

Term sheet

Date TBC

We are delighted that you have expressed an interest in investing in Sample Limited. This document (Term Sheet) sets out the key terms under which an investment by Jane Doe and John Doe may be made. This Term Sheet is not exhaustive and is not, and is not intended to be, legally binding except as specifically set out below.

The investment would be completed via a subscription and shareholders' agreement, which will be made available for your review together with other transaction documents once the following key terms are agreed.

Company	Sample Limited, a company registered in England and Wales under number 11526903 and whose registered address is The Corran The Corran, Batchworth Hill, Rickmansworth, Hertfordshire, WD3 1JP, United Kingdom (Company).
Founder(s)	Sam Simpson.
Investment Structure	The investment would be for equity shares, with an aggregate maximum investment of up to £150,000 and a minimum investment of £50,000, at a fully diluted pre-money valuation of £1,000,000.
Use of Funds	The proceeds from the investment must be used for the Company's working capital requirements, in accordance with (S)EIS rules where applicable.
Current Shareholdings	The Company's current share capital details, including any options, warrants or similar, are detailed in Appendix A. Appendix B details the rights attached to each share class.
Future Shareholdings	The price per share, investment value and number of shares to be subscribed (as at the date of this Term Sheet) by investors are detailed in Appendix A. Appendix B details the rights attached to each share class.

SEIS	<p>SEIS advance assurance has been received from HMRC and the Company will seek to qualify any proposed investments under this scheme on a per-investor basis as indicated in Appendix A.</p> <p>The Company would provide the investors with an undertaking as to its ongoing SEIS status.</p>
Estimated Closing Date	22 January 2021
Conditions to Closing	<p>On signing this Term Sheet, investors will be provided access to the proposed subscription and shareholders' agreement (SSA), disclosure letter and articles of association (Articles), and all other documents proposed for the investment.</p> <p>Completion of the investment will be subject to (amongst other matters):</p> <p>The Shareholder Resolutions having been duly completed by the required majority of shareholders.</p> <p>The New Articles having been adopted.</p> <p>The Board Minutes having been duly completed and signed by the chairman of the meeting, confirming that the meeting and the resolutions referred to in the Board Minutes have been duly held and passed.</p> <p>The Disclosure Letter having been duly delivered to, and acknowledged by, each Investor.</p> <p>The Accounts (if any), the Business Plan and the Management Accounts (if any) having been confirmed as "agreed form" documents as described in the Subscription and Shareholders Agreement.</p> <p>Any service agreements, IPR assignments and other documents required to be entered into by some or all of the Founders and/or Existing Shareholders having been duly executed by them.</p>
Investor consents	<p>The SSA will contain a number of matters that cannot be undertaken by the Company without the written consent of holders of more than 50% of the Investor Shares.</p>

Drag Along	The Articles will contain "drag along" rights, allowing a minimum of 51% of shareholders to require all other shareholders to sell their shares, or agree to a business and assets sale, as part of an exit event, on the same terms as the majority shareholders.
Tag Along	The Articles will contain "tag along" rights, allowing all shareholders the option to sell their shares to any third party who has agreed to acquire a controlling interest in the Company.
Pre-emption rights	The Articles will contain standard rights of pre-emption in relation to the issue of new shares and any proposed transfer of issued shares. Share transfers to connected persons will be permitted, under standard terms.
Board of Directors	<p>Board meetings will be held at intervals of not more than 10 weeks, and at least 8 Board meetings will be held in each calendar year.</p> <p>For so long as Jane Doe and/or its Permitted Transferees hold not less than 10.0 per cent of the Shares, it will have the right to appoint and maintain in office such natural person as it may from time to time nominate as a director of the Company (and as a member of each and any committee of the Board) and to remove any director so appointed and, upon his removal (whether by the Investor or otherwise), to appoint another director in his place. and</p> <p>The quorum for Directors' meetings will be 2 Directors, who must include the Investor Director.</p>
Information rights	The investors will have standard information rights relating to the Company's business.
Leaver Provisions	The Articles contain leaver provision vesting a % of founder shares depending upon their duration of service and whether they are a good, bad, voluntary or very bad leaver.
Warranties	The Company and each Founder (Warrantors) will provide the investors with standard warranties in the SSA, relating to the status of the Company and its business. The Warrantors' liability under those warranties will be limited in the usual way, including via a disclosure letter.

Founder Undertakings	Each Founder will provide non-competition and non-solicitation undertakings, as well as undertakings relating to the conduct of the Company's business. These will include a commitment to devote their entire business time and attention to the Company and to not undertake additional activities without investor consent.
Exclusivity	It is expressly understood and agreed by the parties that this is not an exclusive agreement.
Non-Binding Effect	This Term Sheet is not, and is not intended to be, legally binding, with the exception of this paragraph and the paragraphs entitled Exclusivity, Expenses and Confidentiality, all of which are binding on the parties and are governed and construed in accordance with the laws of England and Wales. Each party irrevocably agrees that the courts of England and Wales will have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this Term Sheet.
Expenses	Except as may otherwise be agreed in writing, the Company, the Founders and any Existing Shareholders will bear their own costs and disbursements incurred in the negotiations leading up to and in the preparation of this agreement, and of matters incidental to this agreement.
Confidentiality	No recipient of this Term Sheet will disclose the document or its contents, except to its professional advisors or as may be required by law, regulation or the Courts.

Appendix A - Pre and Post-Raise Capitalisation Table

Shareholder	Class	Pre-investment (fully diluted)			Investment			Post-investment (fully diluted)		
		# Shares	% Shares	% Voting	# New shares	New equity	Scheme	# Shares	% Shares	% Voting
Jane Doe	Ordinary	0	0.00%	0.00%	3	£25,000.00	SEIS	3	2.34%	2.34%
John Doe	Ordinary	0	0.00%	0.00%	5	£41,666.67	SEIS	5	3.91%	3.91%
Jane Smith	Ordinary	20	16.67%	16.67%	-	0	SEIS	20	15.62%	15.62%
John Smith	Ordinary	100	83.33%	83.33%	-	0	-	100	78.12%	78.12%
Total		120	100.00%	100.00%	8	£66,666.67		128	100.00%	100.00%

Appendix B - Share Classes

Name	Voting	Dividend	Deferred	Diluting	Presubscribed
Advanced subscription agreement	No	No	No	Yes	Yes
Convertible loan note	No	No	No	Yes	Yes
Deferred	No	No	Yes	No	No
Option	No	No	No	Yes	Yes
Ordinary	Yes	Yes	No	Yes	No
Unallocated Option	No	No	No	Yes	Yes
Warrant	No	No	No	Yes	Yes