

**TERM SHEET FOR PRIVATE PLACEMENT OF
"A" PREFERENCE SHARES
BY
[Insert Company Name] PTY LIMITED
[Date]**

The following is a summary of the principal terms with respect to the proposed "A" Preference Share issue by [insert company name] Limited, a company incorporated in [insert state], Australia (the "**Company**"). Except for the section entitled "Binding Terms," this summary of terms does not constitute a legally binding obligation on the parties. Any other legally binding obligation will only be made pursuant to definitive agreements to be negotiated and executed by the parties.

Major Terms

- Securities to Issue: "A" Preference Shares of the Company.
- Aggregate Issue Price: \$[insert total issue proceeds] in aggregate.
- Investors: Sydney Seed Fund ("SSF"): \$[]
[insert name of accredited Investors approved by the Company] (the "**Investors**").
- Pre-money Valuation: \$[]
- Post-money Valuation: \$[]
- Price Per Share: [insert issue price per share] (the "**Original Issue Price**"), based on a pre-money valuation of \$[], including a notional available option pool of Ordinary Shares of a number that is 15% of the total issued share capital of the Company from time to time, as illustrated below.
- Founders: The Founders of the Company are [] and [].
- Option Pool: An unallocated option pool of [] shares, which represents [15%] of the anticipated post-money valuation of the Company after closing of this equity round. The Option Pool, allocated and unallocated, is included in the Pre-money Valuation of the Company.
- Expiration of Term Sheet: This Term Sheet shall automatically expire at 5pm AEST on [] if SSF has not received a signed copy of this Term Sheet from the Company.
- Capitalisation: See Exhibit A for the pre-financing capitalisation of the Company and pro-forma capitalisation following the proposed equity round.
- Liquidation Preference: One times the Original Issue Price plus declared but unpaid dividends on each "A" Preference Share, balance of proceeds paid to Ordinary Shareholders. Such preference will apply on a winding up, reduction of capital or a sale of all of the shares or substantially all of the business of the Company.
- Anti-dilution: If the Company issues securities as part of an approved employee share plan or at a price that implies a lower capitalised valuation than when the "A" Preference Shares were first issued, the Company must issue additional "A" Preference Shares to the affected Investors as if the Company had issued these additional shares at the same valuation when they were initially acquired so as to maintain the Investors' proportional shareholding in the Company.

Minor Terms

- Conversion: Convertible into one Ordinary Share at any time (subject to adjustments for stock splits and dividends) at the option of the holder.

Voting Rights:	Votes together with the Ordinary Shares on all matters on an as-converted basis. Approval of 75% of the "A" Preference Shareholders required to (i) adversely change rights of the "A" Preference Shares; (ii) change the authorised number of shares in the Company; (iii) authorise a new class of Preference Shares having rights senior to or on parity with the "A" Preference Shares; (iv) redeem or buy back any shares; (v) declare or pay any dividend; (vi) change the number of directors; or (vii) liquidate or wind up the Company, including any change of control.
Documentation:	Documents will be based on Sydney Seed Fund's standard form Subscription Agreement, Shareholders' Agreement, Constitution and ancillary documents.
Financial Information:	Investors who have invested at least \$25,000 (" Major Investors ") will receive standard information and inspection rights.
Participation Right:	Major Investors will have the right to participate on a pro rata basis in subsequent issuances of equity securities.
Board of Directors:	Two directors elected by holders of a majority of Ordinary Shares, one elected by holders of a majority of "A" Preference Shares.
Future Rights:	The "A" Preference Shares will be given the same rights as any future classes of Preference Shares (with appropriate adjustments for economic terms).
Founder Matters:	Each founder shareholder shall be subject to delayed vesting (or have a similarly structured Share Repurchase Agreement) of Ordinary Shares for a three year period beginning on the date that "A" Preference Shares are first issued to Investor(s) (" Commencement Date "). One quarter of each founder shareholder's Ordinary Shares will vest on the Commencement Date and thereafter one sixth of the balance shall vest on the last date of every six months (subject to the founder remaining eligible to be issued Ordinary Shares), as illustrated in the table below. Founders will have voting rights from the Commencement Date as if 100% of the Ordinary Shares vested on the Commencement Date. Upon a sale of the Company and termination of the founder's employment without cause, all founder shares will immediately vest.

Date of issue of shares	Number of "A" Preference Shares	Number of Ordinary Shares	Notional option pool of Ordinary Shares of 15% of issued share capital
i) [Insert Commencement Date]	[100] (100% of "A" Preference Shares)	[225] (25% of Ordinary Shares)	Up to [] in the aggregate
ii) + 6 months from date in i)	-	[112] (12.5% of Ordinary Shares)	Up to [] in the aggregate
iii) + 12 months from date in i)	-	[112] (12.5% of Ordinary Shares)	Up to [] in the aggregate
iv) + 18 months from date in i)	-	[112] (12.5% of Ordinary Shares)	Up to [] in the aggregate
i) + 24 months from date in i)	-	[113] (12.5% of Ordinary Shares)	Up to [] in the aggregate
vi) + 30 months from date in i)	-	[113] (12.5% of Ordinary Shares)	Up to [] in the aggregate
vii) + 36 months from date in i)	-	[113] (12.5% of Ordinary Shares)	Up to [] in the aggregate
TOTAL	[100] (100% of A Preference Shares/10% of issued share capital)	[900] (100% of Ordinary Shares/90% of issued share capital)	

Proprietary Information and Inventions Agreement: Each current and former officer, employee and consultant of the Company shall enter into an acceptable proprietary information and inventions agreement.

Completion of Diligence: This closing of the "A" Preference Share round of financing is subject to satisfactory completion of diligence by Investors, at their sole discretion. Diligence will primarily involve verifying the claims and representations made to Investors by Company and Founders.

Legal Fees: Company and Investors shall each pay their own legal fees, however, at closing, should the Investors' legal fees exceed \$1,500, the Company shall reimburse legal fees exceeding this amount.

Binding Terms: For a period of thirty days, the Company agrees not to solicit offers from other parties for any financing. Without the consent of Investors, the Company will not disclose these terms to anyone other than officers, directors, key service providers, and other potential Investors in this financing.

Side Letter Terms Company shall provide Sydney Seed Fund a side letter affirming the following:

Founders' Salary Pool: The aggregate compensation of each Founder, both paid and accrued, shall not be greater than a rate of \$[60-70k_] per annum (inclusive of superannuation, if applicable). This restriction on founders' compensation shall cease to exist upon the earlier of (a) Company closing of an aggregate of \$[3m_] or greater of equity financing, including proceeds from this current "A" Preference Shares financing, or (b) Company becoming cash flow positive for three consecutive months.

Founders' Previous Capital Contributions: All funds previously provided to Company by Founders, and all Company expenses previously paid by Founders, except those specifically listed as allowed in the side letter, prior to closing shall be deemed a capital contribution to Company by Founders. Founders warrant that, except those specifically listed as allowed in the side letter, as of the closing there is no outstanding liability to Founders for any previous loans from Founders or for previous payment of expenses by Founders.

SSF Participation Rights: SSF may assign its Participation Rights to one or more investors in its fund. Company may block said assignment of Participation Rights if the Company Board determines that one of the assignees would materially harm Company by being a shareholder in Company. Such determination of material harm may not be unreasonably made.

SSF Reporting Requirements: Company shall provide SSF with up to date monthly financials and completed monthly SSF questionnaires no later than 30 days after the close of each calendar month. In the event that Company fails to provide SSF with said financials or reports within 30 days of the close of a given calendar month, Founders shall not vest any shares for said month and Founders' vesting schedules shall be extended for one month if SSF gives written notice to Company of said breach and requests that vesting schedules be adjusted.

Common Directors: So long as [Founder1] continues to provide services to the Company as an employee, each of the Founders agree, to the extent permitted under the Investment Agreement, to designate [Founder1] as the Common Director.

COMPANY: [] PTY LIMITED

INVESTORS:

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____