

[COMPANY]

**SUMMARY OF TERMS FOR
SALE OF SEED SHARES**

Company	[Company]
Founders	[Founder 1], [Founder 2] & [Founder 3]
Investors	Passion Capital (the “ Lead Investor ”) in conjunction with other investors (the “Investors”) mutually agreeable to the Lead Investor and the Company.
Structure of Financing	The financing will be up to an aggregate of [] at a fully diluted pre-money valuation of [], including an unallocated employee share option plan (“ ESOP ”) of 10%. The Lead Investor will invest up to [] and would hold no less than []% of the Company on a fully diluted basis.
Conditions to Close	(i) completion of confirmatory due diligence and anti-money laundering checks (ii) all employees having entered into service agreements containing IP assignment provisions (iii) receipt of all necessary consents and (iv) incorporation or re-incorporation in England.
Estimated Closing Date	[Closing Date]
Type of Security	Ordinary Shares
EIS	If requested, the Company will seek to qualify the investment under the Enterprise Investment Scheme.
Priority Payment on Exit	<p>In the event of a (i) liquidation (ii) sale or (iii) exclusive license or other sale of substantially all of the assets of the Company (an “Exit”), the Investors shall be entitled to receive the higher of:</p> <p>(i) The financing of £ (being the original purchase price paid by the Investors) plus any declared but unpaid dividends; or</p> <p>(ii) The Investors’ pro rata share (based on its ownership of the shares) of such assets or proceeds.</p>
Important Decisions	The consent of the holders of a majority of the Seed Shares held by the Investors (an “Investor Majority”) shall be required for the important decisions, substantially in the form listed in Appendix B.
Pre-emption	All shareholders will have a pro rata right, but not an obligation, based on their ownership of issued capital, to participate in subsequent financings of the Company (subject to customary exceptions). Any shares not subscribed for may be reallocated among the other shareholders. The Investors may assign this right to another member of their fund group.
Right of First Refusal and Co-Sale	The Investors shall have a pro rata right, but not an obligation, based on their ownership of Ordinary Shares, to participate on identical terms in transfers of any shares of the Company, and a right of first refusal on such transfers (subject to customary permitted transfers, including transfers by Investors to affiliated funds). Any shares not subscribed for by the Investors would then be offered to the other holders of Ordinary Shares.
Drag Along	In the event that the holders of a majority of the Ordinary Shares wish to accept an offer to sell all of their shares to a third party, or enter into a Change of Control event of the Company, then subject to the approval of the Lead Investor and the Board, all other shareholders shall be required to sell their shares or to

consent to the transaction on the same terms and conditions.

Restrictive Covenants and Founders Undertakings

Each Founder will enter into a non-competition and non-solicitation agreement, and an employment agreement in a form reasonably acceptable to the Investors, and shall agree to devote their entire business time and attention to the Company and not to undertake additional activities without the consent of the Investors. A breach of any of the foregoing restrictive covenants or undertakings by a Founder shall result in immediate dismissal for cause of such Founder.

Founder Shares

Shares held by the Founders will be subject to reverse vesting provisions over three years in equal monthly installments. If a Founder leaves the Company voluntarily or is dismissed for cause, they shall offer for sale to the Company (with a secondary purchase option for the holders of Seed Shares) any unvested shares at the lower of nominal value or subscription price.

Board of Directors

The board of directors of the Company (the “**Board**”) shall consist of a maximum of three members: the holders of Ordinary Shares other than the Lead Investor may appoint two directors and the Lead Investor may appoint one director.

Information Rights

The Lead Investor shall receive weekly reporting and monthly financial information.

Documentation and Warranties

Definitive agreements shall be drafted by counsel to the Lead Investor and shall include customary covenants, representations and warranties of the Company (which shall be liable up to a maximum of the investment amount) reflecting the provisions set forth herein and other provisions typical to venture capital transactions. The Founders will also complete a personal questionnaire.

Expenses

Each party shall pay their own legal and other fees and expenses in the transaction. If the financing does not complete within 60 days or because the Company withdraws from negotiations (except as a result of the Lead Investor making a material change in the terms), the Company shall bear the Lead Investor’s legal costs incurred to that date.

Exclusivity

In consideration of the Lead Investor committing time and expense to put in place this financing, the Company and Founders agree not to discuss, negotiate or accept any proposals regarding the sale or other disposition of debt or equity securities, or a sale of material assets of the Company for 45 days from the date of the Company’s signature below.

Confidentiality

The Company and Founders agree to treat this term sheet confidentially and will not distribute or disclose its existence or contents outside the Company without the consent of the Lead Investor, except as required to its shareholders and professional advisors.

Non-binding Effect

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

Acknowledged and agreed:

For and on behalf of
Passion Capital LP
acting by its manager, Passion Capital Investments LLP

By: _____
Print Name: _____
Title: _____
Date: _____

[Additional Investor]

By: _____
Print Name: _____
Title: _____
Date: _____

[Company Name]

[Founder 1]

By: _____
Print Name: _____
Title: _____
Date: _____

[Founder 2]

By: _____
Print Name: _____
Date: _____

[Founder 3]

By: _____
Print Name: _____
Date: _____

APPENDIX A

CAPITALISATION TABLE

Shareholder	Class of Shares	No. of Shares.	Ownership (%)
[Founder 1]	Ordinary Shares	▪	▪ %
[Founder 2]	Ordinary Shares	▪	▪ %
[Founder 3]	Ordinary Shares	▪	▪ %
Lead Investor	Ordinary Shares	▪	▪ %
Additional Investor	Ordinary Shares	▪	▪ %
Option Pool	Ordinary Shares	▪	▪ %
Total		▪	100%

APPENDIX B

IMPORTANT DECISIONS

The consent of the holders of a majority of the Shares held by the Investors (an “Investor Majority”) shall be required for the following important decisions. The Company, and any Group Company, shall not:

- create any fixed or floating charge, lien (other than a lien as arising by operation of law) or other encumbrance over the whole of any part of its undertaking, property or assets, except for the purpose of securing indebtedness to its bankers for sums borrowed in the ordinary and proper course of the Business and on arm’s length terms;
- give a guarantee or indemnity to secure liabilities or obligations of any person (other than a wholly-owned subsidiary of the Company);
- other than any expenditure set out in any Approved Business Plan, enter into any Material Contract or purchase, hire, lease or enter into any finance arrangement to acquire any asset for a consideration in excess of £50,000 or, sell, transfer, lease, assign or otherwise dispose of a material part of its undertaking, property, intellectual property or assets (or any interest in them), or contract to do so otherwise than in the ordinary and proper course of the Business;
- issue any shares or debentures or create any new shares, or issue securities convertible into shares or debentures (except for customary exceptions);
- issue options from the Option Pool to a Director;
- alter the rights attaching to any class of shares of the Company;
- consolidate, sub divide or convert or buy-back any of the Company’s share capital;
- alter the Articles of Association or adopt or pass any resolutions inconsistent with them;
- do or permit to be done any act or thing whereby the Company may be wound up (whether voluntarily or compulsorily);
- enter into a contract or transaction except in the ordinary and proper course of the Business on arm’s lengths terms;
- create a contract or obligation or renew or vary the terms of an existing contract or obligation, pay money or money’s worth (including by way of declaring or paying a dividend or other distribution) to any Shareholder or to the holding company of any Shareholder or to any other subsidiary of such holding company or to any person as a nominee of any Shareholder or any such holding company or subsidiary;
- appoint or remove any director of the Company, except in accordance with the rights conferred on the Investors;
- enter into any employment contract with any Senior Employee or amend the terms of employment of any Senior Employee other than any annual increase in salary of not more than 5%;
- incur any indebtedness exceeding £50,000;
- instigate, defend, settle or compromise any litigation (other than debt collection in the ordinary course of business);
- enter into any agreement or arrangement in the nature of partnership, consortium, joint venture (where such joint venture requires the incorporation of a joint venture vehicle or other equity commitment by the Company or any Group Company) or profit sharing arrangement, or the amalgamation with any other person (other than as part of a solvent reconstruction);

- effect a sale, transfer or disposition of or encumbering any of its intellectual property (other than on an arms-length basis and in the ordinary course of business or pursuant to the terms of the IPR Agreement);
- enter into a contract to acquire or dispose of all or a material part of any business, including that of the Company;
- expand, develop or evolve its business otherwise than through the Company or a wholly owned subsidiary of the Company;
- dispose of or acquire any interest in any share in the capital of any company or incorporate any new subsidiary undertaking.

The definitive legal documentation shall also include certain restrictions required by Passion Capital as an Enterprise Capital Fund.