

**[ ]** **Term Sheet (Investment)**

1. **SUMMARY**
   1. This term sheet (“**Term Sheet**”) summarises the principal terms of the current understanding of the parties with respect to certain issues to the proposed investment in the company.
   2. Nothing in this summary of terms shall constitute a legally binding obligation. The Term Sheets will later be replaced by binding transaction documents.

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| --- | --- | --- |
| **Key Terms** | | **Consensus Reached** |
| **Structure** | | |
| **1** | **Parties** | **Company:**  1) [ ] with registration number [ ]  [ ]  **Investors:**   * [ ] ("") – [ ], [ ] |
| **2** | **Company Founder(s)** | **Founder(s):**   * [ ] |
| **3** | **Investment Amount** | **Total:** [ ] |
| **4** | **Investment Type** | [ ] |
| **5** | **Investor Holdings** | [ ]  See **Schedule 1 (Proposed Capitalisation Table)** |
| **6** | **ESOP** | [ ] |
| **Investee Operations** | | |
| **7** | **Business of the Company** | [ ] |
| **8** | **Board of Directors** | **Agreed**:   * Company will have a Board of Directors, to be limited to [ ] members.   The Company will be managed and run on the basis of:   * Company shall indemnify / protect the Investor Director(s) from personal liability * Founder to manage day-to-day operations of Company * Typical board decisions to be made by simple majority * [ ] |
| **9** | **Board Reserved Matters** | **Agreed**:   * Changing the Company’s business * Agreeing to wind-up or dissolve the Company * Any alteration to the Company’s share capital * Amendment to the Constitution of the Company * Any change in the size of the Board * Approval of an Annual Budget and business plan * Adoption of, or amendments, the terms of an ESOP * Appointment or change of the Company’s Auditor * Transaction between the Company and related parties, other than on an arm’s length basis * Declaration or payment of dividends * [ ]   Actions requiring agreement by 100% of Directors:   * Any Variation of Business Plan (and associated budget) * Opening new bank accounts / incurring new bank debt * Hiring staff outside of that contained in Business Plan * Conduct of litigation etc * Customer orders being concluded orally (i.e. no contract or order form) * Customer orders being concluded orally (i.e. no contract or order form) * [ ] |
| **10** | **Shareholder Reserved Matters** | **Agreed**:   * Any alteration to the Company's share capital / Issuance of new shares * Amendment to the Constitution of the Company * Any change in the size of the Board * Transaction between the Company and related parties, other than on an arm's length basis * Changing the Company's business * Appointment or change of the Company's Auditor * Declaration or payment of dividends * Agreeing to wind-up or dissolve the Company * An IPO and any commitments to be made in relation to an IPO * Conduct of litigation etc / settlements * [ ]   The shareholder reserved matters will require express consent from the Investor. |
| **11** | **Shareholder Voting Rights** | [ ] |
| **12** | **Investor Information Rights** | **Agreed**:   * Monthly P&L statements * Monthly management accounts * Quarterly unaudited financial statements * Quarterly revenue forecasts * Quarterly cashflow statement * Quarterly balance sheet * Annual audited financial statements * Annual Business Plan * Company to promptly provide such information on its financial condition, business and corporate affairs as Investor may reasonably request * Investors can require Company, at Company cost, to submit to an audit/independent assessment up to 1 time per year * Investors have right to inspect books, property and premises of Company a) subject to reasonable notice, and b) in relation to any potential purchase of Investor's interests * [ ] |
| Founder Restrictions | | |
| **13** | **Founder Restrictions** | **Agreed**:   * Non-Compete * Non-Solicitation * Founders to devote all working time and efforts to the Company * Founder Lock-In * Founder Vesting * [ ] |
| **14** | **Founder Vesting** | **Agreed**:   * [ ] |
| **15** | **Founder Lock-In** | **Agreed**:   * [ ] |
| Investor Rights | | |
| **16** | **Right of First Refusal** | [ ] |
| **17** | **Drag Along Rights** | [ ] |
| **18** | **Tag Along Rights** | [ ] |
| **19** | **Exit** | [ ] |
| **20** | **Anti-dilution** | [ ] |
| **21** | **Investor Transfers** | The Investors will be expressly exempted from any restrictions/pre-emptive rights that might apply to its holdings (Founder expressly waives its rights of pre-emption in relation to Investor’s shares and/or issuance of new shares by the Company).  Other express rights in relation to share transfers:   * [ ] |
| **22** | **Events of Default** | [ ] |
| **23** | **Valuation Principles** | Fair market value |
| Closing Condition Precedent/Condition Subsequent | | |
| **24** | **Deal Specific Condition Precedent** | **Agreed**:   * [ ] |
| **25** | **Deal Specific Condition Subsequent** | **Agreed**:   * [ ] |
| Representations and Warranties | | |
| **26** | **Representations and Warranties** | Market practice / customary representations and warranties shall be given by the Founders to the Investors relating to status of Company and conduct of the Founders etc.   * [ ] * [ ] |
| Miscellaneous | | |
| **27** | **Expenses** | The Company shall pay Investors’ expenses, subject to an aggregate cap of [ ], relating to the contemplated transaction. |
| **28** | **Indemnities** | Transaction agreements will include indemnification of the Investors by the Founders and the Company in relation to:   * Breach of representations and warranties * Wilful misconduct and/or negligence of the Founders * Liabilities of the Investors resulting from any directorships of the Company * [ ] |
| **29** | **Shareholding Structure** | [ ] |
| **30** | **Exclusivity** | The Investee is restricted from discussing investments with third parties while discussions are ongoing with the Investor. |
| **31** | **Confidentiality** | All parties obliged to keep negotiations (including the existence and content of this deal shaper) confidential. |
| **32** | **Dispute Resolution and Governing Law** | Governing Law: [ ] |

**Schedule 1 (Proposed Capitalisation Table)**

Note: the table below is included to illustrate holdings anticipated at the time of dating. The Parties acknowledge and agree that these are subject to change with final holdings to be set out in the final transaction documents (to the extent that such documents are agreed and executed).

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **[Current]** | | **Pre-Investment** | | **Post-Investment** | |
| **Name of Shareholder** | **No. of Shares** | **% Shareholding** | **No. of Shares** | **% Shareholding** | **No. of Shares** | **% Shareholding** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Total** |  | **100.00%** |  | **100.00%** |  | **100.00%** |