U.S. Completed Financings Guide 2026

Comparative Benchmarking of U.S. Financing Trends

HSBC Innovation Banking

Lead Author:

Jim Marshall,
Head of Tech Investor Coverage

Defining the Market Standard for VC Term Sheets, Based on a Comprehensive, Anonymized Data-set

We are delighted to present the first edition of our annual Completed Financings Guide. Building on the success of HSBC's similar guide in the UK, this edition brings deep insights into the evolving landscape of U.S. Venture Capital (VC) financing deals, equipping founders and investors with fresh data, key trends, and commercial perspectives on market norms by stage, sector and geography.

The 2025 data in this guide shows that even as capital and valuations accelerate, many non-economic deal terms remain consistent between emerging AI sectors and traditional venture expectations. Encouragingly, that stability helps the U.S. venture ecosystem attract significant investment both from and to the globally recognized hubs on the coasts and to pockets of innovation across the country.

Demystifying VC Term Sheets

While term sheets are often described as 'market standard,' the reality is that their terms can vary significantly depending on market conditions, industry trends, startup stage, and investor preferences.

These documents—setting out the key terms of a proposed investment—are typically loaded with legal jargon, making them complex and, at times, opaque for founders.

To increase transparency and to define what is truly 'standard' in today's market, we have analyzed anonymized, final and completed, signed term sheets—agreements that formed the basis of binding investment agreements (not simply template or pre-negotiated term sheets).

Our research was conducted in-house through a survey of leading US law firms specializing in venture deals. Each law firm submitted anonymized data from completed deals. Covering investment rounds from Pre-Seed to Series C+, the analysis offers a granular, up-to-date snapshot of market norms for the venture landscape.

Empowering Founders with Data

This guide serves as a practical resource for founders, investors, and the broader VC ecosystem by providing:

- An independent view of what is considered 'market standard' for term sheets at different funding stages and across various investor types;
- A detailed analysis of how evolving market conditions have shaped term sheet provisions, backed by robust data and insights; and
- A commercial perspective on key negotiation points, along with actionable insights for founders navigating investment discussions.

Beyond equity term sheets, the guide also includes an overview of venture debt terms, reflecting the increasing role of non-dilutive funding as founders seek ways to extend runway while preserving equity.

A Practical Guide for the Ecosystem

The guide is structured in two parts:

1. Guide highlights, distilling key insights and takeaways from our survey; and
2. Detailed reference guide offering geographic, sector, investor, and stage splits on key term sheet clauses.

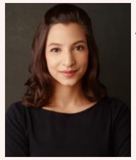
This guide is part of our broader commitment to supporting founders and investors with actionable content, events, and hands-on guidance. Think of us as your trusted partner— backed by the strength and global reach of HSBC's global platform.

We hope this guide helps founders and early-stage businesses navigate term sheets with confidence. We welcome your feedback and look forward to engaging with you on our upcoming initiatives.


Jim Marshall
Head of Tech Investor Coverage
jim.marshall@us.hsbc.com


Wes Adjei
Senior Vice President
wesley.o.adjei@us.hsbc.com


Sree Batchu
Vice President
sree.batchu@us.hsbc.com


Bianca Caban
Vice President
bianca.caban@us.hsbc.com

Thank you to Our Law Firm Partners for Bringing Transparency and Insights to Term Sheets

GOODWIN

Barzin Pakandam
Partner, Goodwin

The AI Hype is reflected in the investment terms, with AI companies having a combination of more favorable valuations and less restrictive non-economic terms.

Perkins Coie

Paul Navarro
Partner

Alignment through equity, specifically Employee Stock Option Programs (ESOP), continues to be a priority for founders and investors, even as AI scales investment sizes and valuations, demonstrating the continued importance of the attraction and retention of the best talent.

DLA PIPER

Sarah Fergusson Chambless
Partner, DLA Piper LLP (US)

Ecosystems work best when information is shared. This kind of transparency helps founders, investors, and counsel align faster, reduce friction, and close cleaner deals — especially when the data is drawn from many leading firms participating across the market.

DENTONS

Chris Errico
Partner & Chair, Corporate

The VC market in 2026 has become a winner-takes-all environment: record capital deployment is being driven by AI mega-rounds and improving liquidity, yet that capital remains heavily concentrated in a small number of high-conviction opportunities where selectivity and proven traction matter more than ever.

GUNDERSON DETTMER

Jeff Higgins
Global Managing Partner

As capital and valuations accelerate and AI native companies dramatically outperform, investors and founders are exploring evolving governance structures and finding alignment around core terms involving founder control, employee ownership, and preferred equity.

GreenbergTraurig

Dan Wu
Shareholder

As time from founding to exit lengthens, investment documents are addressing the potential secondary sale of shares with the desire to both maintain a tightly controlled cap table and to "double up" on conviction while providing some liquidity to the earliest stakeholders.

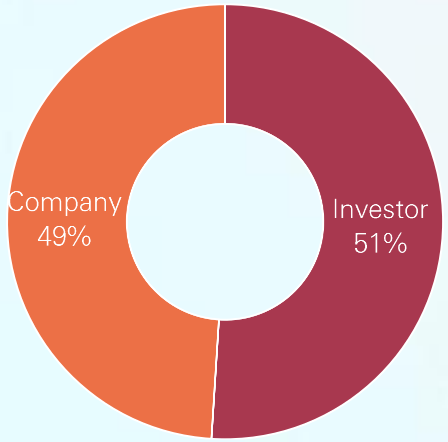
FOLEY
FOLEY & LARDNER LLP

Louis Lehot
Partner

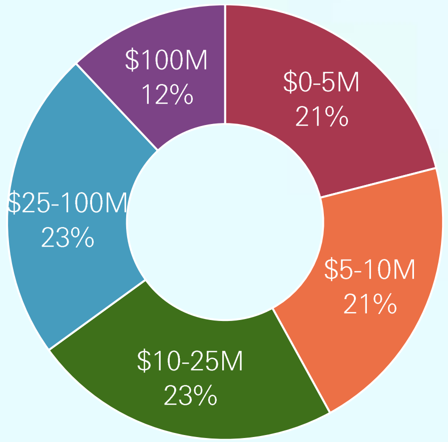
After cycles of exuberance and subsequent funding droughts, fundraising terms have normalized around standard preferred equity: 1.0x liquidation preferences, broad-based anti-dilution rights, and reasonable control provisions.

Our Independent Financings Guide is based on a Comprehensive Data Set Derived from Venture Deals

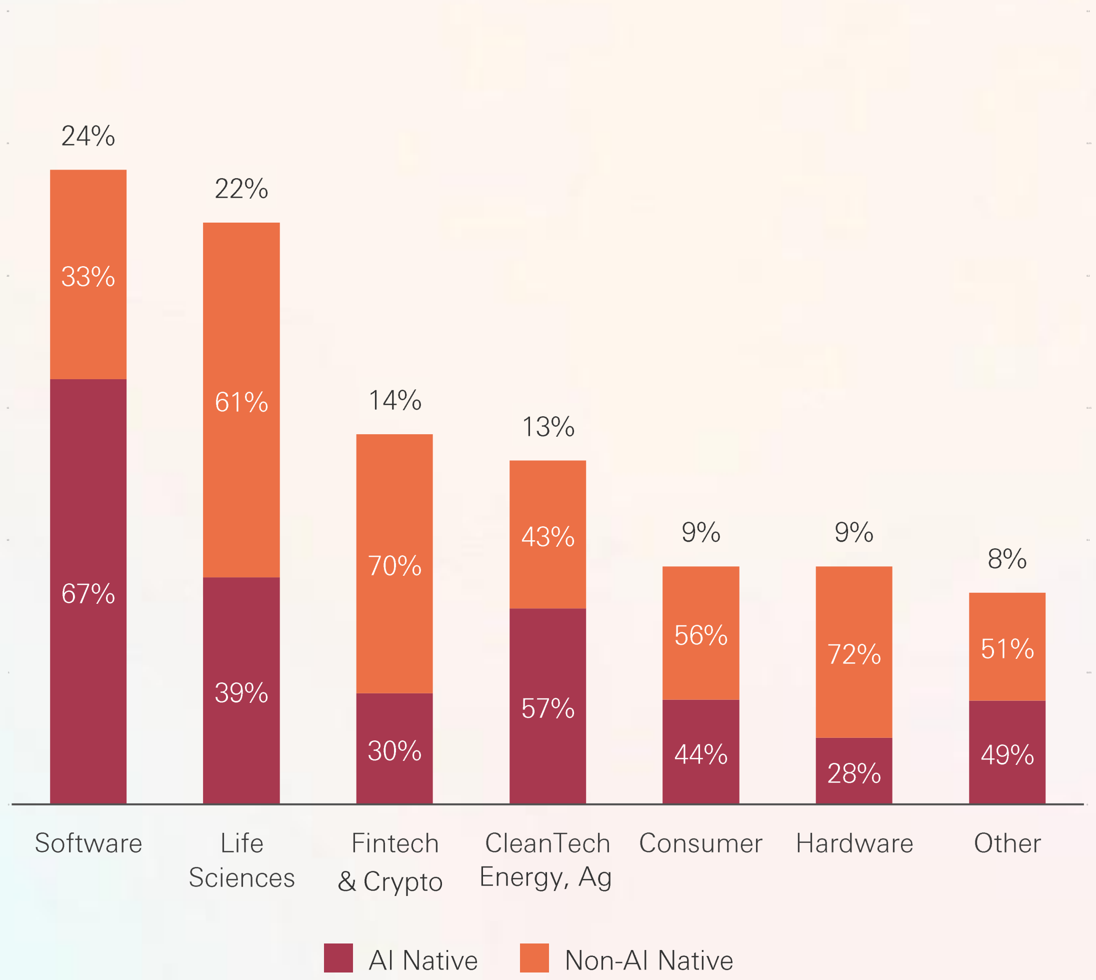
Share of Term Sheets by Representing Counsel



Share of Term Sheets by Deal Size



Share of Term Sheets by Sector w/ AI Native Split



Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

HSBC Innovation Banking

HSBC Innovation Banking

We are at the Heart of the Innovation Economy and are your Trusted Strategic Partner

HSBC Innovation Banking's Completed Financings Guide 2026 brings much-needed transparency to what's truly 'market standard' in U.S. venture term sheets—grounded in anonymized, final, signed deals across Pre-Seed through Series C+. We're grateful to our law firm partners for contributing the data and expertise that make this benchmarking possible and for helping the ecosystem navigate term sheets with more confidence.

A few insights stood out: 2025 capital surged and concentrated, with $1B+ rounds accounting for 35% of total VC dollars; AI-native companies were nearly 10x as likely to raise an up-round versus a down-round (about double the rate of non-AI); and despite headline volatility, core terms remained remarkably consistent.

Jim Marshall, Head of Tech Investor Coverage

We work with the most innovative, equity-funded businesses and their investors across all life stages, within the technology, life sciences and health care sectors

Specialist people

- Dedicated Relationship Manager
- Deep sector and life-stage expertise
- Long-standing relationships

Bespoke solutions

- Banking that scales with you
- Solutions designed specifically for innovation
- Gateway into the broader strength, stability and international reach of the HSBC platform

Connecting the innovation economy

- Investing in inclusive innovation
- Making meaningful connections
- Delivering real thought leadership
- Hosting ecosystem events

Comments from the HSBC Innovation Banking Team

Dave Sabow

Global Head of Innovation Banking

What's striking in this year's data isn't just where momentum concentrated – it's how durable the underlying framework has been. Despite a market reshaped by AI, the core architecture of venture terms has remained remarkably consistent. That structural continuity is what keeps the market investable across cycles, regardless of where the next wave of capital flows.

Wes Adjei

Senior Vice President

Market data is only useful if it tells you where you can push. What this guide really shows is that while terms appear standardized on the surface, the leverage in a negotiation has simply moved—toward structure, timing, and investor mix.

Founders who understand that dynamic don't just follow the market, they shape it.

Sree Batchu

Vice President

Our Financings guide enables founders to negotiate with greater precision and confidence by replacing conjecture with real-world market data, clarifying what is customary, identifying where flexibility exists, and empowering smarter decisions at every stage of the process.

Bianca Caban

Vice President

The 2025 term sheet data tells a tale of two cities. AI-native companies are 10x more likely to raise an up-round than a down-round, while the rest of venture sits at 5x. Structurally, not much has changed: cap tables, option pools, governance terms are largely the same across both camps. The resounding market signal from the guide is that capital is concentrating to fewer (AI) companies, and I expect that to continue into 2026.

HSBC Innovation Banking VC Term Sheet Guide Contents

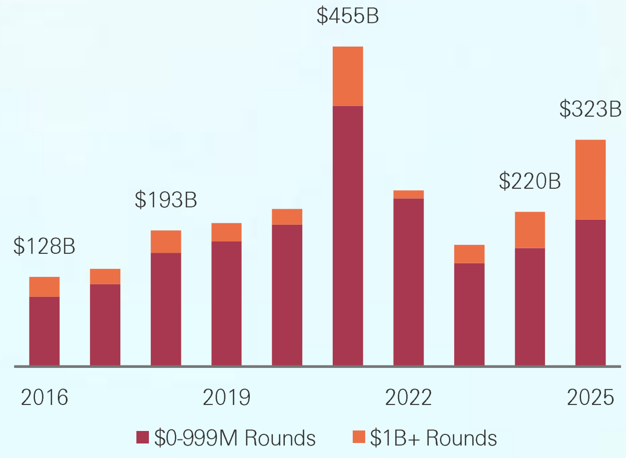
Guide Highlights

Section 2

HSBC Innovation Banking

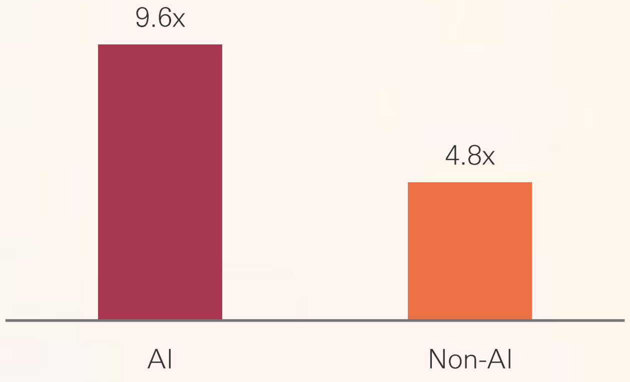
What’s Ahead in the Financings Guide 2026

Billion-Dollar Rounds Drive U.S. Venture Investment



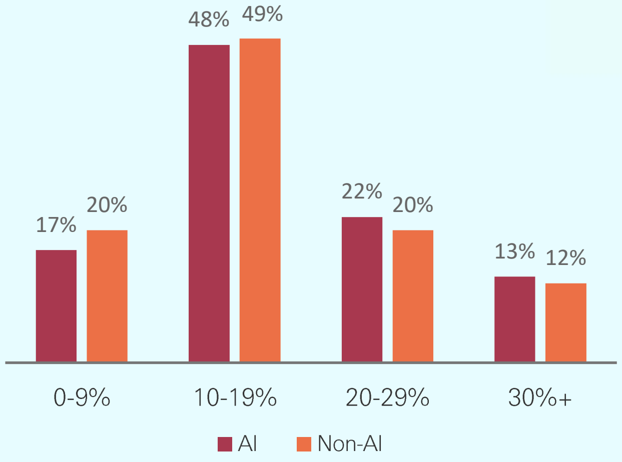
Capital both surged and concentrated in the 2025 funding class. While funding surpassed $300B for the first time since 2021, and for only the second time in history, over a third of that funding went to mega-rounds of $1B+. Based on Q1 2026, this record funding level and massive rounds are only accelerating.

Stepping Up: Ratio of Up-Rounds to Down-Rounds



Momentum builds for AI startups, with AI native firms nearly 10x as likely to raise an up-round as a down-round – double the rate for non-AI firms.

AI Firms Follow Tradition: Option Pool Size Distribution (% of Equity)



Despite a perceived "war for talent", the overall allocation of Employee Stock Option pools is consistent for AI-native companies and their non-AI counterparts. Investors can expect similar levels of dilution regardless of the investment.

Depth of Data: Control and Governance Provisions

50+

Economic, control, and governance data points collected

Read on to dive deeper into the economic and control terms that drove startup investment – what’s market standard and what’s open to negotiation.

Venture Activity Source: PitchBook.

2025 Term Sheet Recap

Capital and valuations accelerate; deal terms moderate

2025 US VC market activity in context	◆ Investment surged in 2025 as venture dollars concentrated in larger deals to AI companies (creating "giga-corns" at over $100B+ in value) that are building the foundational models to power this next wave of innovation. ◆ These near-record funding levels are driven by outsized rounds to top companies: $1B+ rounds account for 35% of capital last year. Once a rarity, eight AI startups have completed rounds of $5B+ since OpenAI's $10B round in 2023. ◆ While value has concentrated in a few hands at the model layer, those have provided the foundation for an explosion in AI applications tackling vertical and horizontal challenges and in companies bringing AI to the physical world in massive markets such as self-driving vehicles, robotics, defense technology, and life sciences research.
AI term sheet and structure dynamics	◆ The surge in AI innovation has led to outperformance for AI-native companies in 2025. AI-native companies had double the likelihood of raising an up-round (10:1) as compared to non-AI-native companies (5:1). ◆ While capital and valuations are climbing for AI-native companies, from an employee ownership perspective, the cap table structures for AI-native companies look largely similar to their non-AI counterparts. For both AI and non-AI companies, two-thirds of fundraising rounds also created or expanded available shares for ESOPs, with a majority of companies targeting 10-20% of equity.
Investor control dynamics	◆ The market has appeared to standardize around investment terms that provide alignment for the long-term: preferred shares with simple liquidation multiples without participation, anti-dilution protections without draconian full ratchets, and reasonable secondary sale protections. ◆ Corporate VC, who often have a strategic imperative, are one-third as likely to have Right of First Refusal (ROFR) terms to acquire secondary shares as compared to traditional VCs.
2026 Outlook	◆ Looking forward, AI continues to command headlines with a jaw-dropping $300B raised in the first quarter alone. We expect the VC investment dollars this year to spread from the early concentration in the foundational model companies pre-IPO financing to the emerging Application and Physical AI spaces.

Market Activity & Outlook Source: PitchBook.

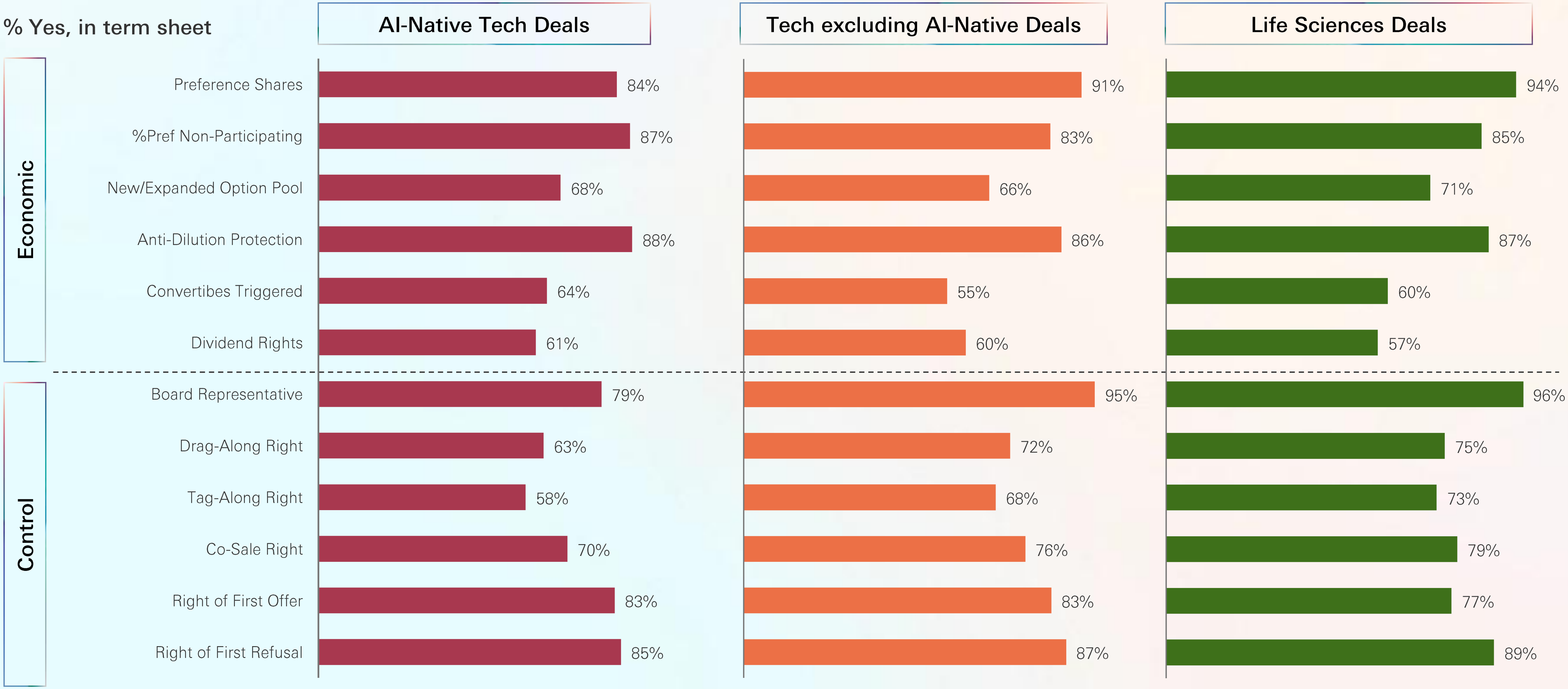
2025 Term Sheet Key Investment Term Insights

Importance of Terms Shifts with Investor Maturity

		2025
1	**Seed SAFE-ty:** SAFE notes cover nearly one-third of fundraisings below $5M rounds raised by the start-up, thereby punting valuation risks until larger investors lead priced rounds.	29%
2	**Priced Control:** For rounds where $5M+ is raised, the opposite is true, as greater than 9-out-of-10 of deals consist of priced preferred equity structures with anti-dilution rachets and greater non-economic controls.	>90%
3	**Liquidation Preferences:** The market shows a clear preference around a standardized set of terms for liquidation preference: 1.0x multiple (93%), non-participation (86%) and Pari Passu seniority (79%).	79%+
4	**Convertibles:** Greater than 60% of funding rounds with <$25m capital raised and/or <$100m valuation have a convertible instrument converting into the financing round.	>60%
5	**Up Rounds:** Venture funds were twice as likely as non-traditional VC investors (e.g. family offices, private equity) to provide an up round in 2025.	2x

2025 Term Sheet Data Summary

For AI Deals, Similar Economic Conditions, Fewer Controls



Guide Highlights

Home Geography Plays a Role in Investment, Terms Expected

Domestic Perspective

% of Deals by Lead Inv. Geo	Bay Area Investors	NY + Boston Investors	SoCal + Seattle Investors	Other USA Investors	International Investors
Bay Area Companies	48%	15%	10%	16%	9%
NY + Boston Companies	22%	43%	4%	22%	9%
SoCal + Seattle Companies	21%	19%	30%	22%	8%
Other USA Companies	20%	18%	7%	42%	13%

- **Staying Local:** The plurality of startups, but not majority, raise from a local lead investor, with another one-fifth of companies located outside of the Bay Area raising from a Silicon Valley lead venture firm.
- **West Coast:** Startups raising in Southern California or Seattle had the lowest rate of a local lead investor. But despite their proximity to the Bay Area, those growth companies were nearly as likely to raise from East Coast or elsewhere in the U.S.

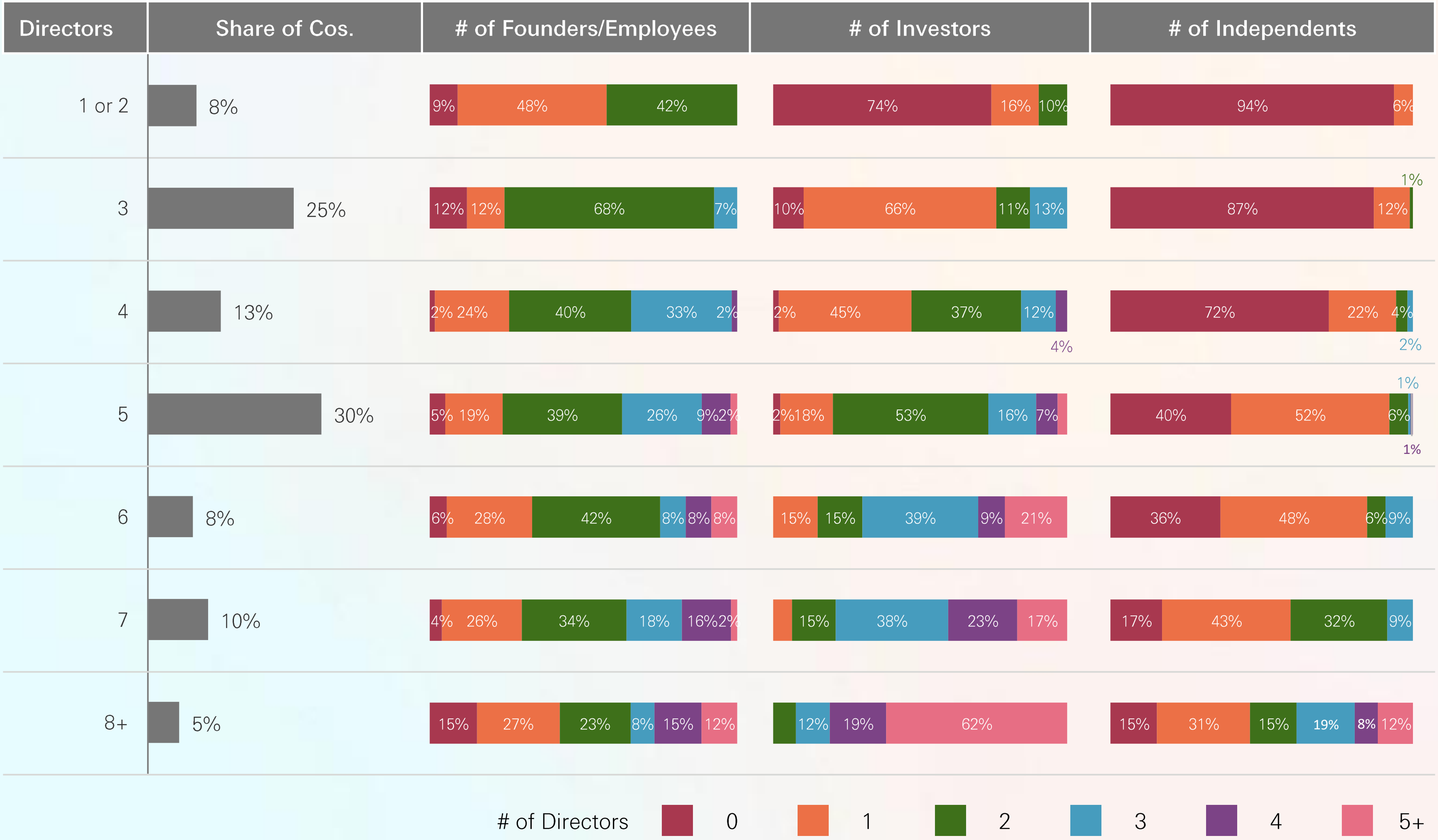
International Perspective

- **Investment participation:** One-in-ten deals tracked were led by international investors, with the highest share (13%) raised by companies based outside traditional capital hubs.
- **Downside protection:** International lead investors were nearly 2x as likely as non-Bay Area investors and over 4x as likely as Bay Area investors to seek downside protection through Seniority in their liquidation preference.
- **Employee Focus:** Bay Area investors and non-Bay Area investors were 75% and 25% more likely, respectively, than international investors to approve expansion of the ESOP as part of the funding round.
- **Control Provisions:** International lead investors were nearly 50% as likely as US-lead investors to include control provisions of tag-along, drag-along and co-sale rights and over 50% as likely to include pay-to-play provisions.
- **Beyond AI:** International lead investors were nearly twice as likely as domestically-based lead investor to invest in a non-AI-native company.

Guide Highlights

Board Composition Quickly Shifts toward Investors as Size of Board Increases

- Early-stage boards are usually just comprised of the founders, with investors normally joining with an expansion of the board, but still with a founder majority.
- The most common board sizes are odd numbers to prevent minority blocks as boards of 3, 5, and 7 make up two-thirds of the reported structures.
- Investors become more than likely to hold at least two board seats and independent board seats are more likely to be allocated once the BOD reaches five directors.
- For larger boards (7+), it is more likely to have multiple investors (96%) than multiple founders/employees (66%).



Guide Highlights

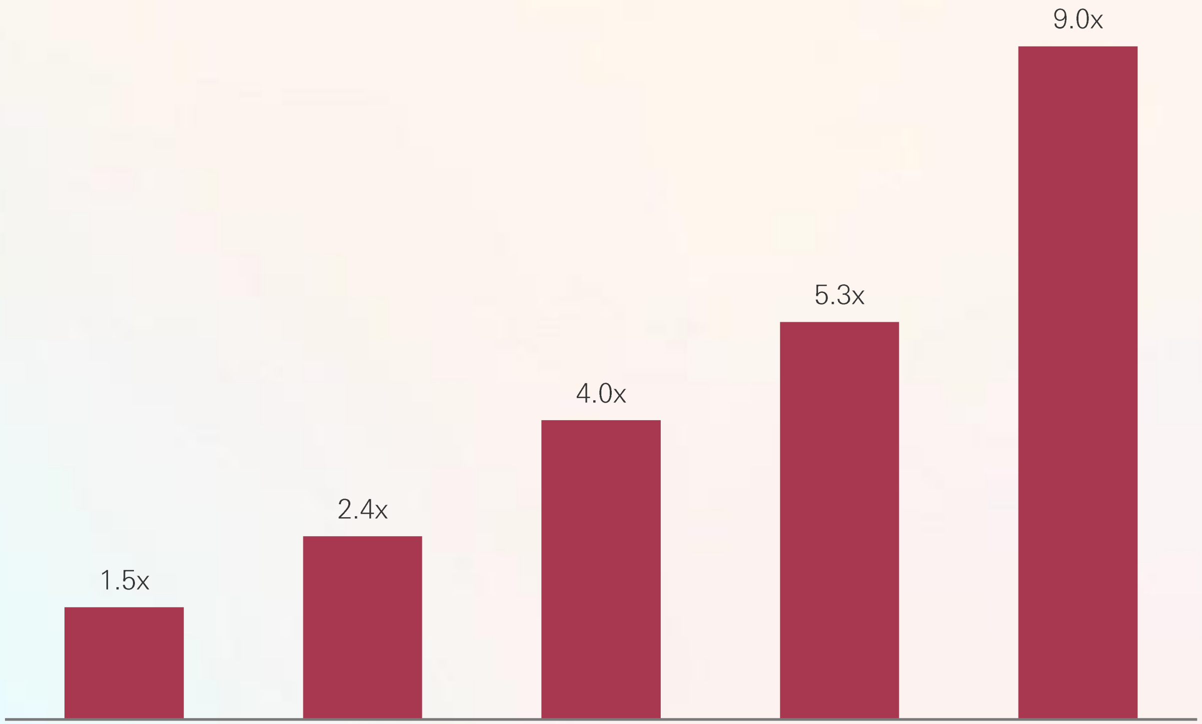
Valuation Step-Up Momentum Builds as Round Size Increases

- As companies break out from the pre-seed/seed fundraising rounds where value propositions and go-to-market motions are still being iterated on, the probability of an up-round increases dramatically alongside deal size as investor conviction grows.

- Additionally, flat/down rounds are typically provided to companies to pivot based on market feedback or to bridge to a next milestone, and as such, are less likely to be sizeable. Startups raising a flat round are 4x more likely on average to raise less than $5M to minimize unnecessary dilution.

Ratio of Up Rounds to Down/Flat Rounds

Investment Round Size				
$0-5M	$5-10M	$10-25M	$25-100M	$100M+

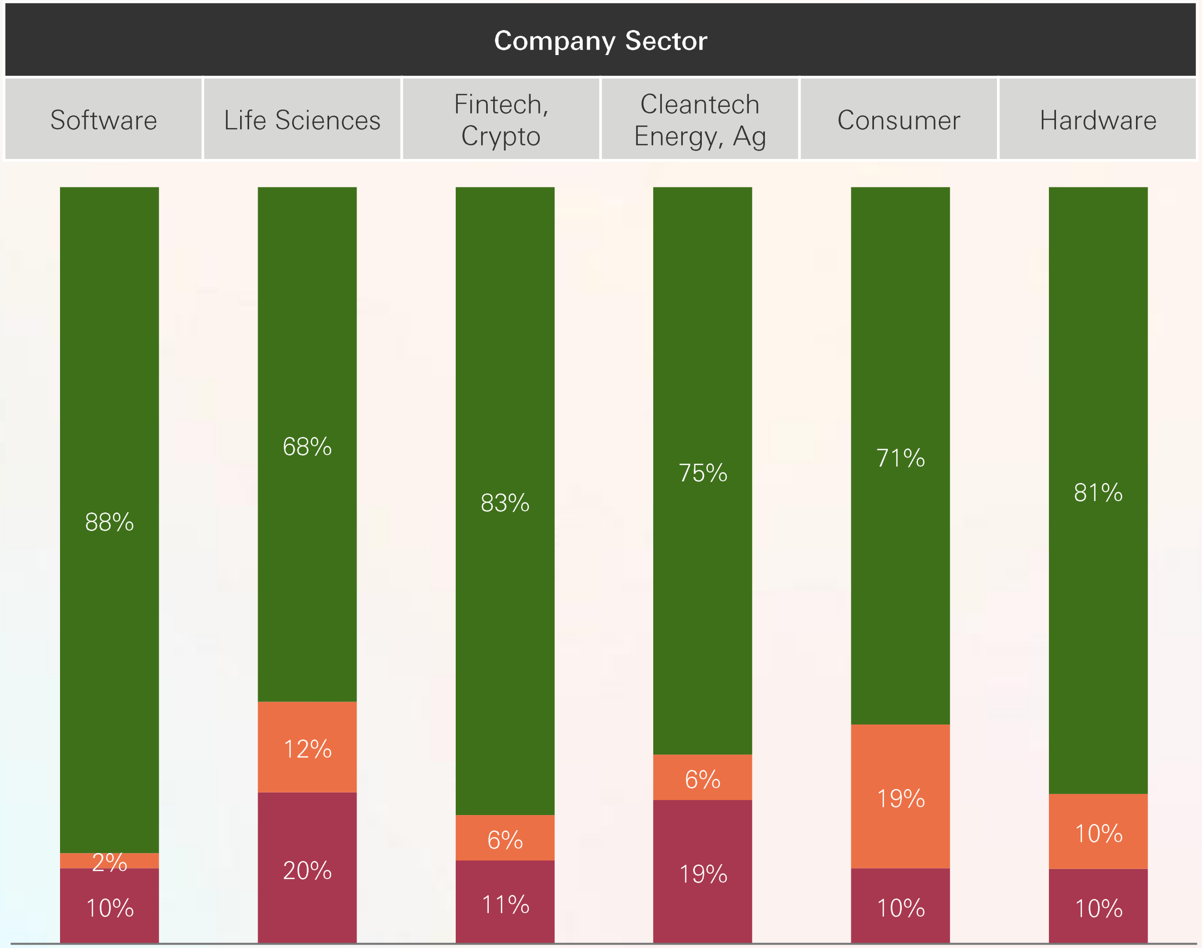


Guide Highlights

AI Driving Momentum within Sectors

- Sectors with a high share of firms driving AI innovation such as Software and Hardware attracted investment at higher valuations more than 80% of the time.
- Investor sentiment beyond AI has driven sectors with lower AI exposure in opposite directions Consumer (moving out of favor) and Fintech (moving in favor).
- Within the Life Science and Cleantech verticals, access to capital is often driven more by company-specific execution and milestone achievement than market sentiment.
- In grouping Cleantech, Energy, Agriculture and Food startups together, AI native startups within this sector had 7:1 odds of an up-round compared to just 2:1 for non-AI.

Share of Term Sheets by Round Step

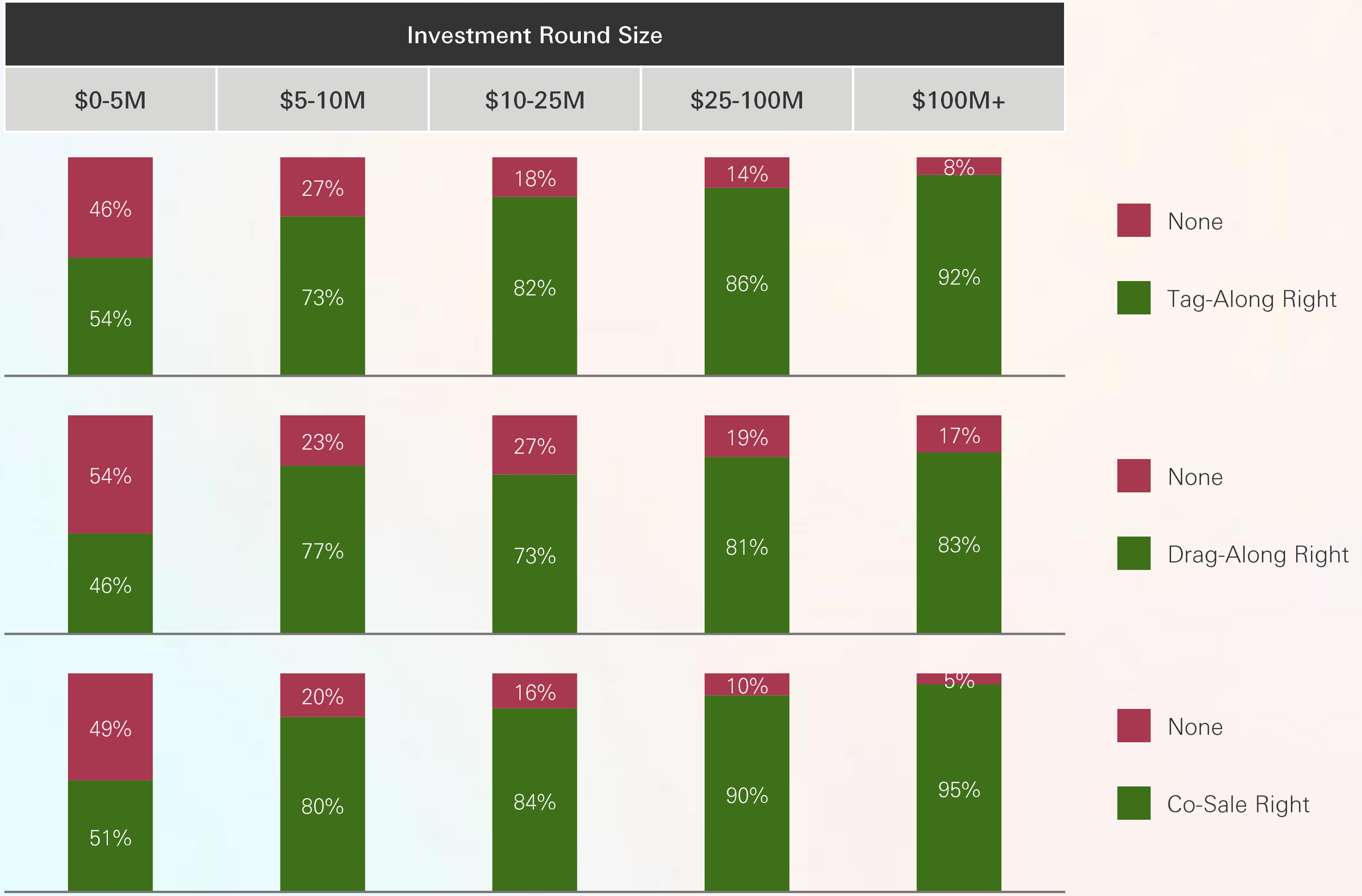


Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Guide Highlights

Stricter Control as Round Size Increases

- Early-stage companies have fewer control provisions focused upon eventual liquidity events. As the companies grow and raise larger rounds from more mature investors with shorter investment horizons, the likelihood of liquidity focused control provisions doubles. At the later stages, as the possibility of liquidity becomes clearer, roughly 9-out-of-10 companies have liquidity control provisions in place.
- Simultaneously, as the hold periods have extended and liquidity windows have shortened, secondary markets have become a more viable source of partial liquidity for early investors, who have normalized tag-along and co-sale terms to allow for the opportunity to seek early liquidity along with the founders and employees, especially when a company begins raising rounds of capital in excess of $10M+.



Detailed Guide: Deal Terms

Section 3A

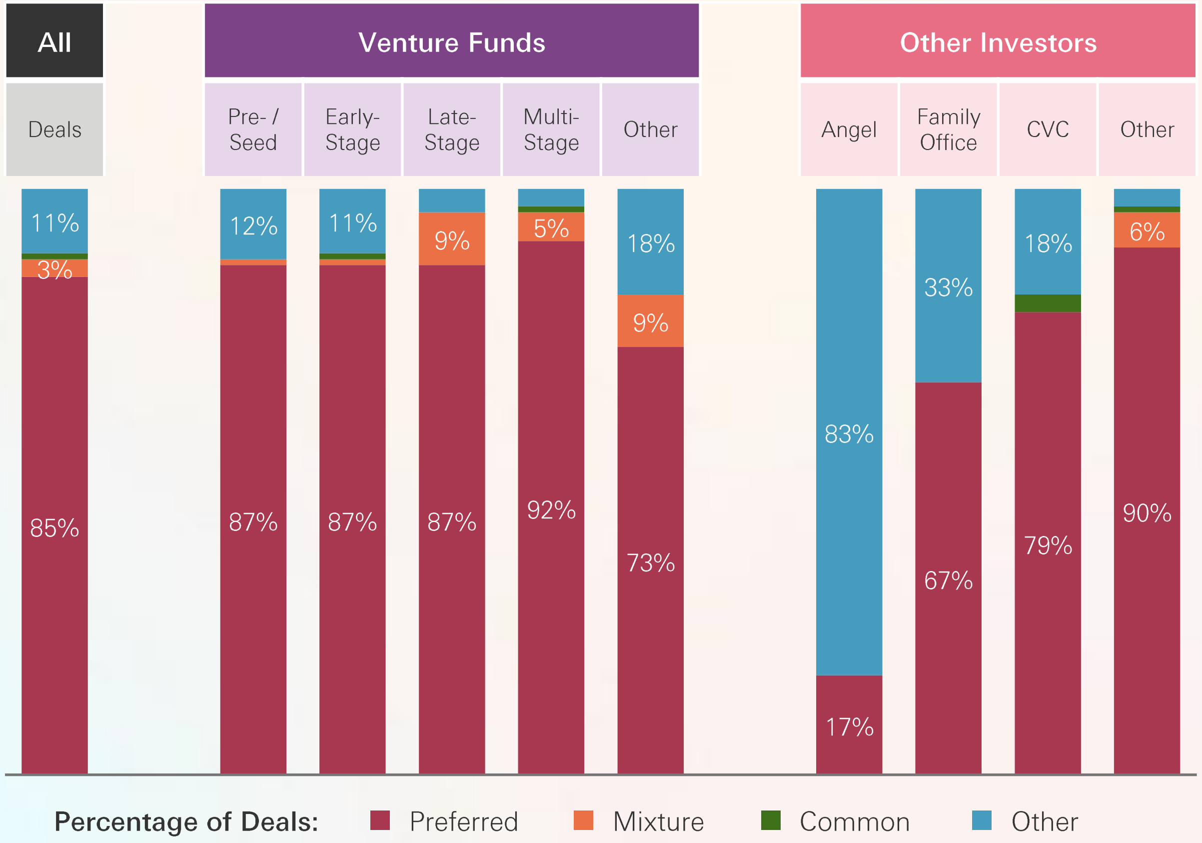
HSBC Innovation Banking

Ownership Class

Strong Preference for Preferred with room for an Early SAFE Note

- **Definition:** Share class identifies the legal and economic package attached to the stock being sold in the financing. In startup practice, Common stock is the baseline equity usually held by founders, employees, consultants, and advisors, while Preferred stock is a negotiated series that sits senior to Common and can carry liquidation preference, conversion, anti-dilution, dividend, and special voting or consent rights. The new Preferred typically votes with Common on an as-converted basis for general matters but still receives separate protective rights on major actions.
- **Implications for Founders:** Issuing Common can seem simpler, cheaper, and more intuitive, but sophisticated lead investors often resist it because of the lack of downside protection and fewer negotiated control rights. Issuing Preferred usually means founders are now junior in an exit economically and may need preferred-holder approval for actions like charter amendments, issuing new securities (fundraising), or a company sale, even if founders still hold a majority of the cap table through Common stock.
- **Implications for Investors:** Unless a SAFE is being utilized at the earliest of stages, Preferred is overwhelming used to price startups because of the upside exposure and downside protection. In later-stage fundraisings, partial liquidity may be offered to founders and employees, resulting in some later-stage investors having a mixture of Common and Preferred ownership.

Non-VC investors are nearly 5x as likely to issue SAFE notes at the earliest fundraising stages, thereby punting the preferred terms negotiation until the company raises a larger, VC-led financing round.

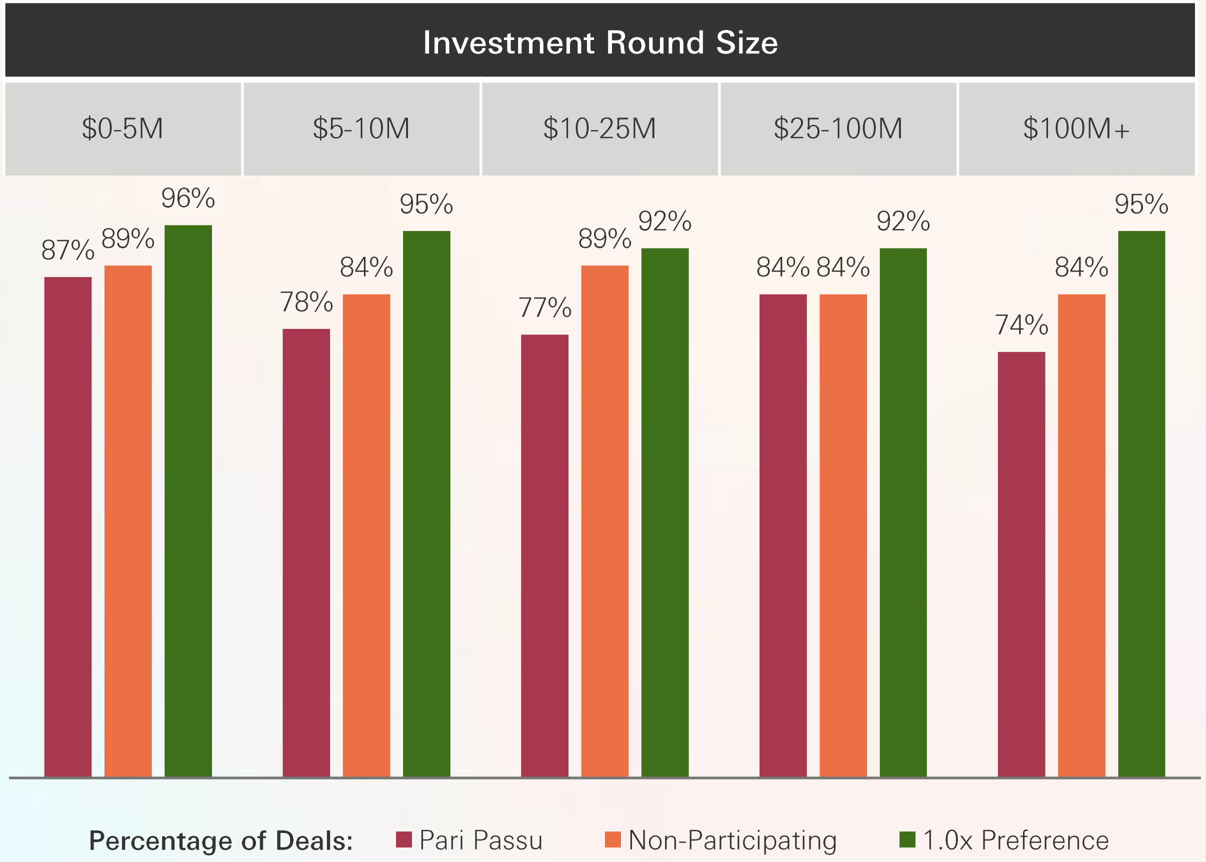


Preferred Share Terms

Standardization Across Round Sizes to Align Investors

- **Seniority:** Seniority determines how different Preferred series rank in an exit: a senior series gets paid before other Preferred, while pari passu ("as equals") series share proceeds at the same priority level. For founders, a senior stack can materially reduce proceeds to common and earlier investors in modest exits at or below the last private round. For investors, seniority offers stronger downside protection for new money, while pari passu treatment usually creates a cleaner, more aligned capital structure across the investor base.
- **Liquidation Preference Multiple:** The liquidation preference multiple sets how much Preferred holders receive before common participates, expressed as a multiple of the original investment. For founders, higher multiples can sharply reduce proceeds in anything short of a strong exit and may leave common or option holders economically disincentivized in modest outcomes. For investors, a higher multiple improves downside recovery, but it can also make the deal harder to syndicate, impact future fundraisings and be less aligned over time.
- **Participating vs. Non-participating:** Non-participating Preferred means the investor takes either its preference or converts to common, whichever is better, while Participating Preferred allows the investor to take its liquidation preference first and then also share in remaining proceeds with common shareholders. For founders, participation can substantially reduce returns to common and widen the gap between headline sale price and actual founder payout. For investors, participation enhances recovery and return, but signals a more aggressive, investor-favorable deal structure.

The market standard is Non-participating Preferred with a 1.0x liquidation preference and a heavy bias towards pari passu seniority to align all investors around the long-term success of the company.

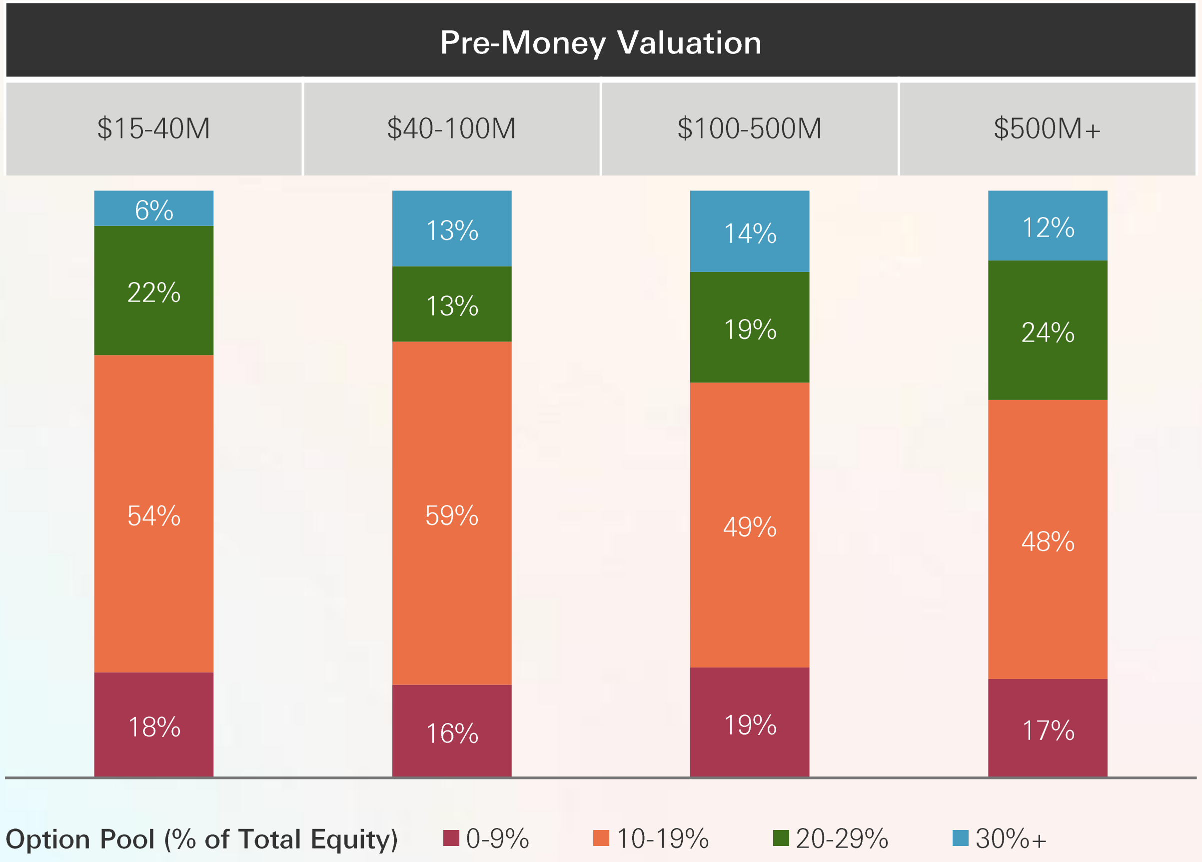


Option Pool

Employees' Share Expands with Growth, especially when at Nine-Figure Valuations

- **Definition:** The option pool is the block of equity reserved for employee grants under the company's incentive plan, and in venture term sheets, it is usually measured as a percentage of the company's fully diluted capitalization rather than just the currently issued shares. The term sheet should distinguish between the overall option pool size and the unallocated or uncommitted portion.
- **Implications for Founders:** The option pool is not just a hiring tool; it is a core pricing term because a larger reserve increases the fully diluted share count and can lower the effective price per share in the round. In many priced financings, investors ask that the post-closing option pool be treated as part of the pre-money capitalization, which means the dilution from any expansion falls on existing shareholders rather than on the new money investors. The practical founder move is to negotiate with consideration to an actual hiring plan because an oversized unallocated reserve can quietly cost founders more ownership than the headline valuation suggests.
- **Implications for Investors:** A healthy unallocated option pool reduces execution risk by giving the company enough equity currency to recruit and retain key employees after closing without returning for a charter amendment or dilutive expansion. Therefore, investors usually focus most on the available portion of the option pool, not just the total number, because a nominally large option pool may already be largely spoken for by existing management and advisor grants.

As valuations for companies move beyond $100M+, for more than one-third of companies, employee option holders own 20% or more of the cap table (not including Founders shares issued outside of the ESOP), which is 50% higher than those valued between $15-100M.

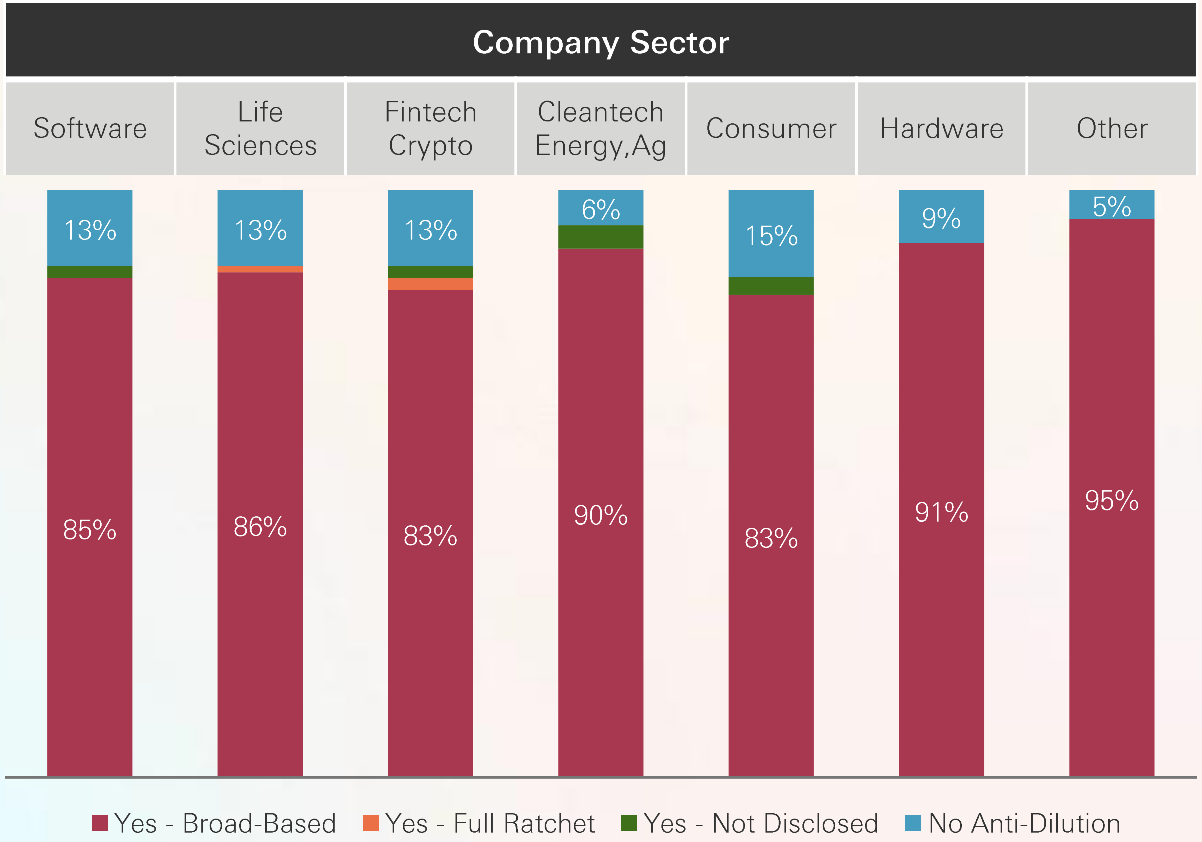


Anti-Dilution Provisions

Valuation Concerns drive Broad-Based Anti-Dilution Rights

- **Definition:** Anti-dilution provisions protect preferred investors if the company later issues stock at a lower price than earlier investors paid, typically by adjusting the conversion price of the existing preferred. Full ratchet resets the protected investor's conversion price all the way down to the new lower price, regardless of how few shares are sold in the down round, while broad-based weighted average only adjusts the conversion price partway by taking into account both the lower price and the number of new shares issued.
- **Implications for Founders:** Anti-dilution provisions matter most in a down round because it can shift additional dilution onto common holders and employees precisely when the company is already under pressure. Broad-based weighted average is typically tolerable because it softens investor dilution without fully repricing earlier rounds to the new low price as under a full ratchet provision.
- **Implications for Investors:** Anti-dilution protection tool that preserves ownership and economics if the company later has to raise capital at a reduced valuation. Full ratchet gives the strongest protection and is most attractive where investors believe future valuation financing risk is high, but can create alignment problems with management and future investors. Broad-based weighted average offers meaningful protection while generally preserving a cleaner cap table and more financeable structure for later rounds.

The market standard is broad-based anti-dilution rights for investors. Pairing this normality with the strong bias for pari passu liquidation preferences, downside valuation risk shifts to earlier shareholders.



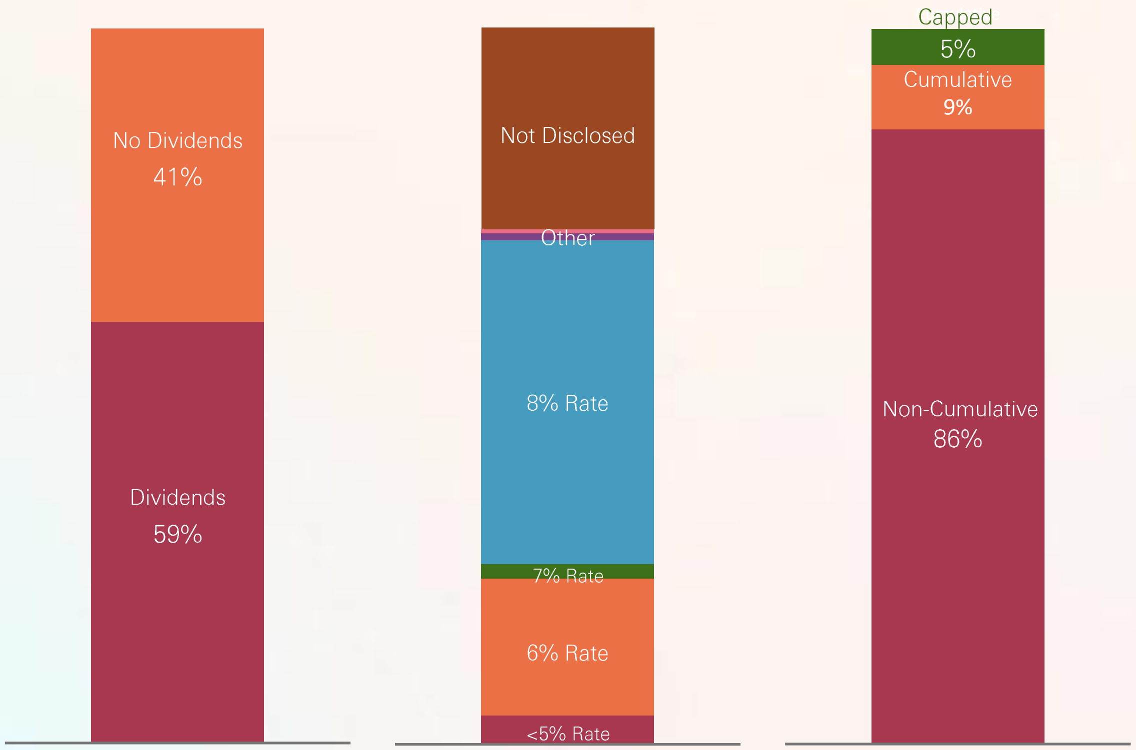
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech.
Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Preferred Dividends

Alignment Abound for Non-cumulative Dividends

- **Definition:** Preferred dividends give Preferred stock a priority claim on distributions before common stock, but in venture-backed startups, they are usually more about economic priority on paper than regular cash payments in practice. Non-cumulative dividends accrue only if and when the board declares them, so missed periods do not stack up automatically. Cumulative dividends in contrast build over time at a stated rate and remain owed before common can fully participate, making them function more like an accruing return feature than a simple distribution preference.
- **Implications for Founders:** Non-cumulative dividends are usually the more manageable form because they do not create a growing payment overhang pushing the company towards an early exit. Cumulative dividends are more burdensome because they can increase the amount owed to preferred holders over time, reduce what common receives in a sale or redemption scenario, and make the preferred start to feel more debt-like than true risk capital.
- **Implications for Investors:** Dividend rights add another layer of downside and priority protection, especially if the company underperforms or a liquidity event takes longer than expected. Non-cumulative dividends are the more standard, lighter-touch term in startup financings, while cumulative dividends provide stronger economics associated with investor-favorable deals.

While the market varies on the existence and rate for dividends, there is a standard for non-cumulative dividends to delay any impact of dividends until the unlikely event that a dividend is declared by the BOD, thus serving more as a protective control provision than an economic instrument.



Secondary Share Rights

Secondary Markets Boom, Controls Tighten

- **Definition:** A right of first offer (ROFO) and a right of first refusal (ROFR) are transfer restrictions that apply when an existing stockholder, often a founder or early employee, wants to sell shares. Under a ROFO, the selling holder must first offer the shares to the company or specified investors before seeking outside buyers, while under a ROFR, the seller can first negotiate with a third party but must then give the company or specified investors the chance to match that deal and buy on the same terms.
- **Implications for founders:** Both rights limit how freely founders can sell stock, but a ROFR is usually more restrictive in practice because it can block a negotiated third-party sale at the last step after the founder has already spent time finding a buyer and setting terms. A ROFO can sometimes feel more workable because it gives existing holders the first look without requiring a fully negotiated outside offer first, though it can still slow liquidity and narrow the universe of potential buyers.
- **Implications for investors:** These rights help control who gets onto the cap table and help protect against unwanted outsiders acquiring meaningful positions through secondary sales. A ROFR offers stronger protection because investors can step into an actual negotiated deal and preserve the cap table on known terms, while a ROFO gives earlier access but less certainty because the market price has not yet been validated by a third-party bid.

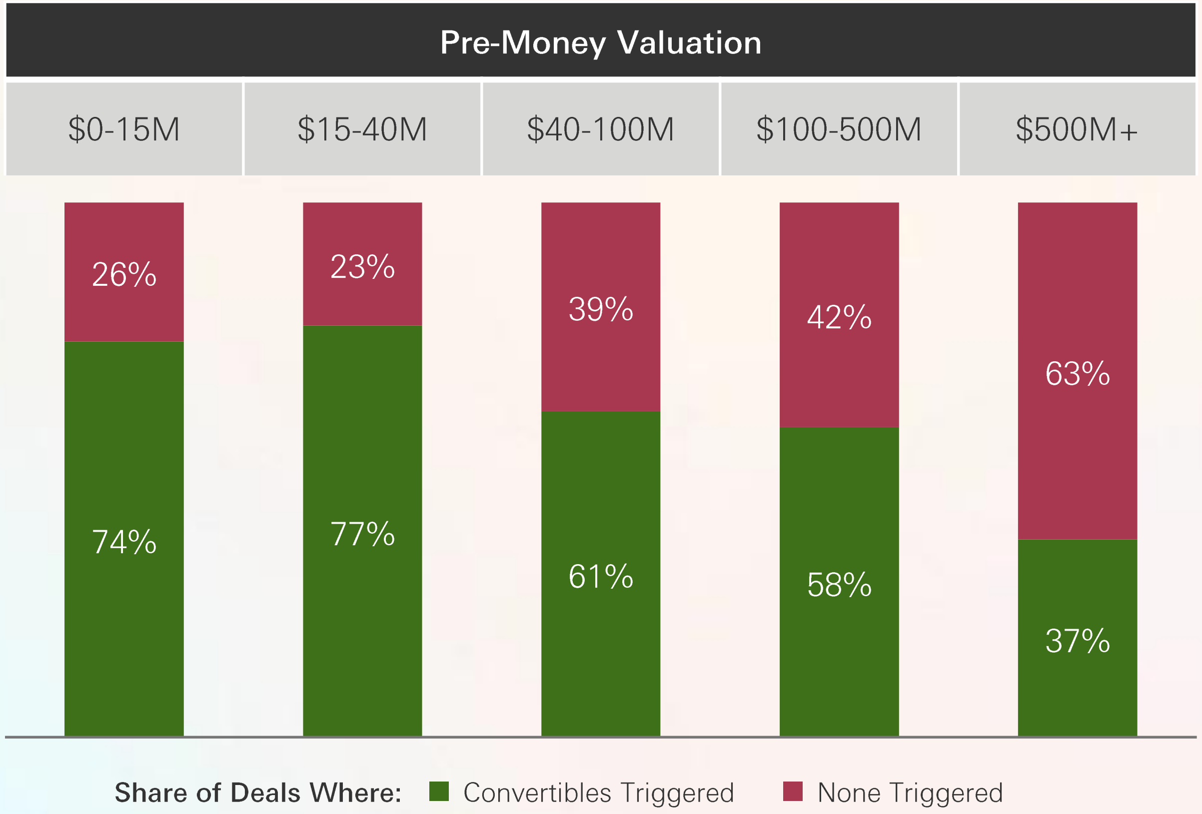
As the Power Law methodology continues to expand with capital concentrating, investors have normalized the ROFR to acquire additional shares through secondary transactions from founders, employees, and investors forgoing pro-ratas.

Convertibles

The Earlier the Company, the More Likely a Conversion Function

- **Definition:** As the use of SAFE notes has proliferated, priced rounds often have outstanding convertibles convert into equity at the closing of the company's first priced financing. For valuation-capped SAFEs, the holder generally receives the more favorable of either the cap-based conversion price or the priced-round share price, often with a discount applied to the priced-round share price.
- **Implications for Founders:** As the accumulated SAFE overhang turns into actual shares at a qualified priced financing close, all of the deferred dilution materializes on the cap table. This conversion can materially change ownership, voting percentages, and the effective economics of that priced round. With valuation-capped SAFEs, the dilution impact is heavier than the headline figure when the round is priced above the cap as the SAFE converts at the lower cap-based price.
- **Implications for Investors:** For the SAFE investors, conversion alongside a priced round is the payoff event that gains the rights of Preferred equity with the lower valuation negotiated for taking earlier risk. In valuation-capped SAFEs, the cap functions as a ceiling on the effective valuation used for conversion, so if the priced round comes in above the cap the investor receives more shares than a new-money investor buying at the round price. If the round is priced below the cap, the investor typically converts at or below the lower round price instead.

The earlier the stage of the round, the higher the probability that there is a convertible instrument that converts with the new round of equity. Only with the largest capital raises, ($500M+ valuations), does that probability fall below 50%.

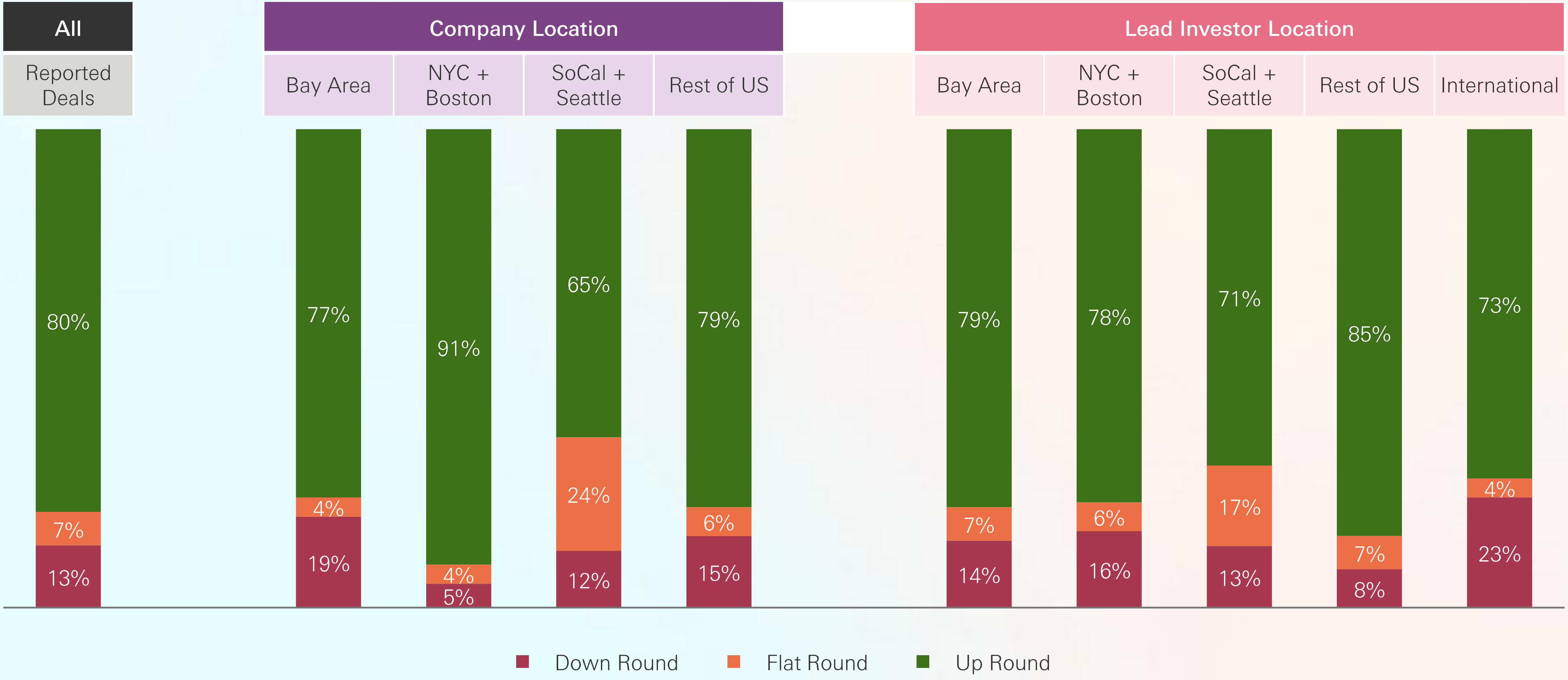


Detailed Guide: Data Analysis

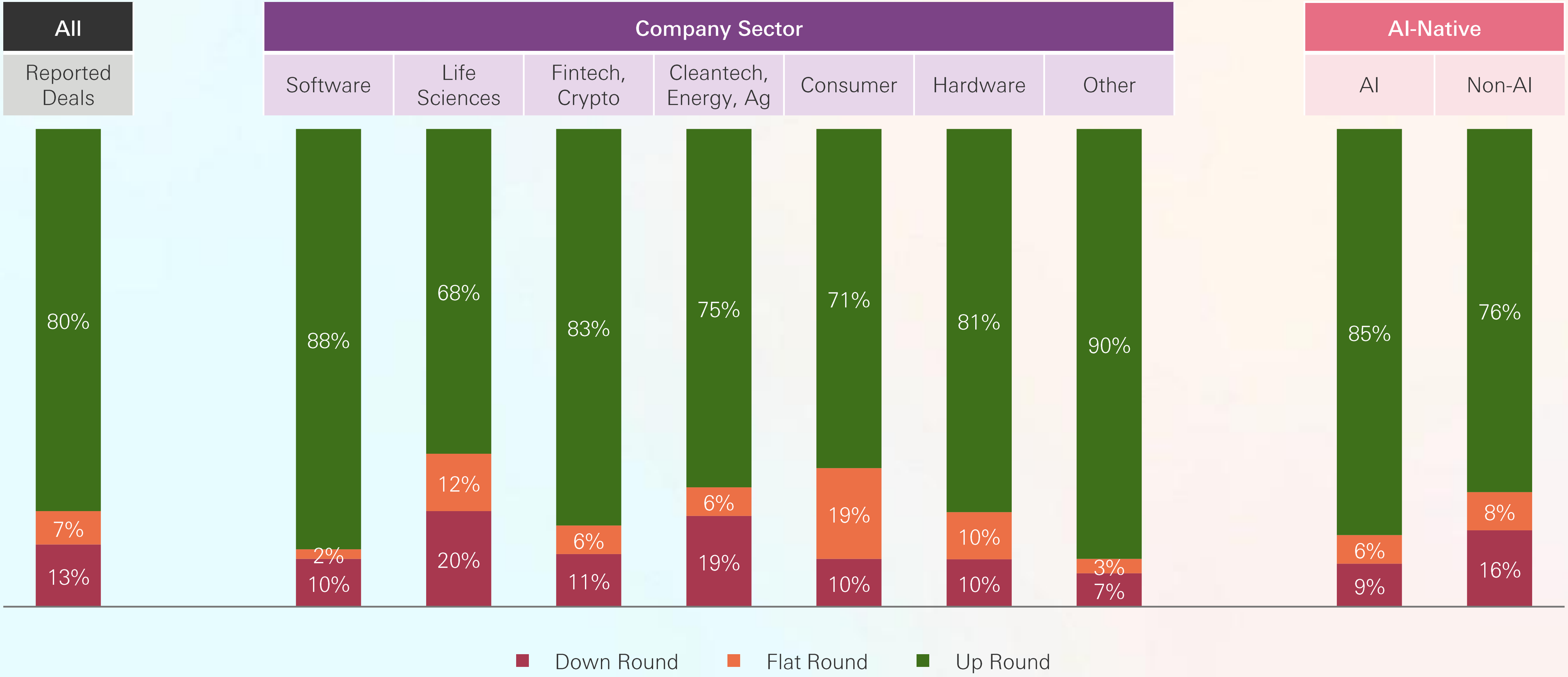
Section 3B

HSBC Innovation Banking

Round Step: Geography



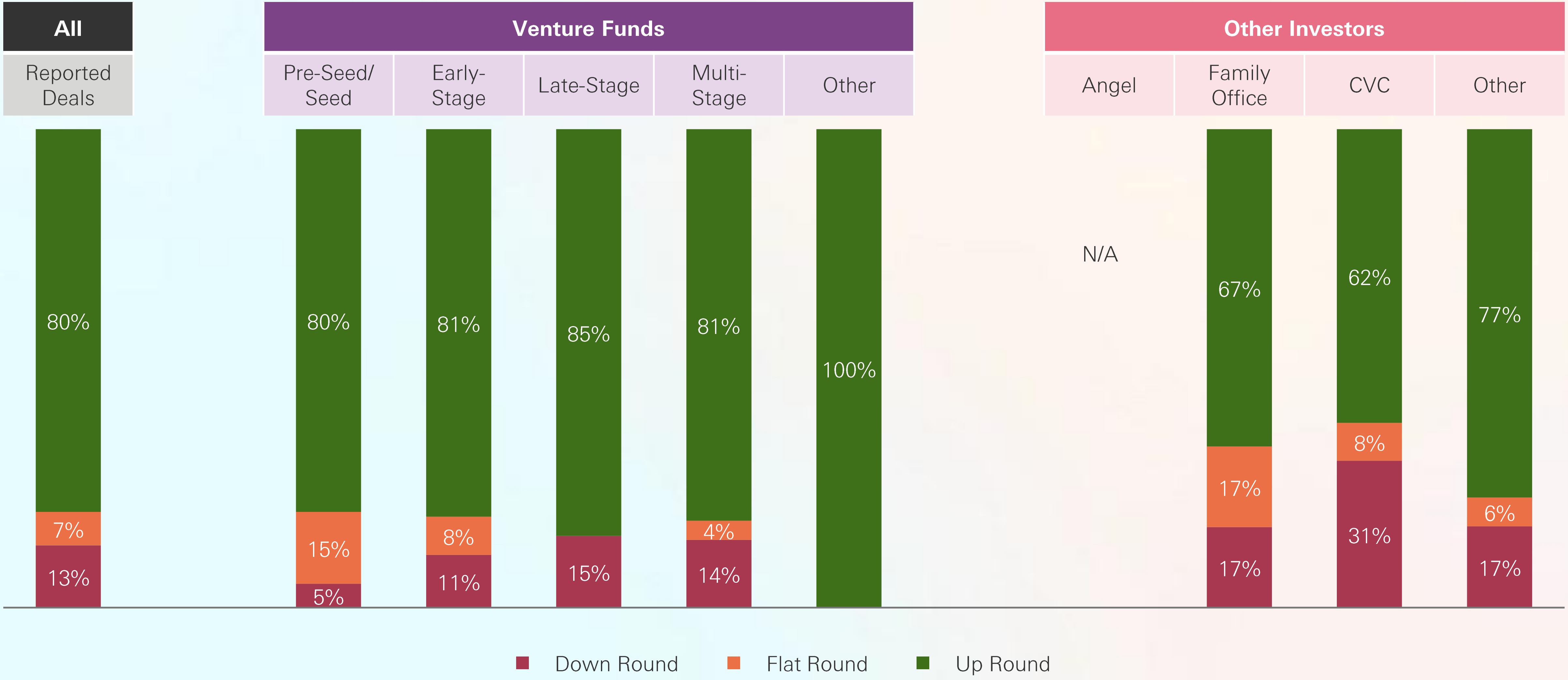
Round Step: Company Type



Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

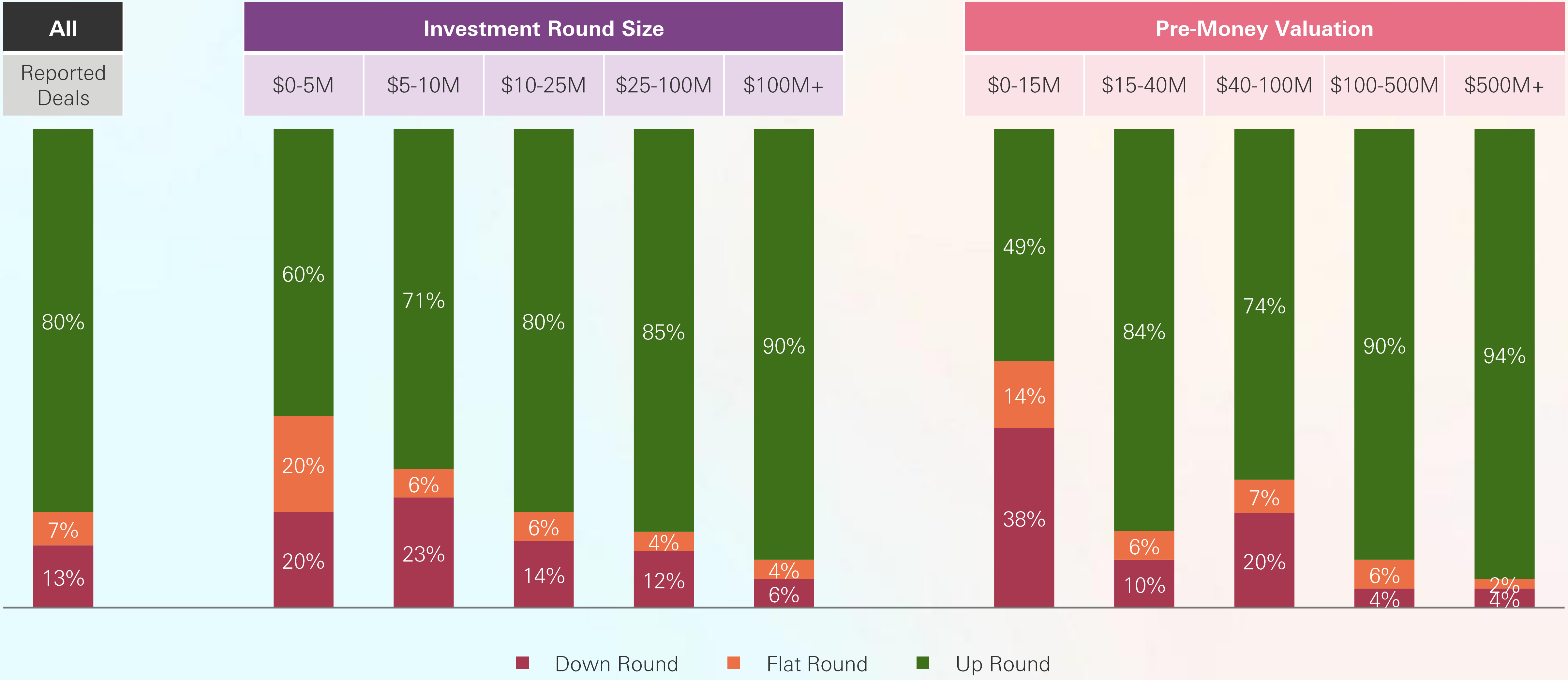
HSBC Innovation Banking

Round Step: Lead Investor Type

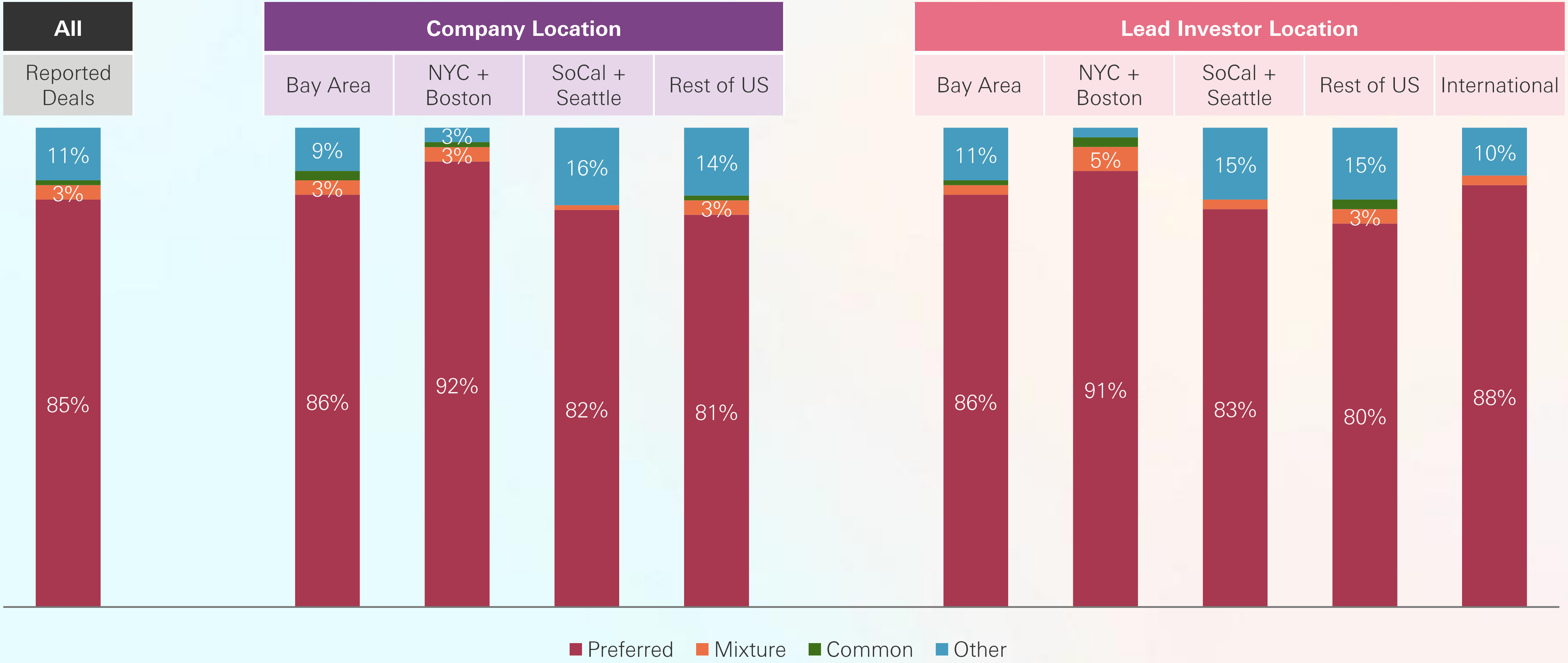


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

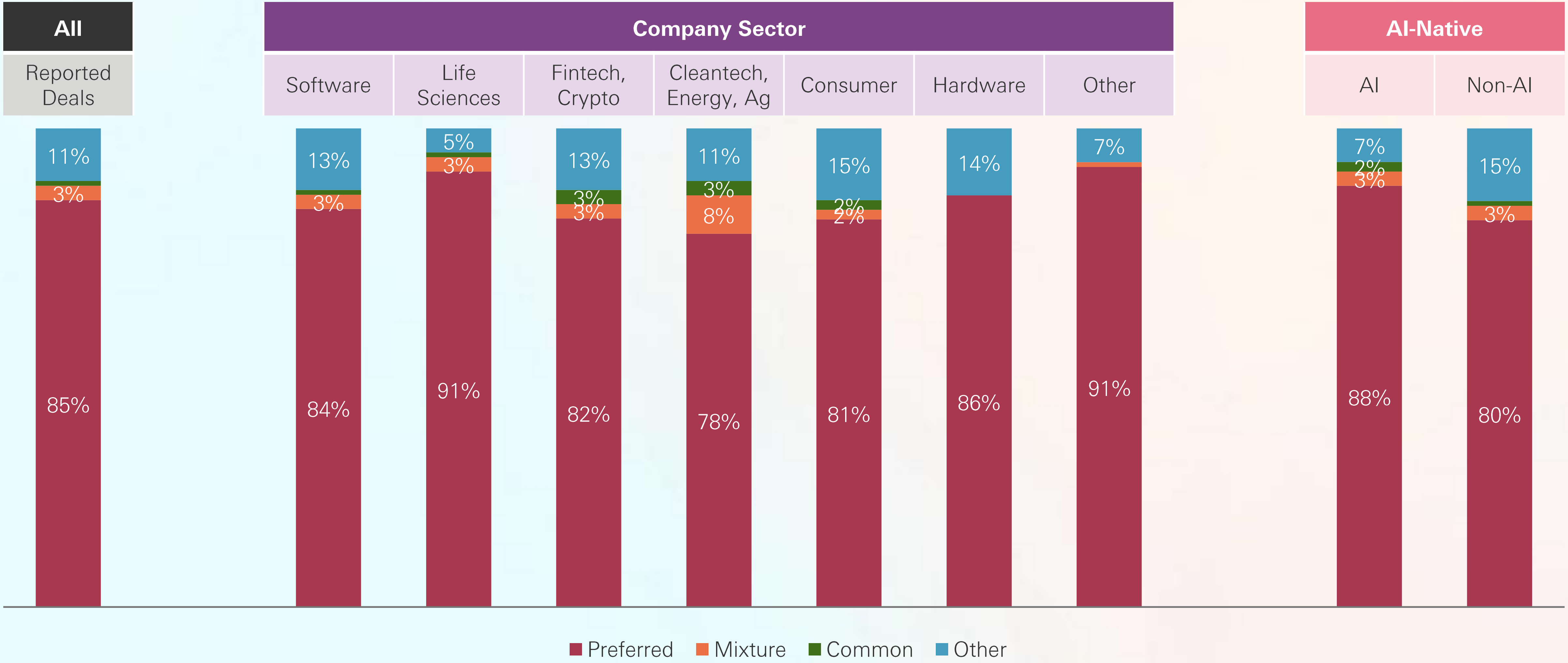
Round Step: Round Size and Valuation



Ownership Class: Geography

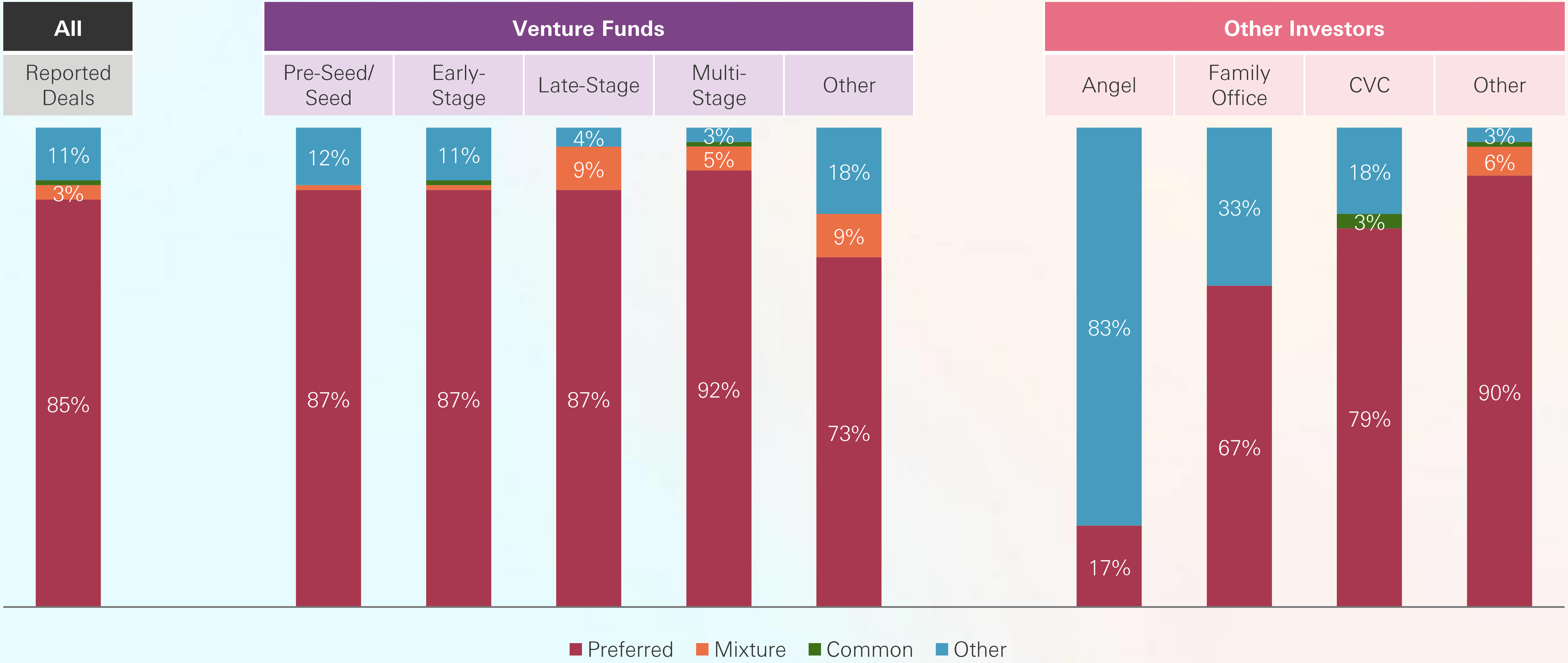


Ownership Class: Company Type



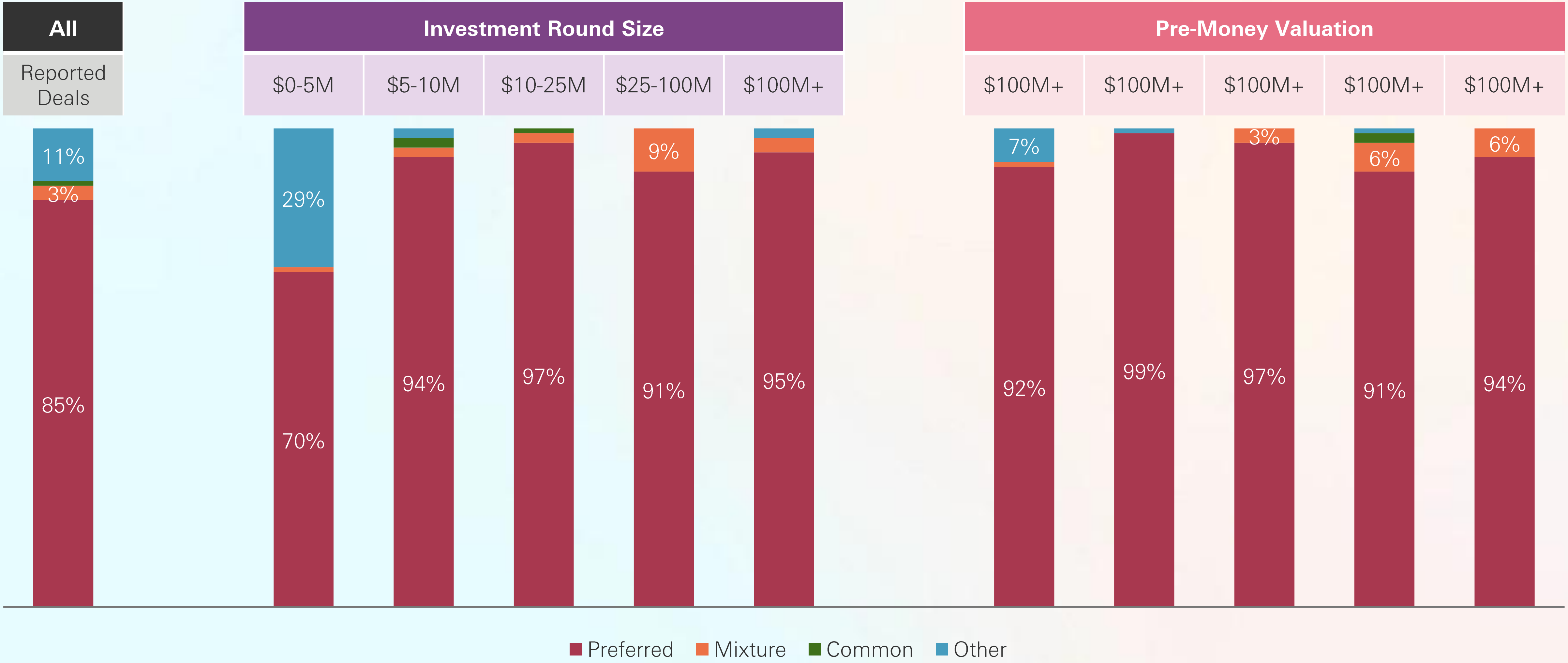
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Ownership Class: Lead Investor Type

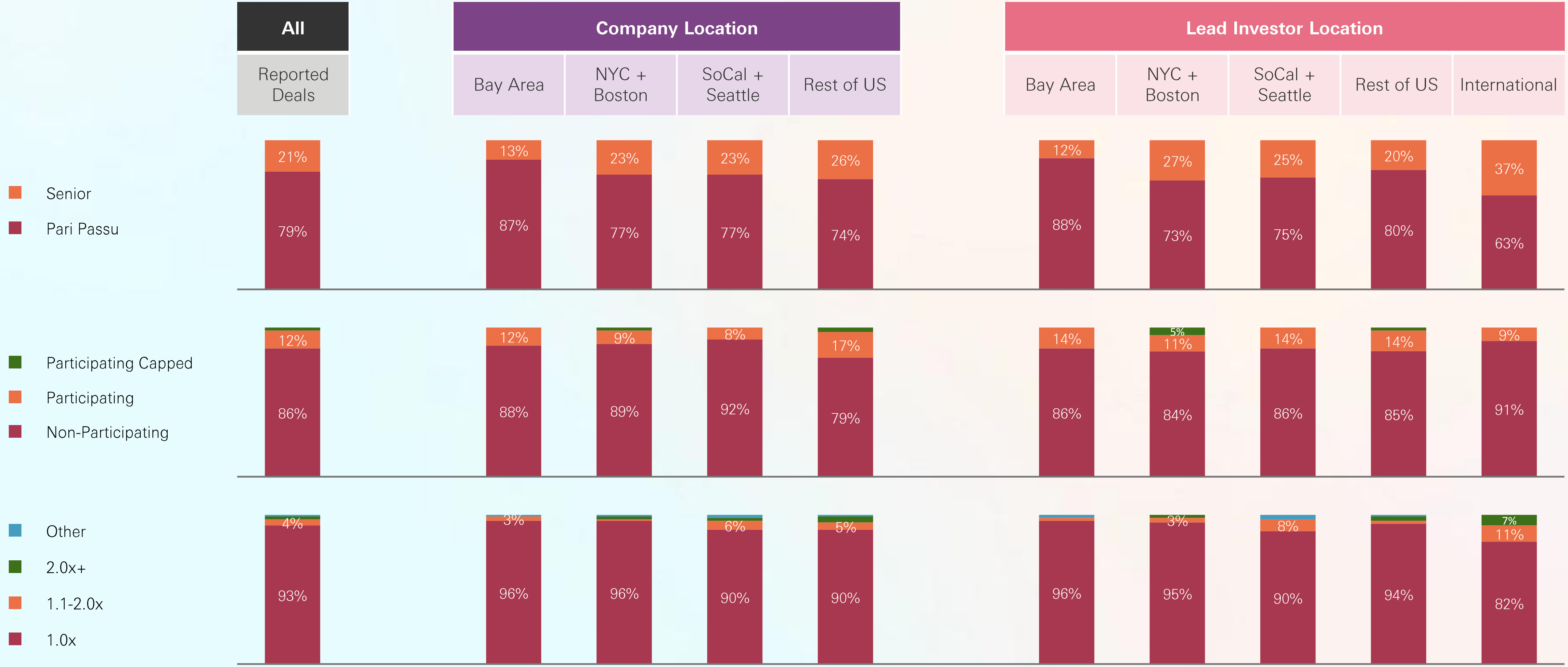


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

Ownership Class: Round Size and Valuation

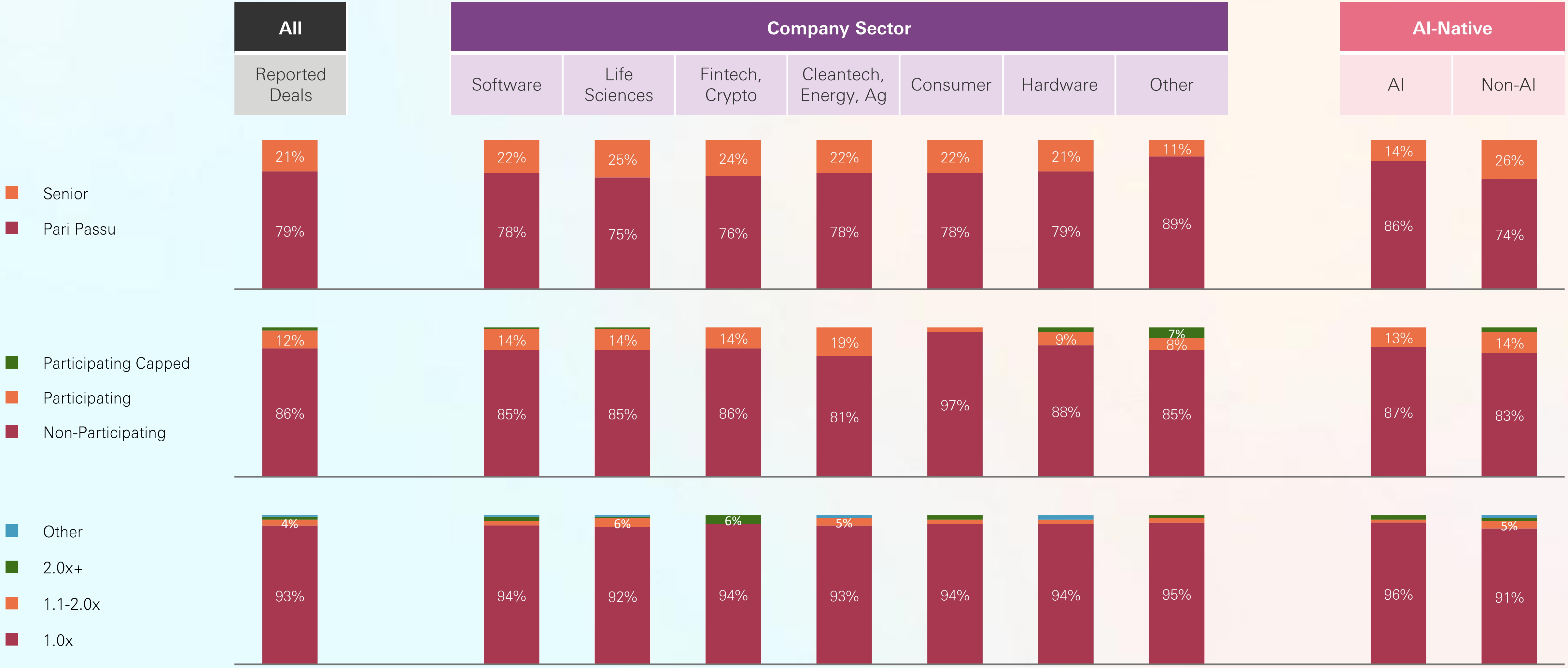


Preferred Share Terms: Geography



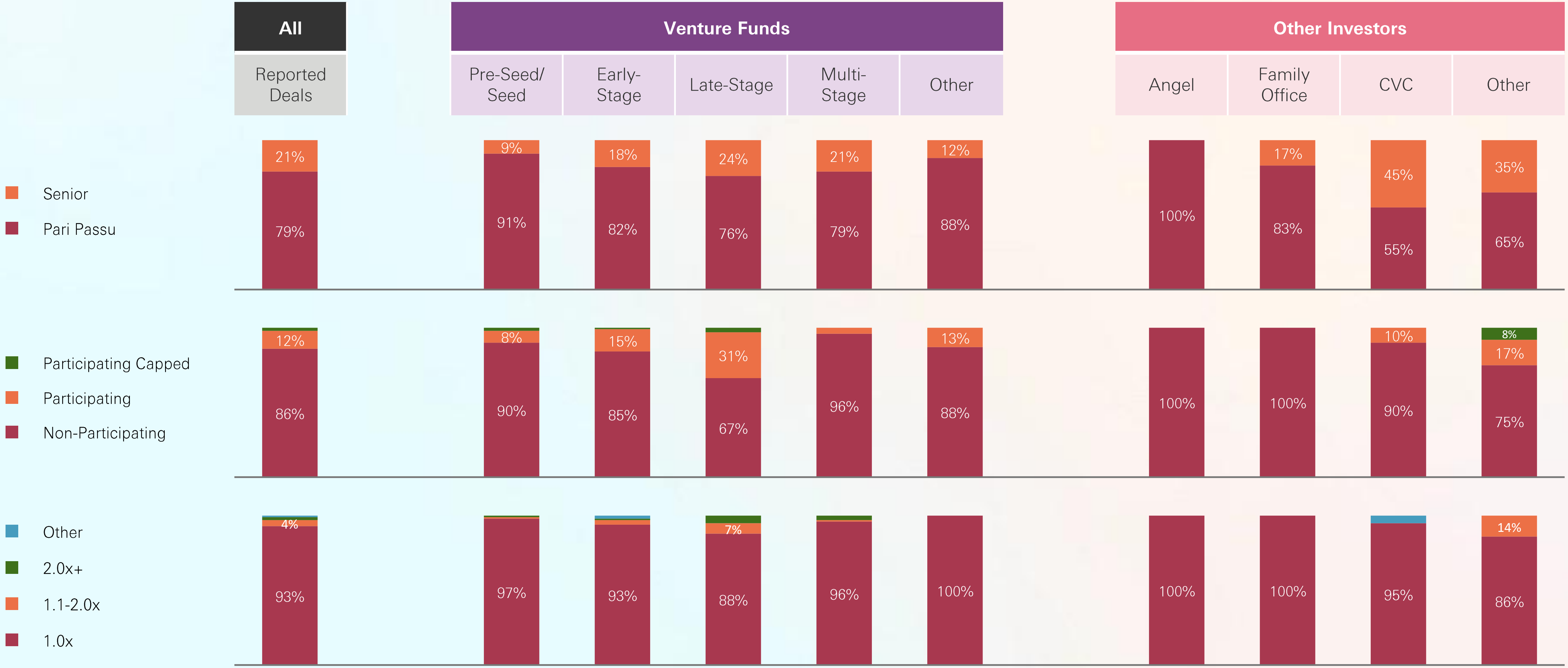
HSBC Innovation Banking

Preferred Share Terms: Company Type



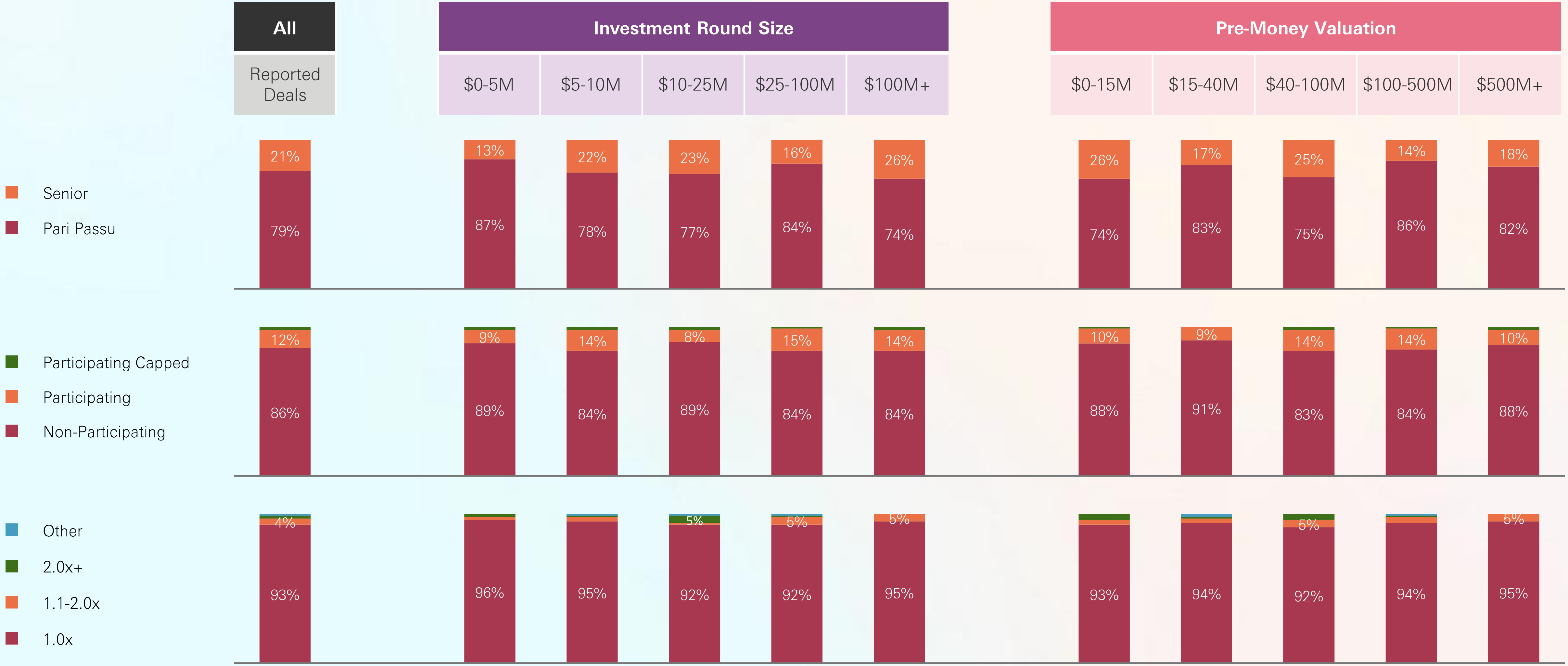
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Preferred Share Terms: Lead Investor Type

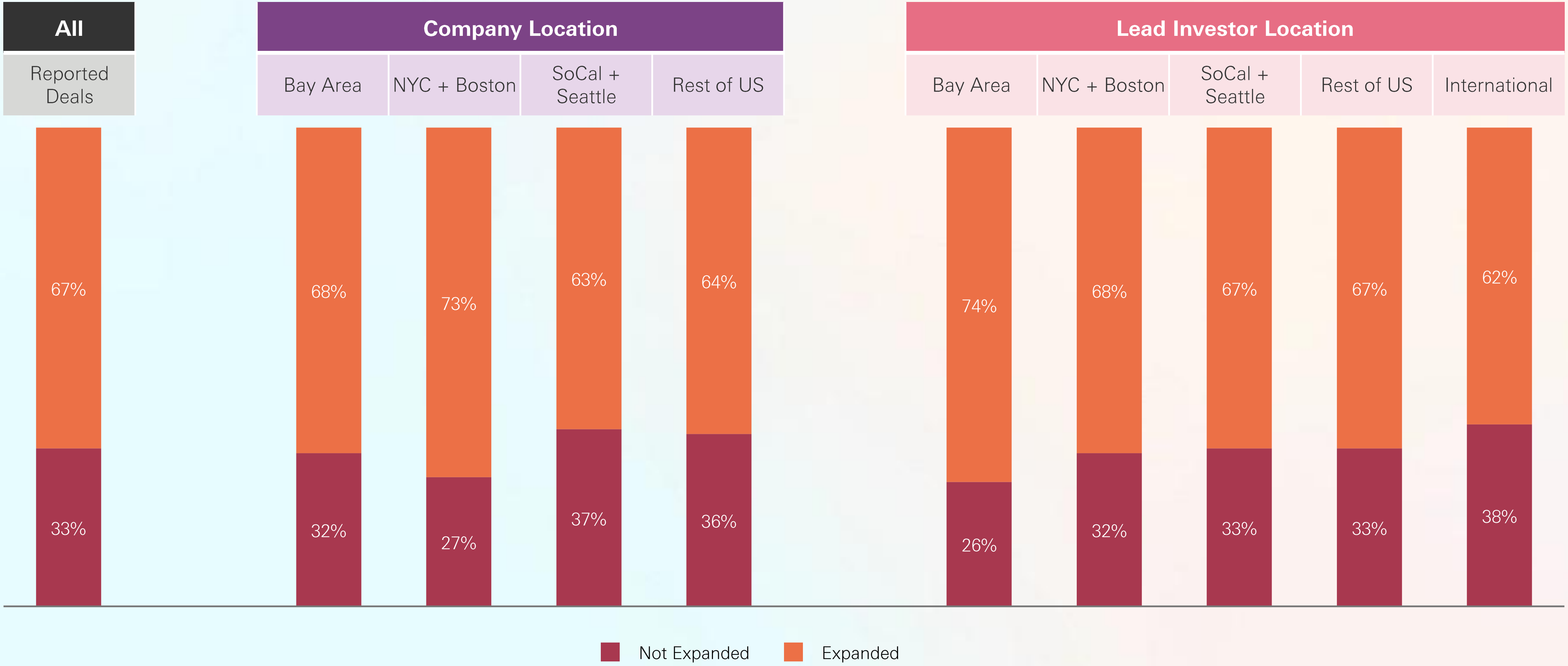


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

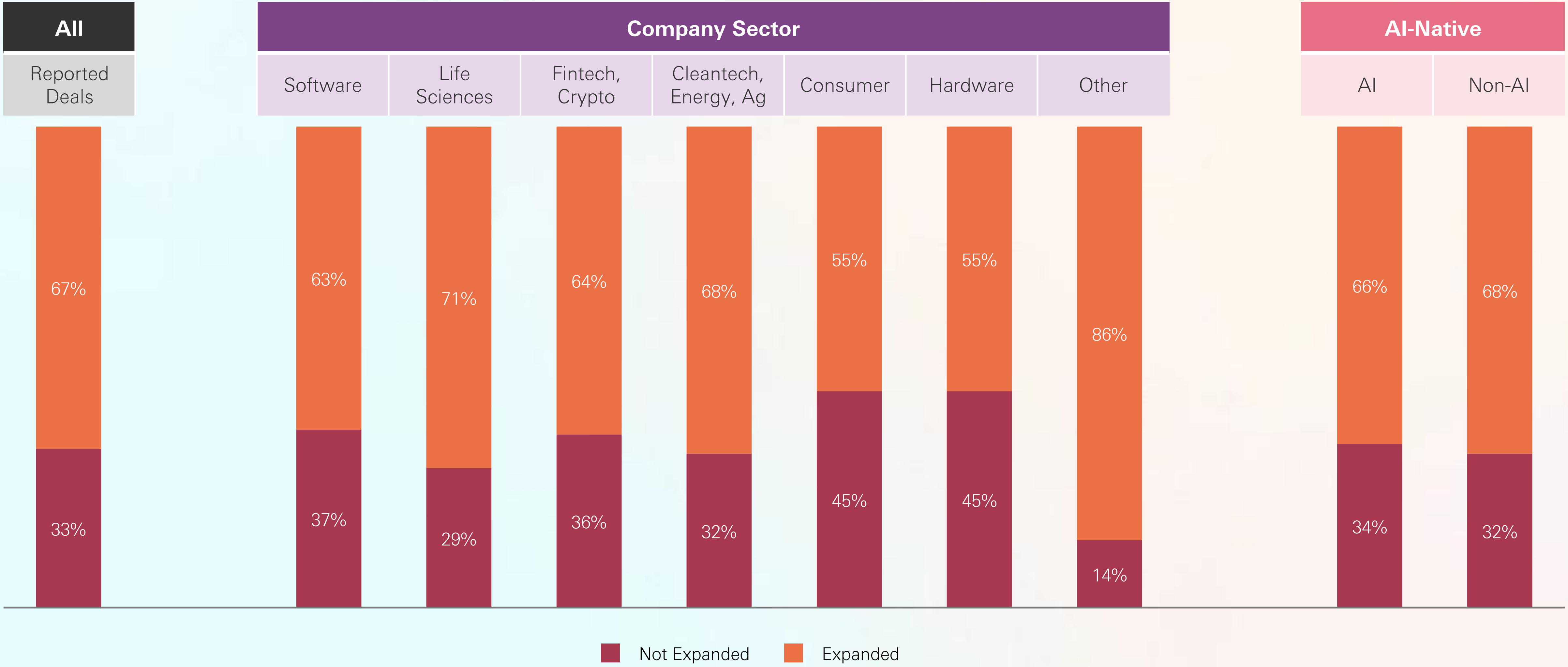
Preferred Share Terms: Round Size and Valuation



Option Pool Expansion: Geography

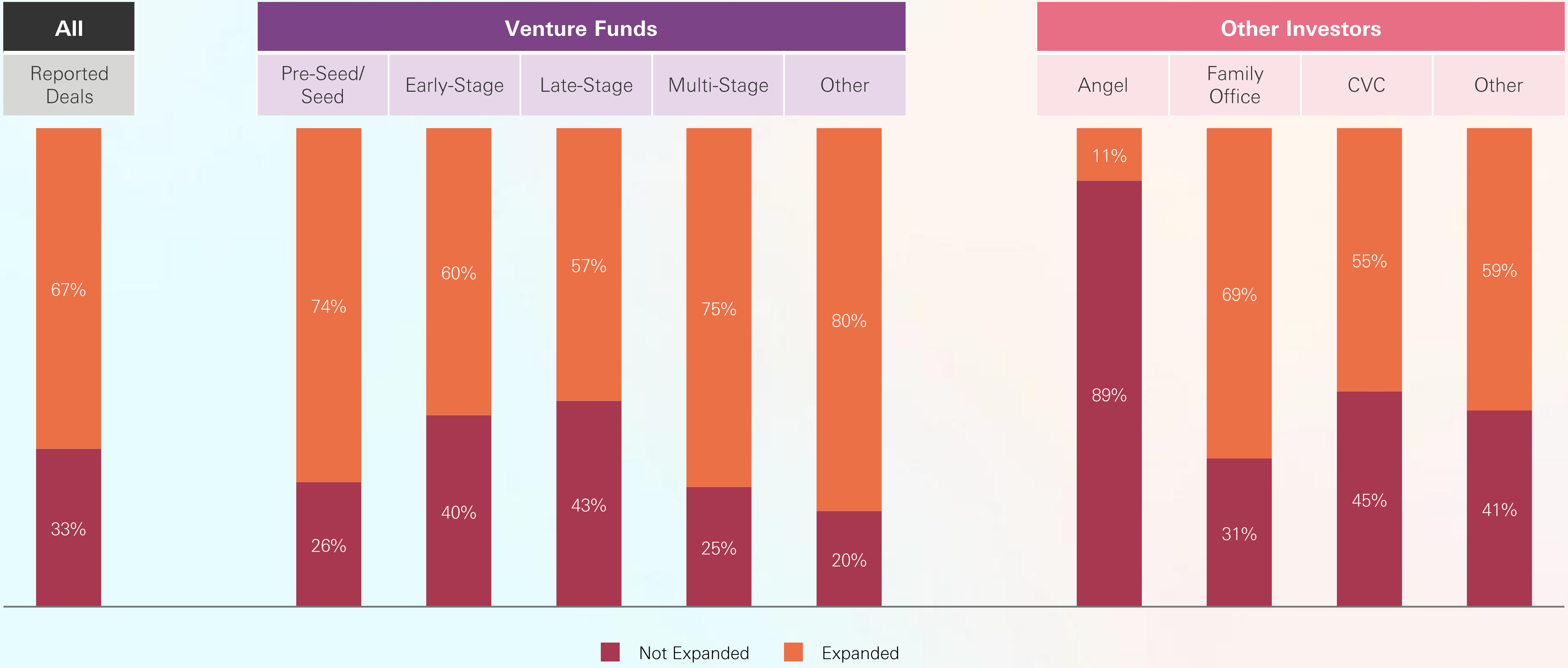


Option Pool Expansion: Company Type



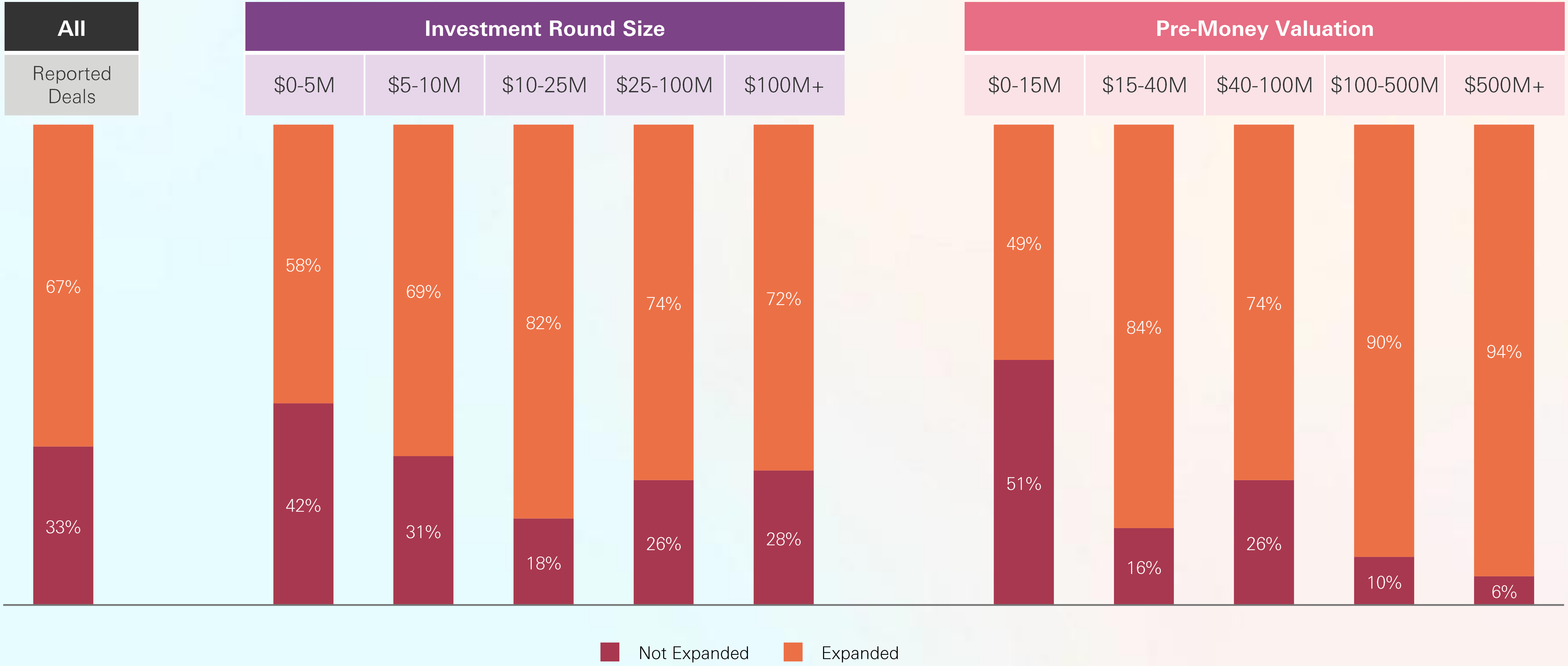
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Option Pool Expansion: Lead Investor Type

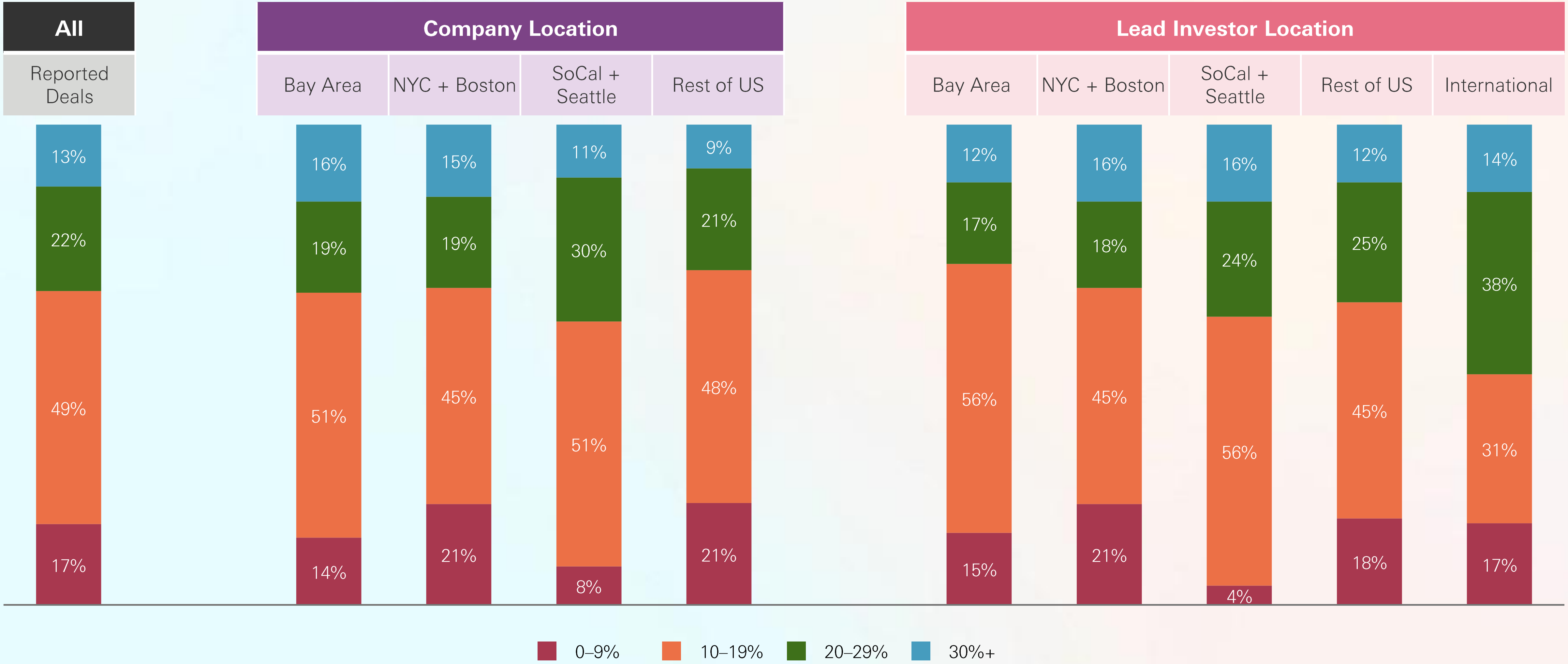


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

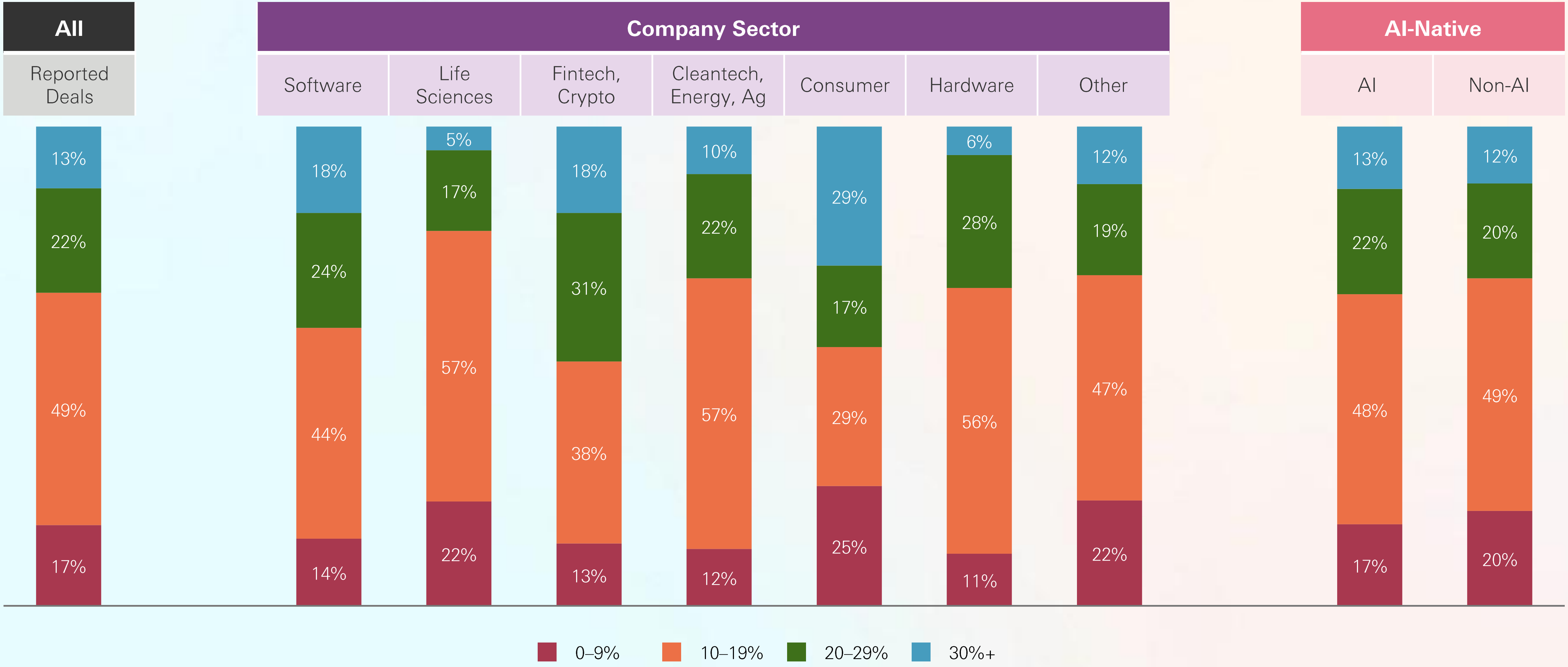
Option Pool Expansion: Round Size and Valuation



Option Pool Total Size: Geography

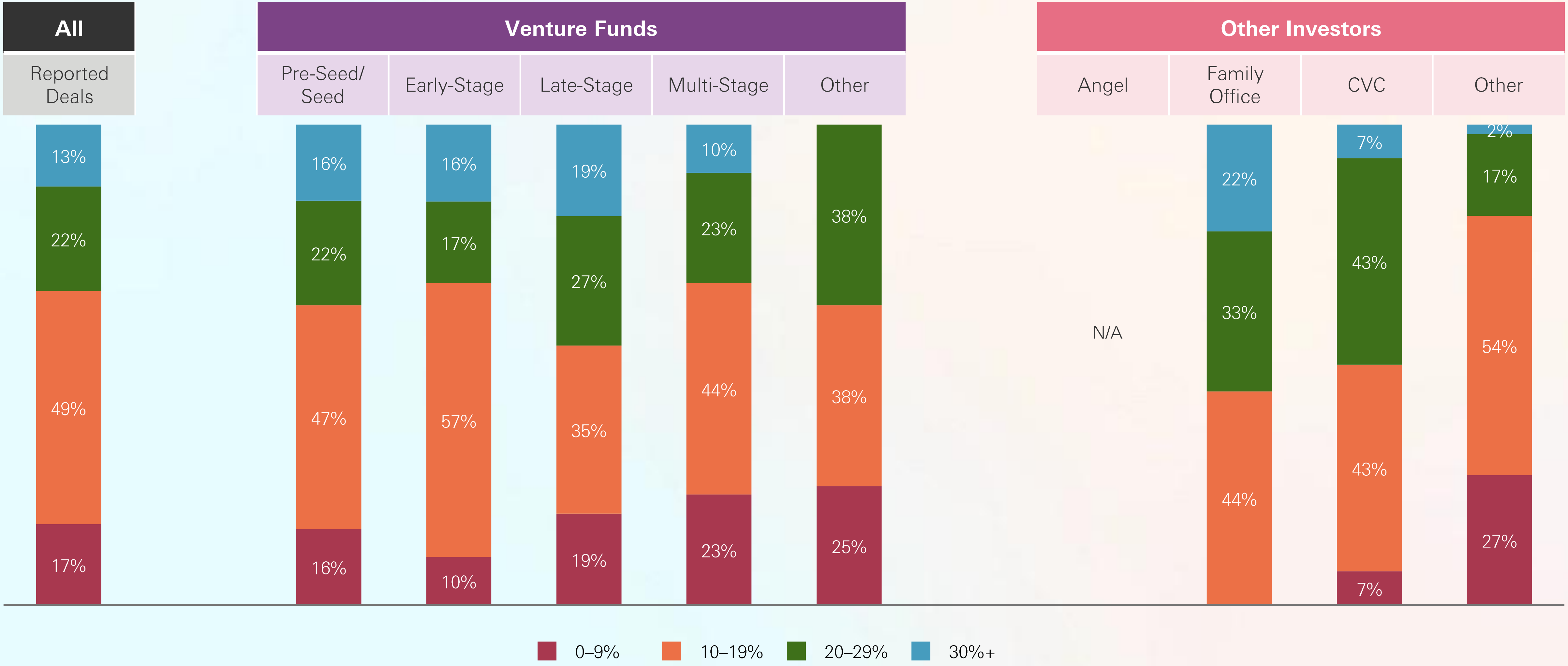


Option Pool Expansion: Company Type



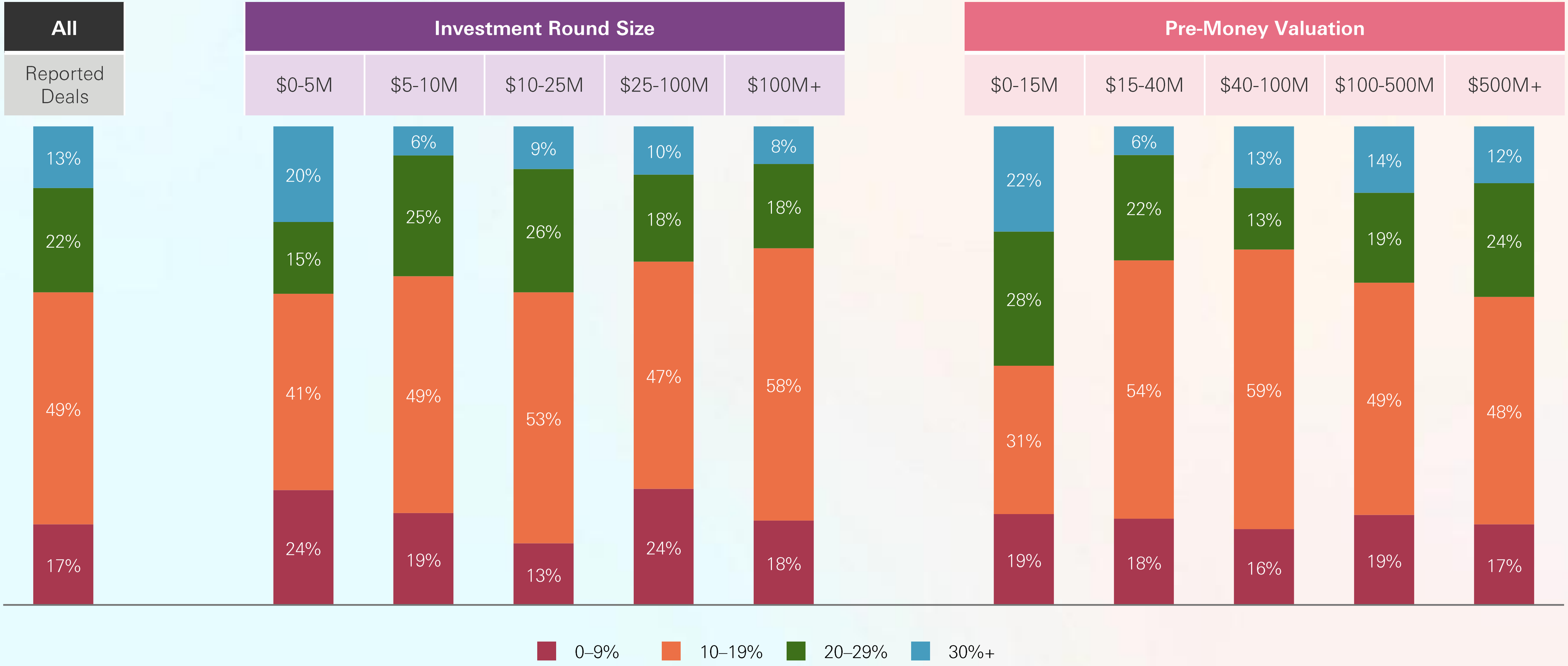
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Option Pool Total Size: Lead Investor Type

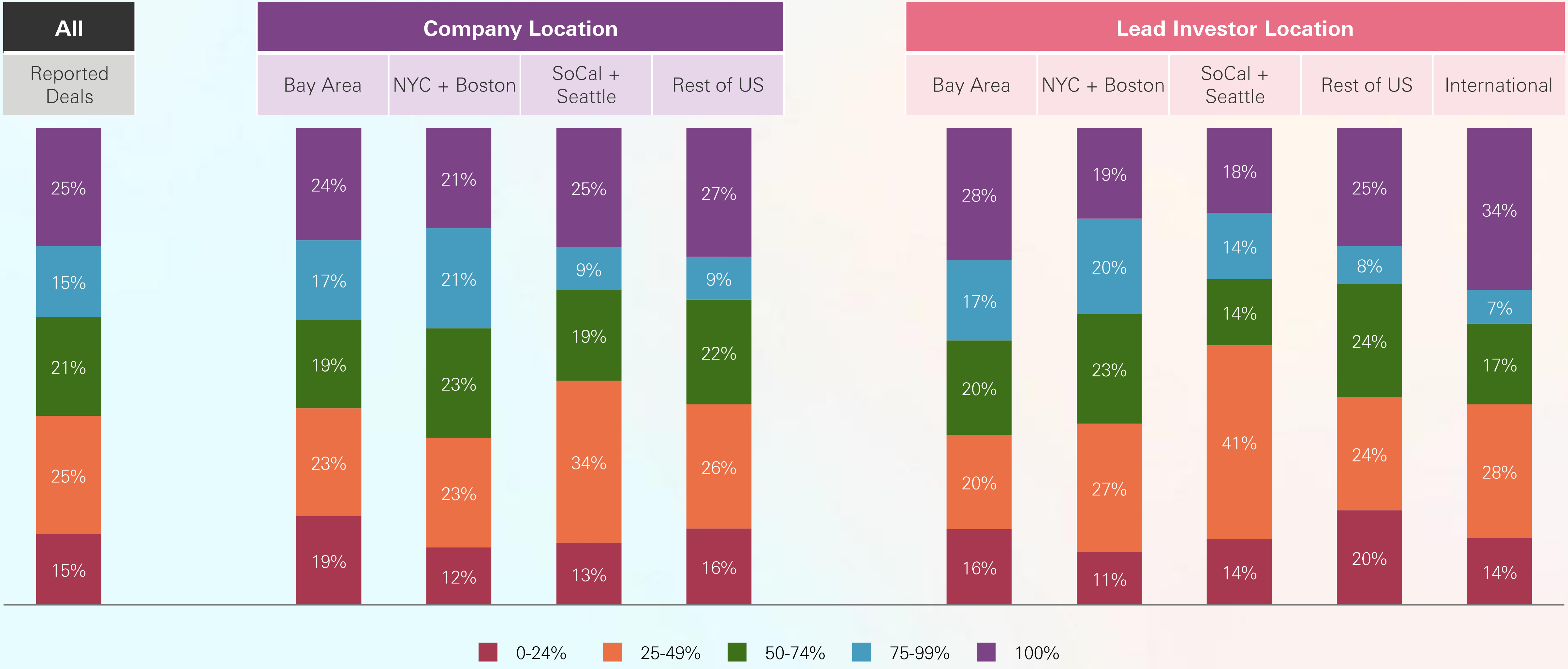


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

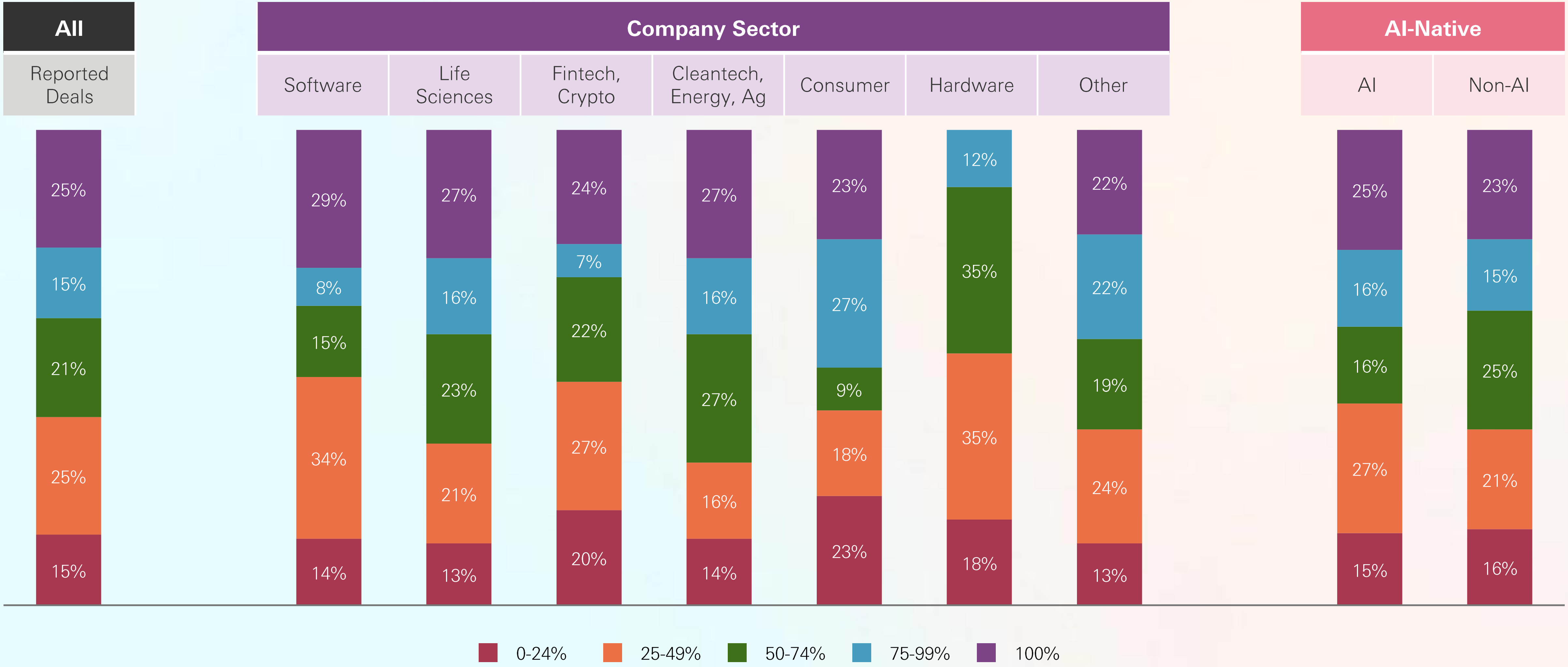
Option Pool Total Size: Round Size and Valuation



Share of Option Pool Unallocated: Geography

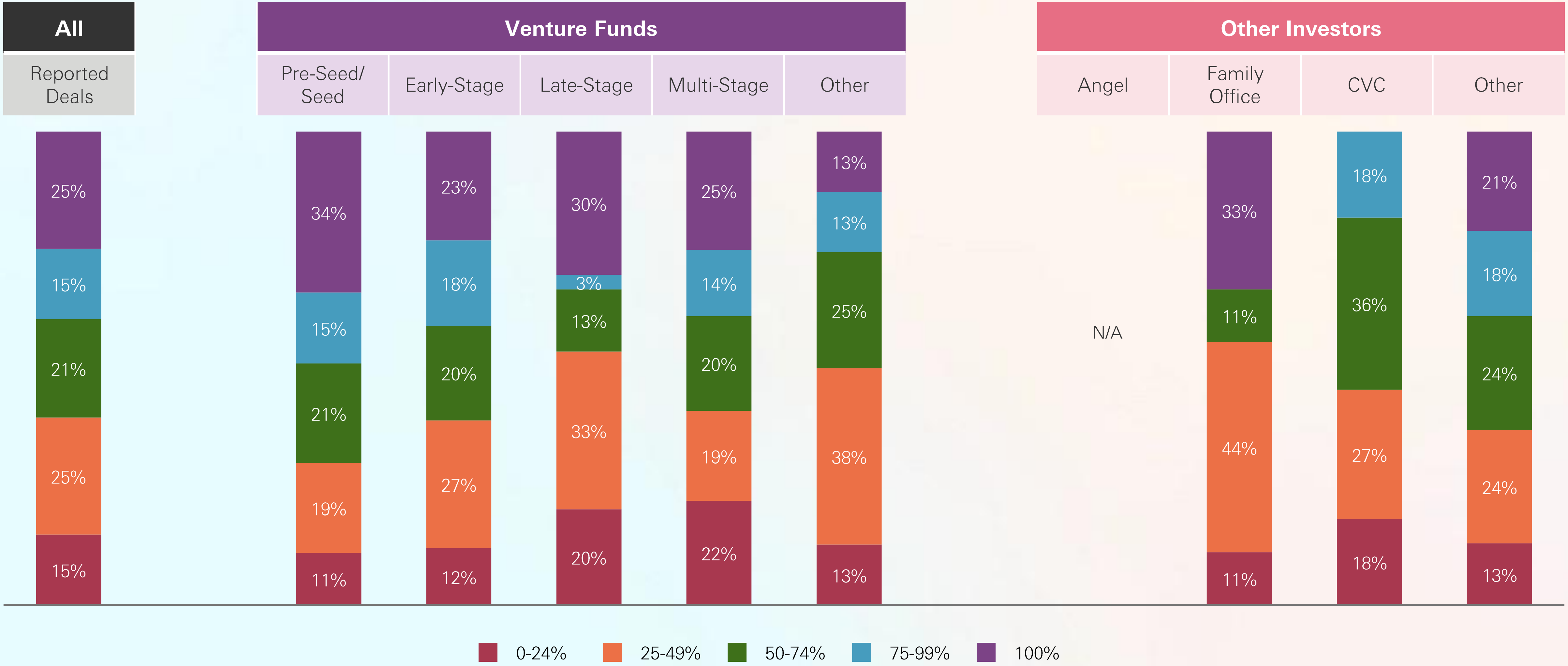


Share of Option Pool Unallocated: Company Type



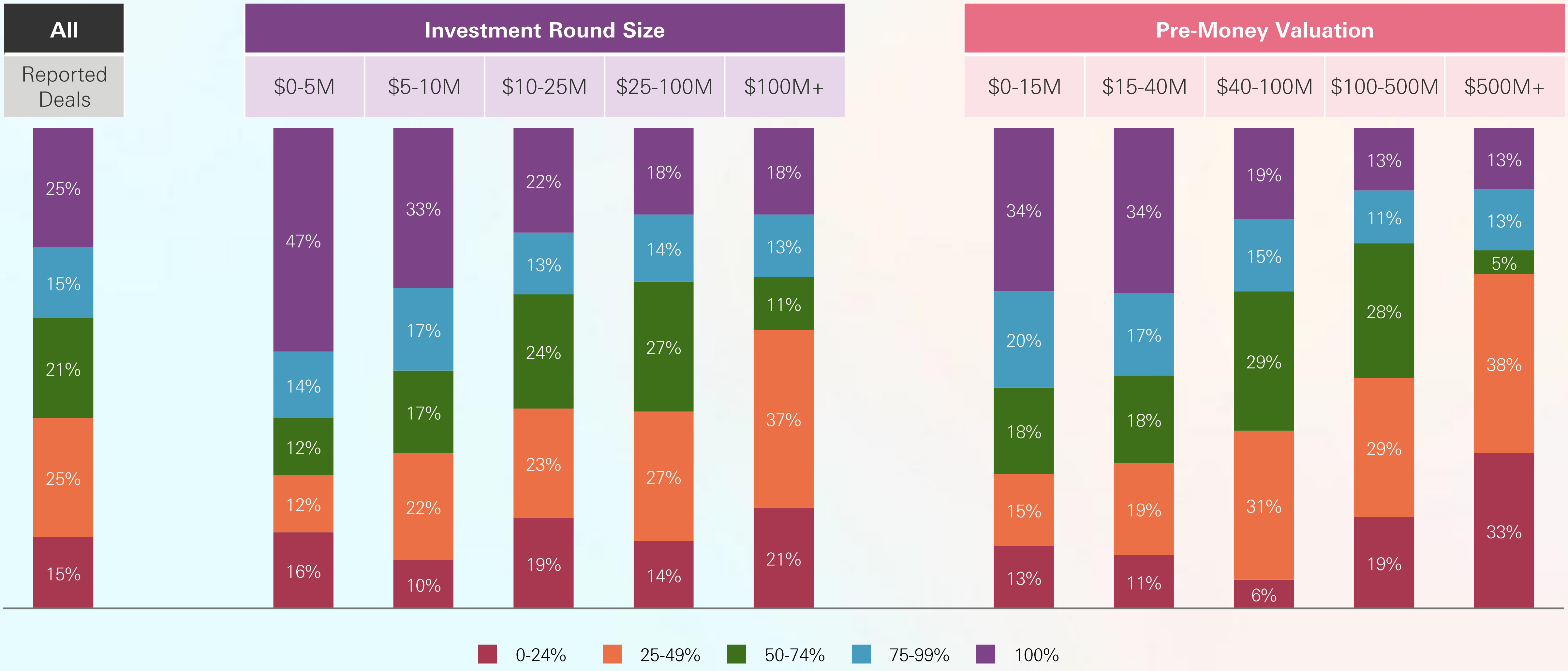
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Share of Option Pool Unallocated: Lead Investor Type

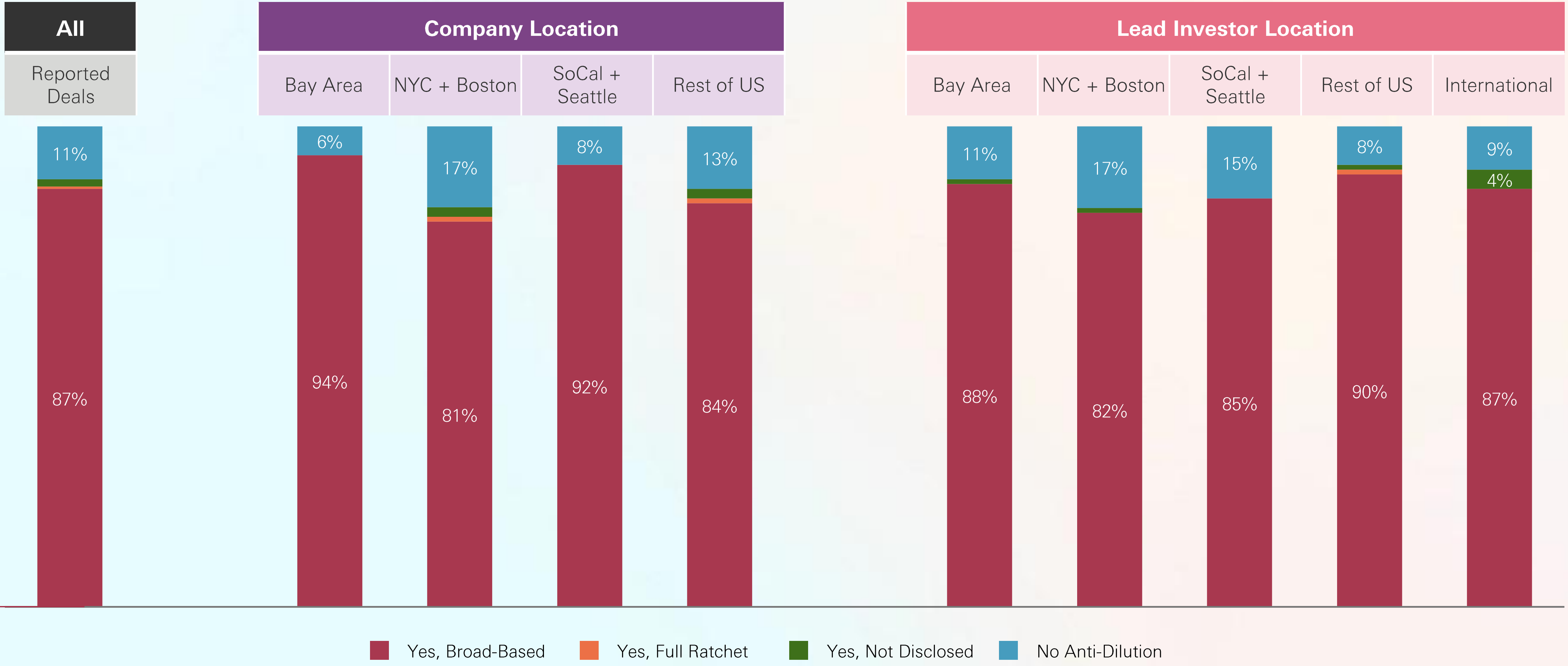


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

Share of Option Pool Unallocated: Round Size and Valuation

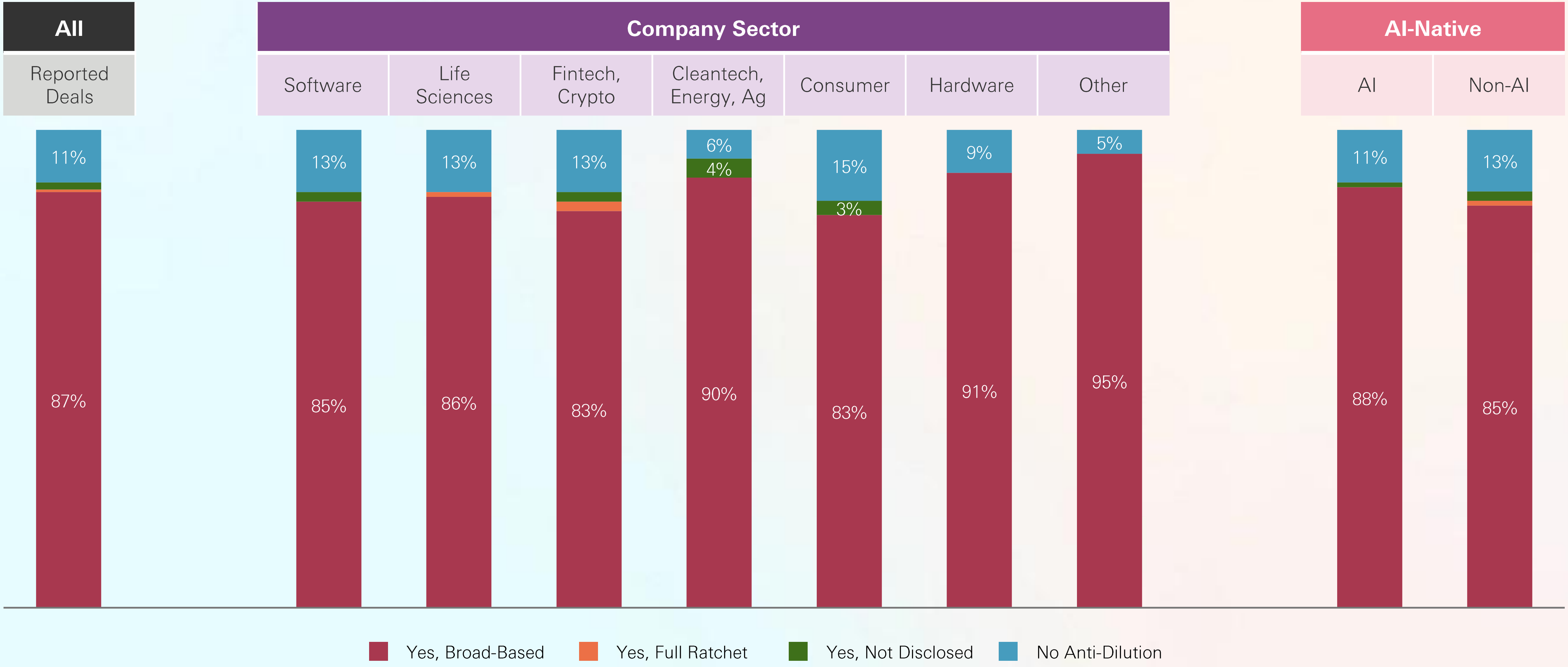


Anti-Dilution Provisions: Geography



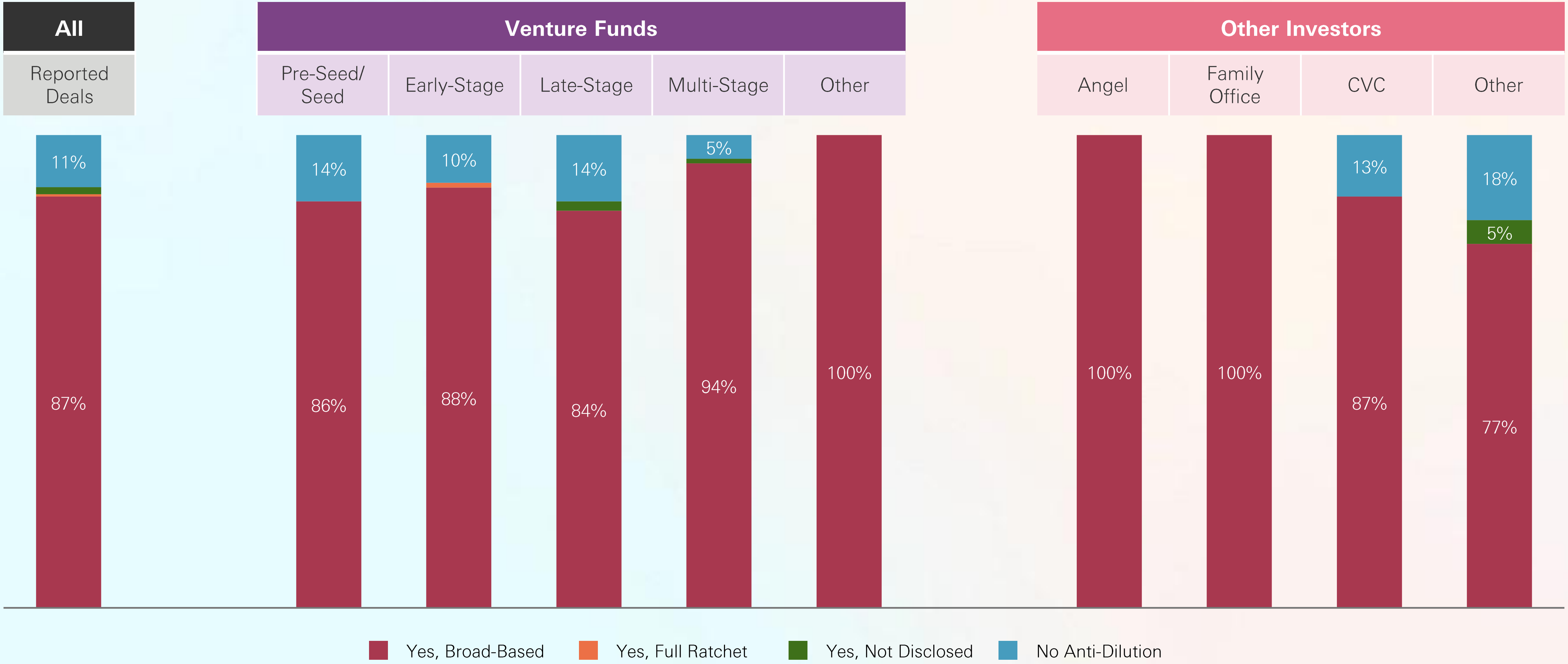
HSBC Innovation Banking

Anti-Dilution Provisions: Company Type



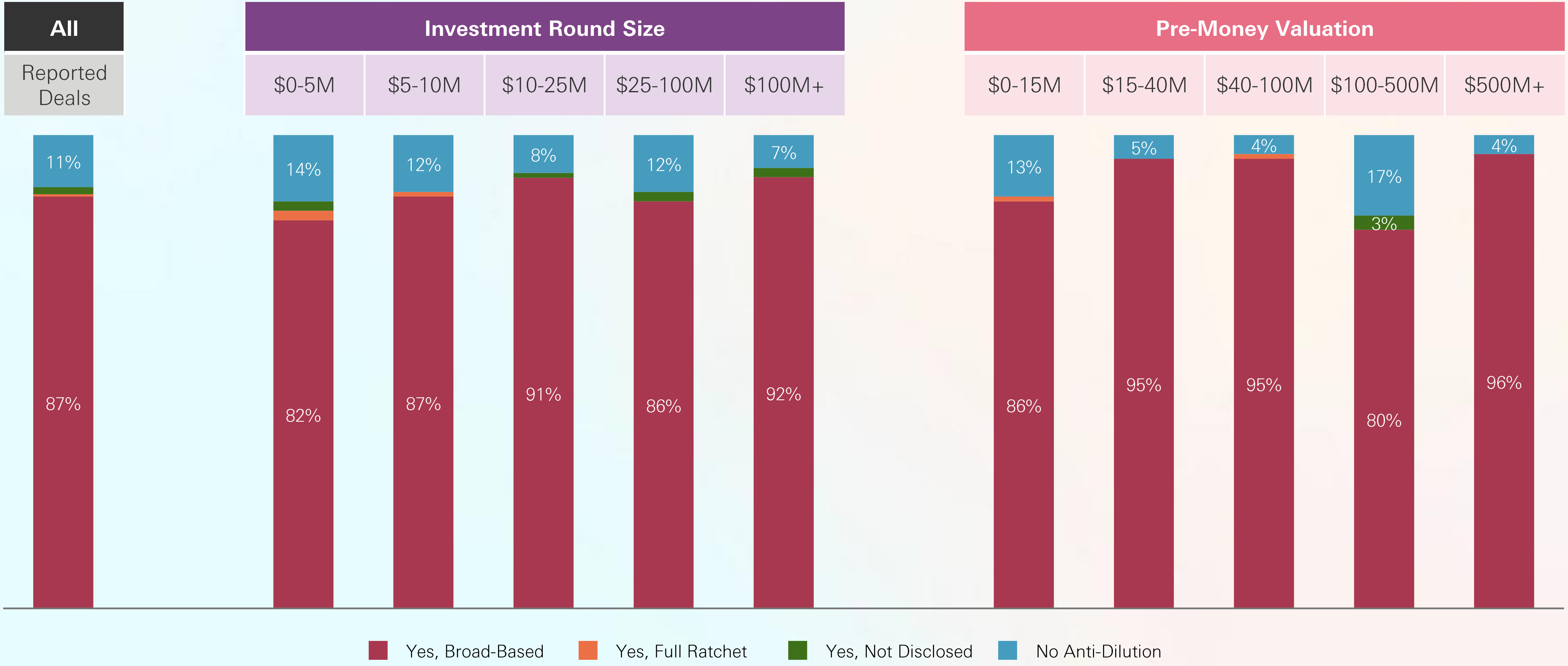
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Anti-Dilution Provisions: Lead Investor Type

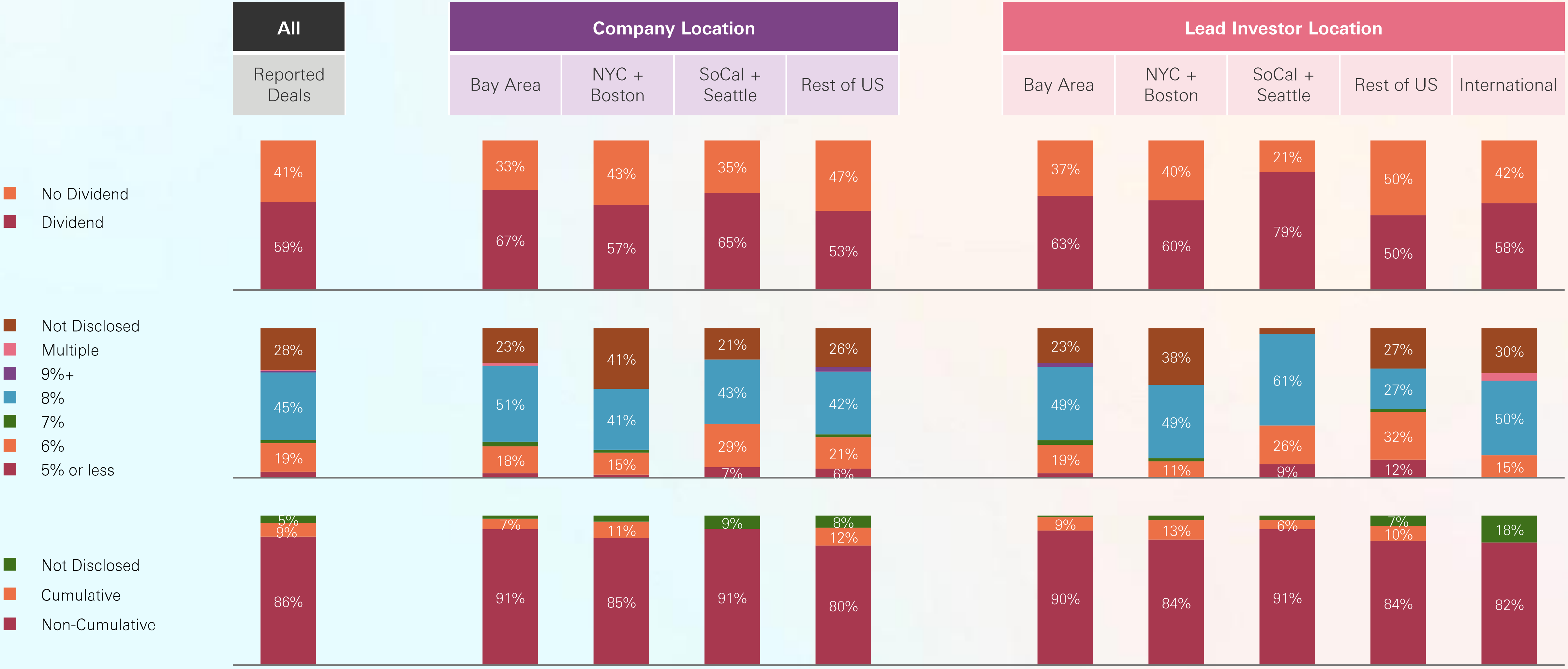


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

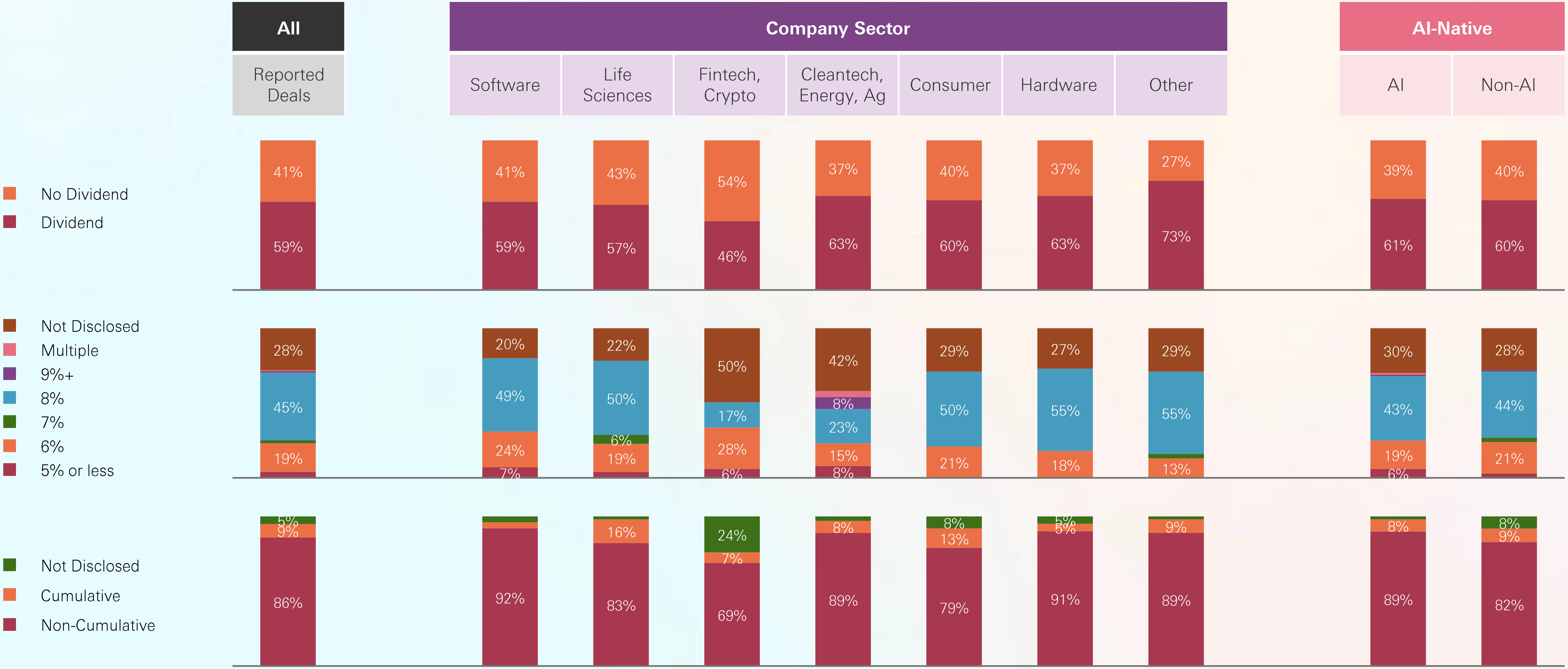
Anti-Dilution Provisions: Round Size and Valuation



Preferred Dividends: Geography

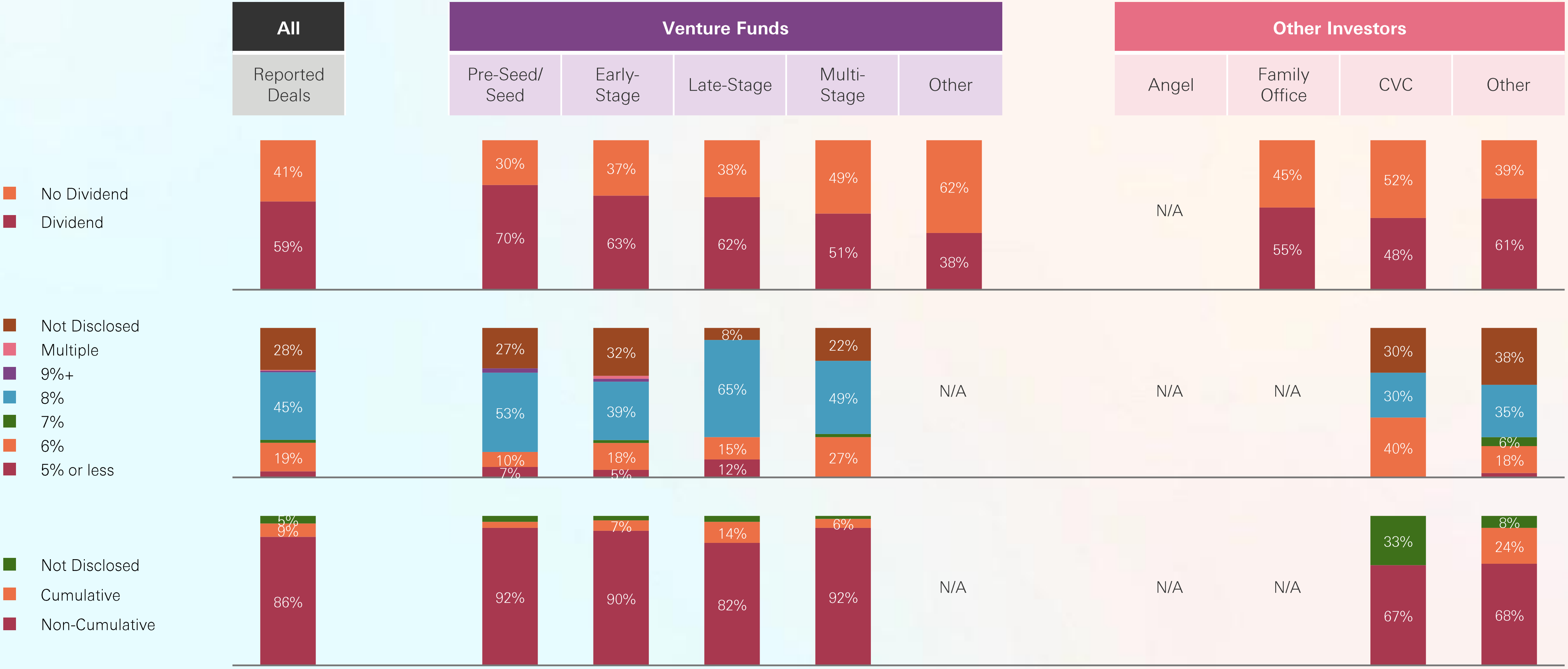


Preferred Dividends: Company Type



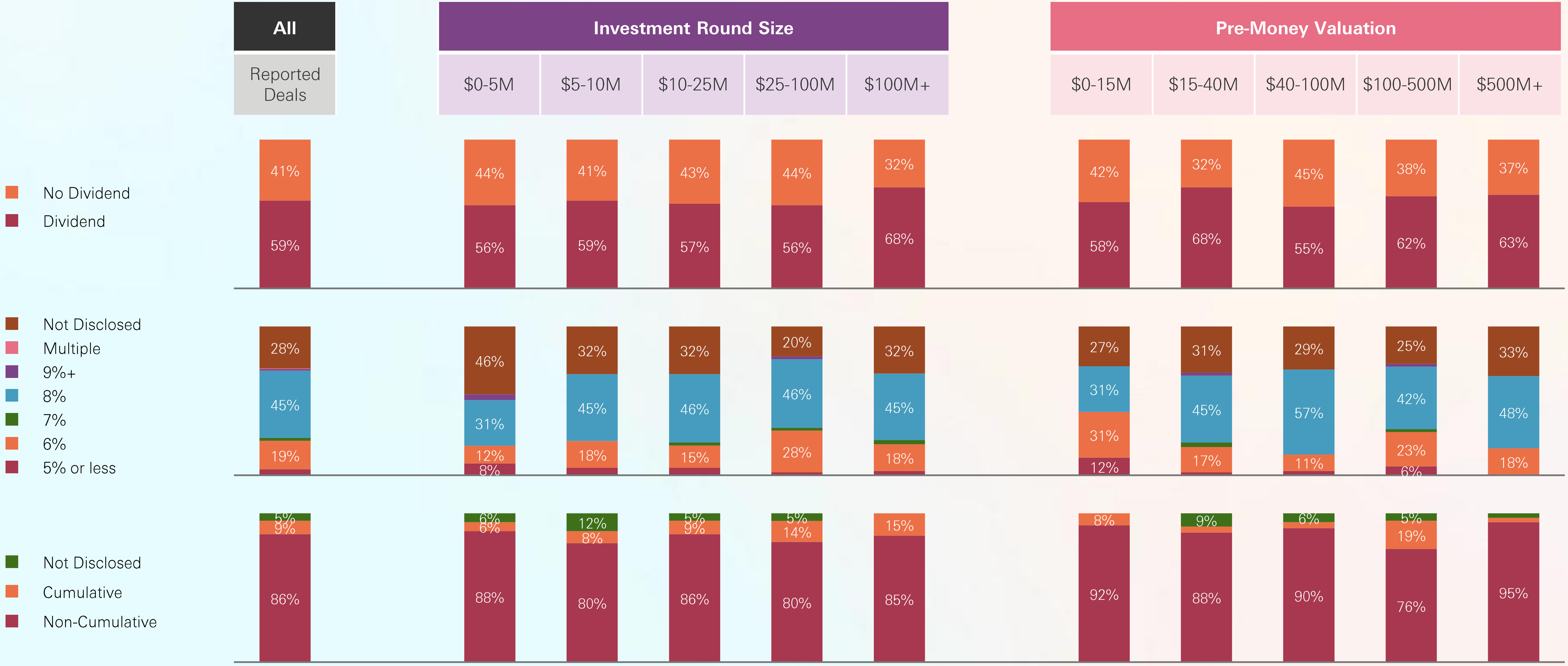
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Preferred Dividends: Lead Investor Type

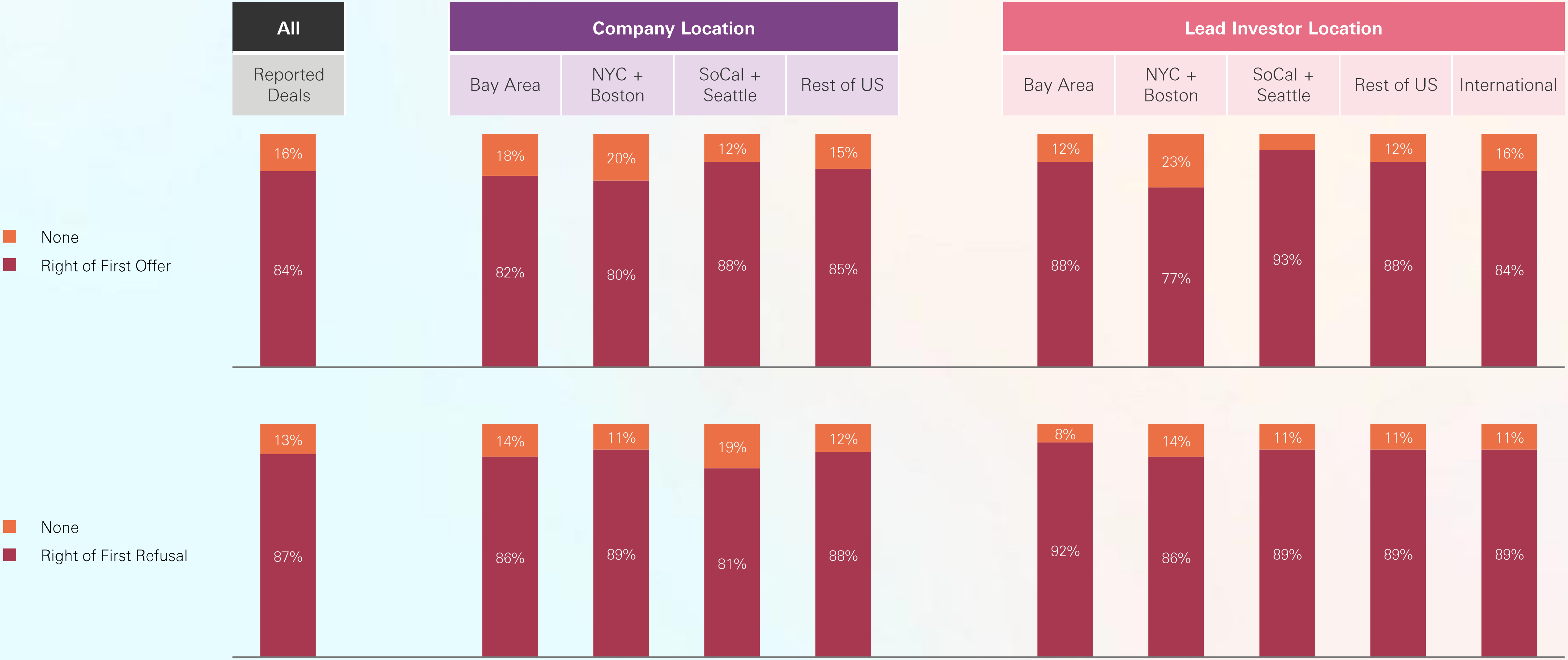


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

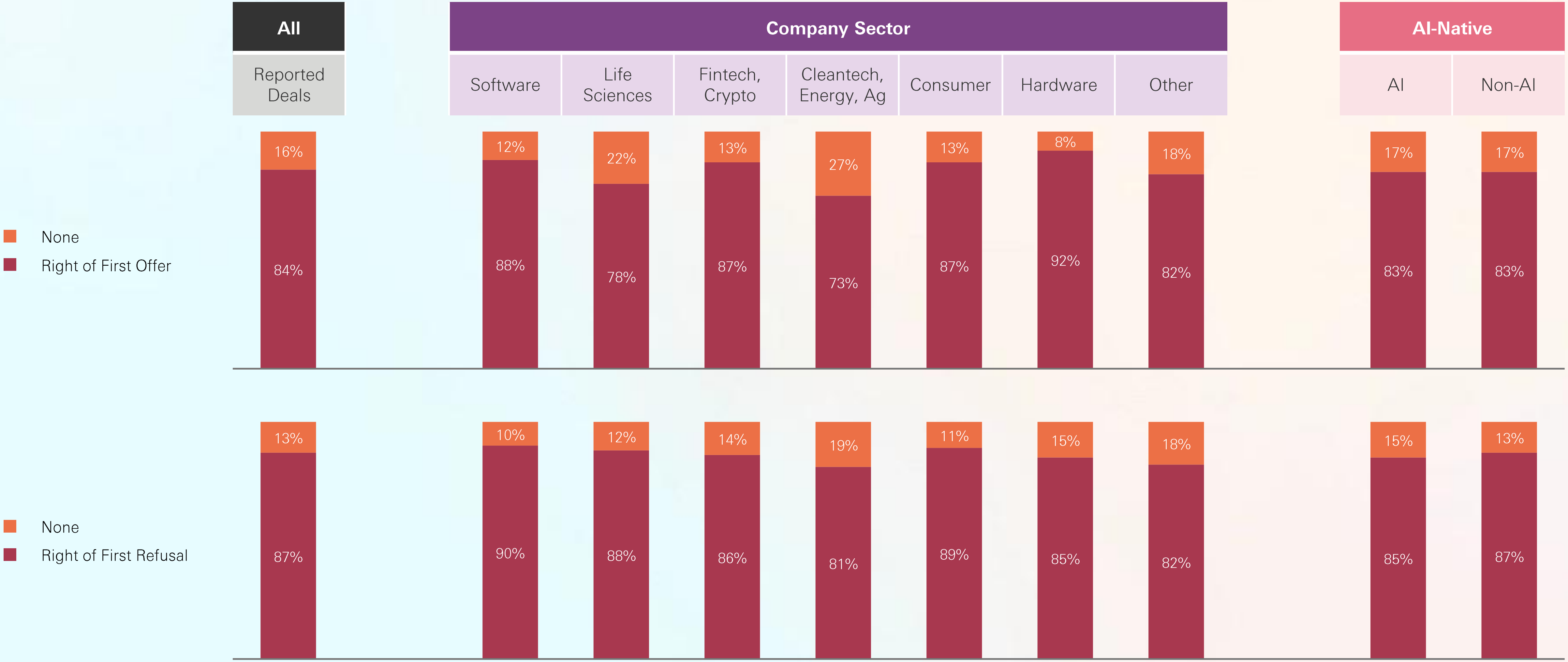
Preferred Dividends: Round Size and Valuation



Secondary Share Rights: Geography

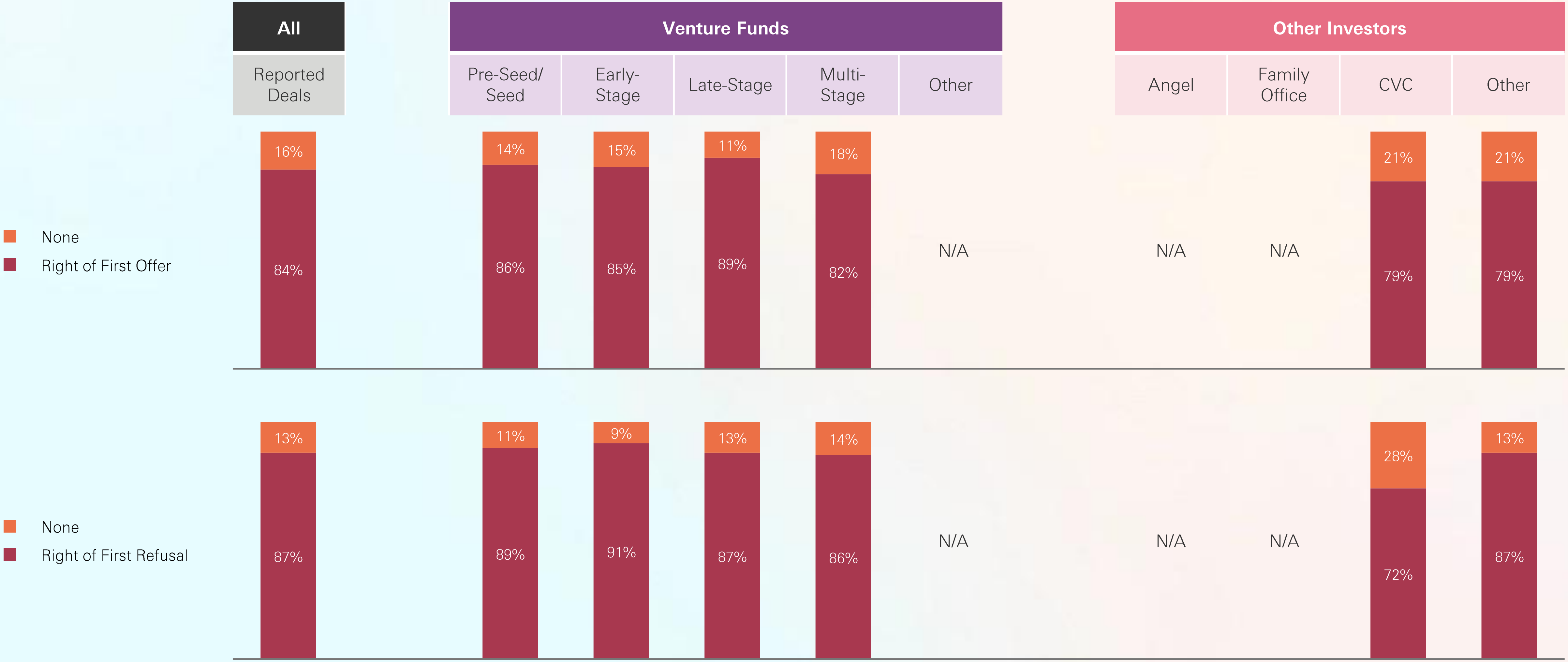


Secondary Share Rights: Company Type



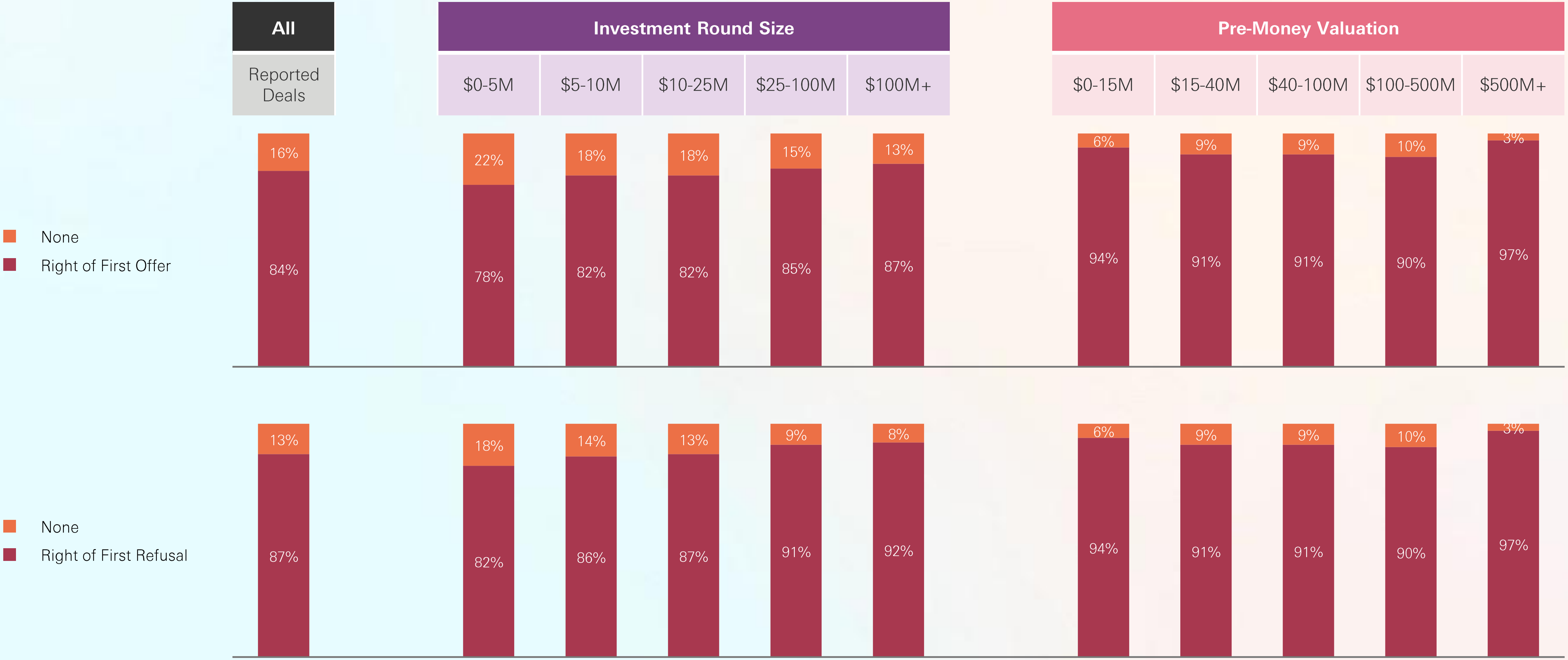
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Secondary Share Rights: Lead Investor Type

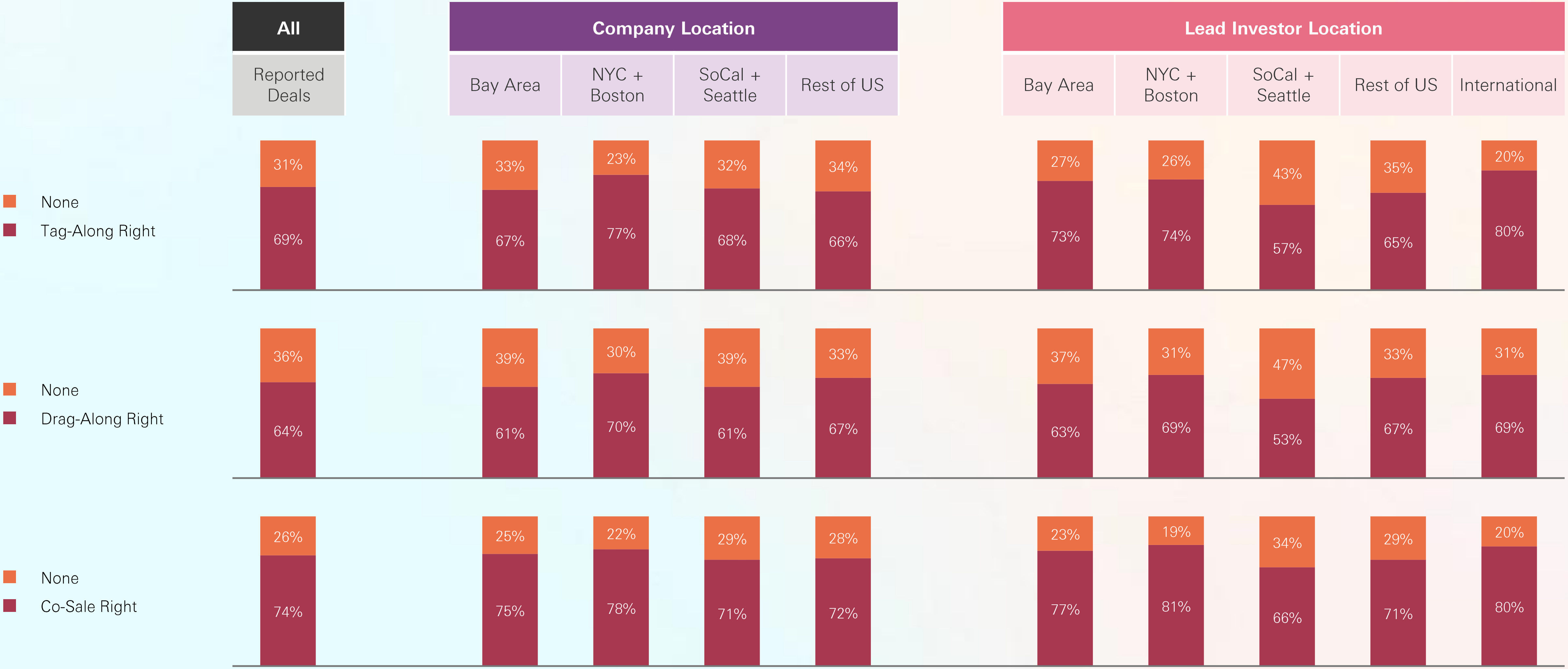


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

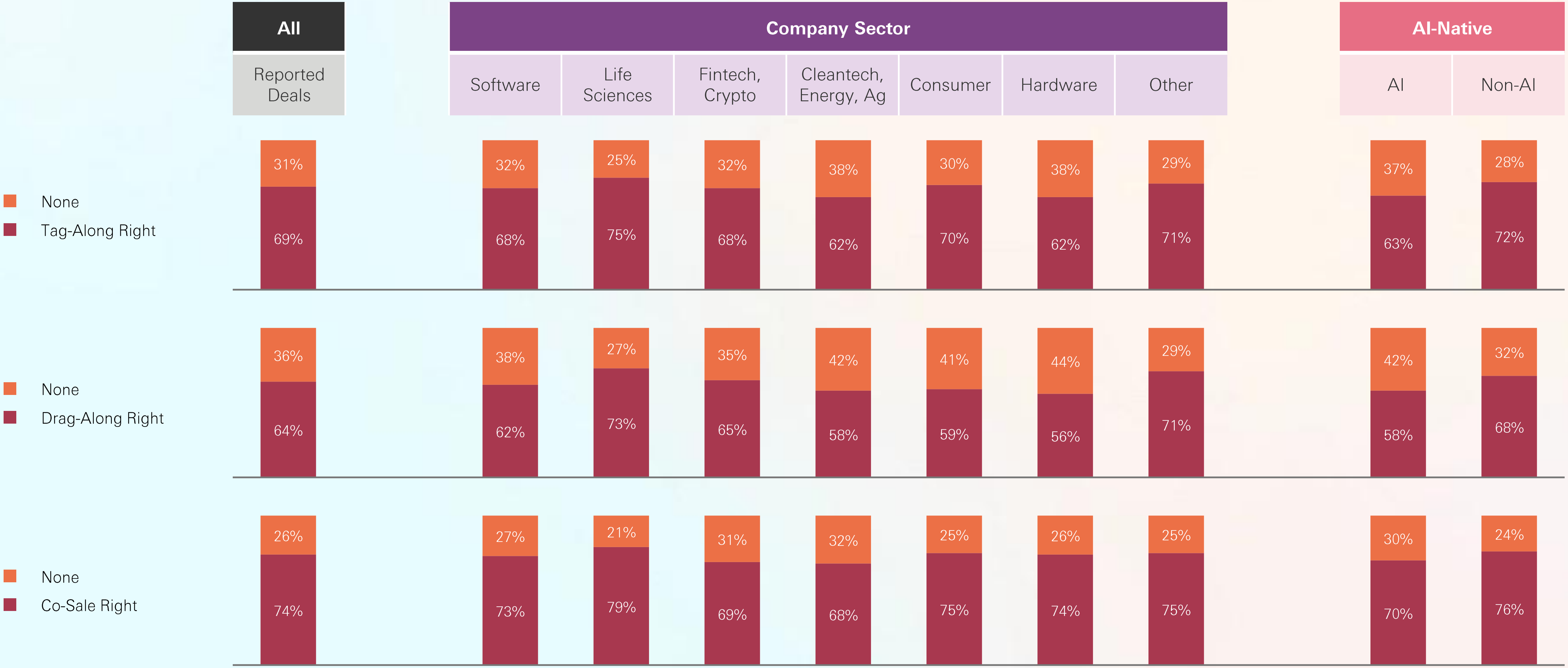
Secondary Share Rights: Round Size and Valuation



Drag-Along, Tag-Along, Co-Sale: Geography

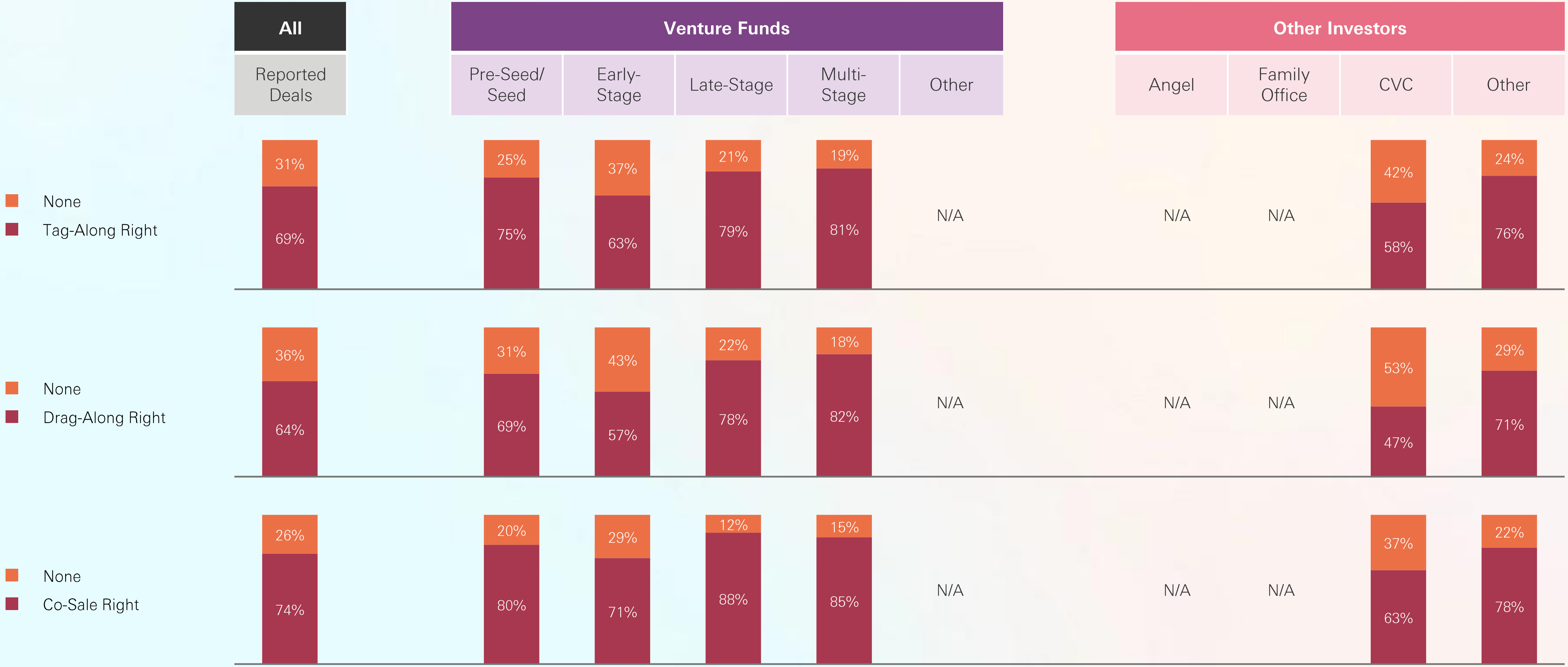


Drag-Along, Tag-Along, Co-Sale: Company Type



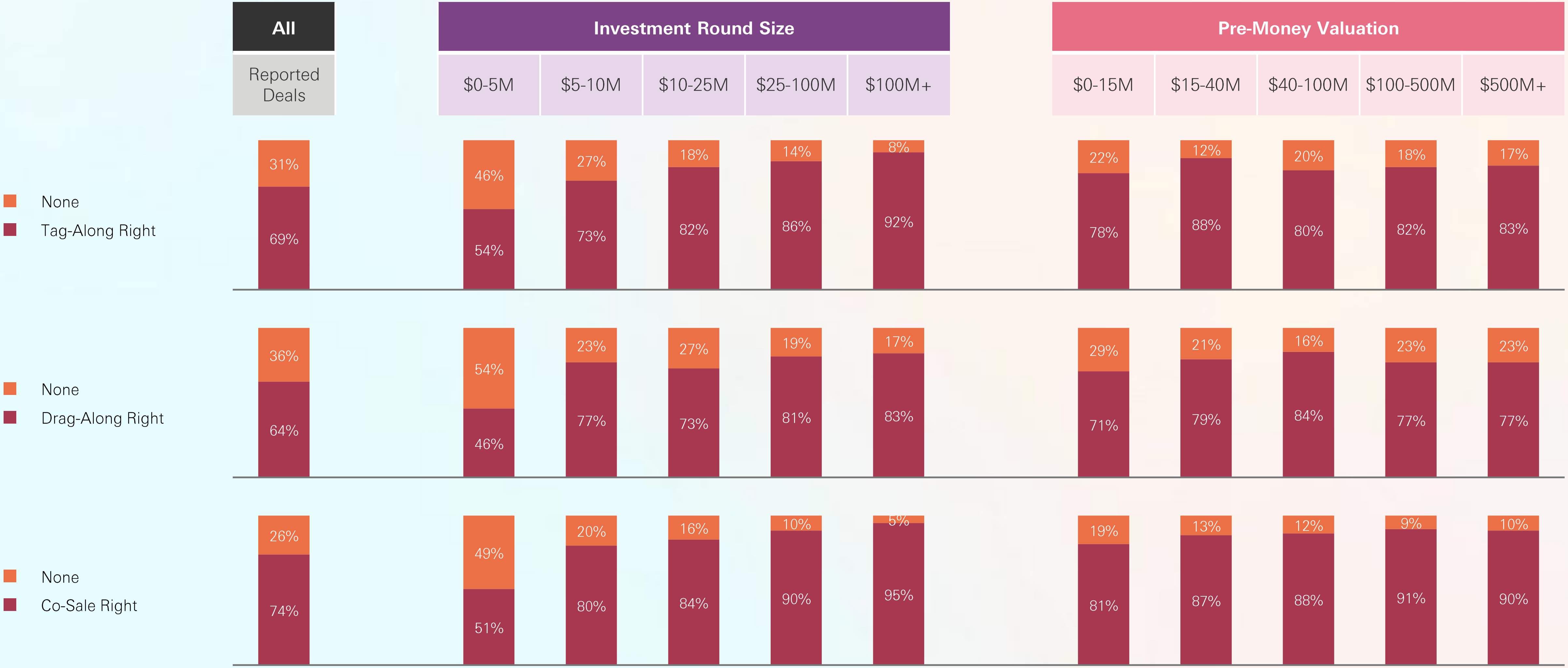
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Drag-Along, Tag-Along, Co-Sale: Lead Investor Type

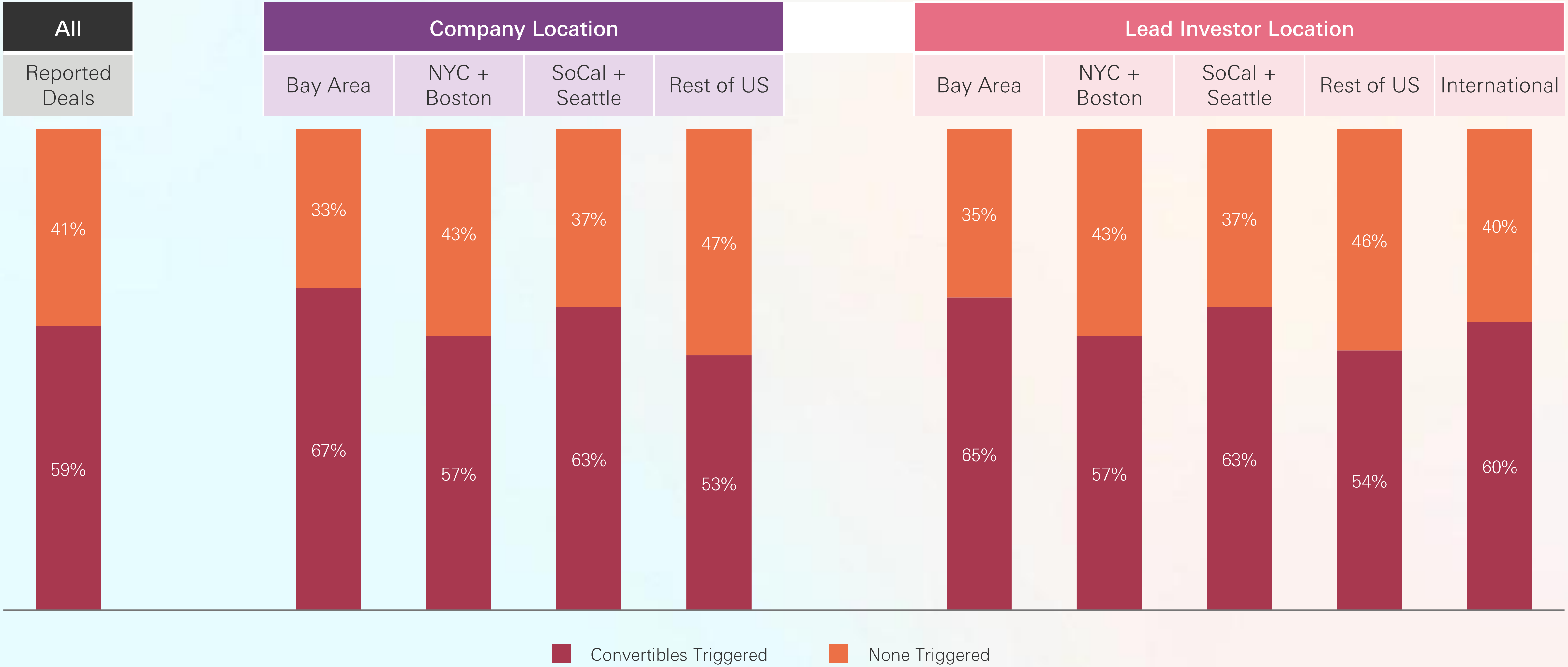


Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

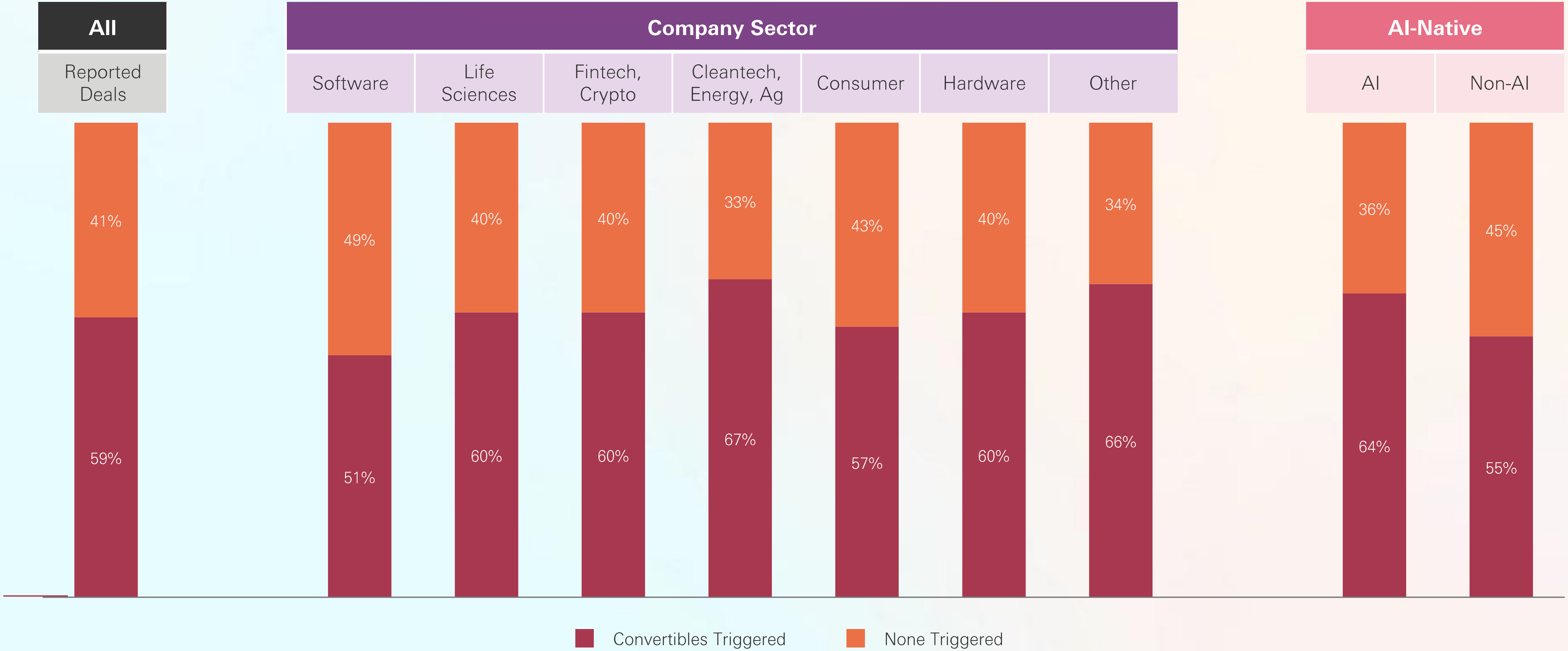
Drag-Along, Tag-Along, Co-Sale: Round Size and Valuation



Convertibles Triggered: Geography

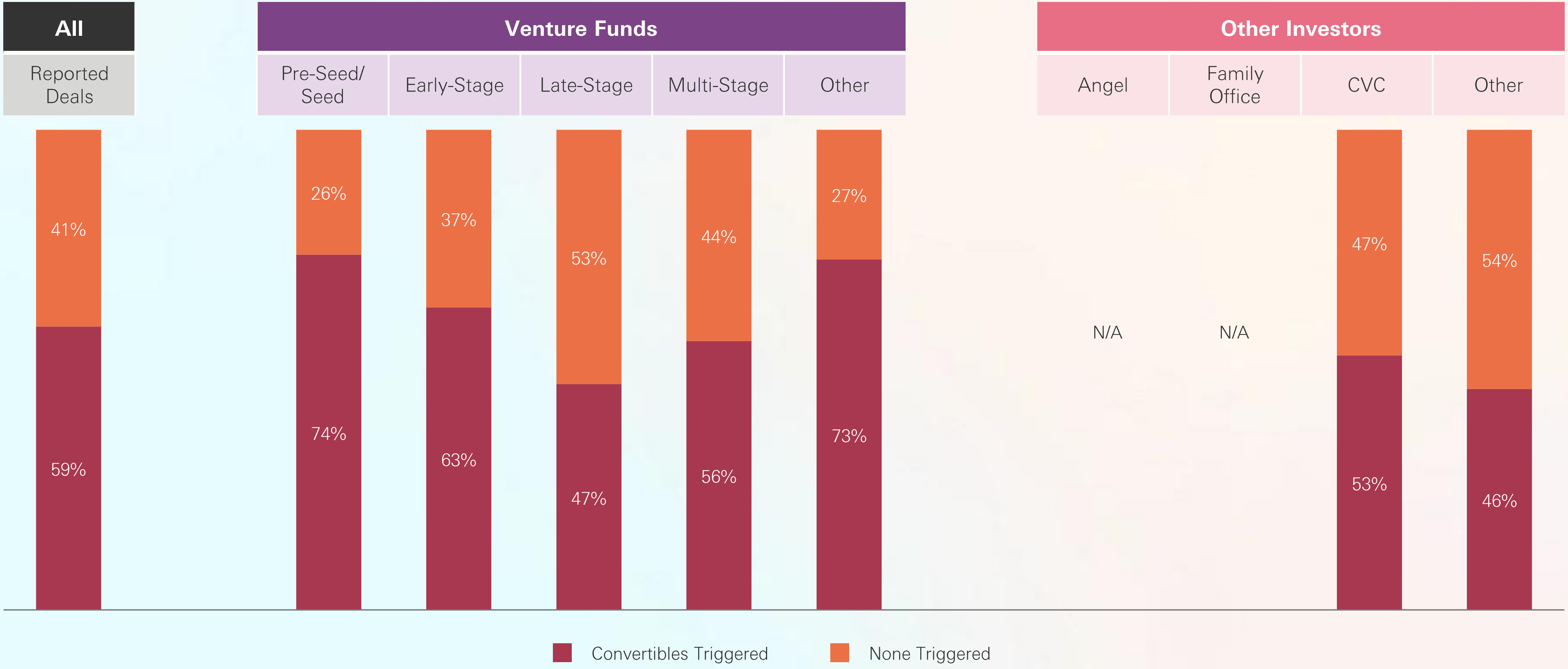


Convertibles Triggered: Company Type



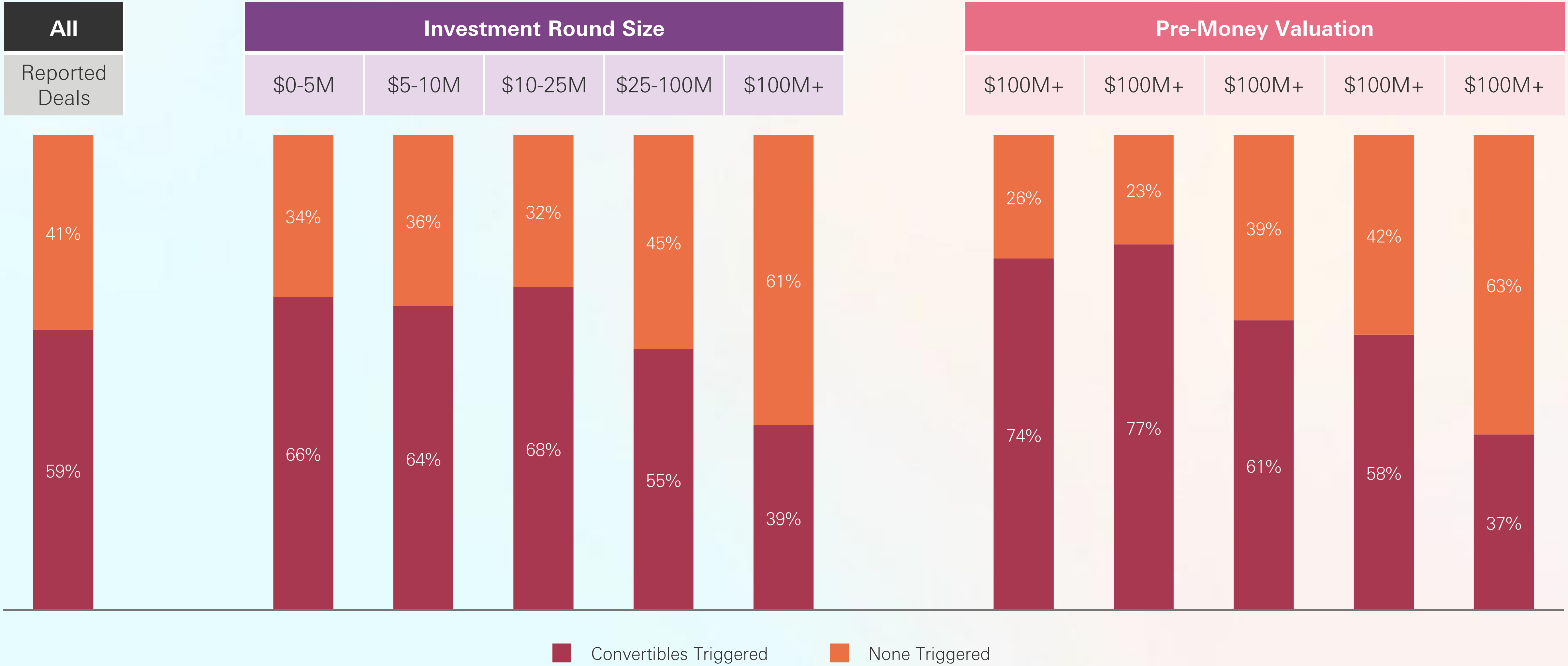
Notes: Software includes Enterprise and SMB. Life Sciences includes HealthTech and BioPharma. Fintech includes Blockchain and Crypto. CleanTech includes Energy, AgTech, and FoodTech. Consumer includes Media, AdTech and Ecommerce. Hardware includes Robotics, SpaceTech, and Telecomm.

Share of Option Pool Unallocated: Lead Investor Type



Notes: Other Investors - Other includes Private Equity, Hedge Funds, and Accelerators/Incubators.

Convertibles Triggered: Round Size and Valuation



Venture Debt

Section 4

HSBC Innovation Banking

Venture Debt can be a Meaningful Component of a Company's Overall Capital Strategy – Driving Value for Founders, Employees, and Investors

- Venture debt is commonly deployed to extend runway and drive organic growth typically for loss-making, equity-backed businesses. The loan can provide a high-growth company with months/quarters of cash runway between equity rounds. The additional capital supports the borrower in reaching the material milestones that will attract new equity at favorable terms/valuations. Venture debt can also be deployed for inorganic growth like M&A. However, it should be avoided in cases of a last-resort funding source for an underperforming business or thought of as bridging loan.
- Venture debt can be an attractive capital source thanks to its flexible structure (e.g. no covenants) and is typically a lower cost of capital to equity. When used appropriately, a venture debt loan minimizes dilution for founders, employees and investors, thereby enhancing exit potential of all players. A balanced approach to debt vs equity capital is important to consider. It is important for a company to avoid overleveraging a business at an early stage as debt ultimate has to be repaid and a large debt balance could present hurdles for future fundraises (i.e. prospective investors can be hesitant to invest in a company in which a material amount of proceeds will be used for debt repayment).
- There are two primary providers, venture debt banks and venture debt funds, their typical characteristics are:

Venture debt: Banks

- Primary funding source: balance sheet capital.
- Cost: Low.
- Control: Will not take a board position
- Scalability: Low-High; dependent upon the size of the institution. Banks can also scale other forms of financing through various life stages (ex: working capital, guarantees, acquisition financing, overdrafts).
- Structural terms: Low-Medium flexibility.
- Other:
  - Banks have the ability to leverage their balance sheet to provide multiple forms of financing to blend structure, cost, and use case from a single provider.

Venture debt: Venture debt funds

- Primary Funding Source: private fund (i.e., LP) or other vehicles.
- Cost: High; funds must meet investor hurdle rates.
- Control: Will often take a board observer seat
- Scalability: Low – High; depending upon size and maturity of the fund. Will often focus on a particular life stage
- Structural Terms: Medium – High flexibility.
- Other:
  - Funds may require board seat;
  - Funds cannot provide multiple forms of financing like working capital. This may require multiple lenders (i.e., bank).

HSBC Innovation Banking Biographies

Section 5

HSBC Innovation Banking

HSBC Innovation Banking Biographies

David Sabow, Global Head of Innovation Banking

David Sabow is the Global Head of Innovation Banking at HSBC. Dave has dedicated nearly two-decades of his career to supporting the financial and strategic needs of the innovation economy. As the Global Head of Innovation Banking, Dave is leading the development of propositions, products and services for HSBC Innovation Banking globally. In this capacity he is integrating the financial strength and global reach of HSBC with the unique client experience, product solutions, and strategic insight required to support innovation at every stage.

Prior to joining HSBC in 2023, Dave spent ten years with Silicon Valley Bank in a variety of roles, most recently running the Technology & Healthcare Division for North America. In this capacity Dave managed the North American sales force, underwriting teams, investor coverage teams, and relationship advisory teams supporting the Technology & Healthcare portfolio across the US and Canada. Prior to joining Silicon Valley Bank, Dave spent approximately eight years as an investment banker with Canaccord Genuity in San Francisco, California, where he focused on both domestic and international transactions for innovation economy clients.

Jim Marshall, Head of Tech Investor Coverage

jim.marshall@us.hsbc.com

Jim Marshall has over 20 years' experience in the venture and startup ecosystem in Silicon Valley and is currently the Head of Technology Investor Coverage and one of the founding members of HSBC Innovation Banking. In this role, Jim delivers the full HSBC platform to investors at both established and emerging venture firms across the US.

Prior to this, Jim spent several years at Silicon Valley Bank and was also the co-founder and General Partner of an early-stage venture firm, Selby Venture Partners.

Disclaimer

This material has been prepared and provided to you by members of the Corporate and Institutional Banking business of HSBC Bank USA, N.A. ("HBUS" or "we"). HSBC Innovation Banking is a business division with services provided in the United States by HBUS. Materials are being provided to you in connection with an actual or potential mandate or engagement and may not be used or relied upon by any other person or for any purpose other than as specifically contemplated by a written agreement with the issuer. We will not be liable for any liabilities arising under or in connection with the use of, or any reliance on, this document or the information contained within it. It is not intended as an offer or solicitation for business to anyone in any jurisdiction. Distribution is restricted to the United States.

Information is for discussion purposes only. Presentment to you does not constitute in whole or in part, any commitment to extend or arrange credit, or underwrite, subscribe for or place any securities, or provide any other product or service in any jurisdiction. This document does not constitute an offer or solicitation for, or advice that you should enter into, the purchase or sale of any security, commodity, or other investment product or investment agreement, or any other contract, agreement, or structure whatsoever. Materials have been prepared without regard to your particular need, investment objectives, financial situation, or means. This document shall not be regarded as creating any form of adviser/client relationship, and HSBC may only be regarded by you as acting on your behalf as a financial adviser or otherwise following the execution of an engagement letter on mutually satisfactory terms.

This information is intended for your sole use, and not for general distribution. You are permitted to store, display, analyze, modify, reformat, and print the information for your own use. You are not permitted to publish, distribute, disclose, transmit, or otherwise reproduce this information, in whole or in part, in any format, to any third party without our expressed written consent.

We do not provide tax, accounting, or legal advice. Accordingly, you should seek advice based on your particular circumstances from your independent advisors. All United States persons (including entities) are subject to U.S. taxation on their worldwide income and may be subject to tax and other filing obligations with respect to their U.S. and non-U.S. accounts. Any discussion of U.S. tax matters contained herein is not intended or written to be used, and cannot be used in connection with the promotion, marketing or recommendation of avoiding U.S. taxes.

Any information contained in this material is not and should not be regarded as investment research, debt research, or derivatives research for the purposes of the rules of the Financial Conduct Authority, the SEC, FINRA, the CFTC or any other relevant regulatory body. It has not been prepared in accordance with regulatory requirements to promote the independence of investment research. Any opinions in this material are the opinions of the author and may be changed at any time without
notice. Opinions expressed in this material may differ from the opinions expressed by other divisions of the HSBC Group, including its research department and corresponding research reports.

This material contains information relating to third parties. The information does not constitute any form of endorsement by these third parties of the products and/or services provided by HSBC or any form of cooperation between HSBC and the respective third parties. All trademarks are the property of their respective owners.

All product and company names are trademarks™ or registered® trademarks of their respective holders. Use of them does not imply any affiliation with or endorsement by them.

Financial instruments described herein may not be suitable for everyone. You should not act upon the information contained in this document without consulting your business advisor, attorney, tax and accounting advisors. This material should not support the primary basis for investment or hedging decisions made.

The Information contained herein is not meant to be comprehensive. Information is derived from sources believed to be reliable but not independently verified. HSBC and third-party contributors do not undertake, and are under no obligation, to provide any additional information, to update this document, to correct any inaccuracies or to remedy any errors or omissions. Under no circumstances will HSBC or the third-party contributor be liable for (i) the accuracy or sufficiency of this document or of any information, statement, assumption or projection contained in this document or any other written or oral information provided in connection with the same, or (ii) any loss or damage (whether direct, indirect, consequential or other) arising out of reliance upon this document and the information contained within it.

© HSBC Bank USA, N.A. 2026 ALL RIGHTS RESERVED. Member FDIC

Thank you

HSBC Innovation Banking