

[TO BE PRINTED ON E-SYNERGY HEADED PAPER]

[COMPANY]

**SUMMARY OF TERMS FOR  
SUBSCRIPTION OF [SERIES SEED] SHARES**

Company	[Company]
Founders	[Founder 1], [Founder 2], & [Founder 3]
Investors	[Lead Investor] (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 [ ]%. 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; and (iii) receipt of all necessary consents.
Estimated Closing Date	[Closing Date]
Type of Security	Newly issued Ordinary Shares (“[Seed Shares]”)
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.
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 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 to not 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. 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. Founders' shares shall vest immediately upon a liquidation, dissolution, winding up, merger, acquisition, sale, exclusive license or other disposal of substantially all of the assets or a majority of the shares of the Company (a "Change of Control").
Board of Directors	The Lead Investor may appoint a director to attend meetings of the Board.
Information and Management Rights	The Lead Investor shall receive monthly financial information [and a management rights letter to satisfy its venture capital operating company requirements].
Documentation and Warranties	Definitive agreements shall be drafted by counsel to the Lead Investor and shall include customary covenants, representations and warranties of the Founders (who 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	<p>The Company will pay the legal costs and other fees relating to the Investment including the Fund Manager's solicitors' fees [capped at £3,000 + VAT].</p> <p>If the Investment does not complete because the Company withdraws from negotiations with the Lead Investor (except as a result of the Lead Investor making a material change in the terms), the Company shall bear the Lead Investor's costs incurred to that date [capped at £5,000 + VAT].</p>
Fees	<p>On completion of the Investment the Company shall pay the Fund Manager a fee in respect of its management services equal to [5%] of the [Aggregate/Fund's] Investment plus VAT.</p> <p>In addition, the Company shall pay the Fund Manager a monitoring fee equal to [£6,000 + VAT] per year from completion of the Investment. This fee shall be paid half yearly in advance on 1 January and 1 July with a pro rata payment being made on completion in respect of the period up to the next payment date.</p>
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 [8 weeks] 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/Northern Ireland].

If the terms of the Investment are acceptable to the Company and the Founders, please sign below and return it to [ ] at [ ] no later than [time] p.m. on [ ] 20[XX].

This Term Sheet may be executed in counterparts and, when so executed, each counterpart, when taken together, shall constitute one and the same original.

Acknowledged and agreed:

[COMPANY NAME]

[INVEST GROWTH FUND LP/QUEEN'S UNIVERSITY BELFAST  
INNOVATION FUND LP/UNIVERSITY OF ULSTER INNOVATION  
FUND LP/EAST MIDLANDS EARLY GROWTH FUND LIMITED ]  
ACTING BY ITS MANAGER, E-SYNERGY LIMITED

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: Director duly authorised  
for and on behalf of the Board of the Company

Date: \_\_\_\_\_

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[FOUNDER 1]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[ADDITIONAL INVESTOR]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[FOUNDER 2]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

[FOUNDER 3]

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Date: \_\_\_\_\_

**APPENDIX A  
CAPITALISATION TABLE**

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## APPENDIX B IMPORTANT DECISIONS

The consent of the holders of a majority of the Ordinary 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 £[25,000] 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 ESOP 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 and/or the IPR Transfer Variation 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 The Fund [as a European Regional Development Fund].

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