

Term Sheet (CCD) Template (India) | OS v.1 | November 2016

Term Sheet

This term sheet (“**Term Sheet**”) executed on [●] (“**Effective Date**”) summarizes the principal terms and conditions for the proposed investment (“**Proposed Transaction**”) in [●] (“**Company**”) by [●] (“**Investor**”) and is executed by and between [●] and [●] (collectively, “**Promoters**”), the Company and the Investor. This Term Sheet has been entered to facilitate negotiations for the Proposed Transaction 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 Clause 4 which shall be legally binding on all parties hereto.

| 1.0 | TRANSACTION DETAILS | |
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| 1.1 | Business | The Company is currently engaged in the business of [●]. |
| 1.2 | Promoter(s) | The Company is currently controlled by [●] and [●]. |
| 1.3 | Current Capital Structure | The current paid up and issued share capital of the Company comprises of [●] equity shares with a face value of INR [●] per share and [●] preference shares with a face value of INR [●] per share. The Promoters hold [●] % in the current paid up and issued share capital of the Company. The shareholding pattern of the Company as on the Effective Date is as set forth in Schedule hereto. |
| 1.4 | Instruments | Compulsorily convertible debentures of the Company of a total value of INR [●] with certain rights attached as mutually agreed upon by the Parties in the Definitive Documentation (“ Debentures ”). “ Definitive Documentation ” shall have the meaning ascribed to it under Clause 3.1 of this Term Sheet. |
| 1.5 | Interest | The Debentures shall bear an interest of [●] % on a non-cumulative basis per annum. |
| 1.6 | Proposed Transaction | <p>(i) Subject to applicable law, the Investor, along with certain other persons as set forth in the Definitive Documentation (collectively, “Investors”) proposes to make an investment of up to INR [●] (the “Investment Amount”). It is agreed by the Parties that the Investment Amount may be subject to change at any time subsequent to the execution of this Term Sheet but prior to the execution of the Definitive Documentation, and in the event of the same, the post-money valuation and shareholding pattern of the Company shall be accordingly revised.</p> <p>(ii) The Parties will work towards achieving completion of the Proposed Transaction, including but not limited to the remittance of the Investment Amount and issue of corresponding Debentures (“Closing”) within the timeframe specified in the SSSHA.</p> <p>(iii) The shareholding pattern of the Company, immediately upon Closing shall be as set forth in Schedule 2 hereunder.</p> |
| 1.7 | Advisory | The Company agrees to issue at the time of Closing, to [●], Equity Shares (“ Advisory Equity ”) |

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| | Equity | <p>equivalent to [●]% of [●] in value, in consideration of the advisory and mentoring services to be rendered by [●] on an ongoing basis, subject to the terms set forth in the Definitive Documentation.</p> <p>[LV Note: This is an optional Clause and is to be included if an investor is getting advisory equity.]</p> |
| 2.0 | KEY CONSIDERATIONS | |
| 2.1 | Board Composition And Incidental Matters | <p>The Board of Directors of the Company (the “Board”) immediately upon Closing shall comprise of [●] directors, of which the Investors shall be entitled to nominate 1 (one) director (“Investor Director”) and the other directors shall be nominated by the Promoters. In the event of any increase or decrease in the number of directors, the number of directors so nominated by the Investors and the Promoters shall be proportionately increased or decreased.</p> <p>The Investors shall be entitled to nominated 1 (one) person as the observer of the proceedings of the Board (“Board Observer”).</p> |
| 2.2 | Anti-Dilution Protection | <p>If at any time after Closing, the Company issues to any securities, at a price per security that is lower than the price paid for the Debentures (or their conversion price), then the Investors shall be entitled to anti-dilution protection on a broad based weighted average basis. In such an event, the Company shall be bound to, and the Promoters shall be bound to cooperate with the Investors and the Company such that, the Company forthwith takes all necessary steps to either adjust the conversion ratio or issue additional equity shares to the Investors. Circumstances where anti-dilution protection will not be applicable will be detailed in the Definitive Documentation.</p> |
| 2.3 | Conversion | <p>In the event the Company raises Qualified Financing within [] months from the date of Closing, then the Debentures shall automatically convert into equity shares, at a conversion price calculated by assuming a price per equity share (“Conversion Price”) which is the lower of:</p> <ul style="list-style-type: none"> (i) price per Equity Share assuming a pre-money valuation of INR [] (Rupees [] Only) (“Cap”); and (ii) X% of the weighted average price per security paid by the investors in the Qualified Financing (on as as-if-converted basis), <p>where X = 100 minus Discount</p> <p>Notwithstanding the foregoing portion of this Clause 2.3, the Conversion Price shall not be lower than the price per equity share calculated at a conversion rate assuming a pre-money valuation of INR [] (Rupees [] Only) (“Floor”).</p> <p>In the event the Qualified Financing does not take place within [●] months from the date of Closing, the Company shall ensure that the Debentures shall convert at a valuation of INR</p> |

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| | | <p>● (Rupees ● only).</p> <p>Discount means the percentage of discount on the weighted average price per security paid by the investors in the Qualified Financing (on an as-if-converted basis) offered by the Company to the Investors under this Clause 2.3.</p> <p>“Qualified Financing” means an investment of at least INR ● infused into the Company.</p> |
| 2.4 | Promoters’ Lock In | <p>The Promoters shall not be entitled to transfer to any person, the shares held by them in the Company, directly or indirectly, for a period of 3 (three) years from the date of Closing (“Lock-in Period”). The Promoters may however transfer their shares to any person during the Lock-in Period subject to the prior written approval of the Investors and right of first refusal or tag along right as set forth in this Clause 2.</p> |
| 2.5 | Vesting of Promoters’ Shares | <p>25% of the shares held by each Promoter shall be deemed to have vested on the date hereof, and the remaining 75% of the shares held by each Promoter (“Unvested Shares”) will be restricted over a 4-year period starting from the date of Closing (“Vesting Period”). Upon the completion of the first year, the Unvested Shares will be vested in equal instalments, every 3 (three) months, over the next 3 (three) years and shall cease to be part of the Unvested Shares. It is hereby clarified that the first quarterly vesting shall occur at the end of the 15th (fifteenth) month. In the event of termination of any of the Promoters’ employment with the Company any time during the Vesting Period, only the shares that remain part of the Unvested Shares shall be transferred to the Company and in the event such transfer to the Company is not feasible (by reason of restrictions under applicable law or otherwise), such Unvested Shares shall be disposed of in a manner determined by the Board and the Investors.</p> <p>[LV Note: The manner of disposal of the Unvested Shares can be customised based on the understanding between the Parties.]</p> |
| 2.6 | Investors’ Right of First Refusal | <p>Subject to the Promoter’s lock-in as set forth in Clause 2.4 of this Term Sheet, in the event any of the Promoters or any other shareholders other than the Investors (“Selling Shareholder”) intends to sell all or part of their shareholding (“ROFR Shares”) in the Company to any person, then such Selling Shareholder(s) shall first offer the ROFR Shares, to all the Investors (“Non-Selling Shareholders”) at the same price as they have offered to such person. The Non-Selling Shareholders, at their sole discretion, shall have the right to purchase the ROFR Shares in proportion to their inter se shareholding in the Company.</p> |
| 2.7 | Tag-Along Right | <p>Subject to the Promoter’s lock-in as set forth in Clause 2.4 of this Term Sheet, in the event any of the Promoters, or the other shareholders other than the Investors decide to sell their shareholding in the Company or a portion of it to any person (“Buyer”), and the Investors do not exercise their right of first refusal as referred to under Clause 2.6 of this Term Sheet, then the Investors shall have the right (but not the obligation) to require the Promoters or the other shareholders as the case may be, to ensure that the Buyer purchases the pro-rata Debentures (on an as-if-converted basis) on the same terms and simultaneously with the shares of the Promoters and the other shareholders. The Promoters and/or the other</p> |

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| | | shareholders shall not sell any of their shares to the Buyer unless the Buyer purchases the Debentures. It is hereby clarified that any transfer of shares by any of the Investors shall not be subject to any tag along rights. The procedure governing exercise of tag-along right will be detailed in the Definitive Documentation. |
| 2.8 | ESOP | The Company shall implement an Employee Stock Option Plan (“ ESOP ”) constituting at least [●]% and not exceeding [●] % of the post-issue share capital of the Company on a fully diluted basis, with approval of the Investor Director, the quantum of which will be decided in the Definitive Documentation. The ESOP will be used for attracting and retaining talent in the Company. |
| 2.9 | Affirmative Voting Rights | The Company and its shareholders shall not be permitted to take any decisions on certain matters without such matters having first received the approval of the Investor Director at a Board meeting. The customary affirmative rights will be listed in the Definitive Documentation. The Investors will have the right to vote pro-rata to their shareholding (on an as if converted basis) in all shareholder meetings. |
| 2.10 | Liquidation Preference | Subject to applicable law, the holders of the Debentures shall be entitled to preferential right (“ Liquidation Preference ”) to distribution from the Company or from third parties, as the case may be, over all other shareholders, upon the occurrence of a liquidation event and shall be entitled to receive an amount which is equal to either: (a) the pro-rata share of the Investor’s shareholding on as if converted basis plus all declared but unpaid interest; or (b) the Investment Amount plus all declared but unpaid interest, whichever is higher. Transactions constituting liquidation event shall be detailed in the Definitive Documentation. |
| 2.11 | Information Rights | As long as the Investors hold any shares in the Company, the Investors shall receive from the Company (i) quarterly (un-audited) financial statements within [30 (thirty)] calendar days from the end of the preceding quarter, (ii) annual (audited) financial statements within [60 (sixty)] calendar days following the closure of the preceding financial year, (iii) operating / business plan within [30 (thirty)] calendar days prior to the commencement of the following year and (iv) any other operational and financial information as per the requirement of the Investors. |
| 2.12 | Exit Mechanism | <ol style="list-style-type: none"> The Company and the Promoters shall make all reasonable endeavors to provide exit to the Investors by way of: <ol style="list-style-type: none"> an initial public offering of the Company at a mutually agreed minimum valuation within 5 (five) years from the date of Closing; or strategic sale of the Debentures at the price acceptable to the Investors within 6 (six) years from the date of Closing provided the Company and the Promoters fail to facilitate an exit under Clause 2.12(1) (a) above. Drag Along Option: In the event the Company and the Promoters fail to provide an |

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| | | <p>exit to the Investors in accordance with Clause 2.12(1) above, the Investors shall have the unilateral right to sell the Debentures to any third party and the right to drag along the Promoters requiring the Promoters to sell whole of part of their shares, if required by such third party, to enable exit by the Investors.</p> <p>Detailed provisions with respect to the exit rights of the Investors shall be incorporated under the Definitive Documentation.</p> |
| 2.13 | Holders' Rights | The Investors shall be granted all rights that are granted to any person subscribing to the Company's securities in any future issuance of securities by the Company such that the Investors' rights so granted are on par with the rights of such person. |
| 2.14 | Free Transferability | As long as the Investors do not sell the Company's securities held by them to any competitor of the Company, the securities held by the Investors in the Company shall be freely transferable at any point of time, subject to applicable law. The term 'competitor' shall be defined in the Definitive Documentation. |
| 3.0 | DOCUMENTATION AND INCIDENTAL MATTERS | |
| 3.1 | Definitive Documentation | The parties shall enter into a Debenture Subscription and Investment Agreement ("DSIA") for the furtherance of the said Proposed Transaction and to <i>inter alia</i> incorporate the rights and obligations of the Investors and the other shareholders of the Company, within [90 (ninety)] days from the date of signing of this Term Sheet, which date may be mutually extended by the Parties. The DSIA, the restated articles of association of the Company and any other documents incidental to the Proposed Transaction shall be collectively referred to as " Definitive Documentation ". |
| 3.2 | Conditions Precedent to Closing | <ol style="list-style-type: none"> 1. A complete legal and financial due diligence of the Company to be completed to the satisfaction of the Investors. 2. Obtaining of all regulatory permissions, approvals or consents required in relation to the Investors' acquisition of the Debentures. 3. Execution of the Definitive Documentation in form and substance in accordance with the agreed terms as enshrined in this Term Sheet, together with any other agreements and documents that may be deemed necessary by the Parties. 4. Execution of an employment agreement between the Company and the Promoters in form and substance agreeable to the Investors. 5. Amendment of the Company's articles and memorandum of association and any existing shareholders agreement to permit the issuance of the Debentures and all associated rights of this Proposed Transaction and as provided for in the Definitive Documentation. 6. No material adverse change shall have occurred in the business, financial condition, results of operations, or prospects of the Company and its subsidiaries. |

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| | | 7. Any other conditions precedent that may be deemed necessary by the Investor(s) pursuant to the due diligence conducted on the Company or otherwise. |
| 3.3 | Standstill Provisions | <p>During the period between the Effective Date and the date of execution of the Definitive Documentation / or the date of termination of this Term Sheet, whichever is earlier, the Company shall not, without the Investor's consent:</p> <p>a) enter into any commitment or transaction for acquisition of property, business or any other asset, or do anything which is not contemplated by this Term Sheet and which would have a material adverse effect on the business of the Company and the Proposed Transaction, save and except in the ordinary course of business;</p> <p>b) conduct the business of the Company otherwise than in the ordinary course;</p> <p>c) enter into any commitment, transaction, arrangement or agreement with related parties (as defined under the Companies Act, 2013);</p> <p>d) incur any substantial indebtedness;</p> <p>e) appoint or relieve from the services of the Company any senior employee; or</p> <p>f) make any change in the share capital of the Company.</p> |
| 3.4 | Representations and Warranties | The Company represents to the Investors that the Proposed Transaction: (a) is in accordance with applicable law, including but not limited to, Indian foreign exchange regulations; and (b) shall not result in the Company violating any terms in respect of existing corporate or statutory approvals. |
| 3.5 | Statutory Approvals | The parties understand and agree that each party shall be responsible for obtaining the statutory approvals required for completion of their respective commitments of the Proposed Transaction described herein. The parties agree that they shall, where necessary, provide no objection letters and any other correspondence that may be necessary for the other party to obtain statutory approvals. |
| 3.6 | Events of Default | The Definitive Documentation will set out customary events of default and consequences. The events of default shall include breach of any provisions of the Definitive Documentation by a party. |
| 4.0 | GENERAL | |
| 4.1 | Expenses | All costs and expenses which constitute the basic and requisite transactional expenses in respect of the transaction contemplated herein (including consultancy/advisory fees, due diligence, stamp duty or other statutory charges) (" Basic Expenses ") shall be borne by the Company. Any expense in addition to the Basic Expenses initiated by an Investor shall be borne by such Investor. |
| 4.2 | Confidentiality | Each party hereto shall keep all information about the Proposed Transaction (including the |

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| | | terms of this Term Sheet and the discussions between the parties) confidential and shall not disclose the same to any third party without the prior written approval of the other parties. Standard exceptions to confidentiality obligations (including disclosure of information mandated under applicable law) shall apply. Any disclosure to a party's representatives, employees, agents or assigns shall be strictly on a need-to-know basis. |
| 4.3 | Exclusivity | The Company and the Promoters agree that following [60 (sixty)] 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 4.3. |
| 4.4 | Termination | This Term Sheet shall terminate [90 (ninety)] days from its execution unless mutually extended by the parties or mutually cancelled by the parties. It shall automatically stand terminated upon replacement by the Definitive Documentation. |
| 4.5 | Amendment | The parties may amend the terms of this Term Sheet by mutual consent in writing. |
| 4.6 | Governing Law and Jurisdiction | This Term Sheet shall be governed by the laws of India. Any disputes arising out of or in connection with the validity, interpretation or implementation of this Term Sheet or the Definitive Documentation shall be subject to the exclusive jurisdiction of the courts of [●]. |

Schedule

Shareholding Pattern (Pre-Closing)

| Name | No of Shares | Percentage of Shareholding |
|-------|--------------|----------------------------|
| [●] | [●] | [●] |
| [●] | [●] | [●] |
| Total | [●] | 100 |

Acknowledged and Agreed:

[Signature Pages to Follow]