# Non-Binding Term Sheet

Confidential information for Investor XY | Date

Note: This is a rough draft as a basis for the discussion with your team and with your lawyer.

This term sheet (the “**Term Sheet**”) summarizes the principal terms of a potential investment (the "Series XX Round") in Company XY. It is for discussion purposes only, and except as specifically set forth below there is no legally binding obligation on the part of any negotiating party until definitive agreements are signed and delivered by all parties. This Term Sheet does not constitute an offer to sell nor an offer to purchase securities in Company XY.

|  |  |
| --- | --- |
| COMPANY | Name, address, legal form, subsidiaries / holding companies (if any), incorporation details (“**The Company**”). |
| CURRENT SHAREHOLDER STRUCTURE | Number of shares outstanding, current shareholder structure. You may provide some information here or refer to the Company’s current shareholders’ agreement dated XX (the “**Current Shareholders’ Agreement**”). |
| INVESTMENT AMOUNT AND VALUATION | Target of USD XX (15% of your post value valuation as described [here](https://fundraisingally.com/2-how-much-should-i-raise/)), maximum of USD XX (25% of your post money valuation) at a pre-money valuation of USD XX on a fully diluted basis. |
| TYPE OF SHARES | Series XX preferred shares with a nominal value of USD XX each and with rights and preferences as per this Term Sheet (the “**Series XX Shares**”). |
| USE OF PROCEEDS | The raised money will be used as described in the information memorandum (see separate document). |
| LIQUIDATION PREFERENCE | The Series XX Shares shall be entitled to a 1x non-participating liquidation preference with preference over existing share classes.  All other preferred share classes shall continue to benefit from the same liquidation preference as provided for in the Current Shareholders’ Agreement. |
| ANTI-DILUTION CLAUSE | Broad-based weighted average adjustment for holders of Series XX Shares. |
| INVESTORS, MINIMUM TICKET | The minimum ticket for participation of new investors is USD XX. This minimum does not apply for current investors. All investors will participate at the same terms and conditions. |
| PRE-EMPTION RIGHTS | Existing shareholders of The Company will be granted their statutory pre-emption rights to uphold their participation in The Company. In case the commitments for the Series XX Round exceeds the maximum investment amount, the board of directors will allocate subscription rights according to date of signature of this term sheet, amount committed, and/or perceived strategic value of an investor. |
| SHAREHOLDERS’ AGREEMENT | A revised and reinstated shareholders’ agreement shall govern the relationship of the shareholders (including the new investors) of The Company with respect to their investment (the “**New Shareholders’ Agreement**”). The New Shareholders’ Agreement will reflect the terms and conditions agreed upon as part of this Term Sheet. |
| BOARD OF DIRECTORS | Two board members elected by holders of a majority of common stock, two board members elected by holders of a majority of preferred shares. One additional board member may be elected by a simple majority of votes among all shareholders, irrespective of the share classes. |
| INCENTIVE PROGRAM | The Company shall continue to operate a stock option plan (ESOP), allowing the beneficiaries to acquire common shares of The Company. In order to keep attracting and maintaining top talent, the ESOP pool shall be increased (post Series XX Round) in order to maintain the 15% on a fully diluted basis after the closing of the Series XX Round. |
| FOUNDER VESTING | Founder shares shall be vested over XX months starting at the data of closing of this financing round. (Note: Internal discussion among founders needed here!) |
| TRANSFER RESTRICTIONS | The New Shareholders’ Agreement will contain customary provisions regarding rights of first refusals, tag-along rights, drag-along rights and purchase options, substantially in line with the Current Shareholders’ Agreement. |
| PROTECTIVE PROVISIONS | The New Shareholders’ Agreement will contain customary protective provisions for important shareholder matters and for important board matters, substantially in line with the Current Shareholders’ Agreement. |
| INFORMATION RIGHTS | The Investors will have customary financial and other information rights. |
| TIMING | Closing of the Series XX Round is expected by XX. |
| DOCUMENTATION | The investment documentation, drafted by counsel to The Company, shall be governed by the law of country XX and will consist of the following key documents:   1. Investment and subscription agreement; 2. New Shareholders’ Agreement; 3. Articles of association; 4. Board regulations; and 5. Ancillary documents and annexes related thereto. |
| CONDITIONS FOR CLOSING | The investment will be expressed to be subject to customary conditions precedent to closing, including   * completion of due diligence of reasonable scope satisfactory to the investors; * total combined minimum investment of USD XX; * the execution of the definitive investment documentation. |
| DUE DILIGENCE | Each investor must base her/his investment decision solely at her/his own risk and judgment. After signing the “Declaration of intention to invest in the Series XX Round” (see next page) and a customary non-disclosure agreement, The Company will provide access to a data room, which contains detailed information as deemed market practice. |
| LEGAL FEES AND EXPENSES | Each party shall bear its own legal fees and expenses. (Note: This is a clause you may change if a lead investor does a due diligence in the name of all investors) |
| NON-DISCLOSURE | The terms and existence of this Term Sheet and discussions and information exchanges over the relating transaction(s) are confidential and shall not be disclosed to third parties except to their professional advisors, affiliates or representatives with a need to know, always provided that similar confidential treatment is assured and except that The Company may disclose this Term Sheet to other interested investors. |
| EFFECT OF TERM SHEET | The parties expressly agree that, with the exception of the obligations set forth in the paragraphs "Non-Disclosure", "Legal Fees and Expenses", "Effect of Term Sheet" and "Governing Law" which are intended to be and shall be legally binding, no binding obligations shall be created by this Term Sheet until definitive, legally binding agreements are duly executed and delivered by all parties thereto. |
| GOVERNING LAW | Laws of Country XX, venue being City XX. |
| CONTACT | In case of questions or for further information, please contact person XX, email, telephone |

# Declaration of intention to invest in the Series XX Round

The undersigned hereby acknowledges and agrees to the terms set out above in the Term Sheet and, furthermore, hereby indicates – on a non-binding basis – that she or he would like to participate in the Series XX Round. While this declaration is not legally binding, signatures shall be indicative of investment intentions in good faith.

Name(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Full Address: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Mobile phone: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

E-Mail: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Intended investment in USD:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date and place: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature(s): \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Please send a scan of this declaration to name@company.com