*This Token Sale Agreement (the “****Agreement****”) and the Tokens sold under it are not intended to be offered in any jurisdiction or under circumstances where not permitted under Applicable Law. Although the Agreement and Tokens are not intended to be a security, there is some uncertainty about the application of securities laws to virtual assets in many jurisdictions. The Agreement and Tokens have not been registered with any authority and cannot be offered or sold except with a registration, an offering, or under an exemption under the Applicable Law, as evidenced by a Legal Opinion of an outside counsel.[[1]](#footnote-0)*

**[Project’s Name]**

**TOKEN SALE AGREEMENT**

**of [date] [month] 202[y]**

| **Company** | [FULL NAME]; and |
| --- | --- |
| **Purchaser** | [FULL NAME], |
| each a **“Party”** and collectively the “**Parties**” have entered into this Agreement: | |

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1. **Legal Status and Definitions**
   1. **Legal Status.** The Company agrees to sell to the Purchaser, and the Purchaser agrees to purchase from the Company, [number] of [token ticker] (the “**Network Tokens**”) and is then entitled to rights (the “**Rights**”). The substantive terms of this Agreement are as follows:

| **Purchase Amount** | [amount] [currency / cryptocurrency] |
| --- | --- |
| **Blockchain** | [blockchain network] |
| **Protocol** | [protocol] |
| **Whitepaper** | [link] |

* 1. **Definitions.** The following terms shall have the following meaning:
     1. **“Affiliate”** means, with respect to any Person, any other Person that directly or indirectly, controls, is controlled by, or is under common control with such a Person. This includes but is not limited to general partners, directors, employees, officers, or trustees of such a Person, any venture capital funds or registered investment companies that are controlled by one or more general partners, managing members, or investment advisers of, or shares the same management company, or investment adviser with, such Person. Here, **“control”** is defined as directly or indirectly having the power to direct or stir the direction of the management and policies of the Affiliate, whether through ownership of voting securities, by contract, or otherwise.
     2. **“Blockchain”** means a blockchain network, where transactions are verified and recorded in a distributed ledger. The Blockchain of the Ecosystem is indicated in Section 1.1 above.
     3. **“Board of Directors”** means the board of the directors or a similar governing body of the Company.
     4. **“Business Day”** means a weekday on which banks are open for general banking business in [the jurisdiction of the Company’s incorporation/domicile/…].
     5. **“Company”** shall include, in addition to the Company identified in the opening paragraph of this Agreement, any company, corporation, or other entity that succeeds to the Company’s obligations under this Agreement, whether by assignment, by merger or consolidation or otherwise.
     6. **“Deemed Liquidation Event”** means:

(i) a merger or consolidation in which:

(a) the Company is a constituent party; or

(b) a subsidiary of the Company is a constituent party and the Company issues its capital shares during such an event; except when its outstanding capital shares immediately prior to it continue to represent (or are converted/exchanged into capital shares that represent), immediately following such merger or consolidation, at least a majority, by voting power, of the capital shares of:

(1) the surviving or resulting corporation; or

(2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation, the parent corporation of such surviving or resulting corporation; or

(ii)

(a) the sale, lease, transfer, exclusive licence or other disposal, in a single transaction (or series of related transactions), by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries, or

(b) the sale or disposition (whether by merger, consolidation or otherwise, and whether in a single transaction or a series of related transactions) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive licence or other disposal is to a wholly owned subsidiary of the Company.

* + 1. “**Dissolution Event**” means liquidation, dissolution, or winding up of the Company or cessation of the Company’s operation, whether voluntary or otherwise.
    2. **“DAO”** means a decentralised autonomous organisation, governed by the rules of smart contracts within the Protocol and the DAO constitution.
    3. **“Ecosystem”** means an interacting network of entities and individuals, to which the Company is a part, which is centred around the development of a common project within the Network. The Ecosystem may be transformed into a DAO and vote on a DAO constitution.
    4. **“Laws”** means all applicable laws, statutes, ordinances, rules, regulations, judgments, injunctions, orders and decrees.
    5. **“Network”** means a set of participants who work as a part of project infrastructure according to the rules of Protocol that was developed by, or on behalf of, the Company.
    6. **“Network Token”** means the primary utility token for the Network, which is minted and delivered by the Protocol.
    7. **“Person”** means any individual, corporation, partnership, trust, limited liability company, association or other entity.
    8. **“Protocol”** means a set of permissionless and autonomous smart contracts, deployed by the Company on a Blockchain mainnet, which govern the infrastructure, interface, and interactions within the Network and between the Network and its participants. The Network’s Protocol is responsible for, among other things, issuing the Network Tokens to the Purchaser, according to the rules which were pre-setup before the deployment of such a Protocol into the Blockchain mainnet. The chosen Protocol is indicated in Section 1.1 above.
    9. **“Public Key (Address)”** means a cryptographic code, paired to a private key, which allows to receive, access, and dispose of blockchain assets, such as Network Tokens.
    10. **“Transfer”** shall mean, with respect to any Network Token, the direct or indirect assignment, sale, transfer, tender, pledge, hypothecation, or the grant, creation or suffrage of a lien or encumbrance in or upon, or the gift, placement in trust, or other disposition of such Network Token (including transfer by testamentary or intestate succession, merger or otherwise by operation of law) or any right, title or interest to it (including, but not limited to, any right or power to vote to which the Purchaser may be entitled, whether such right or power is granted by proxy or otherwise), or the record or beneficial ownership thereof, the offer to make such a sale, transfer, or other disposition, and each agreement, arrangement or understanding, whether or not in writing, to effect any of the foregoing. Staking, voting or otherwise participating in the governance of the Network shall not be considered a Transfer.

1. **Execution of the Agreement**
   1. **Form of Payment.** The Purchaser shall pay off the Purchase Amount for the Network Tokens via a method of payment indicated above no later than in [10/15/…] Business Days after signing the Agreement. The Company shall provide the Purchaser with all necessary information to make the payment. The Company shall have the right to request the Purchaser to provide a proof of the source of funds used to make the payment of the Purchase Amount; requirements to the form and the contents of such a proof shall be communicated by the Company to the Purchaser in writing.
   2. **Delivery of Network Tokens.** To receive the Network Tokens, the Purchaser will provide the Company with one or more Public Keys (Addresses) to which the Network Tokens shall be allocated. The Purchaser is solely responsible for the correctness of Public Keys (Addresses). The Company will not be liable for any losses resulting from the Purchaser providing the wrong Public Keys (Addresses) to the Company. The Purchaser is also solely responsible for securely storing the private keys to the respective Public Keys (Addresses). The Network Tokens will be delivered to the provided Public Keys (Addresses) no later than in [5/10/…] Business Days after signing the Agreement. If an intermediary is used to deliver the Network Tokens, the delivery shall be done automatically once the payment of the Purchase Amount is confirmed.
   3. **Restrictions on the Delivery of Tokens.** No Network Tokens will be delivered if the issuance of the Network Tokens would, as determined by the Company based on the advice of legal counsel, constitute a violation of any Applicable Law. The Purchaser agrees that if they are not a special category of investors (e.g. qualified, accredited, etc.) at the time of signing this Agreement, while this status is required for the Purchaser to purchase the Network Tokens under the national law of the Purchaser and/or the Company, then the Company may void this Agreement. The Purchaser shall be required to deliver a proof confirming that they are a special category of investors (e.g. qualified, accredited, etc.) from a qualified third-party. Despite the Company verifying the Purchaser’s special category status, the Purchaser is solely responsible for making sure that under their personal Law the Purchaser is permitted to receive, hold, use, dispose, or perform any other action with the Network Tokens. By signing this Agreement, the Purchaser confirms that they have received advice from an outside legal counsel, according to whom the Purchaser entering into this Agreement does not violate their personal Law.
   4. **Dissolution Event.** If there is a Dissolution Event after the Purchase Amount is paid but before the Network Tokens are delivered, the Company will pay the Purchaser an amount equal to the Purchase Amount no later than the consummation of the Dissolution Event. If due to involuntary Dissolution Event (whether due to bankruptcy or due to a decision of a regulatory body), the assets of the Company are insufficient to make the payments to the Purchaser, other persons who have entered into similar agreements with the Company, and other creditors of the Company, the assets shall be distributed pro-rata (in proportion to their claims) amongst all the creditors of the Company, unless other liquidation rules are found in the Company’s constitutional documents.

1. **General Provisions**
   1. **Restrictions on Network Tokens.** The Network Tokens under this Agreement may be subject to restrictions on transferability:
2. as required by Applicable Law;
3. before the Ecosystem, is transformed into the DAO, as determined by the Board of Directors, acting in good faith and pursuant to the advice of external legal counsel; and/or
4. after the Ecosystem, is transformed into the DAO, as determined in the DAO constitution of the Network, to which Network Tokens are native tokens.
   1. **Acceptance of Smart Contracts.** The Purchaser acknowledges that they are required to accept the smart contract or another electronic contract containing the Network Tokens’ distribution terms as is and provide information reasonably requested by the Company to organise the issue and delivery of Network Tokens. At the same time, the Company undertakes to procure that the terms of smart contracts within the Network’s Protocol do not contradict the terms of this Agreement.
   2. **Utility of the Network Tokens.** Utility and functions of the Network Tokens within and outside of the Ecosystem, as of the moment of signing this Agreement, if any, are outlined in the Whitepaper. If the Ecosystem is transformed into the DAO in the future, it shall have the right to determine the future utilities of the Network Tokens via a voting procedure and the Purchaser understands that the Company shall have no control over this voting.

1. **Additional Provisions**
   1. **Authorization.** The Purchaser guarantees that they have full power and capacity to enter into this Agreement.
   2. **Complete Information.** The Purchaser confirms that they have received and made themselves familiar with all the information about the Ecosystem, the Network, the Company’s business, management, financial affairs, technical capabilities, white paper (if any), and the terms of this Agreement with the Company’s representatives, confirms that they understand all of the above and accept it as is. The Purchaser also confirms that they understand and accept the terms of this Agreement and the risks outlined in the Whitepaper.
   3. **Restrictions on Transfer.** ThePurchaser acknowledges and agrees that:
2. neither the Network Tokens nor this Agreement have been registered under any Laws of any jurisdiction, and that the Company has no plans to do so;
3. there is substantial uncertainty as to the application of securities, financial, and other Laws to virtual assets such as Network Tokens, and that the interpretation of existing Laws or new Laws may affect the regulatory status of the Network Tokens and/or this Agreement, the offer or sale of the Network Tokens or this Agreement, and the use of the associated blockchain network;
4. in light of this uncertainty, although the Company does not intend for the Network Tokens to be securities under any Law, the Purchaser assumes that this Agreement and the Network Tokens could be considered securities under the Law, meaning that the Network Tokens could be subject to restrictions including, but not limited to, restrictions on Transfer;
5. in the event that transactions of the Network Tokens are considered transactions of securities, the Purchaser may not sell, resell, assign, encumber or transfer all or any part of the Network Tokens except if (a) registered under the Applicable Law; (b) under an exemption from such registration; or (c) it will not construe a violation under the personal Law applicable to the Purchaser;
6. the Purchaser may be required to deliver to the Company a certification and/or other information satisfactory to the Company prior to any resale or transfer of Network Tokens, including but not limited to proofs of the special investor status and the source of funds, followed by a check performed by the Company;
7. any transfer not made in compliance with these restrictions shall be void and the Company may refuse to recognize any transfer not made in accordance with these restrictions. If the Purchaser decides to resell the Network Tokens after any applicable restriction period has expired, it is Purchaser’s sole responsibility to determine if it is permitted under the Applicable Law; and
8. they have read and understood the restrictions and limitations that could be imposed on the Network Tokens. The Purchaser agrees to comply with all such restrictions and consents to the imposition of any such restrictions on transfer as the Board of Directors may, pursuant to the advice of external legal counsel, consider necessary or prudent to comply with Applicable Law and/or the restrictions set forth in the DAO constitution or according to the results of the vote of the DAO members, if any.
   1. **Special Category of Investors.** The Purchaser confirms that they:
9. are considered [qualified/accredited/…] investor as defined under the Applicable Law and their entering into this Agreement does not constitute a violation of their personal Law[[2]](#footnote-1); and
10. have sufficient knowledge and experience in blockchain technology, virtual assets, financial, business, and technical matters to be able to evaluate the risks of acquiring the Network Tokens and entering into this Agreement. In doing so, the Purchaser has and will rely upon the advice of the Purchaser’s own technical, business, financial advisors, legal counsel, tax advisors, and/or investment advisors. An overview, but in any way an exclusive list of risks is listed in the Whitepaper.
    1. **Value of Network Tokens.** The Purchaser is aware that the Network Tokens may be of no practical value and that the Network Tokens are non-marketable, non-transferable and may be illiquid, possibly without return, and at substantial risk of loss.
    2. **Prohibited Person.** The Purchaser confirms that they and their Affiliates, equity investors, directors, officers, managers, or direct or indirect beneficial owners are not:
11. on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control of the United States Department of the Treasury, nor are they otherwise a party with which Purchaser is prohibited to deal under the Laws of the United States;
12. citizens, residents, or incorporated in high-risk jurisdictions according to the latest FATF public statements, State Sponsors of Terrorism as identified by the U.S. Department of State, high-risk jurisdictions as identified by the European Commission;[[3]](#footnote-2)
13. person identified as a terrorist organisation on any other relevant lists maintained by governmental authorities; and
14. senior foreign political figures, or any immediate family member or close associate of a senior foreign political figure.
    1. **Non-Involvement in Financial Crimes.** The Purchaser confirms that the funds used to make the payment of the Purchase Amount have not been acquired through financial crimes, including with the involvement of any Blockchain-based assets. The Purchaser additionally confirms that they can demonstrate a legitimate source of those funds.
    2. **Due Diligence.** The Purchaser confirms that they have conducted due diligence with respect to all of its Affiliates, equity holders, directors, officers, managers and beneficial owners, established their identities and sources of their income, as required by the Law applicable to the Purchaser and Sections 4.6-4.7 above.
    3. **Decentralised Governance.** The Purchaser confirms that they understand that if the Ecosystem is transformed into a DAO, the governance of the Ecosystem (including governance over Network Tokens) becomes fully decentralised and the Company shall have no organisational and technical capacity to influence it. The Company, therefore, is not responsible for the results of voting procedures within the DAO and any consequences it might have for the Purchaser and the Purchaser specifically acknowledges that they accept it.
    4. **The Network Tokens and Decentralised Governance.** The Purchaser is aware that the Network Tokens might vest no governance rights in the Ecosystem to its holders, including the Purchaser.

1. **Lock-Up**
   1. **Lock-Up Period.** Purchaser’s Portion of the Network Tokens shall be subject to a lockup (the “**Lock-Up**”) as follows:

(a) the Purchaser cannot Transfer the Network Tokens acquired by Purchaser under this Agreement until the date that is [one/two]-year anniversary of the delivery of the Network Tokens (the “**Anniversary**”); and

(b) 1/[12/24] of such Network Tokens shall become transferable on a one-month anniversary of the Anniversary (the “**Initial Unlock Date**”), and the remaining [11/23]/[12/24] shall become transferable in equal monthly installments over the next [11/23] months occurred (the “**Lock-Up Period**”).[[4]](#footnote-3)

* 1. **Waiver.** The DAO community may, via a voting procedure, in their discretion, waive or change the Lock-Up and/or the Lock-Up Period if it determines, in good faith and pursuant to the advice of legal counsel, that such change is necessary to comply with legal or regulatory requirements under the Law.
  2. **Acknowledgement.** By signing this Agreement and purchasing the Network Tokens, you understand and consent to the limitations imposed by the Lock-Up during the Lock-Up Period and acknowledge that the DAO members may extend or change any of them via a voting procedure. The DAO members shall agree on the DAO constitution during the first voting event and the said DAO constitution shall contain detailed provisions on how decisions related to the Network Tokens can be made.
  3. **Use that is not Transfer.** The Purchaser shall have the right to use the entire Portion or its part during the Lock-Up Period for any purpose on the Network that does not constitute a Transfer.

1. **Non-Disclosure**
   1. **Confidentiality Obligations of the Purchaser.** The Purchaser, its Affiliates, and their directors, officers, employees, consultants, counsel, accountants, and other agents (the **“Representatives”**) shall not disclose any information disclosed to them in the process of negotiation of this Agreement, its terms, and its existence, as well as any information about the business of the Company, Network, and the Ecosystem. This obligation shall not apply generally available to and known by the public through no fault of Purchaser, any of its Affiliates, or any of their respective Representatives.
   2. **Confidentiality Obligations of the Company.** The Company, its Affiliates, and Representatives shall not disclose any information of the Purchaser that was provided by the Purchaser to execute this Agreement or requested by the Company.
   3. **Obligation to Disclose.** If either Party, their Affiliates, or Representatives are required under the Applicable Law to disclose the confidential information of the other Party, that Party shall promptly notify the other Party in writing and shall disclose only that portion of confidential information that it is legally required to be disclosed. The Party that is under an obligation to disclose, shall use its best reasonable efforts to obtain as promptly as possible an appropriate protective order or reasonable assurance that this information will be treated as confidential.

1. **Own Account**
   1. **Own Account.** The Purchaser is acquiring this Agreement for their own account and not as a nominee or agent, and not with a view to the resale or distribution of any part.
   2. **Non-Distribution.** The Purchaser does not intend to sell, grant any participation in, or otherwise distribute the Agreement or any of its parts.
   3. **No Agreements.** The Purchaser guarantees that they do not have any contracts, undertakings, agreements, or arrangements with any Person to sell, transfer or grant participation to such Person or to any third Person, with respect to this Agreement or its part.
   4. **Formation.** The Purchaser, if a legal entity, has not been formed for the specific purpose of acquiring this Agreement.

1. **Dispute Resolution**
   1. **Applicable Law.** This Agreement is governed by the laws of [jurisdiction] (the **“Applicable Law”**).
   2. **Negotiations in Good Faith.** If the Parties face a dispute, they shall attempt to resolve it by negotiations. The contact email addresses mentioned below shall be used to resolve the dispute.
   3. **Formal Proceeding.** If the Parties are unable to resolve the dispute by negotiations in [30/60/…] days after its commencement, it shall be resolved by [the courts of … / the … court of arbiters / blockchain arbitration at …].[[5]](#footnote-4)

1. **End-Terms**
   1. **Transfer of the Agreement.** Unless specifically stated otherwise, this Agreement, nor any rights under it, cannot be assigned, conveyed, or transferred by Purchaser, in whole or in part, without the Company’s prior written consent. The rights and obligations of the Company and the Purchaser under this Agreement shall be binding upon and benefit their respective permitted successors, assigns, heirs, administrators and transferees.
   2. **Reorganisation, Merger, or Consolidation of the Company.** If the Company is recapitalized, reorganised, merged, or consolidated with one or more other Persons not as a result of a Deemed Liquidation Event (each, a **“Reorganisation Event”**), and if this Agreement yet to be executed, then such Persons shall deliver to the Purchaser a written acknowledgement of their obligations under this Agreement. The Company shall give the Purchaser a prior written notice of each Reorganisation Event, no later than 10 days before it is consummated.
   3. **Amendments to the Agreement.** This Agreement may be amended in writing together by the Company and the Purchaser.
   4. **Whitepaper.** The use of funds by the Company acquired through the fulfilment of this Agreement is set forth in the Whitepaper. The Company shall have the right to make changes to the Whitepaper without notifying the Purchaser.
   5. **Entire Agreement.** This Agreement and the documents referred to in it, together with all the exhibits and schedules, constitute the entire agreement and understanding of the Parties about the respective subject matter. It supersedes any prior negotiations, correspondence, warrants, agreements, understandings duties or obligations between the Parties on that subject matter.
   6. **Severability.** If one or more provisions of this Agreement are found unenforceable under the Applicable Law, such provision shall be excluded from this Agreement to the extent they are unenforceable. The remainder of the Agreement shall be interpreted as if such provisions were excluded and shall be enforceable in accordance with the remaining terms.

*[Page with Signatures of the Parties Follows]*

1. **Signatures of the Parties**

| **COMPANY** | **PURCHASER** |
| --- | --- |
| **[FULL NAME]** | **[FULL NAME]** |
| Address: [address]  Company number: [number]  Email: [email] | Address: [address]  [Company number / ID]: [number]  Email: [email] |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **[name], [position]** | **[name], [position]** |

*[End of the Page with Signatures of the Parties]*

1. This document is a draft and provided to you for information purposes only. **It is not legal advice.** Before using it, make sure it is in line with the applicable law and a linked convertible equity instrument. Please consult a lawyer before using it.

   © 2023 Legal Nodes LTD. You are allowed to modify and use this template for your Web3 fundraising and for information and education purposes. The use for any other purpose and/or distribution of this or a modified version of this document is only allowed with our prior written consent. [↑](#footnote-ref-0)
2. Check the exemption requirements in the applicable jurisdiction. [↑](#footnote-ref-1)
3. This can be further expanded depending on where the Company is incorporated. [↑](#footnote-ref-2)
4. Normally, a 1-year lock-up with monthly vestings, meaning this clause should be filled with “one”, “12”, “11”, “12”, and “11” respectively. [↑](#footnote-ref-3)
5. Consult a dispute resolution lawyer. [↑](#footnote-ref-4)