

TERM SHEET¹
FOR SUBSCRIPTION OF SECURITIES OF ABC PRIVATE LIMITED

This term sheet dated January 1 2016 (“**Term Sheet**”) sets out the terms and conditions of the proposed subscription of convertible preference of ABC Private Limited (the “**Company**”) by XYZ (“**Investor**”).

This Term Sheet summarizes the principal terms proposed by the Investor with respect to its investment in the Company (“**Transaction**”). This Term Sheet should not be construed as including all the terms relating to the Transaction. Such terms would be contained in the definitive agreements recording the Transaction to be negotiated and executed by all the parties (“**Definitive Agreements**”).

Parties hereto shall act in good faith to negotiate, complete and execute Definitive Agreements and related documents reflecting the intent contained herein latest by February 1, 2016 (“**Term**”).

This Term Sheet shall expire on the completion of the Term or execution of Definitive Agreements between the Parties, whichever is earlier. Upon termination, this Term Sheet, except for the exclusivity, confidentiality, governing law and dispute resolution provisions, shall lapse automatically, unless renewed by mutual consent of the parties hereto.

Capitalized terms used herein but not defined shall have the meaning ascribed to them below.

TRANSACTION		
1	Parties	a) The Company; b) Promoters ; and c) The Investor.
2	Shareholding Pattern	The shareholding pattern of the Company as on the date of this Term Sheet is set out in Schedule I .
3	Investment	a) The Company is desirous of raising funds through issue of convertible preference shares (“ CPs ”) at a price per CP of INR 100 (One Hundred Only). b) The Investor is desirous of subscribing to 100 (One Hundred) CP (“ Investor CPs ”) for an aggregate value of INR 10, 000 (Ten Thousand Only) (“ Transaction ”). c) The shareholding pattern of the Company as on the date of completion of the Transaction is set out in Schedule II .
4	Terms of Investor CPs	a) Dividends : The holders of the Investor CPs shall be entitled to an interest of [0.1%] per annum. b) Liquidation Preference : 1) Preference : [1x] [the investment amount plus accrued Interest.] 2) Participation : [Non-participating] [Full participation on as converted basis with equity shareholders.] [Investor will start participating once the Investor has received a rate of return of xx% on its full investment amount.] c) Conversion : 1) Holders of Investor CPs shall have a right to convert Investor CPs into equity shares of the Company at any time after or simultaneous with the issuance of equity shares or other instruments compulsorily convertible into equity shares by

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		<p>the Company to institutional investors (“Series A Funding”).</p> <p>2) The conversion price of Investor CPs shall be [xxx]% of the price per equity share determined at the time of Series A Funding.</p> <p>3) If the Series A Funding does not occur before [xxx] (“Series A Funding Date”), the Investor shall be entitled to convert the Investor CPs to at a conversion price equal to [xxx%] of the fair market value of equity shares determined by an independent valuer as per the valuation methodology prescribed under the applicable laws.</p>
5	Completion of the Transaction	Within a reasonable time after execution of this Term Sheet but in no event later than February 15, 2016.
6	Board and General Meetings / Minority Protection	<p>Investor will have a right to nominate one person to the Board of Directors of the Company.</p> <p>Company will not take any of the below mentioned actions without express written approval of the Investor; provided that, if such action or decision is taken at a board meeting the affirmative vote of a Director nominated by the Investor will be required:</p> <p>a) Sale of assets except in the ordinary course of business.</p> <p>b) Acquisition of other businesses, creation of joint ventures/ partnerships, creation or investment in subsidiaries.</p> <p>c) Capital expenditures or acquisitions of assets in excess of the amounts specified in the annual business plan approved by the Board.</p> <p>d) Increase, decrease or other alteration or modification in authorized or issued share capital, or creation or issue of other securities (including equity shares, preference shares, non-voting shares, warrants, options, etc.).</p> <p>e) Related party transactions.</p> <p>f) Amendments to Memorandum or Articles of Association (including change in the number of Board members).</p> <p>g) Approval of, or amendment to, the annual business plan.</p> <p>h) Commencement of any new line of business.</p> <p>i) Debt/equity ratio exceeds the limit specified in the business plan of the Company approved by the Board.</p> <p>j) Settlement of any litigation or arbitration proceedings.</p> <p>k) The giving of security for, or the guaranteeing of debts of any person in excess of the limits specified in the annual business plan of the Company approved by the Board.</p> <p>l) Declaration or payment of any dividend.</p> <p>m) Setting up of salary and benefits of any employee with a total cost to the company or any subsidiary exceeding the limits specified in the annual business plan of the Company approved by the Board.</p> <p>n) Amendment or termination of any agreement appointing key executives of the Company.</p> <p>o) Any commitment or agreement to do any of the foregoing.</p>
7	Information Rights	The Company will deliver to the Investor: (a) annual audited financial statements 90 days after the end of each financial year, (b) bi-annual unaudited financial statements, and (c) Annual

		management reports, plans and budgets.
8	Further Financing (New Shares)/ Anti-dilution	<p>Any future issue of equity or convertible instruments by the Company shall be first offered to the existing shareholders in the ratio of their shareholding in the Company at the time of issuance.</p> <p>Should any shareholder not subscribe to its portion in the rights offering, the same shall first be offered to the other shareholders in proportion to their shareholding in the Company. This shall be repeated until such time the entire un-subscribed portion is subscribed.</p> <p>The conversion price of the Investor CPs will be subject to a [full ratchet / broad-based / narrow-based weighted average] adjustment to reduce dilution in the event that the Company issues additional securities (other than shares issued pursuant to employees' stock option plan) at a purchase price less than the applicable conversion price. The conversion price will also be subject to proportional adjustment for split or sub-division of equity shares, stock dividends, combinations, recapitalizations and the like.</p>
9	Investor's Right to Sell	<p>a) Investor CPs shall be transferable to any person after the Series A Funding Date.</p> <p>b) The Promoters shall have the right of first refusal [or first offer right] on transfer of all or any of the Investor CPs or any transfer of equity shares issued upon conversion of Investor CCD'S in proportion to their shareholding in the Company.</p> <p>c) If at any time the Promoters transfer more than [xxx] % of their shareholding in the Company to a third party, the Investor shall have a right to tag along its CPs in the Company on a pro rata basis to the purchaser of the Promoters' shares on the same terms and conditions applicable to the transfer of the Promoters' shares. However, if as a result of Promoters transfer, the shareholding of the Promoters collectively in the Company would fall below [51%], the Investor shall be entitled to tag all of his CPS or equity shares issued upon conversion of CPs to the purchaser of Promoters shares.</p>
10	Promoters Drag Along Right	<p>If the Promoters at any time propose a transfer to a third party transferee all or portion of their collective shareholding that is in an aggregate equal to 51% of the collective shareholding of the Promoters, then the Promoters may also elect to require the Investor to also transfer, to the third party transferee, as part of the drag along sale, that number of Investor CPs or equity shares issued upon conversion of equity that is pro rata to the shares proposed to be transferred by the Promoters, at the same purchase price and other terms that are applicable to the Promoters shares.</p>
11	Non-Compete	<p>Promoters jointly and severally agree not to directly or indirectly invest, collaborate or associate in whatsoever manner with any person, partnership firm or a company engaged in the similar business lines of the Company.</p>
MISCELLANEOUS		

12	Exclusivity	Until expiry of the Term, Company will not take any action to, directly or indirectly, encourage, initiate or engage in discussions or negotiations with or provide information to, any other person or entity concerning the Transaction.
13	Conditions Precedent	The obligation of the Investor to consummate this Transaction (“ Closing ”) shall be subject to fulfillment of the following conditions, including but not limited to: a) Completion of business, legal and accounting due diligence by Investor of the Company and resolution of the due diligence findings to complete satisfaction of the Investor. b) Both parties having obtained corporate authorizations for execution and performance of the transactions contemplated under the Definitive Agreements. [Investor having obtained the approval of its investment committee.] c) Execution of Definitive Agreements and closing documents (including amendments to the Articles of Association) satisfactory to the Investor. d) Each of the Company and the Promoters providing representation and warranties customary in a transaction of similar nature. e) No existing or imminent material adverse change in the Company.
14	Expenses	All costs and expenses in connection with the issuance of Investor CPs, including stamp duty, shall be borne by the Company. Each party shall bear its own legal and other costs.
15	Confidentiality	Investor shall maintain confidentiality, regarding the contents of this Term Sheet, and the business and affairs of the Company. Investor shall be permitted to disclose all aspects of this Transaction to the investment bankers, accountants, legal counsel and in so far as it is disclosed in each case only where such persons are under appropriate nondisclosure obligations imposed by professional ethics, law or contracts. Nothing contained herein shall affect the ability of the Parties to make disclosure under applicable law.
16	Amendment	The Parties may amend the terms of this Term Sheet by mutual consent in writing.
17	Governing Law and Dispute Resolution	Any disputes arising out of or in connection with the validity, interpretation or implementation of this Term Sheet shall be governed by the laws of [India] and Courts at [Bangalore] shall have sole jurisdiction.
18	Binding	This Term Sheet is subject to the execution of Definitive Agreements and completion of the Closing conditions and is not legally binding on the parties, except for the following sections: Exclusivity, Confidentiality and Governing Law and Dispute Resolution.

For ABC Private Limited

Name: o/o/o/o
Designation: Director

Promoters

Name: o/o/o/

Name: o/o/o/

Investor

Name: [/] [/]

SCHEDULE I
Shareholding Pattern of the Company

Pre-Closing

EQUITY SHAREHOLDING

	Shareholder	Number of Equity Shares	Shareholding Percentage
1	XXX	000	50%
2	XXX	000	50%

CPs

	Shareholder	Number of CCDs	
1	XXX	000	
2.	XXX	000	

SCHEDULE II
Shareholding Pattern of the Company

Post-Closing

EQUITY SHAREHOLDING

	Shareholder	Number of Equity Shares	Shareholding Percentage
1	XXX	000	00%
2	XXX	000	00%

CPs

	Shareholder	Number of CCDs	
1	XXX	000	
2.	XXX	000	