

# DEMYSTIFYING FUNDING

## TERM SHEET OVERVIEW

### WHAT IS A TERM SHEET?

First thing to note is that a term sheet is not a legal promise to invest. In other words, a signed term sheet doesn't guarantee money coming in the door. A term sheet is only a contract to the extent that:

1. It requires you to keep the negotiations confidential and
2. It may prevent the company from looking at other suitors for a period (the "no-shop" or "exclusivity" provision)

Secondly, most term sheets have legalese (usually near the end) that translates as: while this in every way looks like a contract to invest, it has no legal force whatsoever. All a term sheet sets out is the broad parameters of an investment; it's the "Five Documents" that set out the actual terms of the investment. These are negotiated later, based on the term sheet.

1. The stock purchase agreement
2. Investor rights agreement
3. Certificate of incorporation
4. ROFR & co-sale agreement
5. Voting agreement

#### Source:

- [Walk through the Seed Series template sourced from: Kauffman Foundation](#)

