



Accelerace Invest II term sheet

Background for the investment terms

The strategy of Accelerace is to invest as your first investor. Typically, right after the founder team has decided to go full time. Put differently, we invest at the pre-seed stage or pre-product-market-fit stage.

At this stage, companies are typically characterised by two things. One, being impossible to value. Two, having a relatively limited cash need. Consequently, we use a convertible loan as the investment instrument because we find it optimal for this scenario.

With a convertible loan, we avoid the impossible discussion of valuation. Instead, the valuation is being pushed into the future when another investor sees enough data to invest at a specific valuation. Also called a *priced round*. This said, most convertible loans do have a valuation cap. And so, does the one offered by Accelerace. This is because it is much riskier to invest early than at later stages. To compensate the investor for taking that extra early risk, it is fair that the valuation the first investor pays is lower than the valuation that the later investor pays. The exact valuation cap used by Accelerace is meant to be comparable to the valuation often invested at by business angels at this stage in Denmark.

Also, the convertible loan is great for small investments because it is cheap and fast. Unlike equity investment, there is no need to negotiate over a lengthy shareholder's agreement with complicated legal clauses that lawyers can spend expensive time debating. When investing lesser amounts, the legal work must be limited to avoid legal fees eating most of the investment. A standardized convertible loan as the one used by Accelerace makes the investment as cheap and fast as possible.

The terms

This Term Sheet summarises the principle standard terms by Accelerace with respect to an investment.

| | |
|--------------------------------|--|
| <i>Instrument</i> | Convertible Loan. |
| <i>Financing amount</i> | 500,000 DKK |
| <i>Syndication Requirement</i> | Pay out of the proceeds is conditional upon an additional investment of 125,000 – 500,000 DKK from another qualified investor on similar terms within 3 months from signing. |
| <i>Repayment</i> | 3 years from signing (if not converted to equity). |
| <i>Interest rate</i> | 8% p.a. |
| <i>Personal guarantee</i> | None. |
| <i>Conversion cap</i> | Fully diluted pre-money valuation of DKK 7 million or 20% discount depending on which is lowest. |



| | |
|---------------------------|--|
| <i>Conversion right</i> | If the company completes equity financing with a cash value of not less than 1,500,000 DKK within 3 years from the signing date. |
| <i>Follow on rights</i> | Pro-rata. |
| <i>Information rights</i> | Right to a Board of Director Observer seat, but not required to utilize the right. Right to board level information. |

FAQ

Why is Accelerace a good investor and how are you different from other investors?

- Unlike many accelerators, Accelerace does not require equity for services. If Accelerace invests, we provide you with real money. And only the money will convert to equity.
- Accelerace makes quick decisions. Because we only invest in startups from our acceleration program, we do not need lengthy due diligence processes or lots of meetings. We know you well enough to make a quick decision.
- Accelerace have amassed the largest pool of experience with early-stage startups in Denmark. We have seen more than 700 startups play out. Having us as an investor you can always access our experience and network.
- We do not want to control your company. We do not take board seats, a large shareholding, nor require special rights of control.

What does the conversion cap mean?

It means that when the loan converts, the company is valued at a maximum of 7 million DKK. It means that Accelerace buys shares with outstanding loan balances at a pre-money valuation of 7 million. Instead of buying shares with new money, we buy shares by waiving the debt. Consequently, you no longer owe Accelerace money. The exact ownership Accelerace obtains depends on how much interest has been added to the loan before it converts and how much money comes in from other investors. If we take a simple example where we imagine that the loan converts without any interests have been added and that a co-investor invests 125.000 DKK, Accelerace would get 6.56% equity at conversion. The example is illustrated below:



| TEMPLATE | Founding | | | Round: | 1 | pre-seed |
|---------------------------------|-----------------------|-----------|--------------|-----------------------|-----------|---------------|
| | xx-xx-2020 | | | xx-xx-2020 | | |
| | Price per share (DKK) | 1 | | Price per share (DKK) | 88 | |
| | | % | | | % | |
| | Paid in (DKK) | N. shares | Distribution | Paid in (DKK) | N. shares | Distribution |
| Founder | 80.000 | 80.000 | 100,00% | - | 80.000 | 91,80% |
| Accelerace Invest II (pre-seed) | - | 0 | 0,00% | 500.000 | 5.714 | 6,56% |
| Co-investor | - | 0 | 0,00% | 125.000 | 1.429 | 1,64% |
| | - | 0 | 0,00% | - | - | 0,00% |
| | - | 0 | 0,00% | - | - | 0,00% |
| Total | 80.000 | 80.000 | 100,0% | 625.000 | 87.143 | 100,0% |
| Pre Money Value (DKK) | | | | | | 7.000.000 kr. |
| Post Money Value (DKK) | | | | | | 7.625.000 kr. |

However, if your company is valued below 7 million DKK at the time of conversion, then we convert at a price 20% lower than the valuation of your company.

Are the terms negotiable?

No, because we make a lot of investments, and it would take too much time for us to negotiate individually with every company. But this is also what makes us able to make fast investments.

Why do you require another investor to join as well?

We simply get to know you so well that it can clutter our judgement as investors. To make sure we make unbiased decisions, we require another qualified investor to take a bet too. Also, at some point we might no longer be your primary source of help and support. For this reason, we want someone else at the table to support you going forward.

What do you mean by a qualified investor?

The whole idea is that the other investor will be able to support you going forward. That will often rule out your mother, and your uncle. It rules out your bank. Each case is different, and we will have to evaluate this case by case. If you get money from a seasoned business angel or a VC fund, the requirement is certainly met.

Who can get investment from Accelerace?

To be considered for investment, the following criteria must all be fulfilled:

- The company is less than 24 months (about 2 years) old and has no existing institutional investor/owner.
- The founder team has 80% - 100% of shareholding, fully diluted.
- The company is "relatively" debt free.

How long is the process?



The process is designed to be light and fast because we only invest in companies that participate in our acceleration. Still, the process has a few steps to ensure healthy governance principles. The process will typically take somewhere from 2 – 8 weeks. The process is as follows:

1. An Investment Manager from Accelerace files a written Investment Proposal on behalf of the company.
2. The Investment Committee evaluates the Investment Proposal.
3. The Investment Agreement is signed.
4. The money is paid out when another qualified investor has invested as well.