

Note: this Term Sheet doesn't belong to any particular VC — Y Combinator drafted it based on what they see most often in these documents.

This document is intended to serve as a starting point only, and should be tailored to meet your specific requirements.

This document should not be construed as legal advice for any particular facts or circumstances. Note that this sample document presents an array of (often mutually exclusive) options with respect to particular deal provisions.

Source: <https://blog.ycombinator.com/a-standard-and-clean-series-a-term-sheet/>

TERM SHEET

Company: [_____], a Delaware corporation.

Securities: Series A Preferred Stock of the Company (“**Series A**”).

Investment Amounts: \$[_] million from [_____] (“**Lead Investor**”)
\$[_] million from other investors

Convertible notes and safes (“**Convertibles**”) convert on their terms into shadow series of preferred stock (together with the Series A, the “**Preferred Stock**”).

Valuation: \$[_] million **post-money** valuation, including an available option pool equal to [_]% of the post-Closing fully-diluted capitalization.

Liquidation Preference: 1x non-participating preference. A sale of all or substantially all of the Company’s assets, or a merger (collectively, a “**Company Sale**”), will be treated as a liquidation.

Dividends: 6% noncumulative, payable if and when declared by the Board of Directors.

Conversion to Common Stock: At holder’s option and automatically on (i) IPO or (ii) approval of a majority of Preferred Stock (on an as-converted basis) (the “**Preferred Majority**”). Conversion ratio initially 1-to-1, subject to standard adjustments.

Voting Rights: Approval of the Preferred Majority required to (i) change rights, preferences or privileges of the Preferred Stock; (ii) change the authorized number of shares; (iii) create securities senior or pari passu to the existing Preferred Stock; (iv) redeem or repurchase any shares (except for purchases at cost upon termination of services or exercises of contractual rights of first refusal); (v) declare or pay any dividend; (vi) change the authorized number of directors; or (vii) liquidate or dissolve, including a Company Sale. Otherwise votes with Common Stock on an as-converted basis.

Drag-Along: Founders, investors and 1% stockholders required to vote for a Company Sale approved by (i) the Board, (ii) the Preferred Majority and (iii) a majority of Common Stock [(excluding shares of Common Stock issuable or issued upon conversion of the Preferred Stock)] (the “**Common Majority**”), subject to standard exceptions.

Other Rights & Matters: The Preferred Stock will have standard broad-based weighted average anti-dilution rights, first refusal and co-sale rights over founder stock transfers, registration rights, pro rata rights and information rights. Company counsel drafts documents. Company pays Lead Investor’s legal fees, capped at \$30,000.

Board: [Lead Investor designates 1 director. Common Majority designates 2 directors.]

Founder and Employee Vesting: Founders: [_____].
Employees: 4-year monthly vesting with 1-year cliff.

No Shop: For 30 days, the Company will not solicit, encourage or accept any offers for the acquisition of Company capital stock (other than equity compensation for service providers), or of all or any substantial portion of Company assets.

The “No Shop” is legally binding between the parties. Everything else in this term sheet is non-binding and only intended to be a summary of the proposed terms of this financing.

[COMPANY]

By: _____
Name: _____
Title: _____
Date: _____

[LEAD INVESTOR]

By: _____
Name: _____
Title: _____
Date: _____