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- (1) [INSERT NAME OF START-UP]
- (2) [INSERT NAME OF INVESTOR]

CONFIDENTIAL

[INSERT NAME OF START-UP]

EQUITY INVESTMENT TERM SHEET



RONAN
DALY
JERMYN

BACKGROUND

- (A) This term sheet (the “**Term Sheet**”) summarises the principal terms of a proposed investment by [Insert name of Investor] (the “**Investor**”) in [Insert name of Start-Up] (the “**Company**”), a company incorporated under the laws of Ireland.
- (B) This Term Sheet is for discussion purposes only and, except for the terms in the paragraphs 14 (*confidentiality*), 15 (*expenses*) and 17 (*exclusivity*) below (each of which is binding upon the parties), it does not create or record any binding agreement or any offer the acceptance of which would give rise to such an agreement.

PRINCIPAL TERMS OF INVESTMENT

1. Type of Security:	Preference shares ¹ of [€●] each (“Preference Shares”).
2. Investment Amount:	€[●]
3. Price per Share & Post-money valuation:	[€●] per Preference Share (the “Original Issue Price”) based on a pre-money valuation of the Company of [€●] and a post-money valuation of the Company of [€●].
4. Total Shares to be Issued:	[●] Preference Shares.
5. Preference Share Terms²	
5.1 <i>Dividends:</i>	The Preference Shares shall carry a cumulative dividend coupon of [10%] per annum.
5.2 <i>Liquidation Preference:</i>	Subject to paragraph (c) below, in the event of a Liquidation Event (as defined below), the holders of the Preference Shares shall be entitled to receive in preference to the holders of the Ordinary Shares an amount equal to [three] times the Original Issue Price per Preference Share. Thereafter, the holders of the Preference Shares and the holders of the Ordinary Shares shall be entitled to share pro-rata in the remaining amounts on an “as-if-converted” basis.

¹ Preference shares typically carry a preferential right to a fixed dividend and usually rank higher than other share classes in the event of a winding up. They are usually sought by investors instead of the more common share type, Ordinary Shares. If a share type other than Preference Shares is required this document must be amended accordingly.

² Various Preference Share rights are listed. Tailor as appropriate.

5.3 <i>Adjustment:</i>	If the proceeds from the Liquidation Event are such that the Investors would receive less than [three] times the Original Issue Price per Preference Share but more than [two] times the Original Issue Price per Preference Share, in those circumstances the Investors shall be entitled to receive two times the Original Issue Price per Preference Share and [75]% of the balance of the proceeds with the remaining [25]% of the balance of the proceeds to be divided pro rata between the holders of the Ordinary Shares.
5.4 <i>Liquidation Event:</i>	A “ Liquidation Event ” shall mean: (i) any liquidation, dissolution or winding up of the Company; (ii) any sale or other disposition of the issued share in the Company or all or substantially all of the Company’s assets; or (iii) any reorganisation, or other transaction in which the holders of the Company’s voting securities prior to such transaction will hold, after such transaction, less than 50% of the combined voting power of the surviving entity.
5.5 <i>Conversion:</i>	Each holder of the Preference Shares shall have the right, at its option, to convert, at any time, all or any part of its Preference Shares into Ordinary Shares at the then applicable Conversion Price (as defined below) of the Preference Shares.
5.6 <i>Conversion Price:</i>	The “ Conversion Price ” shall initially be equal to the Original Issue Price for the Preference Shares, subject to adjustment for: (i) the “ Anti-Dilution Protection ” provisions set forth below; and (ii) share splits, consolidations, share dividends, recapitalisations and the like.
5.7 <i>Automatic Conversion:</i>	The Preference Shares shall automatically convert into Ordinary Shares at the then-applicable Conversion Price on the earliest to occur of: (i) a Qualified Public Offering (as defined below); (ii) the vote of the holders of the majority of the Preference Shares (the “ Preferred Majority ”); and (iii) the conversion into Ordinary Shares of a majority of the Preference Shares, determined on a cumulative aggregate basis. A “ Qualified Public Offering ” shall mean the closing of an initial public offering of shares of the Company resulting in gross proceeds to the Company of at least USD[●] at a pre-money valuation of not less than [●] times the Original Issue Price accompanied by a listing of the Ordinary Shares on any stock exchange.
5.8 <i>Anti-dilution Protection:</i>	Subject to certain agreed “excluded issuances”, the Investor will not suffer dilution of its holding by reason of the issuance by the Company of any shares or securities (or rights convertible or

	exercisable for shares) at a per share price less than the Original Issue Price.
5.9 <i>Redemption and Liquidity Rights:</i>	On the election of the holders of the Preferred Majority made at any time on or after the [●] anniversary of closing of the financing (“ Closing ”), the Company shall redeem, from funds legally available for distribution, all of the outstanding Preference Shares at the Original Issue Price plus accrued unpaid dividends.
5.10 <i>Realisation/Exit Event:</i>	It is the parties intention to achieve a share sale, asset sale or initial public offering (each being an “ Exit Event ”) within [●] years of closing of the financing (“ Closing ”) (the “ Target Date ”). The parties agree that the subscription and shareholders agreement to be entered into between the parties on Closing shall contain provision for the appointment of a corporate finance adviser no later than [3] months before the Target Date for the purposes of advising on and facilitating an Exit Event.
5.11 <i>Voting Rights:</i>	Except as required by law, the holders of Preference Shares shall vote on an “as-if-converted” basis, together with the holders of the Ordinary Shares as a single class. The holders of Preference Shares shall be entitled for all purposes to the number of votes equal to the number of Ordinary Shares into which all outstanding Preference Shares are convertible. [The holders of the Preference Shares shall, at all times, be entitled to such number of votes per Preference Share as shall ensure that the holders of the Preference Shares shall be entitled to 76% of the total voting rights in the Company.]
5.12 <i>Protective Provisions:</i>	The consent of the Investors shall be required for certain actions of the Company (and any subsidiaries) which shall be set out in the definitive agreements including: <ul style="list-style-type: none"> (a) any amendment to the Company’s constitution; (b) the authorisation of additional classes or series of shares, or any change to the rights, preferences or privileges of any shares of the Company; (c) the authorisation or issuance of additional shares of the Company’s authorised share capital or securities exercisable or exchangeable for, or convertible into, shares of the Company’s authorised share capital; (d) the authorisation or payment of any dividend or distribution in cash or kind other than in respect

	<p>of the Preference Shares;</p> <ul style="list-style-type: none"> (e) any Liquidation Event or any transactions in which control of the Company is transferred (subject to the “Drag Along Rights” set out below); (f) the recapitalisation or reorganisation of the Company; (g) the redemption or repurchase of the securities of the Company, other than pursuant to employment or option agreements providing for the repurchase of shares at cost upon termination [or any redemption of the Preference Shares pursuant to the constitution]; (h) any amendment to, or termination of, the ESOP plan, any increase in the size of the ESOP and any creation, amendment or termination of any other option plan or equity incentive plan; (i) any change in the size of the Company’s board of directors or creation or change in committees of the board; (j) the issuance or creation by the Company of any indebtedness, borrowings or guarantee of greater than [●]; (k) the disposal of any of the Company’s material assets or intellectual property other than non-exclusive licenses granted in the ordinary course of business; (l) the carrying on of any business with non-arm’s length parties other than the entering into of employment agreements approved by the Company’s Board of Directors; (m) the entering into of any partnership or any other arrangement for the sharing of profits; (n) the making of any individual capital expenditure in excess of [●]; (o) the making of any operating expenditure in excess of [●];
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	<p>(p) any change in the Company’s business or the entry into of a new business;</p> <p>(q) any adoption of or changes to the Company’s budget;</p> <p>(r) any acquisition of any material interest in another entity;</p> <p>(s) incorporating or disposing of any subsidiary; and</p> <p>(t) entering into any material contract or arrangement.</p> <p>[Subsequent Terms: The Company will grant the Investors any rights (other than per share price) granted to subsequent purchasers of its equity securities to the extent that such rights are superior to those granted in connection with this transaction.]</p>
6. Capitalisation	The fully diluted post-money capitalisation shall be set out in Annex 1.
7. Employee Stock Ownership Plan (“ESOP”)	[●]% of the fully diluted shares outstanding, post-closing will be reserved for issuance to employees and consultants pursuant to an ESOP, the terms of which are to be agreed with the Investor. Shares shall be subject to four year vesting as follows: [25]% one year from the date of award and [1/36] of the remainder per month thereafter. The ESOP shall include provisions to the effect that all unexercised share options will lapse once a person ceases to be connected with the Company for any reason. Further, the Company/other shareholders shall have the right to purchase any shares held by a person ceasing to be connected with the Company.
8. Good/Bad Leaver	Good Leaver/Bad Leaver provisions shall be included [in respect of the founders] ³ . The clause shall apply to 100% of the shares held by [the founders] for a period four years, vesting as to 50% after two years with the balance vesting rateably over years two to four. The provision will require a founder who is a “bad leaver” to offer vested shares in the Company for sale at cost.
9. Share Subscription & Shareholders’ Agreement	This investment shall be made pursuant to a share subscription and shareholders’ agreement reasonably acceptable to the Company and the Investor and incorporating the matters referred to in sections entitled “Shareholder Consent” to “Inspection

³ Tailor as appropriate.

		Rights". A new constitution of the Company in a form satisfactory to the parties shall be adopted. All existing shareholders agreements (other than, if any, an Enterprise Ireland subscription and shareholders' agreement) shall be terminated.
10.	Shareholder Consent	The consent of a Shareholder Majority (being those shareholders holding not less than [75%] in nominal value of the Preference Shares including the Investor) shall be required for: <ul style="list-style-type: none"> (a) any amendment to the Company's constitution in a manner prejudicial and detrimental; (b) any change in the Company's business or the entry into of a new business; and (c) any acquisition of any material interest in another entity.
11.	Restriction on Minority Shareholders and Option Holders	The Company shall provide that all of its existing shareholders and option holders shall covenant that all future persons entitled to the benefit of shares and options will be bound by certain provisions of the shareholders' agreement and/or the constitution, including restrictions on transfer, drag-along rights and liquidation preferences described above.
12.	Board of Directors:	
12.1	<i>Right of appointment</i>	The Investor shall have the right to appoint a director to the board of the Company. Alternatively, the Investor may appoint an observer having a right to notice of and to attend and contribute but not to vote at board meetings.
12.2	<i>Meetings</i>	The Board shall meet at least bi-monthly. The quorum shall be [three (3)] directors.
12.3	<i>Fees & Expenses</i>	The Company shall reimburse outside directors, including the Investor's appointee, for all reasonable expenses incurred in their services as a director of the Company, including any travel to and from board meetings.
13.	Issue, Sale of and Transfer of Shares:	
13.1	<i>Pre-emptive Rights - New Shares</i>	The Investor shall have a pre-emptive right to purchase up to its pro-rata share (determined by reference to existing shareholdings

	of any new shares, or securities convertible or exercisable for shares, offered by the Company at the same price and on the same terms as the Company offers such securities to other potential investors (with a right of over-subscription if any other shareholder elects not to purchase its pro-rata share).
13.2 <i>Rights of First Refusal - Transfers</i>	Each shareholder and the Investor shall have a right of first refusal for all transfers of shares on a pro rata basis (determined by reference to existing shareholdings).
13.3 <i>Tag-Along/Co-Sale Rights</i>	No share may be transferred if that would give a controlling interest in the Company to any person or persons acting in concert, unless the buyer offers to buy all the shares of the Company.
13.4 <i>Drag-Along Rights</i>	In the event that a bona fide third party offer to acquire the Company (by way of a merger, sale of all issued shares, sale of all assets or otherwise) is received which the Investor (or its respective successors in title) and the holders of [75%] of the Preference Shares are prepared to accept, then such selling shareholders shall have the right to require the other shareholders to participate in such sale on the same terms as the initiating shareholders.
13.5 <i>Information Rights</i>	The Investor shall be entitled to such information, documentation and explanations in relation to the Company and its affairs, and to access to the Company's premises, books and records, and to receive: (i) audited annual financial statements (within 180 days of year-end); (ii) unaudited monthly financial statements (within 15 business days of the month end); (iv) annual capital and operating budgets (the "Budgets") (within 30 days prior to year-end).
13.6 <i>Inspection Rights</i>	The Company shall permit the Investor (or its respective authorised representatives) to visit and inspect the properties of the Company, including its corporate and financial records, to discuss its business and finances with officers of the Company during normal business hours following reasonable notice and as often as may be reasonably requested.
14. Confidentiality	The Investor, the Company and their respective representatives agree to keep confidential the contents of this Term Sheet and discussions and negotiations related thereto unless otherwise agreed by the parties, subject to the right of the Company and the Investor to disclose such information to their respective advisers, shareholders or any of the directors, officers, employees or advisors of any such parties. Any press release or

	other public statement issued by the Company relating to this Term Sheet or the transactions contemplated hereby must be approved in advance by the Investor.
15. Expenses	Each party shall pay its own costs in connection with or incidental to the proposed transaction.
16. Arrangement Fees and Directors Fees	No arrangement fees shall be paid in connection with the closing of this financing. No director fees shall be paid to directors, other than to independent directors where appropriate and other than expense reimbursement.
17. Exclusivity	<p>Given the considerable time, effort and expense that the Investor have expended and will continue to expend in regard to the proposed transaction, during the period (the “Exclusivity Period”) beginning with the countersigning of this Term Sheet by the Company and ending on the earlier of (i) 30 days thereafter and (ii) the date upon which the Investor advises the Company in writing that the Investor is terminating all negotiations regarding a possible transaction (provided however, that the period will be extended automatically without any further action by the parties for 15 days after the end of such 30 day period assuming all parties are working in good faith towards the closing of the transaction contemplated by this Term Sheet), the Company shall not and shall cause each of its respective directors, officers, employees, agents, advisers and other representatives not to, directly or indirectly solicit, encourage, initiation or submission of, or respond to, any expression of interest, enquiry, proposal or offer from any person or entity relating to in connection with:</p> <ul style="list-style-type: none"> (a) the sale, licence, disposition or acquisition of all or a material portion of the Company’s business or assets; (b) the issuance, disposal or acquisition of any share or equity security of the Company, any option (other than options granted to employees, advisors or consultants of the Company) warrant or right to acquire any equity, security of the Company or any security, instrument or obligation that is or may become convertible into exchangeable for any share or equity security of the Company; or <p>any merger, consolidation, business combination, reorganisation or similar transaction involving the Company.</p>

18. Closing	The parties agree to work in good faith to complete the transaction summarized above by [insert completion date] or such later date as may be agreed in writing by the parties.
19. Closing Conditions	The closing shall be subject to the following conditions: (i) the completion and execution of mutually satisfactory legal documentation; (ii) final approval of the proposed investment by the board of directors of the Investor, and other necessary approvals; and (iii) the satisfaction of other customary closing conditions.
20. Company's Counsel	[]
21. Investor's Counsel	[]

EXECUTION PAGE

SIGNED for and on behalf of
[INSERT NAME OF INVESTOR]

By:

Name:

Title:

Agreed and Accepted by

SIGNED for and on behalf of
[INSERT NAME OF START-UP]

By:

Name:

Title:

ANNEX 1

[INSERT POST COMPLETION CAPITALISATION TABLE]