



**Term sheet – [XXX company legal name]  
MM DD, YYYY**

This term sheet outlines the main conditions and procedures according to which the investment in xxx could be carried out. It does not constitute in any case a firm and irrevocable contract between the parties to carry out this investment.

- 1. Company** [XXX company legal name]  
(hereafter the “xxx” or “Company”)
- 2. Founders** Name1, Name2
- 3. New Investors** Fly Ventures Fund II GmbH & Co. KG (“Fly Ventures”), together with other investors as mutually agreed between the Company and Fly Ventures (collectively the “New Investors”).
- 4. Investment/ Loan Amount** Fly Ventures will invest £ xxx,000. Up to £xxx,000 will be allocated to other New Investors (as mutually agreed between the Company and Fly Ventures). The aggregate loan amount will therefore be up to £ x,xxx,000 (the “Investment”).
- 5. Use of the Loan** The Company will use the Investment as agreed per the business plan presented to the New Investors and shall be prohibited from making any distributions of any kind to any securityholder (other than the New Investors) prior to the conversion of the Investment into New Preferred Shares as described below.
- 6. Settlement Date** Payment of the Investment is due within seven (7) business days upon signing of the Agreement (“Settlement Date”).
- 7. Conversion Right/ Ratio**

The Investment will, at the election of the Company or the New Investors, convert into newly issued shares in the Company in a subsequent equity financing in which the Company raises funds (fresh money) in an amount of at least £ 2,500,000 (qualified equity financing). The New Investors shall have the right (but shall not be obliged) to convert the Investment into newly issued shares during any subsequent equity financing which is not a qualified equity financing.

The Investment converts at a price per share equal to the lower of (a) a fully diluted post-money valuation of £ x,xxx,000 and (b) the fully-diluted post-money valuation applicable to the relevant (qualified) equity financing.

The shares issued to the New Investors shall be of the same (most senior) share class as issued in the (qualified) equity financing and shall have corresponding preferential rights.

For the purposes of this Term Sheet the term “fully diluted” shall mean treating all of the x,xxx ESOP shares (the “ESOP Shares”, ca. xx% post round) as having been issued so that the New Investors do not bear any dilution as a result of the issuance of the ESOP Shares.
- 8. Conversion Obligation** The Company and the New Investors shall be entitled to request a conversion pursuant to the aforementioned terms and ratio upon maturity of the loans in the event that no conversion takes place during the term as defined under Section 9.

- 9. Term/Repayment** The Investment (to the extent not being converted) is due for repayment on demand by the Investor upon the earlier to occur of (a) the date 3 years after the Settlement Date; (b) an Event of Default and (c) a sale of the Company (whether by a sale of shares, merger, sale of assets or any event or transaction substantially similar in effect).
- A limited set of Events of Default will be agreed (bankruptcy, insolvency, change of control, breach of material obligations and similar material events).
- If a sale of the Company occurs prior to a conversion the Investors shall be entitled to receive an amount equal to what they would have received as-if-converted (incl. the below 1x non-participating liquidation preference).
- 10. New Preferred Shares** The preferred shares resulting from a conversion of the Investment are hereafter designated the "**New Preferred Shares**".
- The New Preferred Shares will benefit from the same preferential rights compared to all other classes of existing preferred shares and preferred shares issued in connection with the relevant (qualified) equity financing, and the Investor shall benefit from the most beneficial terms offered to any other purchaser of New Preferred Shares or preferred shares issued in connection with the relevant (qualified) equity financing, if not otherwise agreed within this Term Sheet
- 11. Rights of New Preferred Shares** New Preferred Shares shall carry the following rights *pari passu* to existing Preferred Shares other than as noted.
- Rights on liquidation or other distribution:
- In the event of a distribution, liquidation or winding up of the Company, the holders of the New Preferred Shares will be entitled to receive consideration (whether in cash or shares) in the same rank as current investors and equivalent to the initial investment amount and all accrued but unpaid dividends, in preference to other shares but would not then be entitled to further distributions (*i.e.*, a "1 x non-participating liquidation preference").
- 12. Anti-Dilution** The New Preferred Shares shall benefit from a broad-based weighted average anti-dilution provision.
- 13. Representations and Warranties; Covenants** Management and the Company will give standard representations and warranties (with standard restrictions and limitations) regarding the company's assets, operations and liabilities and certain other specific warranties based on the results of the due diligence investigations carried out by the New Investors.
- 14. Information Rights; Pro-Rata Rights; Board Seat** The Parties agree that the New Investors shall have standard information rights and pro-rata rights for any new financings regardless of whether a conversion has taken place. Fly Ventures shall, for so long as the Investment remains outstanding (in whole or in part) or it holds any of the New Preferred Shares issued upon conversion of the Investment, have the right to appoint one member of the (advisory) board of the Company.
- 15. Confidentiality Provisions; Exclusivity** This term sheet and all its contents shall be kept confidential including the identity of any New Investors listed herein.
- For a period of twenty (20) days from the date of signing this Term Sheet, the Company grants the New Investor a period of exclusivity. During the period of exclusivity and save as otherwise provided for herein, neither the Company nor any of its employees or shareholders shall negotiate with any third party regarding other capital investment in the Company other than New Investors pursuant to Section 4.
- 16. Closing Date** The closing date is expected to be on or before the date twenty (20) days from the date of the signature of this Term Sheet.

**17. Conditions Precedent**

Closing of the transaction contemplated by this Term Sheet is subject to condition precedents, namely:

1. review of proposed business plan, team structure, and projections going forward;
2. completed references with respect to the founders;
3. review or drafting of all employment agreements, to include customary good leaver and bad leaver provisions (with customary exceptions) relating to the shareholdings of the Founders (incl. definition of vesting schedule over a four-year period, one year cliff, vesting in monthly installments);
4. the completion of confirmatory commercial, technical, legal and financial due diligence on the Company;

**18. Fees**

On the successful completion of the transaction, the Company will pay its own direct legal expenses and the Fly Ventures' documented third party expenses (duly invoiced to the Company) incurred relating to the investigation and completion of this transaction including, but not limited to, all reasonable commercial legal, accounting and related due diligence fees, subject to a maximum limit in the case of the Investors' expenses of £ 5,000 exclusive of VAT. Fly Ventures will make best efforts to keep expenses to a minimum.

**19. Counsel to Investors**

TBD [can work with a combined counsel for company and investors if desired]

**20. Governing Law and Competent Court**

The New Investors recognise that transaction documents will be subject to [Geo] law.

**21. Binding Provisions**

The Term Sheet does not represent a firm contract to complete the Investment and has been prepared without legal input.

However, all parties shall commit to obligations with respect to the below. These terms can be revoked or modified only with the agreement of all parties:

- Exclusivity
- Confidentiality
- Fees

**22. Signature of Term Sheet**

Acknowledged and agreed:

**COMPANY NAME**

**FLY VENTURES**

By:

By:

Print Name: Founder 1

Print Name: NAME 1

Date:

Title: Managing director of  
Fly Ventures GP III GmbH, itself  
acting as General Partner of  
Fly Ventures Fund III GmbH & Co. KG

By:

Print Name: Founder 2

By:

Date:

Print Name: NAME 2

Title: Managing director of  
Fly Ventures GP III GmbH, itself  
acting as General Partner of  
Fly Ventures Fund III GmbH & Co. KG

By:

Print Name: Founder 3

Date: [Month Day, Year]

Date:

**APPENDIX A**

**CAPITALISATION TABLE  
(as if converted)**