*Disclaimer: This document contains general information, which is not advice, and should not be treated as such. The information is provided “as is” without any representations or warranties, expressed or implied.*

Latest update: 10 November 2020, see [changelog](https://startuptools.org/fi/changelog/) for full history.

Release notes: In this first version, we've used the Nordic standard template from StartupTools.org, but taken most of the material clauses from SeriesSeed.fi. This way, the document still follows materially the established Finnish standard, while making it easier for founders and investors to make cross-border transactions within the Nordics.

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This document is based on a cooperation between SeriesSeed.fi and the StartupTools.org documents (by Erik Byrenius and [Mattias Larsson](mailto:mattias.larsson@fylgia.se)).

Terms for equity investment in [Company Name]

[Date]

This term sheet (the “Term Sheet”) summarizes the main terms with respect to an equity investment in [Company Name], a private limited liability company incorporated in Finland (the “Company”).

The offering terms

|  |  |
| --- | --- |
| Securities to Issue: | [Common/Preference] shares of the Company (“New Shares”). |
| Investment Amount: | EUR [amount] in aggregate. |
| Investors: | [Company Names, Company ID Numbers] (together the “Investors”). |
| Lead Investor: | [Company Name, Company ID Number] (the “Lead Investor”). |
| Founders: | [Company/Personal Names, Company/Personal ID Numbers] (together the “Founders”). In this Term Sheet, “Founder” may refer to a company and/or the physical person in control of such a company. |
| Subscription Price: | The price per each New Share (the “Original Subscription Price”) shall be EUR [amount], which is based on the Company's fully-diluted pre-money valuation of EUR [amount]. |
| Capitalization: | The Company’s capital structure before and after the completion of the investment is set forth in Schedule 1. |
| [Option Pool: | The parties agree and acknowledge that the Company, after the investment, will issue stock options to current and future key employees, corresponding to up to [10]% of the shares in the Company post-money.] |
| [Liquidation Preference: | Upon a liquidation, merger, sale or other type of transaction in which control in the Company or substantially all of its assets are transferred, the holders of New Shares shall receive, per held share, the higher of (i) one times the Original Subscription Price or (ii) the amount they would receive if all shareholders received their pro rata share of such assets or proceeds. The remaining proceeds shall be distributed to the holders of common shares on a pro rata basis.] |
| Financial Information: | The Lead Investor will receive standard information, including but not limited to monthly reporting of key business metrics and a summary of the Company’s financial status. The other Investors will receive quarterly financial reporting. |
| Participation Right: | The Investors will have the right, but not the obligation, to participate in subsequent issuances of any equity securities on a *pro rata* basis. |
| Protective Provisions: | Approval of the Investors representing more than 50% of the shares owned by the Investors is required to   1. amend the articles of association; 2. issue, redeem, purchase, sell or otherwise transfer any shares or other equity instruments; 3. establish or expand any share based employee incentive scheme except as agreed upon in advance; 4. adversely change the rights of the shares held by the Investors; 5. declare or pay any dividend or make a decision on other asset distributions; 6. merge, demerge, liquidate or dissolve the Company or a subsidiary, including the exit; 7. transfer, lease, license (other than licenses granted in the ordinary course of business on a non-exclusive basis), pledge or encumber assets or rights material to the Company; 8. hire, fire or amend the terms of the employment contract of the CEO or any Founder; and 9. enter into any agreement or assignment with a shareholder or its immediate family member or any entity controlled by a shareholder and/or its immediate family member(s). |
| Board of Directors: | The Founders shall elect [three] of the directors. The Lead Investor shall elect [one] of the directors. [The other Investors shall elect one of the directors.] |
| Right of First Refusal: | Transfer of shares in the Company is subject to the Company’s and the other shareholders’ right of first refusal. A customary redemption clause shall be included in the Company’s articles of association. |
| Drag-Along: | In the event holders of more than 2/3 of the shares accept an offer to sell or otherwise transfer their shares to an independent bona fide third party, all other shareholders consent to sell or otherwise transfer their shares on the same terms and conditions as the majority shareholders who have accepted the offer. |
| Tag-Along: | The shareholders shall have the right to participate in any sale or other transfer of shares in the same proportion and on the same terms and conditions as offered to the selling shareholder. |
| [Expenses: | The Company shall reimburse counsels to the Investors for fees, which shall not exceed EUR [amount]. If there is no investment, each party shall pay its own fees.] |
| Vesting: | Shares held by the Founders and other key persons will vest over 4 years (the “Vesting Period”) as follows: 25% to vest one year after closing and the remaining 75% to vest in equal monthly installments under the following 36 months.  If a Founder (or other key person) leaves the Company during the Vesting Period his/her shares may be purchased by the Company primarily and the other shareholders secondarily *pro rata* as set forth in Table 1 below.   |  |  |  | | --- | --- | --- | |  | *Vested shares* | *Unvested shares* | | Good leaver | Stays with Founder | Sold for what the Founder once paid for the shares until the first anniversary and for fair market value thereafter | | Bad leaver | Stays with Founder | Sold for what the Founder once paid for the shares |   Table 1: Overview of the effects of becoming a good or bad leaver. |
| Founder Lock-in: | During the Vesting Period, the Founders cannot sell their shares without approval from the Investor Majority. |
| Non-Compete and Non-Solicitation: | Each Founder is required to sign a non-competition and a non-solicitation commitment, valid until one year from the date he/she ceases to be a shareholder in the Company. |
| Intellectual Property: | The Founders shall assign, and shall procure that all other shareholders of the Company assign, all relevant intellectual property to the Company for no compensation, or such compensation as required by law. |
| Warranties: | Each Founder and the Company shall severally and not jointly give standard warranties to the Investors, including, but not limited to, warranties on title, intellectual property and complete information. |
| Confidentiality: | This Term Sheet and the contents hereof are confidential to the parties hereof, and they may disclose these terms only to their representatives, directors, legal advisors, financial advisors and the shareholders of the Company. |
| Closing: | Expected closing date is [date]. Definitive agreements will be based on documents published at www.startuptools.org and www.seriesseed.fi. |
| [Exclusivity: | The Founders and the Company agree not to discuss or accept any financing of the Company from other parties before the expiry of the Term Sheet, except as approved by the Lead Investor.] |
| Non-Binding Effect: | This Term Sheet is not legally binding, with the exception of this paragraph and the paragraphs titled [Expenses, Exclusivity and] Confidentiality, which shall be construed according to the laws of Finland. |
| Expiration: | This Term Sheet expires on [date]. |

[SIGNATURE PAGE TO FOLLOW]

[This Term Sheet has been signed digitally.][This Term Sheet has been duly executed in [number] original copies, of which the parties have taken one copy each.]

[Place] on [date] [Place] on [date]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
[Name Founder 1] [Name Founder 2]

[Place] on [date] [Place] on [date]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
[Name Investor 1] [Name Investor 2]  
[Name Representative] [Name Representative]

[Place] on [date]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  
[Name Company]   
[Name Representative]

Schedule 1

Part 1: Shareholders – pre-investment

Capitalization Table prior to the investment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Shareholder | *Excl. Equity Instruments**[[1]](#footnote-2)* | | *Incl. Equity Instruments (as if converted to shares)* | |
| Shares | Ownership | Equity Instruments | Ownership |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **TOTAL** | **[X]** | **100%** | **[X]** | **100%** |

Part 2: Shareholders – post-investment

Capitalization Table after the investment.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Shareholder | *Excl. Equity Instruments1* | | *Incl. Equity Instruments (as if converted to shares)* | |
| Shares | Ownership | Equity Instruments | Ownership |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **TOTAL** | **[X]** | **100%** | **[X]** | **100%** |

1. “Equity Instruments” means options, warrants, convertible loans, subscription rights or any other securities or instruments of the Company, outstanding from time to time, which can be converted into shares in the Company or carry or have attached thereto a right to subscribe for shares in the Company. [↑](#footnote-ref-2)