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**NON-BINDING TERM SHEET**

This Term Sheet represents the current understanding of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement, except the clauses on confidentiality, jurisdiction and termination. This Term Sheet does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction where the offer or sale is not permitted.

This term sheet (“**Term Sheet**”) executed on [\_\_\_\_\_] (“Effective Date”) summarizes the principal terms and conditions for the proposed investment (“**Proposed Transaction**”) in [\_\_\_\_\_\_] (“**Company**”) by [\_\_\_\_\_] (“**Investor**”).

|  |
| --- |
| **The Offering** |
| **Company** | [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], a Company incorporated under the [\_\_\_\_\_\_\_\_\_\_\_] having its principal place of business located at [\_\_\_\_\_\_\_\_] |
| **Investor** | [\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_], a [\_\_\_\_\_\_\_\_\_] incorporated under the [\_\_\_\_\_\_\_\_\_\_\_]having its principal place of business located at [\_\_\_\_\_\_\_\_\_]**Company** and **Investor** individually referred to as the **First Party** and **Second Party** respectively, and collectively as **Parties**. |
| **Securities** | Compulsorily Convertible Preference Shares (“**CCPS**”) Note: Change this based on the transaction. Could also be any other type of security. |
| **Amount of the transaction** | $[\_\_\_\_\_\_\_\_\_\_] |
| **Price per share** | $[\_\_\_\_\_\_\_\_\_\_] per share (the “**Initial Price**”), based on a pre-money valuation of $[\_\_\_\_\_\_\_\_\_\_\_\_\_\_]  |
| **Initial Closing Date** | Initial closing on or before [\_\_\_\_\_\_\_\_\_\_] |
| **Terms of the Transaction** |
| **Liquidation Preference** | CCPS will have the right to receive 1x the Initial Price from proceeds on a liquidation of the Company with balance of proceeds paid to holders of Equity Shares. Liquidation shall mean sale of assets, merger, reorganization, winding up or similar transaction. |
| **Conversion** | The CCPS may be converted at any time, at the option of the holder, into Common Shares. The conversion rate will initially be 1:1, subject to customary adjustments for stock splits, stock dividends, etc.Note: The conversion could also be pegged to a milestone, such as closing of a subsequent round, or achieving a revenue/profit milestone or other business milestones. |
| **Automatic Conversion** | Notwithstanding the above, each share of CCPS will automatically convert into equity shares, at the then applicable conversion rate, upon 1. the closing of a firmly underwritten initial public offering of common shares (“IPO”), or
2. the consent the holders of at least a majority of the then outstanding shares of CCPS.
 |
| **Shareholders’ Agreement** |
| **Information rights** | The Corporation will provide to each holder of at least [\_\_\_\_\_\_%] of CCPS (“**Major Investors**”):1. Monthly unaudited income statements
2. Quarterly unaudited cash flows
3. Quarterly unaudited balance sheets
4. Quarterly variance of actual income statements and cash flow vis-à-vis the business plan
5. Annual business plan for the upcoming financial year
6. Annual audited financial statements within [\_\_\_\_] days from the end of the financial year.

This right will terminate immediately prior to the Corporation’s IPO or completion of a Sale Transaction (as defined below). |
| **Pre-emptive rights** | So long as any of the CCPS are outstanding, consent of majority of the then-outstanding CCPS will be required for any action that 1. amends the Articles of the Association if it would adversely alter the rights, preferences, privileges or powers of CCPS;
2. changes the number of directors from current number; or
3. approves any merger, asset sale, liquidation or other corporate reorganization or acquisition.
 |
| **Tag-Along rights** | In the event any of the Promoters, or the other shareholders other than the Investors decide to sell their shareholding in the Company or a portion of it to any person (“**Buyer**”), then the Investors shall have the right (but not the obligation) to require the Promoters or the other shareholders as the case may be, to ensure that the Buyer purchases the pro-rata Equity Shares on the same terms and simultaneously with the shares of the Promoters and the other shareholders. The Promoters and/or the other shareholders shall not sell any of their shares to the Buyer unless the Buyer purchases the Equity Shares. It is hereby clarified that any transfer of shares by any of the Investors shall not be subject to any tag along rights.The procedure governing exercise of tag-along right will be detailed in the DefinitiveDocumentation. |
| **Co-sale rights** | In the event that any shareholder (“**Selling Party**”) proposes to sell their shares to a third party (“**Third Party**”), the Selling Party agrees not to make the sale unless Third Party includes an offer to purchase the shares of the Investors on the same terms. If Third Party has specified a maximum number of shares that they are willing to buy, then the Selling Party and interested Investors may sell their pro-rata share of the amount to be purchased by Third Party. |
| **Board Composition** | 1. The Investors shall have the right to nominate one representative designated by the holders of CCPS (the “**Investor Nominee**”);
2. There shall be two board seats for Founders; and
3. There shall be one representative designated by Common shareholders acceptable to the Investor Nominee and Founders.
 |
| **Option Pool** | The Company shall implement an Employee Stock Option Plan (“**ESOP**”) constituting at least [\_\_\_\_]% and not exceeding [\_\_\_] % of the post-issue share capital of the Company on a fully diluted basis, with approval of the Investor Director, the quantum of which will be decided in the Definitive Documentation.  |
| **Founder Matters** | Each Founder shall have transferred all relevant intellectual property to the Company, entered into an employment agreement with the Company and signed agreements with respect to voting and vesting their Founders shares over an agreed term of [\_\_\_\_\_\_\_\_\_] years, the terms of such agreements satisfactory to Investors prior to Closing Date. The vesting agreement will provide for full acceleration of vesting for all shares held by the Founders on the completion of an IPO or Sale Transaction.Note: The vesting period is usually four years (with equal monthly vesting over 48-months) with a one-year cliff. |
| **Anti-Dilution** | If at any time after Closing, the Company issues to any third party, equity shares orinstruments convertible to equity shares, at a price per share that is lower than the price paid for the Equity Shares (or their conversion price), then the Investors shall be entitled to antidilution protection on a broad based weighted average basis. In such an event, the Company shall be bound to, and the Promoters shall be bound to cooperate with the Investors and the Company such that, the Company forthwith takes all necessary steps to issue additional equity shares to the Investors |
| **Other Matters** |
| **Confidentiality** | Each party hereto shall keep all information about the Proposed Transaction (including the terms of this Term Sheet and the discussions between the parties) confidential and shall not disclose the same to any third party without the prior written approval of the other parties. Standard exceptions to confidentiality obligations (including disclosure of information mandated under applicable law) shall apply. Any disclosure to a party’s representatives, employees, agents or assigns shall be strictly on a need-to-know basis. |
| **Definitive Agreement** | On satisfactory completion of the Due Diligence, the Company and Investors will enter into a definitive Share Subscription Agreement (“**SSA**” or “**Definitive Agreement**”) containing standard representations and warranties, within [\_\_\_\_] days of signing this Term Sheet. |
| **Due Diligence** | The Founders and the Company’s advisors shall participate to the extent necessary to enable the Investors to carry out the due diligence reviews, including but not limited to giving the Investors and their advisors full access to all information and any relevant employees of the Company |
| **Conditions Precedent** | 1. A complete legal and financial due diligence of the Company to be completed to the satisfaction of the Investors.
2. Obtaining of all regulatory permissions, approvals or consents required in relation to the Investors’ acquisition of CCPS.
3. Execution of the Definitive Agreement in form and substance in accordance with the agreed terms as enshrined in this Term Sheet, together with any other agreements and documents that may be deemed necessary by the Parties.
4. Execution of an employment agreement between the Company and the Promoters in form and substance agreeable to the Investors.
5. Amendment of the Company’s articles and memorandum of association and any existing shareholders agreement to permit the issuance of the CCPS and all associated rights of this Proposed Transaction and as provided for in the Definitive Documentation.
6. No material adverse change shall have occurred in the business, financial condition, results of operations, or prospects of the Company and its subsidiaries
 |
| **Conditions Subsequent** | 1. Filing the appropriate forms and documentation with [\_\_\_\_\_\_\_\_\_\_\_\_]

Note: This section has to be customized based on the regulatory requirements of your country. |
| **Expenses and Fee** | Each of the Parties shall bear the fee of their respective counsel.[or]The Company will reimburse counsel to Investors for legal fees and disbursements, up to a maximum cap of [\_\_\_\_\_\_\_\_\_\_]. |
| **Term and Termination** | This Term Sheet shall be valid up to [\_\_\_\_\_\_\_\_\_\_\_\_]. Either Party may terminate this Term Sheet by giving a written notice of not less than 30 days to the Other Party. Clauses related Confidentiality, Expenses and, Jurisdiction, and Exclusivity shall survive the termination of the Term Sheet. |
| **Exclusivity** | For 30 days, the Company will not solicit, encourage or accept any offers for the acquisition of Company capital stock (other than equity compensation for service providers), or of all or any substantial portion of Company assets. |
| **Jurisdiction** | This Term Sheet shall be governed by the laws of [\_\_\_\_\_\_\_\_]. Any disputes arising out of or in connection with the validity, interpretation or implementation of this Term Sheet or the Definitive Documentation shall be subject to the exclusive jurisdiction of the courts of [\_\_\_\_\_\_\_\_\_\_\_] |

This Term Sheet may be executed in counterparts, which together will constitute one document. Electronic signatures shall have the same legal effect as original signatures.

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| **On behalf of the Company** | **On behalf of the Investor** |
|  |  |
| Name: | Name: |
| Designation: | Designation: |
| Date: | Date: |

**Annex I To The Term Sheet**

**Shareholding Pattern (Pre-Closing)**

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| --- | --- | --- | --- |
| **Name of the Shareholder** | **Type of Shares** | **Number of Shares** | **Fully Diluted % of Holding** |
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**Shareholding Pattern (Post-Closing)**

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| --- | --- | --- | --- |
| **Name of the Shareholder** | **Type of Shares** | **Number of Shares** | **Fully Diluted % of Holding** |
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| --- | --- |
| **On behalf of the Company** | **On behalf of the Investor** |
|  |  |
| Name: | Name: |
| Designation: | Designation: |
| Date: | Date: |