

## Plain English Term Sheet

If your company successfully raises funds on Seedrs, we will ask you to go through a straightforward due diligence process to ensure that everything is in order and sign certain documents which will contain the full terms of the investment. This term sheet summarises the structure and key terms of this process. This is a non-binding document meant for guidance only and is subject to change.

### INVESTMENT STRUCTURE

Seedrs investments use a very simple structure, which is similar to the structure used by traditional angels and venture capital firms. Here are the basics of it:

#### Seedrs will act as nominee

When investors hold under the Seedrs nominee structure (which is the default position when investing on the Seedrs platform) we will hold the shares in your company on their behalf. This means that Seedrs, as nominee, will be the only shareholder listed in your cap table and company register for the Seedrs investment. We also take care of all the paperwork and general administrative communications with your investors (but you are welcome to communicate with, and seek support from, your investors whenever you like). The shares will be ordinary shares (because we don't think that voting power should be reserved only for large investors). As nominee, we organise the administration and voting on behalf of those investors.

If certain of your existing or prospective investors wish to hold their shares outside the Seedrs nominee, please let us know. However, bear in mind that will mean them holding shares directly in your company and they won't benefit from Seedrs acting as their nominee and the investor protections referred to in this document. They also won't be able to benefit from the Seedrs Secondary Market in the future.

#### Documentation

There are three main legal documents for the investment process. One is the Subscription Agreement, which is a contract between Seedrs (as nominee), your company and the founders laying out the terms and amount of the investment. The second is the Shareholder Agreement, which is a contract between Seedrs (as nominee) and your company (and potentially other shareholders) laying out certain professional-grade terms, rights and obligations. The third key document is a set of Articles of Association, which your company will need to adopt. We will send you all of these documents once you hit your target on Seedrs. If you would like to see copies of the standard forms ahead of time, we are happy to share them (but please note that

they are subject to change depending on the specifics of your company). If the company already has professional shareholder documentation in place (or will do as a result of a third-party investment made at the same time as the Seedrs investment), we may be able to agree to this documentation instead of our standard form, provided the appropriate investor protections are in place.

## **Due diligence**

Before we complete the documentation and transfer the funds to you, we will conduct a straightforward due diligence process on your company. This process is not meant to make an investment judgment about your business—the investors have already done that—but rather to make sure the company is set up correctly and certain legal matters are in order. We will send you a short due diligence request list and, based on your answers, we may ask you for follow-up information. We will also speak with your directors and may do some other checks. If you respond promptly to our questions, we can usually complete this process quickly (often in less than a week).

## **KEY TERMS**

The commercial terms of the investment—the amount of money you will receive, and the amount of equity you will give to investors—will be chosen by you when you create your Seedrs campaign. The investment will also involve certain legal terms, all of which will be laid out in detail in the documents described above.

## **Warranties**

You will need to make certain warranties to assure us that the company is what you say it is. These cover standard matters such as the corporate status of the company, the accuracy of the statements made in your Seedrs campaign, the company's intellectual property, and the non-existence of debt, disputes and insolvency.

## **Information rights**

We ask you to provide regular updates on how your company is doing, and we pass these on to your investors through the Seedrs platform. If your company is SEIS or EIS eligible in the UK, you will need to provide certain information so the investors can apply for relief (we will assist you with any relevant tax paperwork and will even send the documentation to the investors on your behalf). The Seedrs nominee should also have the right to request other reasonable information to carry out our role as nominee for your investors.

## Consent rights

Although we will not take a seat on your board of directors, we do need to have the right to approve certain major corporate decisions in order to protect your investors. These consent rights cover things like winding-up the company, issuing preference shares, tax, amending shareholder rights, transferring assets out of the company, or making certain loans.

## Pre-emption

Pre-emption ensures that existing investors have the right (but not the obligation) to invest in further investment rounds so that they can maintain their ownership in the company. Pre-emption rights are a cornerstone protection for minority shareholders and we generally ask for this as a contractual right. We will coordinate any pre-emption offering with you so that it is a simple process and the new shares come under our nominee structure.

## Drag-along / Tag-along

The drag-along right ensures that, if you want to sell the company, you can compel us to sell the shares we hold as nominee for the Seedrs investors on the same terms. The tag-along provides a corresponding right for the minority investors (including Seedrs investors) and ensures that, if you sell the company, they have the option to sell their shares on the same terms.

## Options

We are happy for you to grant share options up to 10% of the share capital of the company (and think it is often a great way to incentivise staff).

If you have any questions or would like to learn more about our investment structure or terms in more detail, just drop us a line at [support@seedrs.com](mailto:support@seedrs.com).

## Transfer Rights

Some companies have restrictions in their shareholder agreement or Articles of Association on the transfer of shares. We are happy for you to retain these restrictions, subject to a few exceptions:

- we ask that the beneficial owners be entitled to transfer their shares to

others, provided Seedrs remains as nominee. From the company's perspective, nothing will change in this situation as you still just deal with Seedrs as nominee.

- we ask that Seedrs be entitled to transfer the nominee role.
- We ask that Seedrs be entitled to transfer the legal title to the shares back to the beneficial owners. This is to ensure that if Seedrs were no longer able to act as nominee, the investors would still get the benefit of the economic asset.