



Angel Investment Term Sheet Considerations

Angel Investment term sheets will typically address the following important considerations:

1. **Type of Security Offered and Features:** Determine and describe material attributes of securities to be purchased:
 - **common shares**
 - **convertible preferred shares:** voting rights, dividend entitlements, events causing optional/forced conversion, anti-dilution protection for corporate events and subsequent financings and liquidation preferences
 - **convertible debt:** repayment/maturity dates, interest provisions, covenants and restrictions, optional/forced conversion, security, events of default and anti-dilution
2. **Pricing and Timing of Investment:** Consider valuation issues and whether funding will be subject to milestone advances
3. **Capitalization Table:** Pre-money and post-money capitalization tables (inclusive of ESOP pool) are often included
4. **Shareholder Agreement Considerations:** Consider detailing key shareholder agreement attributes
5. **Executive Compensation:** Consider terms applicable to founder employment agreements
6. **Board Composition:** Consider increase in board size and addition of new board members along with nomination rights allocated to founder(s) and angel(s)
7. **Binding vs. Non-Binding Nature & Conditions Precedent:**
 - most term sheets would be non-binding (except for provisions dealing with costs, exclusivity and confidentiality which are often "binding")
 - consider what event will be pre-closing conditions (i.e., filing articles of amendment, transferring core IP from founders to target company, execution of subscription agreement and other legal documents, etc.)
8. **Future ESOP:** Determine if an ESOP pool is to be established and any initial grants to key employees
9. **Confidentiality:** Although a separate NDA may have been signed, term sheets will typically also detail confidentiality
10. **Exclusivity:** Consider the scope and duration of any restrictions on the founders to "shop around"
11. **Costs and Expenses:** It would be typical for each party to bear its own professional and transaction costs but the founders may be responsible for angel deal costs in some cases