

Kindred

INVESTMENT BY KINDRED CAPITAL

IN [COMPANY NAME]

SUMMARY OF TERMS

[date]

1 Explanation of Summary of Terms

This Summary of Terms (the “**Terms**”) sets out the key terms upon which [Kindred Capital *Fund Name] (“**we**” or “**Kindred**”) proposes to invest in [company name, trading as name] (the “**Company**”) whose founder[s] [is/are] [name and name] (the “**Founder[s]**”).

2 Investment

2.1 We propose to invest [up to] £[x] as part of a total investment round of [up to] £[x]] (the “**Investment Round**”).

2.2 [The co-investors and their investment amounts are: [x] investing up to £[x].

OR The co-investors shall be as agreed between us.]

The investors referred in in this section 2 are the “**Investors**”.

3 Valuation

3.1 The Investors will receive a total of [x]% of the fully-diluted* ownership of the Company for the Investment Round. Taking into account the option pool referred to in section [3.3], this values the Company at a pre-money valuation of £[x].

3.2 Kindred will hold no less than [x]% and no more than [x]% on a fully-diluted basis.

3.3 Post-completion, the Company will put in place an employee share option plan (an “**ESOP**”) in respect of Ordinary Shares representing [X]% of the fully diluted ownership of the Company post- investment, which will include any existing options already granted. Any options granted under the ESOP shall be subject to a vesting period of four years, starting on the date of grant, and will vest monthly during this period, with a one year cliff.

3.4 A post-investment share cap table is set out below assuming Kindred invests £[x].

4 Type of shares

4.1 The Investors will be issued Seed Shares for their investment. These will have the rights described below. The only other shares in the Company will be Ordinary Shares.

4.2 The price per Seed Share will be £[x].

*Fully-diluted ownership meaning the percentage of the total number of shares issued by the Company plus the maximum number of shares which would be issued if all options which may be granted are exercised, and all other rights to buy or convert into shares of the Company are exercised.

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5 Timetable and conditions

5.1 We are targeting a completion date of [date] (or, if later, four weeks after signature of these Terms).

5.2 Prior to completion, the following items will need to be completed to our satisfaction:

5.2.1 Due diligence on the Company – financial, operational and legal;

5.2.2 Anti-money laundering checks on the Company and the Founder[s], and replies to our Founder Questionnaire requesting basic information about the Founder[s]; and

5.2.3 Entry into (or adoption where relevant) of the following legally binding documents:

- (a) a subscription and shareholders' agreement, which sets out the terms of our investment and ongoing relationship with the Founder[s] and the Company;
- (b) new articles of association, which set out the rights attaching to the shares we are acquiring; and
- (c) any other documents which our due diligence indicates as being important for the Company.

5.3 We will send you our standard questionnaires in relation to these items following signature of these Terms, and drafts of the documents described in section 5.2.3 will follow shortly. If any of the Company's key agreements (in relation to employment, IP etc) need to be put in place or should be improved, we will ask the Company to do so.

6 Terms of investment

We will expect certain standard protections for our investment. These will be set out in the documents described in section 5.2.3 and include:

6.1 Warranties

The Company and Founder[s] will provide Warranties, or statements of key facts, in relation to the business. Your lawyers will help you through this process and you will be able to disclose certain exceptions to or "disclosures" against those key facts. If those facts turn out to be untrue, with no appropriate disclosure made, then Investors will have a right to recover any loss from the Company up to the value of their investment and/or from the Founder[s] up to the amount of their annual salary, on a joint and several basis.

6.2 Restrictive covenants

We ask [each of] the Founder[s] to fully commit to the Company, and if [she/he] leaves at any time, then we ask [him/her] not to compete for a period of 12 months following departure.

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6.3 Founder shares

To protect our investment (and the other shareholders), we ask that [each of] the Founder[s] shares be subject to reverse vesting. This means that if [the/a] Founder leaves the Company prior to [his/her] shares being fully vested, [he/she] will have to give up those shares that are unvested at the date [he/she] leaves for nil value. The vesting period is [three] years, starting on the date of completion of the investment, and [the/each] Founder's shares will vest [monthly] during this period, with [no] cliff.

In addition, if a Founder ceases to be an Employee in circumstances of fraud, dishonesty or gross misconduct or sets up a business in competition with the Company (a "**Bad Leaver**"), that Founder will be required to give up all of their shares for nil value.

6.4 Liquidation Preference

If the Company is liquidated and the money remaining after paying all creditors is less than the valuation of the Company following this investment round, or the Company is sold and the selling price of the Company is less than the valuation of the Company following this investment round, the liquidation proceeds or sale proceeds must first be used to pay back to the Investors the amount they paid for their shares, and any remaining money may be distributed to the other shareholders pro rata to their shareholdings.

6.5 Anti-Dilution

To protect our investment from being diluted because of an issue of shares at a subscription price per share which is less than the price we paid on this round (i.e. a "down round"), the Investors will have the right to be issued with such number of new shares as is calculated using a broad based weighted average ratchet.

7 Terms of on-going relationship and exit rights

7.1 We will expect certain standard protections in relation to our ongoing relationship with the Founder[s] and the Company, and certain exit rights ("**Investor Rights**"). A summary of those terms are set out below.

7.2 In addition, there are certain decisions of the Board or Company that we would want to discuss with you before they are made. The investment documents will contain a definitive list of these matters ("**Consent Matters**"), the key terms of which are set out below. These Consent Matters will require the consent of the holders of [a majority / at least [x]%) of the Seed Shares, including Kindred (the "**Investor Majority**").

7.3 We will agree with you the Board composition which shall not exceed [x] directors and will include the right for Kindred to appoint a member of the Board and an observer to the Board.

8 Kindred community

8.1 We believe in building a true partnership between Kindred and the founders it backs.

8.2 To that end, we intend to allocate up to 20% of the carry pool of [Kindred Capital Founder *Fund Name] (the "**Carry Pool**"), i.e. the performance fees of Kindred, across the founding teams that Kindred invests in. All of the Carry Pool is subject to a vesting schedule which we will share with you in due course.

8.3 We also believe in the success of our founders and helping them achieve their full potential. Kindred would therefore like to offer one year of free executive coaching to the founders that Kindred invests in. Following closing of the investment, Kindred will provide the Founder[s] with an information pack which will include a list of our recommended coaches and other information regarding the program.

8.4 We are committed to ensuring a safe and welcoming environment for our companies and in the relationships between our founders and their investor base. We will therefore include anti-harassment

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and anti-discrimination provisions in our documents and can help you adopt appropriate policies for your company.

9 Expenses

The Company will pay Kindred’s reasonable legal costs up to an agreed cap. We will let you know what the agreed cap is. We and our advisors are committed to keeping the costs of our investment low.

10 Non-binding

These Terms are non-binding but set out our intention to invest in the Company. We hope that upon signing them, you are firmly committed to working with us too.

11 Acceptance

11.1 If you agree to the above terms, please sign below and return these Terms to us.

11.2 These Terms remain available until [date]. We reserve the right to withdraw our offer at any time and will not be bound to invest until we have signed legally binding documents.

Terms offered by:

.....

For and on behalf of Kindred Capital LLP

Date:

Terms accepted by:

.....

Founder[s]

Date:

.....

**For and on behalf of
[Company name]**

Date:

IMPORTANT: This term sheet has been signed on behalf of Kindred Capital LLP in its role as an adviser to the General Partner of [Kindred Capital *Fund Name]. Consummation of the transaction contemplated by the Term Sheet remains entirely subject to the prior approval of the General Partner of [Kindred Capital *Fund Name].

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Investor Rights

1 On-going rights

- 1.1 Information rights – for our own fund reporting purposes, we would like financial updates quarterly and annually on key performance indicators.
- 1.2 Director right / Board observer – we reserve the right to appoint a director to the Board. In addition, we may reserve the right to appoint an observer attend board meetings, so that we can understand how the business is developing and also provide advice where we think we can give it. This director and/or observer will be one of the members of Kindred Capital LLP, the investment adviser to Kindred.
- 1.3 Pre-emption rights on new issues of shares – those shareholders holding at least [5]% of the issued share capital of the Company from time to time (including the Founder[s]) have the opportunity to maintain their percentage holding in the Company on any future fundraise.
- 1.4 Pre-emption rights on transfers of shares – if any shareholder proposes to sell their shares (save for certain related party transactions), those Investors holding at least [5]% of the issued [Seed Shares/share capital of the Company] from time to time will have a right to buy those shares, on the same terms. Any shares which remain unpurchased by such Investors shall be offered to the Company.
- 1.5 Co-sale rights – any Investor who is entitled to and does not exercise their pre-emption rights on a transfer of shares by a selling shareholder shall be entitled to sell a pro rata proportion of their shares alongside the selling shareholder.
- 1.6 Conversion rights – any Investor can convert its Seed Shares into Ordinary Shares at any time, and the Investor Majority can require all Seed Shares to be converted at any time.

2 Exit rights

- 2.1 Drag-along – if 75% of the shareholders want to sell their shares (and the Board approves the sale), they can require the rest of the shareholders to sell theirs too.
- 2.2 Tag-along – if shareholders want to sell their shares to a buyer which would result in the buyer holding a majority of the shares in the Company, the other shareholders can require the buyer to buy their shares too.

Consent matters

The following matters will be included in the Consent Matters in the investment documents and will require the consent of the Investor Majority before they can be carried out:

1. Any change or agreement to make any change to the share capital of the Company
2. Passing any shareholder resolution, including to change any constitutional documents of the Company
3. Payment of any dividend or other distribution
4. Any change of control, sale of the Company or its assets, IPO or liquidation of the Company
5. Granting security over any assets of the Company or giving any guarantee
6. Increasing the size of the option pool
7. Entering into or varying contracts which are not on arm's length terms or which are with persons connected with the Company or Founder[s]
8. Appointing or removing a director

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- 9. Founder[s] selling any of their shares within the first [18 / 24] months of completion
- 10. Key operational matters, subject to thresholds to be set out in the investment documents, such as taking debt, incurring capex, acquiring/disposing assets, hiring key employees or changing their terms of employment or creating subsidiaries.

Post-Completion Share Capitalisation Table

	Equity	Equity + Options
[Founder]		
[Founder]		
[Kindred Capital *Fund Name]		
Team (Option Pool)	-	
Total	100%	100%