control in startups. **new york university law review**, v. 81, p. 967-1025.

Gilson, R., (2003). Engineering a Venture Capital Market: Lessons from the American Experience. *Stanford Law Review*, Vol. 55.

Gilson, R. J., Sabel, C. F., & Scott, R. E. (2009). Contracting for innovation: Vertical disintegration and interfirm collaboration. Columbia Law Review, 109(3), 431–502. https://doi.org/10.2139/ssrn.1289428

Gilson, R. J., Sabel, C. F., & Scott, R. E. (2012). Contract, Uncertainty and Innovation. SSRN Electronic Journal, 385. https://doi.org/10.2139/ssrn.1711435

Gompers, P., Lerner, J. (2001). The venture capital revolution. **Journal of economic perspectives**, v. 15, n. 2, p. 145-168.

Grilli, L., Latifi, G., Mrkajic, B. (2019). Institutional determinants of Venture Capital Activity: An empirically driven literature review and a research agenda. **Journal of Economic Surveys**, v. 33, n. 4, p. 1094-1122.

Hellmann, T. (1998). The allocation of control rights in venture capital contracts. **The Rand Journal of Economics**, p. 57-76.

Kaplan, S., Stromberg, P. (2002). Characteristics, Contracts, and Actions: Evidence from Venture Capitalist Analyses.

Kaplan, S., Strömberg, P. (2000). Financial Contracting Theory Meets the Real World: An Empirical Analysis of Venture Capital Contracts.

Lerner, J., (2009). *Boulevard of broken dreams: why public efforts to boost entrepreneurship and venture capital have failed and what to do about it*. Princeton University Press.

Lessa, M. (2011). Contratos Para Inovação. In D. BARBOSA (Ed.), Direito da Inovação. Editora Lumen Juris.

Lima Júnior, I., Vonortas, N., Queiroz, S. (2021). An Institutional Perspective on the Development of the Venture Capital Market in Brazil. In: Nguyen, D., Ngo, V., Nguyen, N (eds). Entrepreneurial Finance, Innovation and Development: A Research Companion, Routledge / Taylor & Francis.

Meirelles, J., Pimenta Júnior, T., Rebelatto, D. (2008). Venture capital e private equity no Brasil: alternativa de financiamento para empresas de base tecnológica. **Gestão & Produção**, v. 15, p. 11-21.

Silva, A. P. (2019) Venture capital à brasileira : adaptações e limitações ao financiamento de startups. Tese (doutorado) – Universidade Estadual de Campinas, Instituto de Geociências.

Ribeiro, L., De Carvalho, A., Furtado, C. (2006) Private Equity and Venture Capital in an Emerging Economy: Evidence from Brazil. **Available at SSRN 912523**.