

TERM SHEET

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This Term Sheet (this "Term Sheet") is entered into as of [EFFECTIVE DATE] (the "Effective Date") by and between:

[INVESTOR/BUYER LEGAL NAME], a [STATE] [ENTITY TYPE, e.g. limited partnership] with its principal place of business at [INVESTOR ADDRESS] ("Investor"); and

[COMPANY LEGAL NAME], a [STATE] [ENTITY TYPE, e.g. corporation] with its principal place of business at [COMPANY ADDRESS] (the "Company").

Investor and the Company are each a "Party" and together the "Parties."

Recitals. This Term Sheet summarizes the principal terms on which Investor proposes to [DESCRIBE THE PROPOSED TRANSACTION, e.g. invest in the Company, acquire securities of the Company, or enter into a commercial arrangement] (the "Proposed Transaction"). Except for the sections expressly stated to be binding, this Term Sheet is a non-binding summary intended to guide negotiation of definitive agreements (the "Definitive Agreements"). In consideration of the mutual understandings set out here, the Parties agree as follows.

1. The Proposed Transaction

1.1 Overview. Investor proposes to provide [AMOUNT] in [CURRENCY] to the Company in exchange for [DESCRIBE SECURITIES, INTEREST, OR CONSIDERATION, e.g. shares of preferred stock representing [PERCENT]% of the Company on a fully-diluted basis] (the "Securities").

1.2 Type of security. The Securities are expected to be [e.g. Series [X] Preferred Stock / SAFE / convertible notes / membership interests], with the rights and preferences summarized below and set out in full in the Definitive Agreements.

1.3 Use of proceeds. The Company intends to use the proceeds for [e.g. working capital, product development, and general corporate purposes].

2. Valuation and Capitalization

2.1 Valuation. The Proposed Transaction is based on a pre-money valuation of [AMOUNT], resulting in a post-money valuation of approximately [AMOUNT].

2.2 Capitalization. A summary capitalization table, before and after the Proposed Transaction, will be attached to the Definitive Agreements. The calculations assume [STATE KEY ASSUMPTIONS, e.g. an option pool of [PERCENT]% on a post-money basis].

2.3 Option pool. The Parties anticipate [CREATING / EXPANDING] an equity incentive pool equal to [PERCENT]% of the post-closing fully-diluted capitalization.

3. Price and Payment

3.1 **Price per security.** The price is expected to be approximately [AMOUNT] per [SHARE / UNIT], subject to adjustment as the capitalization is finalized.

3.2 **Closing.** The investment is expected to be funded at a single closing, or in tranches tied to [MILESTONES], as set out in the Definitive Agreements.

3.3 **Conditions to funding.** Funding is expected to be conditioned on, among other things, completion of due diligence, execution of the Definitive Agreements, and accuracy of the Company's representations.

4. Key Rights and Preferences

4.1 **Liquidation preference.** The Securities are expected to carry a [1x] non-participating liquidation preference, meaning that on a liquidation or sale the holders receive their original investment back before proceeds are distributed to common holders. [ADJUST: participating / multiple as negotiated.]

4.2 **Dividends.** Dividends, if any, are expected to be [non-cumulative / cumulative at [PERCENT]% per year], payable when and as declared.

4.3 **Voting and protective provisions.** The Securities are expected to vote on an as-converted basis and to carry customary protective provisions requiring holder consent for specified corporate actions, such as amending charter documents, issuing senior securities, or selling the Company.

4.4 **Anti-dilution.** The Securities are expected to include [broad-based weighted-average] anti-dilution protection, adjusted for stock splits and similar events.

4.5 **Conversion.** The Securities are expected to be convertible into common at the holder's option and to convert automatically upon [e.g. a qualified public offering or majority holder election].

5. Governance and Information Rights

5.1 **Board composition.** The Parties anticipate that the board will consist of [NUMBER] directors, including [NUMBER] designated by Investor.

5.2 **Information rights.** The Company is expected to provide major investors with customary financial statements and budgets on a periodic basis.

5.3 **Pro-rata rights.** Major investors are expected to receive customary rights to participate in future financings to maintain ownership percentage.

6. Conditions and Due Diligence

6.1 **Due diligence.** The Proposed Transaction is subject to Investor's satisfactory completion of legal, financial, and business due diligence.

6.2 **Approvals.** The Proposed Transaction is subject to all required corporate, investor, and governmental approvals and to negotiation of mutually acceptable Definitive Agreements.

7. Exclusivity (Binding)

7.1 **No-shop.** From the Effective Date until [NUMBER, e.g. 45] days after it (the "Exclusivity Period"), the Company will not, and will direct its representatives not to, solicit or engage in discussions with any third party regarding an alternative financing or sale of the Company.

7.2 **Binding effect.** This Section 7 is binding and survives for the duration of the Exclusivity Period regardless of the non-binding nature of the other terms.

8. Confidentiality (Binding)

8.1 **Confidentiality.** The Parties will keep the existence and terms of this Term Sheet and any information exchanged in connection with the Proposed Transaction confidential, except as required by law or to advisors bound by confidentiality obligations at least as protective as these.

8.2 **No public announcements.** Neither Party will make a public announcement about the Proposed Transaction without the other's prior written consent, except as required by law.

9. Non-Binding Nature

9.1 **Generally non-binding.** Except for Sections 7 (Exclusivity), 8 (Confidentiality), 10 (Expenses), and 11 (General Provisions), this Term Sheet is a non-binding summary. It does not obligate either Party to proceed with or complete the Proposed Transaction.

9.2 **Definitive Agreements control.** Binding obligations arise only upon execution of the Definitive Agreements. Either Party may terminate negotiations at any time, for any reason, without liability, subject to the binding sections.

10. Expenses (Binding)

10.1 **Each Party bears its own costs.** Each Party will bear its own expenses, except that the Company will reimburse Investor's reasonable, documented legal expenses up to [AMOUNT] if the Proposed Transaction closes. [ADJUST OR DELETE the reimbursement based on negotiation.]

11. General Provisions (Binding)

11.1 **Governing law and venue.** This Term Sheet is governed by the laws of the State of [STATE], without regard to its conflict-of-laws rules. The Parties submit to the exclusive jurisdiction of the state and federal courts located in [COUNTY, STATE].

11.2 **Notices.** Notices must be in writing and sent to the addresses above (or as updated in writing) and are effective on receipt.

11.3 **Entire understanding; amendment.** This Term Sheet is the entire understanding of the Parties on its subject and supersedes prior discussions. It may be amended only by a writing signed by both Parties.

11.4 **Severability and waiver.** If any provision is unenforceable, the rest remains in effect. A Party's failure to enforce a provision is not a waiver.

11.5 **Counterparts and electronic signature.** This Term Sheet may be signed in counterparts and by electronic signature, each of which is an original and all of which together form one document.

IN WITNESS WHEREOF, the Parties have executed this Term Sheet as of the Effective Date.

INVESTOR

COMPANY

Signature: _____

Signature: _____

Printed name: **[NAME]**

Printed name: **[NAME]**

Title: **[TITLE]**

Title: **[TITLE]**

Date: _____

Date: _____

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