**FEBRUARY 2025 BVCA MODEL FORM DOCUMENTS**

**SUMMARY OF TERMS**

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| **This document provides a summary of the February 2025 versions of the BVCA model form documents. It is intended to be a resource to help parties understand the terms and conditions set out in the documents and inform transaction negotiations at the term sheet stage. The summary is laid out in a form that may be used as a term sheet, but is not intended to be a pro-forma term sheet for all transactions using the model form documents. It is recognised that in practice the form and scope of the transaction term sheet will be determined by the lead investor(s), and consequently that most term sheets will in a different form to this summary and may be significantly shorter. Parties should consider each transaction in context of current conditions and the nature of the transaction. The alternatives provided herein should not be construed as an endorsement of current “market” norms, which evolve over time, but rather to reflect the material provisions in the model documents.** |

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| Subscription Terms | |
| **Company** | [●], a private limited company incorporated under the laws of [●] with company number [●] (the "**Company**"). |
| **Security** | Newly created class of Series A preferred shares of £[●] each in the capital of the Company ("**Series A Shares**"). |
| **Investors** | [●] (the "**[Lead] Investor**").  One or more existing shareholders, and/or new investors acceptable to the Company [and the [Lead Investor / New Shares Majority]] (each, with the Lead Investor [and each Equity Securities Holder (as defined below)], an "**Investor**" and together the "**Investors**").  [[●] is a "**US Investor**".] [and] [[●] is an "**EIS/VCT Investor**".] |
| **Founder[s]** | [●] |
| **[Subscription Price** | The per share issue price of the Series A Shares (the "**Subscription Price**", the "**Preference Amount**" and the "**Starting Price**") [will] / [is anticipated to] be [£/$][●] per Series A Share, based upon a pre-money valuation of [£/$][●] on a Fully Diluted basis.  "**Fully Diluted**" includes the current ESOP (as defined below) [(and the increase to the ESOP contemplated by this Term Sheet)], any other outstanding options or warrants, and any outstanding convertible loan notes, ASAs, SAFEs or similar instruments.][[1]](#footnote-1) |
| **Share Option Pool** | The Company currently maintains an employee share option pool ("**ESOP**") comprising [●] ordinary shares of £[●] each "**Ordinary Shares**"), of which: [●] have been granted, [●] have been allocated and/or promised to employees, directors and consultants and [●] remain unallocated and available for grant[, as shown in the capitalisation table set out in Schedule 1].[[2]](#footnote-2)  On Completion, the ESOP will be increased by an additional [●] Ordinary Shares [such that post-Completion the total ESOP will represent [●]% of the Fully Diluted Share capital] [such that post-Completion the total unallocated portion of the ESOP will represent [●]% of the Fully Diluted Share capital]. [This increase shall be included within the pre-money valuation of the Company]. |
| **Investment Amounts** | [Lead] Investor: [£/$][●] on completion  Other Investors: [£/$][●] on completion  Additional Investors that have been approved by the Company [and the [Lead Investor / New Shares Majority]]: [up to] [£/$] [●]may be raised by subscription for Series A Shares within [●] business days after the date of the subscription agreement (the “**Execution Date**”) (“**Additional New Shares**”)].  *[The Proposed Financing shall be split between two completions, allocated among the Investors as follows:*  *Initial Completion*   |  |  | | --- | --- | | ***Investor*** | ***Investment amount*** | | *[●]* | *[●]* |   *Second Completion*   |  |  | | --- | --- | | ***Investor*** | ***Investment amount*** | | *[●]* | *[●]* | |
| **Initial Completion** | The targeted Execution Date is [●], after which the Investors will have [●] business days to remit their subscription funds and complete their [initial] subscription for Series A Shares in accordance with the terms of the subscription agreement.  [The minimum aggregate investment size is [£/$][●], which amount shall constitute the threshold of subscriptions required for initial completion ("**Completion**").]  In the event an Investor defaults on their subscription, the Series A Shares due to be issued to the defaulting Investor(s) may be issued by the Company [as Additional New Shares]/[to one or more additional Investors approved by the Company [and the [Lead Investor / New Shares Majority]]]. |
| **[Second Completion]** | Second Completion will be subject to customary conditions, including (without limitation) (i) achievement and/or waiver of the milestones detailed in schedule 3 to the satisfaction of [the Investors]/[the holders of [●]% of the Series A Shares], (ii) there having been (in the [reasonable] opinion of [the Investors]/[the holders of [●]% of the Series A Shares]) no material adverse change in the financial position or prospects of the Company and no material breach of the definitive investment documents or the Founder service agreements by the Company and/or a Founder, and (iii) the Founder[s] continuing to be Service Providers (which has the meaning given in "**Good and Bad Leaver**" in section 3 (Founder obligations) below). |
| **[Equity Securities Agreements and Equity Securities Holders]** | The following [CLNs (convertible loan notes)], [SAFEs (simple agreements for future equity)], [ASAs (advance subscription agreements)] of the Company ("**Equity Securities Agreements**") will, on Completion, convert into [Series A Shares] [at the following discounts to the Subscription Price]/[at the following [pre-money] valuation caps]:   |  |  |  | | --- | --- | --- | | **Equity Securities Holder[s]** | **Investment amount** | **[Discount] / [Valuation Cap]** | | [●] | [●] | [●] |   [All Equity Securities Holders will be [required/expected] to sign the subscription agreement and the shareholders' agreement.]  [The number of [Series A Shares] to be issued to each Equity Securities Holder is shown in the capitalisation table set out in schedule 1.] |
| **Warranties & limitations** | The Company will give customary warranties to the Investors on the Execution Date.  The warranties will be based substantially on the warranty schedule set out in the model form BVCA subscription agreement, subject to such additions or amendments as may be agreed as part of the Lead Investor's due diligence. [This will include customary US taxation warranties to be made to any US Investors and customary EIS/VCT warranties to be made to any EIS/VCT Investors.]  The Company's liability under the warranties will be limited as follows:  - **Aggregate Liability Cap:** an amount equal to the investment amount [and amounts invested under the Equity Securities Agreements];  - **Claim Period**: [18] months following the Execution Date; and  - **Disclosure**: there will be no general disclosure of any data room prepared by the Company in connection with the Proposed Financing.  No warranty claim may be brought against the Company without the prior written consent of [the Lead Investor]/[the holders of [●]% of the Series A Shares].  [On Second Completion, the Company will give a limited suite of warranties covering share capital, authority and limited financial matters, subject to the same limitations as detailed above.]  [Each US Investor will give customary warranties to the Company concerning its status and position under the United States Securities Act of 1933.] |
| Terms of the Series A Shares | |
| **Liquidation Preference** | The Series A Shares will carry a one times (1x) non-participating liquidation preference on a liquidation, distribution of assets or share / asset sale of the Company, whereby the holders of Series A Shares will be entitled to receive, in priority to other share classes, an amount per Series A Share equal to the greater of (i) the Preference Amount (together with any arrears and subject to customary adjustments) and (ii) the amount that would be received if the Series A Shares were converted into Ordinary Shares immediately prior to such distribution and such distribution made pro-rata among the holders of the shares in the capital of the Company (excluding deferred and treasury shares) (being the "**equity shares**").  [The liquidation preference will be structured in a manner consistent with the EIS/VCT provisions.] |
| **Conversion** | The Series A Shares will convert into Ordinary Shares on a one-for-one basis (without need for further shareholder resolution or class consent) as follows:  - voluntarily at the election of each holder [other than EIS/VCT Investors];  - automatically at the election of an Investor Majority (as defined below); and  - automatically upon the occurrence of an IPO (on a designated exchange) ("**IPO**") in which the net aggregate subscription amount in respect of new Ordinary Shares issued at the time of the IPO is not less than [£/$][●] at an issue price per Ordinary Share of at least [£/$][●] / [[●] times the Starting Price. |
| **Voting** | [Subject to standard EIS/VCT caps,] The Series A Shares shall rank pari passu with the Company's other classes of equity share in respect of voting rights and shall carry one vote per share on a show of hands. |
| **Dividends** | [Subject to standard EIS/VCT caps,] Any profits available for distribution which the Board [with Investor Majority Consent] resolves to distribute in a financial year shall be distributed (after a nominal distribution to deferred shareholders, if any) among the holders of all equity shares on a pari passu basis. |
| **Variation of class rights** | The rights attaching to any class of share in the capital of the Company may only be varied or abrogated with the prior written consent of the holders of [a majority] of the issued shares of that class [(provided that classes treated in a proportionate manner shall be aggregated for the purpose of any such vote.]  This will not apply to the automatic conversion of the Series A Shares in the circumstances specified above (under the Conversion section) and the conversion of a leaver's shares into deferred shares in accordance with the Company's articles. |
| **Anti-Dilution Protection** | [Save for EIS/VCT Investors,] The Series A Shares shall carry standard broad-based weighted average anti-dilution protection in respect of a new issue of securities (save for those issues exempted from pre-emption as detailed below under the Pre-emption on new issuance section) at a price per security below Starting Price (subject to customary adjustment).  [The Series A Shares held by EIS/VCT Investors shall be excluded from the anti-dilution protection.] |
| **Pre-emption on new issuance** | [A "**Major Investor**" will be any Investor that continues to hold at least [●]% of the [Series A Shares in issue from time to time] [the Equity Shares from time to time].]  Unless otherwise agreed by Investor Majority Consent (as defined below), each [Major] Investor will have the right to participate in any new issue of securities of any class pro-rata to their holding of equity shares [(on [an issued share / a Fully Diluted] basis)].  Pre-emption rights will be subject to customary exceptions, including (without limitation) (a) option awards under the ESOP (and shares issued on the exercise thereof), (b) shares issued in consideration of an acquisition [approved by an Investor Majority] and (c) shares issued as a result of a bonus issue or re-organisation [approved by an Investor Majority].  [If the pre-emption rights of a [Major] Investor are disapplied by Investor Majority Consent, "anti-gamesmanship" protection shall apply [such that any securities subsequently proposed to be taken up by the waiving [Major] Investor(s) must be offered to all [Major] Investors on a pro-rata basis].] ] |
| **Pre-emption on transfer / RoFR** | Each [equity shareholder]/[Investor]/[Major Investor] will have a right of first refusal ("**RoFR**") to acquire any shares which are proposed to be transferred ("**Sale Shares**")[, subject to the following priority rights:  - If the Sale Shares are Series A Shares, the Company shall offer them to the other holders of Series A Shares; and  - If the Sale Shares are Ordinary Shares, the Company shall offer them to [the other holders of Series A Shares]/[the other equity shareholders].]  The RoFR will not apply to a category of customary permitted transfers, including (without limitation) any transfer of shares approved by the board of directors of the Company from time to time (the "**Board**") (with Investor [Majority]/[Director] Consent).  ["Anti-gamesmanship" protection will also apply in respect of the RoFR.] |
| **Drag-along** | If [the Board and] the holders of [a majority] of the equity shares (including an Investor Majority) agree to sell their shares to a proposed purchaser, they shall have the right to compel the other shareholders to sell their shares to the proposed purchaser on the basis of customary drag-along provisions.  The drag-along shall provide that dragged shareholders (including any Investors) may be required to participate in certain contribution obligations, including (without limitation) any price adjustment mechanisms or liabilities in respect of warranties and undertakings in the sale agreement, provided such provisions apply to all selling shareholders on a pari passu basis.  No dragged shareholder shall be required to make any warranties concerning the affairs of the Company nor agree to any restrictive covenants or similar undertakings [(save in the case of a Service Provider)]. |
| **Tag-along** | Subject to customary exceptions and permitted transfers [(other than where the Board exercises its general discretion to approve a transfer as a permitted transfer)], if a shareholder proposes to transfer any equity shares which would result in the proposed acquirer controlling the Company, the proposed seller shall be required to make an offer to the remaining shareholders to acquire their shares on terms that are no less favourable than the terms of the proposed sale by such acquirer. |
| **Co-sale rights** | Subject to customary exceptions and permitted transfers, the [Major] Investors shall have standard co-sale rights in respect of any transfer of [more than [●]% of the] equity shares by [a Founder]/[or a Service Provider].  The Board (with Investor [Majority]/[Director] Consent) shall be entitled to determine that these rights shall not apply in respect of a specified transfer. |
| **IPO Lock-up** | All shareholders (including the Investors) shall be subject to a customary IPO lock-up of up to 180 days following the IPO (as determined by the Board) and shall additionally undertake, to the extent required by the Company's underwriters, to enter into a separate lock-up agreement on an IPO[ provided that each director and shareholders holding more than 1% of issued shares enter into a lock-up agreement on terms that are no less onerous [and any release or waiver of obligation under such lock-up agreements also apply to any lock-up agreement entered into by the other shareholders]]. |
| **New Holding Company Re-organisation** | All shareholders (including the Investors) shall provide customary undertakings to facilitate a new holding company re-organisation approved by the Board with Investor Majority Consent.  The undertakings shall not apply to a Major Investor if, in consultation with the Board and/or as determined by an independent expert (if necessary in the event of disagreement), it is determined such Major Investor (or a limited partner / participant / shareholder of such Major Investor) would be subject to any taxation or required to make any tax filings.  [Any new holding company that is to be created for the purposes of these undertakings shall be incorporated as an entity that is classified as a corporation for US federal income tax purposes]. |
| Founder obligations | |
| **Non-competition / solicitation restriction** | Each Founder shall be subject to customary restrictive covenants (non-competition, non-solicitation of personnel, non-solicitation of customers, suppliers and other counterparties, and non-disparagement) for a period of [●] months starting on the date they cease to be a Service Provider.  In addition, each Founder shall provide standard intellectual property undertakings in respect of any intellectual property developed by them whilst they are a Service Provider. |
| **Good and Bad Leaver** | A "**Bad Leaver**" shall be any person who ceases to be an employee and/or consultant (including, without limitation, in the capacity of a non-executive director) of the Company or a member of the Company's group (a "**Service Provider**") as a consequence of that person:  - being dismissed as a Service Provider for gross misconduct, fraud, dishonesty or being convicted of any criminal offence (other than a road traffic offence which is not punishable by a custodial sentence) [or any grounds which entitle the Company to summarily dismiss or immediately terminate the Service Provider's employment, office, consultancy or engagement as a Service Provider], or as a consequence of that person's resignation in such circumstances; or  - after ceasing to be a Service Provider, committing a material breach of any non-compete obligations owed to the Company under the shareholders' agreement and/or their employment agreement.  A "**Good Leaver**" shall be any person who is not a Bad Leaver and shall include when the Board [(including Investor Director Consent)] determines that a person is not a Bad Leaver. |
| **Reverse vesting** | The equity shares held by a Founder [and/or Service Provider] and their permitted transferees ("**Relevant Shares**") shall be subject to a reverse vesting schedule whereby the Relevant Shares shall vest in [48] equal monthly instalments (the "**Relevant Period**") [, subject to an initial one year cliff period,] from [Commencement Date] up to the date their employment and/or consultancy with the Company or a member of the Company's group terminates [or, if earlier when they [give or are given notice to] terminate such employment or consultancy (the "**Effective Termination Date**").  In the event a Founder [and/or Service Provider] is a Good Leaver during the Relevant Period, they shall be entitled to retain their vested shares and their unvested shares shall automatically convert into deferred shares (having de minimis economic value) on a one-for-one basis as from the Effective Termination Date.  In the event a Founder [and/or Service Provider] is a Bad Leaver [during the Relevant Period], all of their Relevant Shares shall automatically convert into worthless deferred shares on a one-for-one basis as from the Effective Termination Date.  Any vested shares retained by a Founder [and/or Service Provider] following the Effective Termination Date shall have their voting rights suspended. |
| **Transfers by Founder(s)** | The Founder[s] may not transfer their shares without the prior written consent of the Board acting with [Investor Director Consent]/[Investor Majority Consent]. |
| Governance and shareholder matters | |
| **Board appointment rights** | The [Lead Investor], for so long as it (together with its permitted transferees) continues to hold not less than [[xx]% of the equity shares]/ [[●] equity shares] shall have the right to:  - Appoint one Director (the "**Investor Director**") to the Board; [and  - Appoint one observer (the "**Observer**") the Board.]  [Each Founder] [The Founders], for so long as they remain employed by and/or engaged as a consultant to the Company or a member of the Company's group [and, together with their permitted transferees continue to hold not less than [[xx]% of the equity shares]/ [[●] equity shares] shall have the right to appoint themselves as a Director (the "**Founder Director**").  [The CEO appointed by the Board from time to time shall be a director.]  Following Completion, the Board shall comprise:  - the Founder Director[s];  - the Investor Director;  - [*INSERT OTHER DIRECTORS.*]  [[●] will resign from the Board at or prior to Completion.] |
| **Proceedings of the Board** | The quorum for meetings of the Board shall be [two] directors [which must include at least one Investor Director (if appointed and unless the Investor Director has waived the requirement in advance of the meeting)].  [Board meetings shall take place at intervals of no more than [●] [months]/[weeks] and at least [●] meetings shall take place annually.] |
| **Consent Matters** | The consent of the holders of at least [●]% of the Series A Shares in issue from time to time ("**Investor Majority Consent**") shall be required to effect any of the matters specified in part 1 of Schedule [1][2].  The consent of [the Investor Director] ("**Investor Director Consent**") shall be required to effect any of the matters specified in part 2 of Schedule [1][2]. |
| **Information Rights** | The Company will have an obligation to supply customary financial and operational information about the Company to the [Major] Investors, including (without limitation):  - [monthly]/[quarterly] management accounts to be delivered within [21] days after the end of each [month]/[quarter];  - annual budget to the delivered at least 30 days prior to the end of the preceding financial year; and  - [audited] accounts of the Company to be delivered within [four] months of the accounting period to which such audited accounts relate.  In addition, each [Major] Investor shall be provided with such information concerning the Company and its business as they may reasonably request from time to time.  There shall be standard inspection rights if the Company does not comply with any of these requirements. |
| **Amendments to articles of association** | Each shareholder (including, for the avoidance of doubt, the Investors) shall undertake to exercise all voting rights and powers of control available to them to vote in favour of any amendment to the articles of association of the Company approved by (i) the Board, (ii) a majority of the holders of equity shares, (iii) an Investor Majority.  The undertaking shall be subject to (A) any contractual consents necessary under the shareholders' agreement being obtained, (B) the consent of any shareholder upon whom new obligations are being imposed, or whose express named contractual rights are being varied, being obtained and (C) the [majority] consent of any disproportionately impacted class of share being obtained.  The Company shall be constituted as agent for and on behalf of each shareholder (including, for the avoidance of doubt, the Investors) for the purposes of securing the undertaking. |
| **Variation and termination of the shareholders' agreement** | Any variation and/or termination to the shareholders' agreement approved by (i) the Company, (ii) the holders of a majority of the equity shares, (iii) an Investor Majority [and (iv) [the Founders that are Service Providers]], shall be binding upon all parties to the shareholders' agreement.  If any change(s) to the shareholders' agreement (A) would impose any new obligations on a party and/or vary an express contractual right of a party in respect of their board rights, information rights or US tax covenants[, or (B) amend the Major Investor threshold] or (C) would adversely impact the [Major] Investors otherwise than on a pari passu basis, then the prior written consent of the affected party/parties will be required. |
| **[Business undertakings** | The Company and the Founders shall provide customary business undertakings to the Investors, including (without limitation) in respect of [data protection legislation compliance [and audit]], [ESG] and [Sustainability]].] |
| **[Registration Rights]** | [The Investors shall be entitled to registration rights [on terms of the model registration rights agreement currently available from the BVCA], to include two demand registration rights commencing six months after the IPO, unlimited shelf and piggy-back rights and unlimited Form S-3 or Form F-3 registrations after IPO.] |
| **[Tax Covenants]** | [The US Investors shall be entitled to customary CFC and PFIC tax covenants [(on the terms currently published by the BVCA)] intended to protect the US Investors from suffering adverse tax consequences as a result of changes to the Company's status and activities.]  [The EIS/VCT Investors shall be entitled to customary EIS/VCT covenants [(on the terms currently published by the BVCA)] intended to protect the EIS/VCT Investors from loss of any EIS/VCT tax reliefs claimed on their investment.] |
| **[Management Rights Letter]** | The Company will enter into a standard form management rights letter with [*US Investor*] in connection with the Proposed Investment. This will be substantially on the terms currently published by the NVCA [(or otherwise on standard terms required to maintain VCOC status for ERISA purposes)] and shall provide for the consultation by [*US Investor*] with management of the Company on significant issues, including access to books, records and facilities of the Company, as well as board visitation rights. |
| Conditions & General terms | |
| **Conditions** | The following matters shall be addressed prior to the Execution Date:  - negotiation of definitive legal documents;  - satisfactory completion of due diligence (including anti-money laundering, KYC checks and FCA regulatory compliance checks);  - receipt by the [Lead] Investor[s] of an agreed form business plan, management accounts (covering the period since the last filed accounts) and last statutory accounts;  - [[D&O]/[Keyman Insurance] of up to [●] being in place to the satisfaction of the Lead Investor];  - [entry into [new]/[amended] Founder service agreements to the satisfaction of the Lead Investor;]  - [delivery to the [Lead] Investor[s] of intellectual property assignments from [each] [Founder]/ [employee]/ [consultant] of the Company;]  - [receipt by the EIS/VCT Investors of [advance assurance from HMRC] / [a tax or legal opinion] that the Proposed Financing will qualify for EIS/VCT tax reliefs;]  - [final approval by the Lead Investor's Investment Committee; and]  - [entry into of an indemnification agreement with the Investor Director.]  [*INSERT OTHERS*]. |
| **Documentation** | Counsel to the [Company] / [Lead] Investor[s] will prepare the first drafts of the investment documents, which shall be based on the Model Documents currently published by the BVCA (being the February 2025 versions, as updated). |
| **Expiry Date** | The Company and the [Lead] Investor[s] are requested to confirm their acceptance of this Term Sheet by [●], failing which the proposal set out in this Term Sheet will lapse. |
| **Confidentiality** | The parties agree that this Term Sheet, its existence and the terms set out in this Term Sheet are confidential [and none of the parties shall at any time prior to the execution of definitive legal documentation, whether before or after the termination of this Term Sheet, without the written consent of the Company and the [Lead] Investor[s], divulge or permit its officers, employees, agents or advisors to share with any person the existence, terms and conditions of this Term Sheet, except as required to its limited partners / shareholders, its professional advisors and, in the case of the Company, for the purpose of securing participation from additional Investors.]. |
| **Exclusivity** | The Founder[s] and the Company undertake to the [Lead] Investor[s] that they will not directly or indirectly until the earlier of [●] or the date that the Lead Investor notifies the Company of its intention not to proceed with this proposal (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 provided that the Founder[s] and the Company may, during the Period, solicit offers for the subscription or purchase of shares in the Company solely for the purpose of securing participation from additional Investors. |
| **Fees & Expenses** | Each party shall bear its own costs in connection with the Proposed Financing [save that the Company will, at Completion, reimburse the Lead Investor in respect of reasonable legal costs incurred by the Lead Investor in connection with the Proposed Financing up to an aggregate of [£/$][●] (plus VAT and disbursements).] |
| **Governing Law & Jurisdiction** | This Term Sheet and any dispute arising out of or in connection with it, its formal requirements or its subject matter or formation (including non-contractual disputes) is governed by, and shall be construed in accordance with, English law.  The parties hereby submit to the exclusive jurisdiction of the High Court of England and Wales in relation to any matter, dispute or claim arising out of or in connection with this Term Sheet. |

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| ***[COMPANY NAME]:*** | |
| *Signature:* |  |
| *Name:* |  |
| *Date:* |  |

***[FOUNDER NAME]***

|  |  |
| --- | --- |
| *Signature:* |  |
| *Name:* |  |
| *Date:* |  |

***[LEAD INVESTOR NAME]***

|  |  |
| --- | --- |
| *Signature:* |  |
| *Name:* |  |
| *Date:* |  |



CAPITALISATION TABLE

CONSENT MATTERS

Part 1

Summary of matters requiring Investor Majority Consent[[3]](#footnote-3)

* + 1. Fundraising and Share capital
       - 1. Alter share capital
         2. Issue any shares or rights to subscribe for shares (save under any share option plan(s).
         3. Permit disposals of shares other than in accordance with the shareholders' agreement or articles of association.
         4. Directly or indirectly issue any tokens in any form whatsoever.
    2. Share Option Plan(s)
       - 1. [Adopt or amend any share option plan of the Company.]
         2. Increase the share option pool.
    3. Distributions
       - 1. Propose or pay any dividend or propose or make any other distribution.
    4. Acquisitions and Disposals
       - 1. Acquire or dispose of any interest in another undertaking.
         2. Dispose of the whole or part of the undertaking of the Company.
         3. Permit the disposal of shares in the Company amounting to a sale of the Company or IPO ("**Exit**").
         4. Enter into any right of first refusal in relation to an Exit.
    5. Insolvency
       - 1. Permit the Company to cease to carry on its business.
         2. Wind up the Company.
         3. Place the Company into administration.
         4. Propose or enter into any arrangement, scheme, moratorium, compromise or composition with its creditors; or
         5. Invite the appointment of a receiver or administrative receiver.
    6. Amendments to the Articles
       - 1. Amend the articles of association.

Part 2

Matters requiring Investor Director Consent

* + 1. Share option plan awards
       - 1. Grant any options [to a Founder of member of senior management]/[in excess of [●] [Ordinary Shares] pursuant to the Company's share incentive plan(s).
         2. Authorise non-standard vesting in respect of an option award.
         3. Permit the acceleration of any vesting with respect to an option award.
    2. Proceedings of the Board
       - 1. Transact any Board business outside the agenda for the Board meeting.
         2. Increase the maximum number of directors.
         3. [Vary the agreed frequency of Board meetings.]
         4. Engage any broker or professional advisor to provide any services for an Exit.
         5. Establish or approve the terms of reference for any [remuneration] [audit] [other] committee of the Board.
    3. Business
       - 1. Make any material change to the nature of the Business or do any act or thing outside the ordinary course of the Business.
    4. Accounts and expenditure
       - 1. Approve the Company's annual budget and cash flow forecast and/or business plan in respect of each financial year.
         2. Incur material capital expenditure outside the annual budget.
         3. Dispose of any asset of capital nature having a material book or market value greater than £[●].
    5. Employment:
       - 1. Hire employees with remuneration exceeding £[●] per annum (or increase / vary the total remuneration of any employee or consultant to more than £[●] per annum) or on whose contract is terminable on more than three months' notice.
         2. Vary the terms of engagement of any Founder or senior executive.
    6. Loans and charges
       - 1. Make any loan or advance or give any credit (other than in the ordinary course of business) or make any guarantee.
         2. Permit the creation of or suffer to subsist any encumbrance over its assets.
         3. Factor any of its debts, borrow monies or accept credit (outside the ordinary course of business).
    7. Adherence Agreements
       - 1. Permit any change in shareholdings without the new shareholder entering into an adherence agreement [save where shares are issued under the share option plan(s)].
    8. Litigation
       - 1. Conduct any litigation material to the Company.
    9. Contracts and related party transactions
       - 1. Subject to customary exceptions, enter into or vary any transaction or arrangement with, or for the benefit of any director, shareholder or connected person of any director or shareholder.

1. **Note:** The price per share may not be calculable at the term sheet stage as the full capitalisation table may not be available. The key relevant facts are the investment size and resulting post-money ownership, however. Parties to consider omitting specific price per share until the full capitalisation is determined. [↑](#footnote-ref-1)
2. **Note:** The detailed capitalisation table may not be available during initial negotiations. Parties to consider omitting. [↑](#footnote-ref-2)
3. Note: This schedule is a summary of the matters requiring either Investor Majority Consent or Investor Director Consent under the Shareholders Agreement, rather than the full text and detail of all the matters requiring such consent. [↑](#footnote-ref-3)