



The European Trade Association for Business Angels,  
Seed Funds and Early Stage Market Players

## Termsheet

### [COMPANY] LIMITED

#### ISSUE OF ORDINARY SHARES

Company	[Company] Limited (the " <b>Company</b> ").
Founders	[Founder 1], [Founder 2], & [Founder 3] (the " <b>Founder[s]</b> ").
Investors	[[Lead Investor]] (the " <b>[Lead] Investor</b> ") [in conjunction with other investors] (the " <b>Investors</b> ") [mutually agreeable to the Lead Investor and the Company].
Structure of Financing	<p>The financing will comprise an aggregate of €[ ] at a fully diluted pre-money valuation of €[ ] assuming an unallocated employee share option plan ("<b>ESOP</b>") comprising [ ]% on a fully diluted basis after completion of the transaction.</p> <p>The Lead Investor will invest €[ ] and will hold [ ]% of the Company on a fully diluted basis, as set out in the capitalisation table in Appendix A.</p>
Conditions to Close	[(i) satisfactory completion of financial and legal due diligence and anti-money laundering checks; (ii) all employees having entered into service agreements containing IP assignment provisions; (iii) receipt of all necessary consents; and [(iv) the adoption by the Company of the new Articles of Association, establishing any additional rights of the Ordinary Shares.
Closing Date	[Closing Date].
Type of Security	[ ] newly issued ordinary shares in the capital of the Company (the " <b>Ordinary Shares</b> "), which shall rank pari passu to all other ordinary shares of the Company in all respects.
[Priority Payment on Exit]	<p>[This provision will only apply to the Lead Investor. In the event of a (i) liquidation (ii) sale or (iii) exclusive license or other sale of substantially all of the assets of the Company, The Lead Investor shall be entitled to receive the higher of:</p> <p>(i) The financing of € (being the original purchase price paid by the Lead Investor) plus any declared but unpaid dividends; or</p> <p><b>(ii)</b> The Lead Investor's pro rata share (based on its ownership of the shares) of such assets or proceeds.]</p>



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#### Important Decisions

[Option 1: Certain important actions of the Company shall require the consent of the holders of a majority of the Ordinary Shares (a "**Majority**") to include amongst others, actions to: (i) alter the rights of the Ordinary Shares; (ii) allot any new shares beyond those anticipated by this investment; (iii) create any new class senior to the Ordinary Shares; (iv) increase the number of shares reserved for issuance to employees and consultants, whether under the ESOP or otherwise; (v) redeem or acquire any shares (vi) pay or declare dividends or distributions to shareholders; (vii) change the number of board members; (viii) amend the memorandum or articles of association; (ix) effect any material change to the nature of the business plan; (x) subscribe or otherwise acquire, or dispose of any shares in the capital of any other company.]

[Option 2: The consent of the Majority shall be required for the important decisions, substantially in the form listed in Appendix B.]

#### Pre-emption on issue

All shareholders will have a pro rata right, but not an obligation, based on their ownership of issued capital, to participate in subsequent financings of the Company (subject to customary exceptions). Any shares not subscribed for may be reallocated among the other shareholders [or any third party]. [The Investors may assign any such pre-emption right to another member of their fund group].

#### Right of First Refusal and Co-Sale

The Investors shall have a pro rata right, but not an obligation, based on their ownership of Ordinary Shares, to participate on identical terms in transfers of any shares of the Company, and a right of first refusal on such transfers (subject to customary permitted transfers, including transfers by Investors to affiliates or pursuant to a portfolio sale). Any shares not subscribed for by the Investors would then be offered to the other holders of Ordinary Shares.

#### Drag Along

In the event that the Majority wish to accept an offer to sell all of their shares to a third party, then subject to the approval of the Board, all other shareholders shall be required to sell their shares or to consent to the transaction on the same terms and conditions.



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Restrictive Covenants and  
Founders Undertakings

Each Founder will enter into a non-competition and non-solicitation covenant and an employment agreement in a form reasonably acceptable to the Investors, and shall agree to devote their entire business time and attention to the Company and to not undertake additional activities without the consent of the Investors. Subject to applicable law, [a breach of any of the foregoing restrictive covenants or undertakings by a Founder shall result in immediate dismissal for cause of such Founder.] The period of the restrictive covenants will be for the duration of each Founder's [employment with] [or shareholding in] the Company and 12 months following the expiry of same.

Founder Shares

Shares held by the Founders will be subject to reverse vesting provisions over three years as follows: [25% to vest one year after Closing and the remaining 75% to vest in equal monthly instalments over the next following two years]. If a Founder leaves the Company voluntarily or is dismissed for cause, they shall offer for sale to the Company (with a secondary subscription option for the holders of [preference shares) any unvested shares at the lower of nominal value or subscription price.

Board of Directors

The Board shall consist of a maximum of three members of which the holders of Ordinary Shares other than the Lead Investor may appoint [ ] director[s] and the Lead Investor may appoint [ ] director[s].

The [Lead Investor] may appoint a [non-voting] observer to attend meetings of the Board.

Information and Management  
Rights

The Lead Investor or [Investor[s]] shall receive: [(i) weekly reports (to include [ ]) no later than [enter day] following the end of each week; (ii) management accounts of the Company no later than [ ] days following the end of each calendar month, (iii) the quarterly unaudited financial reports of the Company no later than [ ] days following the end of the first three quarters; and (iv) the audited financial report of the Company no later than [ ] days following the end of the financial year to which it relates.



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Documentation and Warranties	Definitive agreements shall be drafted by counsel to the Lead Investor or [Investor[s], which shall include customary covenants, representations and warranties of the Company [and Founder[s]] (which shall be liable up to a maximum of the investment amount [or, in the case of each Founder €[ ]]) reflecting the provisions set forth herein and other provisions typical to venture capital transactions.
Expenses	<p><u>Option 1:</u> [The Company shall pay the Lead Investor's fees and expenses in the transaction at Closing, anticipated not to exceed €[ ] (exclusive of VAT)]</p> <p>OR</p> <p><u>Option 2:</u> [Each party shall pay their own legal and other fees and expenses in relation to the transaction contemplated by this summary of terms. If the financing does not complete within 60 days from the date of this summary of terms or because the Company withdraws from negotiations (except as a result of the [Lead Investor] or [Investors[s]] making a material change in the terms hereof), the Company shall bear [all] or [an amount up to €[ ] (exclusive of VAT)] of the [Lead Investor's] and/or [investors'] legal costs incurred to that date.]</p>
Exclusivity	In consideration of the [Lead Investor] or [Investor[s]] committing time and expense to put in place this financing, the Company and Founders agree not to discuss, negotiate or accept any proposals regarding the sale or other disposition of debt or equity securities, or a sale of material assets of the Company for [45] days from the date of the parties' signature below.
Confidentiality	The Company and Founders agree to treat this term sheet confidentially and will not distribute or disclose its existence or contents outside the Company without the consent of the [Lead Investor] or [Investor[s]], except as required to its shareholders and professional advisors.
Non-binding Governing Law	Effect and This Summary of Terms is not intended to be legally binding, with the exception of this paragraph and the paragraphs entitled Expenses, Exclusivity and Confidentiality, which are binding upon the parties hereto. This Summary of Terms and all obligations arising from or connected with it shall be governed and construed in accordance with the laws of Ireland.



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## APPENDIX A

### CAPITALISATION TABLE

Shareholder	Class of Shares	No. of Shares.	Ownership (%)
[FOUNDER 1]	[Ordinary Shares]	•	•%
[FOUNDER 2]	[Ordinary Shares]	•	•%
[FOUNDER 3]	[Ordinary Shares]	•	•%
Lead Investor	[Ordinary Shares]	•	•%
Additional Investor	[Ordinary Shares]	•	•%
Option Pool	[Ordinary Shares]	•	•%
<b>Total</b>		•	<b>100%</b>



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## **APPENDIX B**

*[List of Important Decisions to be inserted]*



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Acknowledged and agreed by:

<p>_____</p> <p>For and on behalf of [<i>Company</i>]</p> <p>Date: _____</p>
<p>[<i>Founder[s]</i>]</p> <p>Date: _____</p>
<p>[<i>Lead Investor</i>] or [<i>Investors</i>]</p> <p>Date: _____</p>