

Term Sheet - Draft

Date: [enter date]

This indicative term sheet ("**Term Sheet**") summarizes the principal terms with respect to a potential investment by [Investor] in [Company name] the "**Company**"). This Term Sheet has been entered to facilitate negotiations for the Proposed Investment and is an expression of intention only and does not constitute an offer, agreement, agreement in principle, agreement to agree or commitment to provide financing. This Term Sheet is non-binding except for Clauses on Confidentiality, Expenses, Governing law and dispute resolution, Exclusivity & Survival which shall be legally binding on all parties hereto. The terms below are not exhaustive in nature and also subject to detailed specifications in the Share Subscription & Shareholders' Agreement (the "**Definitive Agreements**").

Section no.	Section	Terms
1	Investee company/ Brand Name:	Company name/ Brand name
2	Promoter(s)/ Founder(s)	Promoter 1 Promoter 2
3	Contact Person, number & Email ID:	Name Number Email ID
4	Key Managerial Person(s):	CXOs
5	Business:	The Company is engaged in the business of XYZ
6	Investor:	Name of investing entity
7	Investors not Promoter:	The Investor is not a "Promoter" of the Company for the purposes of any regulations under SEBI (including in any documents and filings).
8	Investment amount:	The Investor shall invest INR XXX (Indian Rupees XXX only) (" Investment Amount ") into the Company through a primary investment in Seed CCPS
9	Post - Money Enterprise Valuation:	<p>The parties agree to a post-money Enterprise Valuation of INR XX (Rupees XX only)</p> <p>To arrive at Equity Valuation from Enterprise Valuation, we will deduct the following:</p> <ol style="list-style-type: none"> Debt on company books Any outstanding statutory liabilities beyond due date Any payments pending to vendors/employees beyond normal credit period Any contingent liabilities Amount of investor investment

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10	Investment Instruments	0.01% Compulsorily Convertible Cumulative Preference Shares, standard conversion terms ("Investor Shares").
12	Key Man Exclusivity, Non-Compete and Non-Solicit:	Promoters and Key Managerial Personnel (KMP) (Holding right to ESOPs) shall s shall be bound by standard non-compete and non-solicit provisions. So long as Investors hold shares minimum to the extent of 3% in the company, termination of any of the KMP namely Promoter a, Promoter b, KMP c is subject to written pre-approval of Investor.
13 A	Promoter's Lock-in share transfer and vesting	<p>The Promoters' share shall be locked-in for a period of 48 months from the date of closing. Upto 5% shares of each Promoter's overall holding shall be transferable for personal/ family exigencies. For e.g.: If a promoter holds 80% of the company after the investment, upto 4% may be freely transferable for exigencies</p> <p>In any other case the Promoter(s) would require the written consent of the Investor.</p> <p>Promoter's shares shall follow the following vesting schedule: 25% upfront, followed by quarterly vesting over 3 years after a 1-yr cliff.</p>
13 B	Founder Restriction	Promoters shall not voluntarily leave or dis-associate with the Company, up to the expiry of 48 months from the Closing date (" Restricted Period ").
14	Terms of the Seed CCPS:	<ul style="list-style-type: none"> ▪ <u>Dividend rights</u>: Standard dividend rights ▪ <u>Conversion rights</u>: Each Seed CCPS shall automatically convert into one equity share (Conversion ratio 1:1) of the Company, upon the earliest of: <ul style="list-style-type: none"> (i) 1 day prior to the expiry of 20 years from the closing date under the Definitive Agreements; (ii) anytime at the option of Investors; (iii) the occurrence of a liquidation event as set forth in the Definitive Documentation; or (iv) in connection with an initial public offering, prior to the filing of a prospectus by the Company. ▪ <u>Voting rights</u>: Standard rights which shall rank pari-passu with existing equity shares or any equity shares issued in the future
15	Board Observer seat:	The Investor shall have the right to cause the appointment, removal and substitution of 1 (One) Observer to the Board ("Seed Investor Observer") as long as the Investor holds any stake in the company.
16	ESOPs:	The Company shall create a virtual ESOP pool of equity shares ("ESOP Pool") which will represent X% of the Company's share capital to be shared with employees other than the Promoters, and shall be non-dilutive to the Investors.

17	Investors Consent Matters	<p>The Investor, will have the consent rights with respect to the following:</p> <ul style="list-style-type: none"> a) New share issues, dividends, Buy back, change in capital structure b) Related party transactions c) Borrowing or early repayment d) Dissolution or liquidation e) Merger, consolidation or sale of business f) Sell transfer or grant any IP rights g) Effect any change in management control h) Change in composition of the board of directors i) Sizeable Capital expenditures j) Amending of the MoA of the company k) IPO plans l) Approval of annual accounts, operating budgets m) Removal or appointment of any key employee n) Change in scope of the business <p>The Parties agree that certain other items may be added to the list of Consent Matters in the Definitive Agreements which may be customary to the transactions and any others as may otherwise be mutually agreed upon and contained in the Definitive Agreements executed between the Parties.</p>
18	First Preemptive. Pro-rata rights and Right of First Refusal	<p>The Investor will have First Pre-emptive, Pro-rata Right and not the obligation to any further round of investment / fresh issue of shares by Company</p> <p>Investor will have Pre-emptive Pro-rata Right of First Refusal on any sale or transfer of shares held by any shareholders including Promoter(s) / Founder(s), as the case may be.</p>
19	Tag along rights	<p>If the promoters are selling any share of their holding, the Investors shall be entitled to mandate the purchaser to acquire their pro rata shareholding in the Company on the same price per share and on the same terms and conditions before purchase of any promoter shares</p>
20	Liquidation preference	<p>1X, non-participatory and no double dip</p>
21	Right of First Offer to Promoters	<p>If Investors chose to sell their shares within a period of 5 years, the Promoters and/or Company shall have the option of first offer, exercisable within thirty (30) days of receipt of the transfer notice.</p>

22	Rights of Investors Following the Next Round of Capital Raise	On any new investment in the Company or on new Investor investing in the Company, whatsoever, at no time, by any agreement, etc., with the new Investor, the rights of Investor shall be made inferior vis-à-vis the rights of the new Investor, unless mutually agreed upon in writing between the Investor and the Company. The Founder and the Company shall act accordingly to secure the rights of the Investor.
21	Anti- Dilution Protection	Standard Broad based weighted average
22	Exit rights	Investor expects the Founders to make a reasonable effort to provide an exit at some point in the future. No specific timelines as long as the founder continues in the business
23	Information and Inspection Rights	Investor shall have standard information/ inspection rights including: <ul style="list-style-type: none"> • Monthly operating MIS before 8th of next month, • quarterly financial statements including detailed cash flows, • annual audited statements where format to be agreed upon
24	Event of Default	The Promoters hereby agree that all the equity shares held by the Promoters (the "Promoter Shares") shall be subject to the following terms and conditions. In the event that the Promoter resigns from his employment with the Company (an "Unapproved Resignation") or any Promoter's employment is terminated by the Board with Cause (any offence involving moral turpitude, deceit, gross negligence, dishonesty or fraud) or in case of Corporations filing petition for winding up, the Investors shall have the right to New Management Appointment or shall have the right (but not the obligation) to buy back from the Promoter, the Promoter Shares at the face value of the vested Promoter Shares.
25	Conditions Precedent	<ul style="list-style-type: none"> • Setting up of X% ESOP Pool • Promoter inter-se agreement • All IP rights to belong to the company including but not limited to the technology, marketing, distribution, etc. • Completion of financial audit, and legal due diligence of the Company and / or Promoters, to the satisfaction of Investors. Promoters and company agree to background verification checks to the satisfaction of the Investor • Agreement between the Investors, the Company and Promoters on utilization of funds and milestones attached to them. • Finalization and execution of Definitive Documents in a form and manner acceptable to both the Parties. • Receipt of all requisite approvals from the Government of India/ other such requirements • Relevant board/shareholders'/ any other approval

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		<ul style="list-style-type: none"> Promoter compensation plan or formula for the next 36 months to be shared and agreed upon mutually
26	Expenses	<p>Any expenses incurred for due diligence, legal documentation of the investment as well as those incurred in connection with enforcing the Investors' rights under the documents, including future modifications, amendments, waivers, and the like, shall be payable by the company up-to Rs X lacs (Indian Rupees X lacs Only)</p> <p>The Company will bear its own legal fees and expenses.</p>
27	Definitive Agreements:	<p>The Definitive Agreements shall be executed by the Parties (SSA/ SHA). In addition to the terms and conditions contained in this Term sheet, the Definitive Agreements will contain other clauses which are customary in such transactions. The Definitive Agreements entered into in pursuance of this Term sheet will supersede any and all agreements entered between the Company, the Promoters and the existing investors of the Company.</p>
28	Representations and Warranties:	<p>Promoters, Investor and the Company will provide standard representations and warranties as detailed out in the Definitive Agreements.</p>
29	Indemnities	<p>The Company and the Investor will provide standard indemnities, as defined in the Definitive Agreements.</p>
30	Bank account details of the Company:	<p>The Investors shall remit the Investment Amount to the Company's designated bank account, details of which are to be provided by the Company.</p>
31	Closing	<p>Closing shall take place within 7 days of execution of the Share Subscription & Shareholders' Agreement or on satisfaction of the Conditions Precedent, whichever is later or as mutually agreed between the parties hereto.</p>
32	Confidentiality:	<p>The terms and conditions of this Term Sheet and the Investors' proposed financing shall be confidential information and the Investor, Company or Promoters shall not disclose the same to any third party without the written consent of the Investor.</p>
33	Governing law and dispute resolution:	<p>This Term Sheet and the Definitive Agreements shall be governed by the laws of India. Disputes will be resolved by arbitration in Mumbai as per the provisions of the (Indian) Arbitration and Conciliation Act, 1996. Subject to arbitration, the courts at Mumbai will have exclusive jurisdiction.</p>
34	Miscellaneous:	<p>No change, modification, or termination of any of the terms, provisions, or conditions of this Term Sheet shall be effective unless made in writing and signed or initiated by all signatories to this Term Sheet.</p>
35	Survival:	<p>The paragraphs captioned "Confidentiality", "Expenses" "Governing law and dispute resolution" and "Survival" shall survive termination, withdrawal or expiry of this Term Sheet.</p>
36	Validity	<p>This terms sheet expires within 72 hours of issuance date (xx) if not accepted by the Company.</p>

37	Exclusivity	The Company and the Promoters agree that following 45 (forty-five) days from the execution of this Term Sheet, neither the Promoters nor the Company, either by themselves or through any other person, shall approach or participate in any discussions or negotiations or solicit, discuss and/or encourage any financing for the Company by any other person in any manner and will not provide any information relating to the Company to any other potential investor and will clearly indicate to such other potential investors that the Company and the Promoters are bound by this Clause.
38	Conditions Subsequent	To be closed within 60 days of disbursal: <ul style="list-style-type: none">• To be decided (if any), based on DD

If the foregoing accurately describes the basis on which the undersigned are willing to proceed with regard to a transaction, please indicate your approval by signing the copy of this term sheet

For Company

For Company

By: Promoter A, Director & Founder

By: Promoter B, Director & Founder

Date:

Date:

For Investor

Date:

- End of document -

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Attachments/Annexure

1. Fully diluted cap table pre funding
2. Fully diluted cap table post funding
3. Bank account details of the Company

P.S: Read a simple explanation of the terms used in the [Term Sheet here](#)