



## INVESTMENT BY KINDRED

### 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 Base I SCSp (“**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[, together with the co-investors described in section 2.2 (the “**Investors**”), of [up to] £[x]].

2.2 The co-investors referred to in section 2.1 are: [x].

OR if the other investors are not being named in the term sheet then:

We, together with co-investors who will be agreed between us (the “**Investors**”) propose to invest up to £[x] as part of a total investment round of [up to] £[x].

#### 3 Valuation

3.1 The Investors together propose to invest up to £[x] for [x]% of the fully-diluted\* ownership of the Company. Taking into account the option pool referred to in section [3.4] this values the Company at £[x] immediately after our investment.

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

3.3 This values the Company at a pre-money valuation of £[x].

3.4 Post-completion, the Company will put in place an employee share option plan (an “**ESOP**”) in respect of Ordinary Shares representing [15]% of the fully diluted ownership of the Company, which will include any existing options already granted.

3.5 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].

#### 5 Timetable and conditions

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

\*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.



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 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.

### **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 [her/his] shares being fully vested, [he/she] will have to give up those shares that are unvested at the date [he/she] leaves. 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.

### **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.

**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 a majority of the Investors, including Kindred (the “**Investor Majority**”).
- 7.3 We will agree with you the Board composition which will include the right for Kindred to attend the Board as an observer.

**8 Kindred Entrepreneurs’ Carry**

- 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 Base I Founder SCSp (the “**Carry Pool**”), i.e. the performance fees of Kindred, equally across the founding team members that Kindred invests in. All of the Carry Pool is subject to a vesting schedule which we will share with you.

**9 Expenses**

We like to keep the process simple and the costs low, so that as much time and money as possible is spent on growing the business. We will be requiring our lawyers to cap their fees in advance, and we recommend that you ask your lawyers to do so too. Each party will cover their own costs.

**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 Base I SCSp. Consummation of the transaction contemplated by the Term Sheet remains entirely subject to the prior approval of the General Partner of Kindred Capital Base I SCSp.



## Investor Rights

### 1 On-going rights

- 1.1 Information rights – we would like financial updates monthly. For our own fund reporting purposes we'll require monthly financial reports and updates on key performance indicators.
- 1.2 Board observer – we reserve the right to have 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 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 – we ask that all shareholders (including Founders) 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, the other shareholders will have a right to buy those shares, on the same terms.
- 1.5 Co-sale rights – any Investor who 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, 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
9. Founder[s] selling shares



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
Kindred Capital Base I SCSp		
Team (Option Pool)	-	
Total	100%	100%