

**Investment Term Sheet – Preferred Shares**

This term sheet (the **Term Sheet**) sets out the principal terms of a proposed equity financing of [*Name*] Limited (the **Company**).

This Term Sheet is non-binding, save in relation to the sections headed "Confidentiality", "Exclusivity", "Fees" and "Governing Law and Jurisdiction" below, which legally bind the signatories to this Term Sheet.

<b>INVESTMENT</b>		
<b>Investor:</b>		
<b>Company:</b>		number
<b>Existing Shares:</b>		
<b>Shareholders:</b>		
<b>Pre-investment valuation:</b>		
<b>Investment amount:</b>		
<b>Use of proceeds:</b>		the specific use of [Technology/IP]].
<b>Pre-investment capital:</b>		[ <i>Number</i> ]% [ <i>Number</i> ]% [ <i>Number</i> ]% 100.00%
<b>Post-investment capital:</b>		[ <i>Number</i> ]% [ <i>Number</i> ]% [ <i>Number</i> ]% [ <i>Number</i> ]% 100.00%
<b>Investor Shares:</b>		this Term Sheet ordinary
	Shares, representing [ <i>number</i> ] % of the capital of the Company post-investment on a fully-diluted basis.	
<b>Subscription Price</b>	£[ <i>Amount</i> ] per Preferred Share.	
<b>INVESTMENT PROCESS</b>		
<b>Target Completion Date</b>	[ <i>Date</i> ].	

<p><b>Conditions</b></p>	<p>Completion of the investment (<b>Completion</b>) will be subject to the satisfaction of all conditions customary for a transaction of this nature, including:</p> <ul style="list-style-type: none"> <li>(a) completion by the Investor to its satisfaction of commercial, financial and legal due diligence on the Company;</li> <li>(b) receipt of all third party, regulatory and tax consents required for the purposes of the investment, including [specify any</li> </ul>
<p><b>Provision of information</b></p>	<p>ion required and records</p>
<p><b>Principal Inv Documents</b></p>	<p>y the warranties given described between the company;</p> <p>s of the</p> <p>will be</p>
<p><b>Warranties</b></p>	<p>anties given of the</p> <p>ssued shares s;</p> <p>agement</p> <p>audited</p> <ul style="list-style-type: none"> <li>(c) accounts;</li> <li>(d) the annual budget, business plan and other information provided to the Investor relating to the Company;</li> </ul>

	<p>(e) the Company's contractual arrangements, including contracts with customers and suppliers and the absence of any breaches;</p> <p>(f) contractual and other arrangements between the Company and the Existing Shareholders;</p> <p>(g) ownership of the Company's assets;</p>
<p><b>Non-competi</b></p>	<p>the sion</p>
<p><b>PREFERRED</b></p>	
<p><b>Preferred Sh Majority</b></p>	<p>ed Shares.</p>
<p><b>Voting</b></p>	<p>of votes equal of Preferred each Ordinary</p>
<p><b>[Dividend rig</b></p>	<p>inary Shares, .] % per letion, to be <b>dividend</b>]. Shares and</p>
<p><b>[Liquidation Preference</b></p>	<p><b>Liquidation Preference</b> of [1 x] [1.25 x] [1.5 x] the Subscription Price [plus the amount of any cumulated unpaid Preferred Dividends] (the <b>Liquidation Preference</b>), prior to any payment to the holders of Ordinary Shares [and subject to adjustment under the anti-dilution protection provisions below].</p> <p><b>Liquidity Event</b> means:</p>



	<p>(b) one non-voting observer to the Board of Directors of the Company and of each subsidiary of the Company (the <b>Observer</b>).</p>
<p><b>Preferred Share Consent Matters</b></p>	<p>The Shareholders Agreement shall include a list of matters requiring the prior written consent (acting by Preferred Share Majority) of the holders of the Preferred Shares (the <b>Preferred Share Consent Matters</b>), including the matters listed in Schedule 2.</p>
<p><b>Information</b></p>	<p>to receive the following the ing the end of to the start of as the require from</p>
<p><b>Future share</b></p>	<p>ing proportion to exception of; ons as at exercise of n for up to share capital</p>
<p><b>Transfer of S Permitted Tr</b></p>	<p>ansfer shares d persons</p>
<p><b>Transfers of pre-emption</b></p>	<p>emptive rights basis), other d/or the Drag-</p>
<p><b>Transfers of Compulsory</b></p>	<p>will be subject mber] years llows:  (a) save as provided in sub-paragraph (b) below, each Existing Shareholder's holding of Ordinary Shares will vest equally on a [monthly] basis over the Vesting Period;</p>







	<p>Company or of any subsidiary of the Company (other than in the ordinary course of business); or</p> <p>(iii) any investment in the Company by any other person; or</p> <p>(b) induce, solicit or carry on any discussions or negotiations with any other person relating to any activity referred to in sub-paragraph (c) above or</p> <p>directly, any subsidiary of the Company or any other person enter into any agreement or arrangement in contravention of paragraph (b) above.</p> <p>shall be liable to pay to the Company all reasonable fees, charges, costs and expenses, including professional costs, incurred by the Company in connection with the enforcement of a breach of any of the provisions of this Term Sheet, including the costs of any legal proceedings, and shall be liable to pay to the Company, in relation to any such breach, a maximum amount of £100,000 (plus any costs incurred by the Company in connection with the enforcement of this provision).</p>
<p><b>Fees</b></p>	<p>to this Term Sheet, including the costs of any legal proceedings, and shall be liable to pay to the Company, in relation to any such breach, a maximum amount of £100,000 (plus any costs incurred by the Company in connection with the enforcement of this provision).</p> <p>above and] expenses incurred in connection with the enforcement of this Term Sheet, including the costs of any legal proceedings, and shall be liable to pay to the Company, in relation to any such breach, a maximum amount of £100,000 (plus any costs incurred by the Company in connection with the enforcement of this provision).</p>
<p><b>Governing law and jurisdiction</b></p>	<p>to this Term Sheet, including the costs of any legal proceedings, and shall be liable to pay to the Company, in relation to any such breach, a maximum amount of £100,000 (plus any costs incurred by the Company in connection with the enforcement of this provision).</p> <p>whether contractual or non-contractual) arising out of or in connection with this Term Sheet, its subject matter or formation shall be governed by English law.</p> <p>The signatories to this Term Sheet irrevocably agree that the English courts shall have exclusive jurisdiction to settle any dispute or claim</p>



	(whether contractual or non-contractual) arising out of or in connection with this Term Sheet, its subject matter or formation.
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**Schedule 1 – Share Capital**

**Part 1 – Pre-investment share capital**

<i>Shares/options</i>	<i>Name</i>	<i>Number</i>	<i>Sub-totals</i>	<i>Percentage</i>
<u>Ordinary Shares</u>				
	[Name]	[Number]		[NUMBER]%
				[NUMBER]%
<u>Shareholder lo conversion</u>				[NUMBER]%
<u>Existing share</u>				
				[NUMBER]%
				[NUMBER]%
<u>New ESOP</u>				[NUMBER]%
TOTAL				100.00%

Fully-diluted cap

(a)

Completion];

(b)

Employee share  
and

(c)

ent fully-diluted

Investment calc

Pre-investment

Company]

Pre-investment

Subscription Pri

vestment

Investment amc

or]

Investor Shares

by Subscription

Post-investment share capital

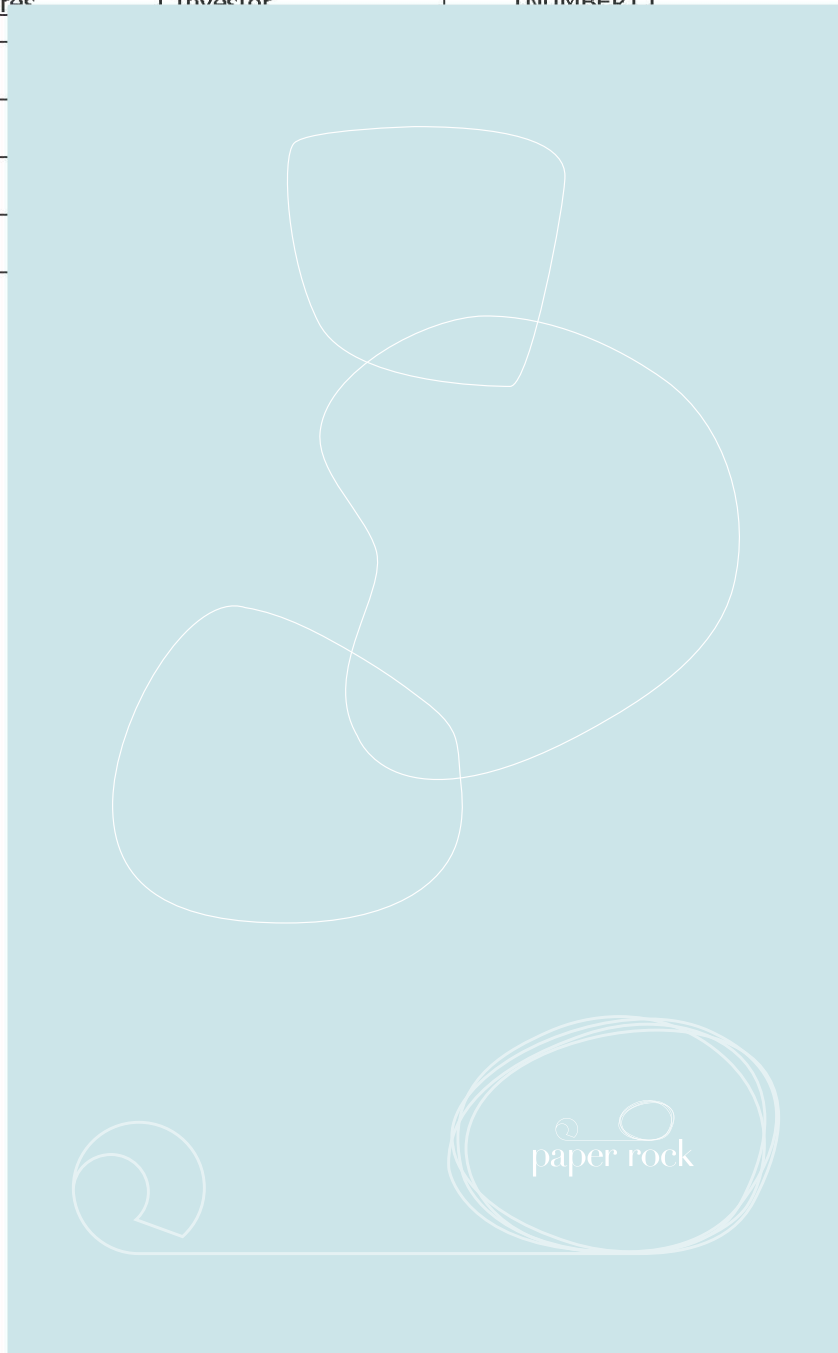
[NUMBER] [ *Calculated as Pre-investment share capital plus Investor Shares*]

Investor Share Percentage

[NUMBER]% [ *Calculated as Investor Shares divided by Post-investment share capital, expressed as a percentage*]

**Part 2 – Post -investment share capital**

<i>Shares/options</i>	<i>Name</i>	<i>Number</i>	<i>Sub-totals</i>	<i>Percentage</i>
<u>Ordinary Shares</u>	As above plus shares issued on conversion of Shareholder loans	[NUMBER]		[NUMBER]%
<u>Preferred Shares</u>	Investor	[NUMBER]		[NUMBER]%
<u>Options</u>				[NUMBER]%
<u>New ESOP</u>				[NUMBER]%
<b>TOTAL</b>				<b>100.00%</b>



### Schedule 2 – Preferred Share Consent Matters

The Investor Consent Matters shall include the following matters in relation to the Company and (in relation to the matters numbered 12-24 below) each subsidiary of the Company:

1. Amend the Articles of Association or adopt new Articles of Association.
2. Issue any shares or grant any option, warrant or other right to subscribe for or convert into shares, including the grant of options under the New ESOP
3. Vary the terms of any existing class of shares or create any new class of shares.
4. Purchase any shares or securities.
5. Declare any dividend or other distribution.
6. Adopt or amend any policy relating to the remuneration of directors or officers.
7. Make any agreement, arrangement or understanding in connection with the business.
8. Pass any resolution or approve any transaction which is not in the ordinary course of business.
9. Enter into any agreement, arrangement or understanding which is not in the ordinary course of business.
10. List any securities on any stock exchange.
11. Register or file any documents with any regulatory authority in connection with any agreement and arrangement.
12. Sell the Company or any subsidiary or any material part of the business.
13. Acquire any business or assets for a consideration exceeding £[amount].
14. Incur any liability or in respect of any asset for a consideration exceeding £[amount].
15. Make any agreement, arrangement or understanding with any lender or third party in connection with any loan or third party financing.
16. Enter into any agreement, arrangement or understanding in the ordinary course of business.
17. Form or participate in any joint venture or partnership.
18. Enter into any agreement, arrangement or understanding with any shareholder.
19. Appoint or remove any director or officer.
20. Employ any person or pay any remuneration to any person and other than in the ordinary course of business, change in any material manner the employment terms of any employee whose total remuneration exceeds £[amount] in aggregate.
21. Establish a pension scheme.
22. Sell, lease, licence or encumber any intellectual property rights outside the ordinary course of business.

23. Appoint or remove Company's auditors or change Company's financial year.
24. Agree to do any of the above or any amendment to any agreement which would require approval above.



Each person named below as a signatory to this Term Sheet, by its signature, confirms its agreement to this Term Sheet.

\_\_\_\_\_  
For and on behalf of  
[the Investor]

\_\_\_\_\_  
For and on behalf of  
[the Company]

\_\_\_\_\_  
[For and on behalf of]  
[each Existing Shareholder]

