*Disclaimer: This document contains general information, which is not advice, and should not be treated as such. The information is provided “as is” without any representations or warranties, expressed or implied.*

Latest update: 30 April 2018, see [changelog](https://startuptools.org/dk/changelog/) for full details.

Release notes: First version. Many of the terms in this documents are explained in the Term Sheet, available at [StartupTools.org](https://startuptools.org/dk/).

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TERMS FOR EQUITY INVESTMENT IN [Company name]

[Date]

This term sheet (the “**Term Sheet**”) summarizes the main terms with respect to an equity investment in [Company Name], a private limited liability company incorporated in Denmark (the “**Company**”).

The offering terms

|  |  |
| --- | --- |
| Securities to Issue: | Ordinary shares of the Company (“**Shares**”). |
| Investment Amount: | DKK [amount] in aggregate. |
| Investors: | [Company Names, Business Reg. Numbers] (together the “**Investors**”). |
| Lead Investor: | [Company Name, Business Reg. Number] (the “**Lead Investor**”). |
| Founders: | [Company/Personal Names, Business Reg./Personal Numbers] (together the “**Founders**”). In this Term Sheet, “Founder” may refer to a company and/or the physical person in control of such a company. |
| Existing Shareholders: | [Company Names, Business Reg. Numbers]. |
| Subscription Price: | The price per each Share (the “**Original Subscription Price**”) is based on a Company pre-money valuation of DKK [amount]. |
| Capitalization: | The Company’s capital structure before and after the completion of the investment is set forth in Exhibit A. |
| [Option Pool:] | [The parties agree and acknowledge that the Company, after the investment, will issue warrants to current and future key employees, corresponding to up to [10-15]% of the shares in the Company post-money.] |
| [Liquidation Preference:] | [Upon a liquidation, merger, sale or other type of transaction in which control in the Company or substantially all of its assets are transferred, the Investors shall receive, per held share, the higher of (i) one times the Original Subscription Price or (ii) the amount they would receive if all shareholders received their *pro rata* share of such assets or proceeds. The remaining proceeds shall be distributed to the Founders and the Existing Shareholders on a *pro rata* basis.] |
| Financial Information: | The Lead Investor will receive standard information, including but not limited to monthly reporting of key business metrics and a summary of the Company’s financial status. The other Investors will receive quarterly financial reporting. |
| Participation Right: | The Investors will have the right, but not the obligation, to participate in subsequent issuances of any equity securities on a *pro rata* basis. |
| Protective Provisions: | Approval of the Lead Investor is required to (i) amend the articles of association; (ii) issue, redeem or purchase shares or other equity securities; (iii) adversely change rights of the Shares; (iv) declare or pay any dividend or make a decision on other asset distributions; (v) guarantee any indebtedness, save for trade accounts of the Company, or incur any indebtedness in excess of DKK [amount]; (vi) merge, demerge, liquidate or dissolve the Company or a subsidiary; (vii) transfer, lease, license (other than licenses granted in the ordinary course of business on a non-exclusive basis), pledge or encumber assets or rights material to the Company; (viii) materially amend the business plan; (ix) hire, fire or amend the terms of the employment contract of the CEO; and (x) enter into any agreement or assignment with a shareholder or its immediate family member or any entity controlled by a shareholder and/or its immediate family member(s). |
| Board of Directors: | The Founders shall elect [three] of the directors. The Lead Investor shall elect [one] of the directors. [The other Investors shall elect one of the directors.] |
| Right of First Refusal: | Transfer of shares in the Company is subject to other shareholders’ right of first refusal. A customary redemption clause shall be included in the Company’s articles of association. |
| Drag-Along: | In the event holders of more than [50]% of the Shares accept an offer to sell or otherwise transfer their shares to an independent bona fide third party, all other shareholders consent to sell or otherwise transfer their shares on the same terms and conditions as the majority shareholders who have accepted the offer. |
| Tag-Along: | The shareholders shall have the right to participate in any sale or other transfer of shares in the same proportion and on the same terms and conditions as offered to the selling shareholder. |
| [Expenses:] | [The Company shall reimburse counsels to the Investors for fees, which shall not exceed DKK [amount]. If there is no investment, each party shall pay its own fees.] |
| Vesting: | Shares held by the Founders will vest over [four] years (the “**Vesting Period**”) as follows: [25]% to vest one year after closing and the remaining [75]% to vest in equal monthly installments under the following [36] months. During the Vesting Period, the Founders may not transfer their shares without the consent of the Lead Investor.  During the Vesting Period, any unvested Shares of a Founder who leaves the Company may be purchased by the other shareholders *pro rata* at (i) quota value (Da. *kurs pari*) if the Founder is a ”bad leaver”, or (ii) market value if the Founder is a ”good leaver”. |
| Non-Compete and Non-Solicitation: | Each Founder is required to sign a non-competition and a non-solicitation commitment, valid until one year from the date he/she ceases to be a shareholder in the Company. |
| Intellectual Property: | The Founders and the Existing Shareholders shall assign all relevant intellectual property to the Company for no compensation, or such compensation as required by law. |
| Warranties: | Each Founder shall severally and not jointly give standard warranties to the Investors, including warranties on title, intellectual property and complete information. |
| Confidentiality: | This Term Sheet and the contents hereof are confidential to the Founders, and they may disclose these terms only to their representatives, directors and their legal or financial advisors. |
| Closing: | Expected closing date is [date]. Definitive agreements will be based on documents published at www.startuptools.org. |
| [Exclusivity:] | [The Founders agree not to discuss or accept any financing of the Company from other parties before the expiry of the Term Sheet, except as approved by the Lead Investor.] |
| Non-Binding Effect: | This Term Sheet is not legally binding, with the exception of this paragraph and the paragraphs entitled [Expenses, Exclusivity and] Confidentiality, which shall be construed according to the laws of Denmark. |
| Expiration: | This Term Sheet expires on [date]. |

[Place] on [date]

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[Name Founder 1] [Name Founder 2] [Company Name]  
 [Name], [Title]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
[Name Investor 1] [Name Investor 2] [Name Existing Shareholder 1]  
[Name Representative] [Name Representative] [Name Representative]

exhibit a

capital structure – pre-investment

Capitalisation Table prior to the investment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Shareholder | *Excl. Equity Instruments*[[1]](#footnote-2) | | *Incl. Equity Instruments (as if converted to Shares)* | |
| Shares | Ownership (%) | Equity Instru­ments | Ownership (%) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **TOTAL** | **[X]** | **100%** | **[X]** | **100%** |

Capital structure – post-Investment

Capitalisation Table after the investment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Shareholder | *Excl. Equity Instruments*1 | | *Incl. Equity Instruments (as if converted to Shares)* | |
| Shares | Ownership (%) | Equity Instru­ments | Ownership (%) |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **TOTAL** | **[X]** | **100%** | **[X]** | **100%** |

1. Equity Instruments means options, warrants, convertible loans, subscription rights or any other securities or instruments of the Company, outstanding from time to time, which can be converted into Shares or carry or have attached thereto a right to subscribe for Shares. [↑](#footnote-ref-2)