

[COMPANY NAME]

Proposed investment by Playfair pursuant to the terms set out in this term sheet (the “**Term Sheet**”)

Company	[Company Name] (the “ Company ”).
Founder(s)	[Founder Name(s)] (the “ Founders ”).
Investors	Playfair Capital Investment Nominee Ltd (the “ Lead Investor ”) in conjunction with other investors mutually agreeable to the Lead Investor and the Company (together with the Lead Investor, the “ Investors ”).
Structure of Financing	The financing will be up to an aggregate of £ [Amount] (£ [Playfair Amount]) to be contributed by the Lead Investor), at a fully-diluted pre-money valuation of £ [Valuation] (including the ESOP, as defined below, and any outstanding convertible securities) based on the agreed capitalisation table (the “ Financing ”). The Lead Investor shall hold [Percentage] % of the fully diluted share capital (including the ESOP and any outstanding convertible securities) immediately following Completion (as defined below).
ESOP	Prior to completion of the Financing (“ Completion ”), the Company shall put in place an unallocated share option pool equaling [10] % of the fully diluted capital of the Company immediately following Completion (the “ ESOP ”).
Estimated Closing Date	It is expected that Completion will take place within 30 days of the signing by all parties of this Term Sheet.
Type of Security	[A Ordinary Shares] (“ Shares ”).
Conditions to Completion	Completion is conditional on the finalisation of definitive legal documents and satisfactory completion of legal due diligence.
Exit Provisions and Distributions	The Shares will have a 1x non-participating liquidation preference but are otherwise expected to rank pari passu with existing share classes.
Pre-emption Rights	Each Investor will have the right to subscribe for its pro rata proportion of any new shares that are issued, and to purchase any shares being transferred (other than permitted transfers) on the same basis. These rights may be assigned to permitted transferees (including any member of the same group of funds as an Investor).
Co-Sale	Each Investor shall have the right to participate on identical terms in the transfer of shares held by a Founder.

Tag Along	If a proposed transfer or series of transfers would result in a majority of the shares in the Company being transferred to a third party, then all shareholders shall have the right to sell all of their shares to such third party on the same terms.
Drag Along	In the event that (i) the holders of over 50% of the shares in issue in the Company and (ii) the Founders for so long as they are employed by or providing consultancy services to the Company or any member of the Company's group, with the consent in writing of the holders of at least [50]% of the Shares held by the Investors (" Investor Majority Consent ") wish to accept an offer to sell all of their shares to a third party, then all the other shareholders shall be required to sell their shares on the same terms.
Information Rights	The Investors shall receive customary information and inspection rights, including but not limited to monthly, quarterly and annual financial information relating to the Company.
Important Decisions	Investor Majority Consent or the consent of the Investor Director (as defined below) shall be required for all important decisions, substantially in the form listed in the Appendix.
Board of Directors	<p><u><i>Investor Director</i></u></p> <p>The board of directors of the Company (the "Board") shall include one person nominated by the Lead Investor (the "Investor Director"). The Lead Investor shall also have the right to appoint an observer to the Board. The Lead Investor's right to appoint the Investor Director and an observer shall continue for so long as the Lead Investor holds at least 5% of the Company's issued equity shares.</p> <p>The Board after Completion shall consist of [Founder 1], [Founder 2] and the Investor Director.</p> <p>The Investor Director's attendance at meetings of the Board shall be required for such meetings to be quorate.</p>
Founder Vesting	<p>Shares held by the Founders will be subject to reverse vesting provisions so shares held by such Founders shall vest in equal monthly installments over a total period of four years from the date of Completion, with a one year vesting cliff after Completion during which no shares shall vest.</p> <p>If a Founder leaves the Company as a Good Leaver (as defined below) during the vesting period, the unvested percentage of his shares shall convert into deferred shares and voting rights will be suspended in respect of his residual shares.</p> <p>If a Founder leaves the Company as a Bad Leaver (as defined below), all of the shares held by such Founder shall convert into deferred shares.</p>

“**Bad Leaver**” means a person who (i) is dismissed or terminated on the grounds of gross misconduct, material breach of a provision in his service agreement whilst he is employed by the Company, fraud, dishonesty or criminal conviction (other than a road traffic offence which is not punishable by a custodial sentence), (ii) commits a material breach of a non-compete obligation in his service agreement or the shareholders’ agreement of the Company, in each case after ceasing to be employed by the Company, or (iii) resigns within 24 months of Completion.

“**Good Leaver**” means a person who is not a Bad Leaver including when the Board (with the consent of the Investor Director) determines that a person is not a Bad Leaver.

Restrictive Covenants and Founder Undertakings Each Founder will enter into a service agreement with the Company containing customary non-competition and non-solicitation undertakings and shall agree not to undertake any other employment / outside activities without Investor Majority Consent.

All intellectual property created by each Founder shall be vested in the Company prior to Completion.

Documentation and Warranties Definitive agreements shall be drafted by counsel to the Lead Investor based on its standard forms, and shall include customary covenants, representations and warranties of the Company (the Company’s liability shall be capped at the aggregate investment amount raised on the Financing), non-competition and non-solicitation undertakings by the Founders and other provisions typical to financings of this nature.

Expenses The Company shall pay the Lead Investor’s external fees in the transaction up to a maximum of £[Amount] plus VAT.

Expiry The offer in this Term Sheet will expire on [Date].

Exclusivity The Founders and the Company agree and undertake that they will not directly or indirectly, until the earlier of: (i) the expiry of 45 days from the date of acceptance of this Term Sheet or (ii) the date that the Lead Investor notifies the Company of its intention not to proceed with this Term Sheet (the “**Period**”) solicit, directly or indirectly, further offers for the purchase and/or subscription of shares in the Company (or any part thereof) or any material part of the business, assets or undertakings of the Company or enter into or continue to seek negotiations with any party other than the Investors in connection with such matters.

The Founders and the Company agree and undertake to inform the Lead Investor immediately of the identity of any third party who contacts the Founders or the Company with a view to the sale of any interest in the shares of the Company or any part of the business of the Company.



Confidentiality

The Company and Founders will not disclose the terms of this Term Sheet to any person other than officers, the Board, the Company's accountants and attorneys, and other potential investors approved by the Lead Investor.

Non-binding Effect
and Jurisdiction

This Term Sheet is not intended to be legally binding, with the exception of this paragraph and the paragraphs entitled 'Exclusivity' and 'Confidentiality', which are binding on the parties hereto and shall be governed and construed in accordance with the laws of England and Wales.



Acknowledged and agreed:

LEAD INVESTOR:

**PLAYFAIR CAPITAL INVESTMENT
NOMINEE LTD**

By: _____

Date: _____

FOUNDERS:

[NAME]

[NAME]

Date: _____

Date: _____

APPENDIX

Matters requiring Investor Majority Consent

- (a) alter the rights, preferences or privileges of the Shares;
- (b) consolidate, sub divide, convert or buy-back any of the Company's share capital;
- (c) adopt or amend a share option plan or increase the number of shares available for grant thereunder;
- (d) permit or cause to be proposed any alteration to its share capital or the rights attaching to its shares or waive any right to receive payment on any of its shares issued partly paid;
- (e) create allot, issue, buy-in or redeem any share or loan capital or grant or agree to grant any options or warrants for the issue of any share or loan capital or issue any securities convertible into shares other than pursuant to the ESOP and on exercise of options granted thereunder;
- (f) permit or cause to be proposed any amendment to the Articles;
- (g) acquire the whole or a significant part of the undertaking of any other person or dispose of the whole or a significant part of the undertaking of the Company (including dealing in any way with the Company's intellectual property other than in the ordinary course of business) or merge the Company or any part of its business with any other person;
- (h) negotiate or permit the disposal of shares in the Company amounting to a share sale, asset sale or an IPO;
- (i) permit the Company to cease, or propose to cease, to carry on its business or permit the Company or its directors (or any one of them) to take any step to wind up the Company, save where it is insolvent (within the meaning of section 123 of the Insolvency Act 1986);
- (j) permit the Company or its directors (or any one of them) to take any step to place the Company into administration, permit the Company or its directors to propose or enter into any arrangement, scheme, moratorium, compromise or composition with its creditors or to apply for an interim order under Part 1 of the Insolvency Act 1986, or permit the Company or its directors to invite the appointment of a receiver or administrative receiver over all or any part of the Company's assets or undertaking;
or
- (k) propose or pay any dividend or propose or make any other distribution (as defined under section 1000 or section 1064 of the Corporation Tax Act 2010).

Matters requiring the consent of the Investor Director

- (a) grant any options pursuant to the ESOP;

- (b) permit or vary any existing vesting with respect to options granted to provide for a vesting schedule other than (i) with respect to 25% or less of the shares subject to grant, one year after the date of grant and (ii) with respect to the remaining shares subject to such issuance, on a monthly basis over a period of at least three years thereafter;
- (c) permit the acceleration of vesting with respect to options granted on the occurrence of a share sale, asset sale or an IPO;
- (d) factor any of the Company's debts, borrow monies (other than by way of its facilities in place at Completion) or accept credit (other than normal trade credit) other than in the ordinary course of business;
- (e) make any loan or advance or give any credit (other than in the ordinary course of business) to any person or acquire any loan capital of any corporate body;
- (f) enter into or give or permit or suffer to subsist any guarantee of or indemnity or contract of suretyship for or otherwise commit itself in respect of the due payment of money or the performance of any contract, engagement or obligation of any other person or body other than a wholly-owned subsidiary of the Company;
- (g) incur any expenditure which exceeds the amount for expenditure in the annual budget by more than £20,000 in a single transaction or series of related transactions or dispose of any asset of a capital nature having a book or market value greater than £20,000;
- (h) other than where expressly contemplated by the definitive agreements, enter into or vary any transaction or arrangement with, or for the benefit of, any of the Company's directors or shareholders or any other person who is a "**connected person**" with any such director or shareholder;
- (i) vary or make any binding decisions on the terms of employment and service of any key employee or director or executive officer of the Company, increase or vary the salary or other benefits, including but not limited to bonuses, of any such key employee or officer, or appoint or dismiss any such key employee or officer;
- (j) increase the number of directors on the Board;
- (k) transact any business at any meeting of the Board (or committee of the Board) save for that specified in the agenda;
- (l) engage any broker, advisor (including financial, accounting, auditing or legal), investment bank or similar party to provide any services for a share sale, asset sale or an IPO;
- (m) adopt any budget or company business plan;
- (n) create any encumbrances over the Company's property or assets;
- (o) conduct any litigation material to the Company (other than for the collection of debts arising in the ordinary course of the business carried on by the Company or any application for an interim injunction or other similarly application or action); or



- (p) make any material change to the nature of the business of the Company or the jurisdiction where it is managed and controlled or change the name of the Company or do any act or thing outside the ordinary course of the business carried on by the Company.