

MODEL TERM SHEET
FOR SERIES [●] PREFERRED SHARE FINANCING OF
[●]
[DATE]

This Term Sheet summarizes the principal terms of the Series [●] Preferred Share Financing of [●] (the “**Company**”). In consideration of the time and expense devoted and to be devoted by [●] (as defined below) with respect to this investment, the No Shop/Confidentiality provisions of this Term Sheet and this paragraph shall be binding obligations of the Company whether or not the financing is consummated. No other legally binding obligations will be created until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest and is conditioned on the completion of the conditions to closing set forth below. This Term Sheet and all non-contractual obligations or liabilities arising out of or in connection with it shall be governed in all respects by [●] law and subject to the exclusive jurisdiction of [●].

Offering Terms

Security: Series [●] Preferred Shares (the “**Series [●] Preferred**”).

Closing Date: As soon as practicable following the Company’s acceptance of this Term Sheet and satisfaction of the conditions to closing (the “**Closing**”). [provide for multiple closings if applicable]

Conditions to Closing: Standard conditions to Closing, which shall include, among other things, satisfactory completion of financial and legal due diligence, the filing of required regulatory approvals, and [●] and the Founder[s] having agreed the transaction structure.

Investors: Investor No. 1: [●] shares ([●]%), \$[●]

Investor No. 2: [●] shares ([●]%), \$[●]

[as well other investors mutually agreed upon by Investors and the Company]

Founder[s]: [●].

Amount Raised: \$[●], [including \$[●] from the conversion of SAFEs/principal [and interest] on bridge notes].

Pre-Money Valuation: The price per share of the Series [●] Preferred (the “**Original Purchase Price**”) shall be the price determined on the basis of a fully-diluted pre-money valuation of \$[●] (which pre-money valuation shall include an [unallocated and uncommitted] employee option pool representing [●]% of the fully diluted post-money capitalization) and a fully diluted post-money valuation of \$[●].

Dividends: Dividends will be paid on the Series [●] Preferred on an as-converted basis when, as, and if paid on the Common Share.

Liquidation Preference: In the event of any liquidation, dissolution or winding up of the Company, the proceeds shall be paid as follows:

First pay [[●] times] the applicable Original Purchase Price [plus [accrued and] declared and unpaid dividends] on each share of Series [●] Preferred (or, if greater, the amount that the Series [●] Preferred would receive on an as-converted basis). The balance of any proceeds shall be distributed pro rata to holders of Common Shares.

A merger or consolidation (other than one in which shareholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company will be treated as a liquidation event (a “**Deemed Liquidation Event**”), thereby triggering payment of the liquidation preferences described above unless the holders of [●]% of the Series [●] Preferred elect otherwise (the “**Requisite Holders**”). The Investors’ entitlement to their liquidation preference shall not be abrogated or diminished in the event part of the consideration is subject to escrow or indemnity holdback in connection with a Deemed Liquidation Event.

Voting Rights: The Series [●] Preferred shall vote together with the Common Share on an as-converted basis, and not as a separate class.

Series [●] Protective Provisions: So long as [insert fixed number or %] shares of Series [●] Preferred issued in the transaction are outstanding, in addition to any other affirmative vote or approval required under applicable law, the Company will not, without the written consent or the affirmative vote of the Requisite Holders, either directly or by amendment, merger, consolidation, recapitalization, reclassification or otherwise:

- (i) liquidate, dissolve or wind-up the affairs of the Company or effect any Deemed Liquidation Event;
- (ii) amend, alter or repeal any provision of the memorandum and articles of association of the Company [in a manner adverse to the Series [●] Preferred];
- (iii) create or authorize the creation of or issue any other security convertible into or exercisable for any equity security unless the same ranks junior to the Series [●] Preferred with respect to its rights, preferences and privileges, or increase the authorized number of shares of Series [●] Preferred;
- (iv) sell, issue, sponsor, create or distribute any digital tokens, cryptocurrency or other blockchain-based assets;
- (v) purchase or redeem or pay any

dividend on any share prior to the Series [●] Preferred, other than shares repurchased at cost from former employees and consultants in connection with the cessation of their service; (vi) create or authorize the creation of any debt security, if the aggregate indebtedness of the Company and its subsidiaries for borrowed money following such action would exceed \$[●] other than equipment leases, bank lines of credit or trade payables incurred in the ordinary course; (vii) create or hold shares in any subsidiary that is not wholly-owned, or dispose of any subsidiary shares or all or substantially all of any subsidiary assets; or (viii) increase or decrease the authorized number of directors constituting the Board of Directors or change the number of votes entitled to be cast by any director or directors on any matter.

Optional Conversion:

The Series [●] Preferred initially converts 1:1 to Common Share at any time at option of holder, subject to adjustments for share dividends, splits, combinations and similar events and as described below under “Anti-dilution Provisions.”

Anti-dilution Provisions:

In the event that the Company issues additional securities at a purchase price less than the current Series [●] Preferred conversion price, such conversion price shall be adjusted in accordance with the following formula:

$$CP_2 = CP_1 * (A+B) / (A+C)$$

Where:

- CP₂ = Series [●] Conversion Price in effect immediately after new issue
- CP₁ = Series [●] Conversion Price in effect immediately prior to new issue
- A = Number of shares of Common Share deemed to be outstanding immediately prior to new issue (includes all shares of outstanding common share, all shares of outstanding preferred share on an as-converted basis, and all outstanding options on an as-exercised basis; and does not include any convertible securities converting into this round of financing)
- B = Aggregate consideration received by the Company with respect to the new issue divided by CP₁
- C = Number of shares issued in the subject transaction

The foregoing shall be subject to customary exceptions, including, without limitation, the following:

(i) securities issuable upon conversion of any of the Series [●] Preferred, or as a dividend or distribution on the Series [●] Preferred; (ii) securities issued upon the conversion of any debenture, warrant, option, or other convertible security; (iii) Common Shares issuable upon a share split, share dividend, or any subdivision of Common Shares; (iv) Common Shares (or options to purchase such Common Shares) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Company's Board of Directors [including at least [one] Preferred Director(s)], and other customary exceptions.

Mandatory Conversion:

Each share of Series [●] Preferred will automatically be converted into Common Shares at the then applicable conversion rate (i) in the event of the closing of a firm commitment underwritten public offering with a price of at least three times the Original Purchase Price (subject to adjustments for share dividends, splits, combinations and similar events) and gross proceeds to the Company of not less than \$[●], or (ii) upon the written consent of the Requisite Holders.

Representations and Warranties:

Standard representations and warranties by the Company [and the Founder[s]] customary for its size and industry. The liability of the Company in relation to claims for breaches of the representations and warranties shall be capped at the amount raised. The liability of [each] Founder in relation to claims for breaches of the representations and warranties shall be capped at an amount equal to [●]x [his/her] annual salary.

Counsel and Expenses:

[Investor/Company] counsel to draft applicable documents. Company to pay all legal and administrative costs of the financing [at Closing], including (subject to the Closing) reasonable fees (not to exceed \$[●]) and expenses of Investor counsel.

[●] Counsel

[●]

Attention: [●]

Email: [●]

Information Rights:

Any Major Investor will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to such Major Investor (i) annual and quarterly financial statements, and other information as determined by the Board; (ii) thirty days prior to the end of each fiscal year, a comprehensive operating budget forecasting the

Company's revenues, expenses, and cash position on a month-to-month basis for the upcoming fiscal year; and (iii) promptly following the end of each quarter an up-to-date capitalization table. A "**Major Investor**" means any Investor who purchases at least \$[●] in respect of the Series [●] Preferred.

Right to Participate Pro Rata in Future Rounds:

All [Major] Investors shall have a pro rata right, based on their percentage equity ownership in the Company (assuming the conversion of all outstanding Preferred Shares into Common Shares and the exercise of all options outstanding under the Company's share plans), to participate in subsequent issuances of equity securities of the Company (excluding those issuances listed at the end of the "Anti-dilution Provisions" section of this Term Sheet and shares issued in an initial public offering). In addition, should any [Major] Investor choose not to purchase its full pro rata share, the remaining [Major] Investors shall have the right to purchase the remaining pro rata shares.

Non-Competition and Non-Solicitation:

The shareholders' agreement shall include customary non-competition and non-solicitation provisions in relation to the Founder[s] and each key employee of the Company in a form reasonably acceptable to the Investors. The shareholders' agreement shall also include customary provisions in relation to restrictions on the transfer of shares by Investors to competitors of the Company [and in relation to restrictions on the Directors of the Company serving on the board of directors of a competitor of the Company].

Board Matters:

The Board shall consist of [●] Directors appointed as follows: (i) for so long as [●] and its affiliates continue to hold at least [●]% of the outstanding share capital of the Company on an as-converted basis [●] shall be entitled to elect one member of the Board (the "**Preferred Director**"), (ii) [*others to be included*].

Subject to the Matters Requiring Preferred Director Approval, any resolution of the Board shall require the consent of a majority of the Directors.

The Board of Directors shall meet at least quarterly, unless otherwise agreed by a vote of the majority of Directors.

The Company will bind D&O insurance with a carrier and in an amount satisfactory to the Board. The shareholders' agreement shall include customary provisions in respect of the indemnification of the Directors.

Matters Requiring Preferred Director Approval:

So long as the holders of Series [●] Preferred are entitled to elect a Director, the Company will not, without Board approval, which

approval must include the affirmative vote of [at least one/each of] the then-seated Preferred Directors:

(i) make any loan or advance to, or own any shares or other securities of, any subsidiary or other company, partnership, or other entity unless it is wholly owned by the Company; (ii) make any loan or advance to any person, including, any employee or director, except advances and similar expenditures in the ordinary course of business [or under the terms of an employee share or option plan approved by the Board of Directors]; (iii) guarantee any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business; [(iv) make any investment inconsistent with any investment policy approved by the Board of Directors]; (v) incur any aggregate indebtedness in excess of \$[●] that is not already included in a Board-approved budget, other than trade credit incurred in the ordinary course of business; (vi) hire, [fire,] or change the compensation of the executive officers, including approving any option grants; (vii) change the principal business of the Company, enter new lines of business, or exit the current line of business; (viii) sell, assign, license, pledge or encumber material technology or intellectual property, other than licenses granted in the ordinary course of business; or (ix) enter into any corporate strategic relationship involving the payment contribution or assignment by the Company or to the Company of assets greater than [\$[●].]

Employee Share Options:

All employee options to vest as follows: 25% after one year, with remaining vesting monthly over next 36 months.

Right of First Refusal:

Company first and Investors second (to the extent assignment by the Board of Director) will have a right of first refusal with respect to any shares of the Company proposed to be transferred by current and future employees holding 1% or more of the shares of the Company (assuming conversion of Preferred Shares and whether then held or subject to the exercise of options), with a right of oversubscription for Investors of shares unsubscribed by the other Investors. [[Major] Investors will have a right of first refusal with respect to any shares of the Company proposed to be transferred by other Investors.]

Drag Along and Tag Along:

In the event that a number of shareholders representing more than 50% of all shares (including the Requisite Holders and a majority of the Common Shares then held by employees of the Company) vote their shares in favor of a Deemed Liquidation Event or transaction in which 50% or more of the voting power of the Company is transferred, then such shareholders may exercise a drag along option to have the shares then owned by the other shareholders included in

such transaction. Before a holder of Common Shares transfers their shares to a third party, he/she/it will give the Investors an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the seller and those held by the participating Investors.

Founder[s]’[s] Shares: The shareholders’ agreement shall include customary provisions in respect of the lock-up of the Founder[s]’[s] shares in the Company for a period of [●] months from the Closing.

Founder Vesting: The shareholders’ agreement shall include customary provisions in respect of the vesting of [●]% of the Founder[s]’[s] shares in the Company.

No Shop/Confidentiality: The Company and the Investors agree to work in good faith expeditiously towards the Closing. The Company and the Founder[s] agree that they will not, for a period of [●] days from the date these terms are accepted, take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Investors relating to the sale or issuance, of any of the capital share of the Company or the acquisition, sale, lease, license or other disposition of the Company or any material part of the shares or assets of the Company and shall notify the Investors promptly of any inquiries by any third parties in regards to the foregoing. The Company will not disclose the terms of this Term Sheet to any person other than employees, shareholders, members of the Board and the Company’s accountants and attorneys and other potential Investors acceptable to [●], as lead Investor, without the written consent of [●] (which shall not be unreasonably withheld, conditioned or delayed).

Expiration: This Term Sheet expires on [●] if not accepted by the Company by that date.

IN WITNESS WHEREOF each party has executed this term sheet or caused this term sheet to be executed by its duly authorized representatives.

SIGNED by
a duly authorised)
representative for)
and on behalf of)
[●]

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representative for)
and on behalf of)
[●]