

Disclaimer: this is a snapshot of our current term sheet template for seed stage investments as per December 2020. The document is a living entity, as we make continuous updates in keeping with relevant regulations as well as our development as a fund.

## THE BYFOUNDERS WAY OF THINKING – SEED ROUNDS

### WHO ARE WE

**ByFounders** byFounders (“byFounders,” “we” or “us”) is a “for founders by founders” fund. This means that we are founders ourselves. We have been there ourselves and have experienced the challenges that founders meet on our own bodies.

**Founders Collective** To assist us, we have a community of the most successful Nordic founders backing our investment team through our Founders Collective. We are sure that we always have someone in our Founders Collective with just the right skills and experience for you.

**What we do** We are not only financial investors: We are here to make a difference for you. Our Collective members and we know what it takes to be a founder, and we wish to help you beat the challenges you meet and assist you in achieving your goals.

### HOW WE SEE THE INVESTMENT

**How we see it** We’re impressed with you and your team, and we believe that you can create something big. We wish to be a part of your journey! We see this as the beginning of a long-term cooperation between us, and we have strived to adapt our investment terms to reflect this.

**Preference Rights etc.** We believe in the upside, not protecting the downside. We also believe that it is key to have aligned interests. We want to be in the same boat as the founders. You often see venture funds requiring liquidation preferences and anti-dilution rights. We may require preferential rights in later financing rounds, but in this financing round, our shares in the Company will have the same rights as your shares.

**ESOP program** It is important to have an option pool, to be able to attract the right employees. In a seed investment, we believe that you should have an option pool of around 10-15 percent of the fully diluted share capital after our investment.

**Pre-money valuation** When we calculate the fully diluted pre-money valuation we are investing at; we will include not only outstanding convertible loan notes, SAFE notes and warrants, but also the total of new shares issued pursuant to warrants granted as per the closing date under the ESOP program. This is important for you to know because it affects the share price.

### GOVERNANCE

Board We believe that you are the best person[s] to make this Company a success. We would like to have a seat on the board, but this is something we offer to create value, not to control the Company. The important thing for us is that you call us when you need our help and listen to us when we think you may need help!

We want the board to create value. Therefore, the board members need to have the right skills, experience and profile to help you. Our board member will potentially be someone from our Founders Collective who has experience from a similar business.

Material Decisions Veto and qualified decisions work against the concept of alignment of interest that are essential to us. We want you to have the freedom to operate the Company as you deem fit. Yet, there are a few but material decisions that could influence the Company materially on which we need to have our say.

#### **FOUNDER RESTRICTIONS**

Key Man Clauses We like what you are building, but we invest in you and your team. A critical condition for our investment is that you stay committed and on-board until we have reached our goals.

Therefore, our standard shareholders' agreement contains certain founder restrictions governing what will happen if one of you leaves the Company.

Sometimes you will see that the shares from a leaving founder are allocated amongst all shareholders. We think the fairest solution is to allocate such shares to the other founders.

#### **PROCESS**

Due diligence We will not spend a lot of money on financial and legal advisors to do due diligence. On the other hand, we hope you will give us the relevant information by filling out our due diligence questionnaire. We may have a few follow up questions, but we do not expect to conduct a full-blown legal and financial due diligence.

Indemnification You often see venture funds requiring personal liability from the founders. We do not ask the Founders to provide indemnification in case of a breach

of the warranties. First, we hope that indemnification will never be relevant. Second, if it becomes relevant, both you and we have bigger problems.

Costs We think that the new money that comes into the Company through our investment should be used to develop the Company, not paying legal bills. Therefore, we believe that the fairest solution is that you pay for your legal costs; we pay for ours.

Exclusivity We need to be sure that our term sheet will not be used in negotiations with other investors. Therefore, we shall have an exclusivity period of 6 weeks from the date of this term sheet to complete our investigations and enter into the financing documents.

We know it is a big decision... We know that it is a big decision for you, so please take your time to consider our offer. However, we will appreciate it if you return to us at the latest ten business days after receiving our term sheet.

By the way... Just as we are doing some investigations on you and the Company, we think you should do the same on us. Talk to some of the founders in the other companies in which we have invested.

# TERM SHEET

byFounders seed financing template

## INVESTOR

ByFounders byFounders VC Fund I K/S ("byFounders", "we" or "us").

## COMPANY AND FOUNDERS

Company [•]  
(the "Company")

Founders [•] and [•] (the "Founders" or "you").

## INVESTMENT

Investors byFounders and [•] ("Investors").

Pre-Money Valuation The investment in the Company is based on a pre-money valuation of the Company of EUR [•] (on a fully diluted basis, which includes outstanding warrants as per the closing date), equal to a subscription price per share of EUR [•] per share of nominal DKK 1.

Investment round In total EUR [•] divided with EUR [•] from byFounders and EUR [•] from [•]. The investment amount will be paid in one tranche at closing.

Share Capital Following the closing of the investment, the Company's share capital will be allocated as set out in the cap table, attached as [Appendix 1](#).

Share Class The new shares in the Company will be common shares ("New Shares").

ESOP program The Company shall establish an ESOP program of [10-15] percent of the post-transaction fully diluted share capital.

## GOVERNANCE

Voting Rights Each share in the Company shall carry one vote.

Board We would like us and our co-investor to have a board seat each. It is important to us that Founders have the right to appoint the majority of the board member and that all board members have relevant skills and experience so that they can add value to the Company.

Material Decisions	There are a few but material decisions that shall be subject to consent from the Investors, respectively, the board members appointed by the Investors.
Information Rights	To keep track of how you progress so we can help you, we need certain basic KPIs about the company on a monthly basis. If you have difficulties sharing this information, we are happy to assist you.
Sustainability and impact	We have an increasing focus on sustainability and impact - both while investing and when working with our portfolio companies. Therefore, there will be some impact reporting that you need to comply with going forward, but trust us: It will create value in the long run.
D&O Insurance	It is important to us that the Company has proper insurance in place for its directors and officers. Therefore, if the Company does not already have a D&O insurance in place, we require that it takes out such D&O insurance within 90 days after the investment round. We are, of course, happy to support you in that process if needed.

#### **FINANCING ROUNDS AND SALE OF SHARES**

Future Financing Rounds	We wish to be informed of future financing rounds, and we encourage you to use us in the fund-raising process and ask us to provide such financing.
Right of First Refusal	Any direct or indirect transfer of shares shall, with customary exemptions, be subject to a right of first refusal.
Tag-Along Right	All shareholders shall, with customary exemptions, be entitled to participate in any sale of shares in the Company in the same proportion and on the same terms and conditions as offered by a selling shareholder.
Drag-Along Right	A qualified majority, always including the Investors, shall have the right to require the other shareholders in the Company to sell their shares in the Company to an independent, third party on the same terms as those obtained by the dragging shareholders.
Redemption	If we, for whatever reason, wish to get out of our investment in the Company before a joint exit, we always have the right to sell our shares back to you at the price of DKK 1.

## **FOUNDER RESTRICTIONS**

Founder Lock-Up	It is important to us that you do not, directly or indirectly, sell or transfer any of your shares in the Company for a period of 48 months from closing. This obligation shall terminate upon an IPO.
Key Man Clause	We like your business case, but we invest in you and your team. Therefore, it is important that you stay committed and on-board for a certain period after our investment. Your shares vest over a period of 48 months with 1/48 per month and with a 12 months cliff period (i.e., aggregate vesting for the first 12 months upon the expiry of this period). If you leave, you shall sell all unvested shares to the other Founders. The price for the shares depends on whether you are a good leaver or a bad leaver.
Founder Restrictions	The Founders shall be subject to non-competition and non-solicitation (customers and suppliers) clauses for as long as such Founder holds shares in the Company and for a period of 18 months thereafter.

## **WARRANTIES AND INDEMNIFICATION**

Warranties	The Company shall provide a few but important warranties to the Investors in connection with the investment.
Indemnification	We do not ask the Founders to provide indemnification in case of a breach of the warranties.

## **PROCESS AND COSTS**

Costs	Each party shall pay its own costs relating to the investment.
Process	Before we invest, we will ask you to fill out our byFounders Questionnaire. We may have some additional questions, but we do not expect to make a financial or legal due diligence of the Company.
Documents	We will provide you with our standard investment agreement and shareholders' agreement to be agreed upon before we invest.

## **LEGALLY BINDING TERMS**

Validity	This term sheet is not legally binding, except for the provisions regarding confidentiality, exclusivity and governing law and venue.
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Confidentiality            None of the parties shall make any public disclosure or announcement concerning the fact that discussions are taking place or concerning the existence of this term sheet, its contents, or the status of the negotiations without obtaining the prior written consent of the other parties.

Exclusivity                We shall have an exclusivity period of 6 weeks from the date of signing this term sheet to complete the investment. During this period, neither the Company nor you shall be allowed to solicit, initiate, encourage, facilitate, enter into discussions or enter into agreements with third parties concerning the financing of the Company. In the exclusivity period, the Company and you agree to discuss all material dispositions in the Company with us.

Law and venue            This term sheet is governed by Danish law. Any dispute shall be settled by simplified arbitration in accordance with the Rules of Procedure of the Danish Institute of Arbitration.

For the Company and Founders:

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[•]

For the Founders:

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[•]

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[•]

For byFounders VC General Partner I ApS acting on behalf of byFounders VC Fund I K/S

\_\_\_\_\_  
Eric Lagier, Managing Partner

\_\_\_\_\_  
Tommy Andersen, Managing Partner

For [•]

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