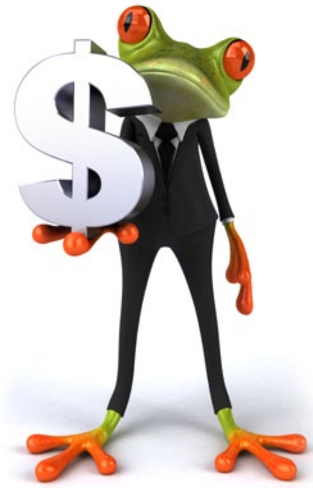
HOW TO INVEST IN A JFDI STARTUP
A GUIDE FOR ANGELS AND VCS

28th of April 2012
version 1.0.2

Dear Investor,



Thank you for registering to attend JFDI's Demo Day. We're looking forward to a great show!

On Demo Day, many investors meet many teams. Some teams will receive immediate interest from decisive investors. To make life easier for both funder and founder, JFDI has prepared standard term sheets appropriate to a seed financing.

To expedite the investment process, we share those term sheets with investors like you even before Demo Day. The model term sheets are annotated with commentary which provides context for the terms we suggest. If you have any doubts about the meaning or implications of any part of these term sheets, please email us. We will do our best to explain, or to refer you to independent explanations online.

Some investors may have firm policies about terms. We welcome discussion and negotiation to reach a standard form acceptable to all parties. If you have boilerplate that you are willing to share for reuse we would be happy to reduce legal costs all around.

Of course, the economic terms are negotiated on a deal-by-deal basis: valuation and funds committed are the most important. Those variables are clearly indicated.

If on Demo Day you indicate firm interest in a team, they will follow up with a detailed investor pitch deck, a written executive summary, a compilation of due diligence materials, and a draft term sheet for your signature.

Upon signature we will send out definitive documents including subscription agreements, resolutions updating the articles of association, deeds of ratification and accession to the shareholder agreement if appropriate, and an investor rights agreement.

Our startups are moving fast. We hope deals will close in weeks, not months. This advance preparation helps make that possible.

We look forward to seeing you in Singapore on Demo Day!

Love,
Meng & Hugh

WHAT TO EXPECT

At JFDI, we brief our startups to prepare for two kinds of financing after Demo Day: first, a debt round (up to $600,000) of capped convertible notes, and second, an equity round (up to $2M) of Series AA preferred.

The debt round is typically followed by the equity round in 6 to 18 months, when the company can justify a higher valuation thanks to clear growth in key metrics which indicate that the company has reached a different stage of its life cycle. The debt round usually provides enough runway to get to the equity round.

However, an equity round can happen sooner – a startup may skip the debt round completely!

The choice of round is determined by the maturity of the startup, justifiable valuation, and funds needed.

On Demo Day, most of the startups will be ready for a debt investment. Two or three may be ready for Series AA.

A $200K–$600K Convertible Debt Round

is appropriate for a startup with:
- an innovative idea with breakout potential;
- a founding team with one or two holes, and a real possibility that certain members may re-evaluate their commitment to the project, but nevertheless execution capability, as shown by
- a working prototype; and
- evidence of problem-solution fit in the form of
- a small set of early users or paying customers.
- Distribution challenges may remain to be solved.
- No revenue can be expected; run rate will be < $10,000 p.a.
- Key existential risks may remain as essential hypotheses remain untested and "unknown unknowns" lurk.

Capped convertible notes are faster and easier than equity investment. This instrument postpones the valuation negotiation. The note just converts to the next round, possibly at a discount. To make the math work, we value the startup at a nominal pre-money of $1.0M, but we cap the note at a next-round valuation upper bound of $5M. The effective valuation depends on the next round. All amounts are in Singapore dollars.

We expect most of the startups in the current JFDI batch to raise between $200,000 and $600,000 of debt by June.

We expect the note-holders to be angels and certain early stage funds which participate in the NRF TIS scheme. That scheme imposes certain requirements on the investment, none of which are oppressive. Our capped convertible term sheet is designed to be compatible with the requirements of the NRF TIS scheme.

If patent protection is warranted, the debt round pays for a provisional application.

The $600K–$2M Series AA Equity Round

is appropriate for a slightly more mature startup with:
- a complete founding team with all three core development divisions (customer, product, and business) staffed and working well together;
- an innovative idea whose potential is being realized, and
- evidence of product-market fit in the form of
- a fast-growing set of early users or paying customers
- which implies that the user acquisition challenge is being solved
- through distribution channel partnerships, or
- highly viral use of social media.
- The startup may still be pre-revenue but the run rate will likely be at or below $100,000 p.a.
- Key existential risks have been identified and dealt with.

The Series AA round is typically priced at a negotiated valuation between $3M and $6M, and subscribed by early-stage VC firms and super-angels. In this round, startups raise between $600,000 and $2M. Again, the government may co-invest. Again, our terms are designed to be compatible with government schemes, such as BAF and SEEDS.

If IP protection is warranted, the Series AA round pays for a full patent application.

Some of the JFDI startups will be ready for Series AA at Demo Day. Some of the others should mature to that point by the end of 2012.

After Series AA comes Series A.

A $2M–$5M Series A Equity Investment

is appropriate if:

- The whole product has launched with essential augmentations.
- Significant user growth and adoption is occurring.
- Monetization models are being explored with success, allowing one to defensibly project that
- Customer lifetime value exceeds marginal customer acquisition cost.
- Growth and scale are the major challenges.
- In response to those challenges, the company is developing systems and processes which enable it to expand to the next order of magnitude.
- For example, the leadership team should be well past any shakeouts and should be focused on hiring an operating staff.
- Potential hires with significant industry experience and connections are prepared to join the team – once the company can afford to pay them!

We expect only one or two of the JFDI startups to be ready for this level of investment before the end of 2012. Therefore we do not include model term sheets for Series A.

Multiple Tranches, Multiple Investors

Different discount rates may be attached to different debt notes, especially if those notes are issued at different times or to different investors.

In any given round, multiple investors may come together to fund the company. A lead investor will take charge of negotiating the terms, will often contribute the lion's share of the funding, and will sometimes take a board seat. Other investors may join the round once it has been defined, but they may not engage at the same level.

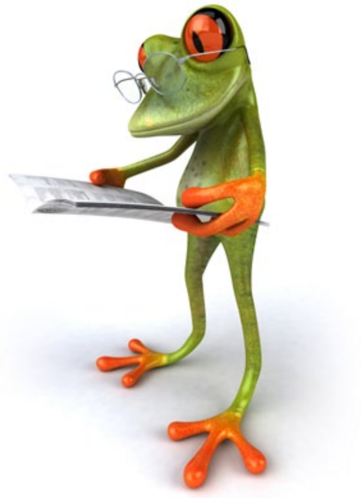
Investment Round Feature Matrix

The table below summarizes the differences between the investment types. The capped convertible notes convert to Series AA when the Series AA is raised; the Series AA convert to Ordinary when the company is sold.

	Capped Convertible Note	Series AA Preference Shares
type	debt	equity
round size	\$200K–\$600K	\$600K–\$2M
investor type	angels, super-angel funds, early stage VC funds	super-angel funds, early stage VC funds
conversion	to preferred, possibly at a discount to next equity round's price	to ordinary, 1:1
dividend preference	interest of 5% per annum	pro rata with ordinary
liquidation preference	1× non-participating, limited to the principal plus interest	1× non-participating
redemption rights	upon maturity if unconverted	none
anti-dilution	broad-based weighted average	broad-based weighted average
board composition	at the TIS investor's discretion, otherwise none	2 ordinary; 1 preferred
protective provisions	founders not to sell or transfer shares; new debt rights automatically matched	changes in preferred and merger/sale of assets
information rights	none	unaudited annual reports
right of first offer on new financings	moot due to conversion	yes
right of first refusal and co-sale agreement	moot due to conversion	yes
legal fees	each party bears their own costs	each party bears their own costs

Our Series AA are based on the TechStars Model Series AA documents. More context for these terms is available at http://www.startupcompanylawyer.com/2010/03/14/how-do-the-sample-series-seed-financing-documents-differ-from-typical-series-a-financing-documents/

MODEL DOCUMENTS WALKTHROUGH



We provide model term sheets for both Convertible Debt and the Series AA. These term sheets talk about a fictitious company named Porridge Pte. Ltd., whose shareholders are four frogs named Smoochy, Legs, Panama, and Ponder.

Of the 10 Ordinary Shares issued at incorporation, Smoochy holds 4, Legs holds 3, Panama holds 2, and Ponder holds 1. These ratios reflect the fact that the different founders bring different skills and degrees of dedication to the company. Other companies may split the shareholding equally.

Vesting

When they joined JFDI, the four frogs agreed to participate in a vesting scheme. The standard JFDI schedule is

- a 3 year vesting period
- with a 3 month cliff that matches the JFDI term
- and an optional stock grant corresponding to time served prior to incorporation

The vesting scheme is implemented using a class of "Series F" redeemable convertible preferred shares. Restricted shares are Series F which the Company has the right to redeem. As the cliff ends, and as each subsequent month passes, the Company waives its right of redemption over a certain number of shares, which become Unrestricted. Unrestricted F shares can be converted to Ordinary at any time, so they are effectively identical to Ordinary Shares.

In this example, the four frogs subscribe for a total of 6,470 F shares. Each month, 54 of Smoochy's shares become Unrestricted; that number is 40.5 for Legs, 27 for Panama, and 13.5 for Ponder.

To reflect the 1 year of work the frogs put into the company prior to JFDI, they agreed that 644, 483, 322, and 161 of the F shares should vest immediately – they would be Unrestricted from the start. Counted together with the Ordinary shares those numbers add up to 12 times the monthly vesting amount.

It is the prerogative of subsequent investors to negotiate alterations to the vesting schedule. The convertible debt investors may, for instance, ask for a new 6 month cliff during which time the monthly vesting will be suspended.

As the roles of the founders change, the monthly vesting amounts can change also – with the approval of the investors.

Convertible Debt

On Demo Day, the frogs give a great pitch and ask for $500,000 in convertible debt. A few smaller investors are interested in joining the debt round. Other larger investors want to keep an eye on the company and maybe come in at >$1M later on an equity basis after it has achieved more traction.

The First Investor is very keen to join the round, brings key strategic introductions, and offers to sign the term sheet right away. The frogs decide to offer it a 25% discount to the next round in recognition of its connections and fast cash.

The Second Investor wants to invest also, but it wants its lawyer to review the term sheet in detail and as a result the funding may take two to three months to complete. The frogs decide to offer it a 20% discount.

Three angels also decide to join the round, at $30,000 each. They want to perform some due diligence and see certain milestones before they sign their cheques, though. Those milestones will take three to four months to complete, so they get no discount. We treat them in aggregate as "Third Investor".

The discounts are a way to reflect different degrees of risk and speed.

After the debt rounds complete, the cap table looks like this:

First Investor	$100,000	converts at a 25% discount
Second Investor	$360,000	converts at a 20% discount
Third Investor	$ 90,000	converts with no discount

The debt investors also insist on a 10% pre-money option pool to be set aside for employees and key members of the management team. They do this because they see that the team, while strong, is incomplete. To fill the holes, some equity should be set aside.

After four months, the company has a total of $550,000 raised through convertible debt. That's enough runway to go for a year and meet the next set of milestones necessary to justify a Series AA investment.

Series AA

Eight months after Demo Day, the company meets its milestones and goes back to the early stage funds which expressed interest. Due diligence and term sheet negotiation take another four months. Eventually, an early-stage VC fund representing a group of super-angels agrees to invest $1.2M at a $4.4M pre-money valuation, buying 2,884 shares at $416 per share.

The convertible debt automatically converts.

First Investor	gets 321 shares	at $312 per share.
Second Investor	gets 1,082 shares	at $332 per share.
Third Investor	gets 216 shares	at $416 per share.
And the Series AA VC	gets 2,884 shares	at $416 per share.

Series A

The company continues to grow. In another 12 months the company can justify a valuation of $20M. They raise another round of $5M at $20M pre.

Exit

After that, they exit for $60M. Everybody's happy. Smoochy gets out with about $9M. Ponder gets out with $2.3M. The first and second debt investors make about 11×; the third, and the Series AA investors, make 9×; the Series A investor gets a little over twice their money back.

You are reminded that this is a fictitious scenario. In the real world, companies like Instagram get acquired for a billion dollars after 18 months. So these projections aren't necessarily realistic.

Details

Perspicacious readers will ask: "was there acceleration upon acquisition? Was it single-trigger or double-trigger? What about tax consequences? Are the capital gains taxable? Did the ESOP pool qualify for the ERIS startup-ups or the ERIS SME tax deduction? Did the Series AA apply for SEEDS matching? Why was the AA preferred non-participating?"

If we answered those questions, this document would be so long that you wouldn't read it. Brad Feld's series on term sheets is the place to find much, much more information.

CAPPED CONVERTIBLE DEBT FINANCING OF PORRIDGE PTE. LTD. (201300000Z) SUMMARY OF TERMS

This is a sample document showing the first external financing for a JFDI company. Most of the JFDI startups are expected to execute some version of this term sheet immediately subsequent to Demo Day. After this debt round comes an equity round, in which the startup will issue Series AA or Series A Preferred Shares. This document is provided for educational purposes only. Use at your own risk. Your mileage may vary. Hire a lawyer. This is not legal advice. Please read this document together with the introduction titled “How to Invest in a JFDI Startup.”

Valid for acceptance until 5:00pm (SGT) on 18 May 2012

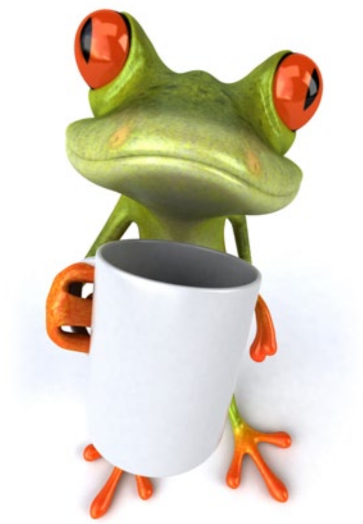
28th of April 2012
version 1.0.2

This document (“**Term Sheet**”) summarises the principal terms of a proposed loan to the Company (“**Loan**”). This Term Sheet is not legally binding except for the terms stated under “Confidentiality” and there will be no obligation to proceed with the loan until binding agreements (“**Definitive Agreements**”) are signed by the parties.

Preamble: Capitalization Table

Set forth below is the Company’s current fully diluted capitalization, as adjusted to reflect the reservation of a 10% ESOP pool.

	Shares (as-if-converted)	Ownership Percentage	Security
Founders	10		Ordinary
Founders (vested)	1,610	72.00%	Class F unrestricted
Founders (unvested)	4,860		Class F restricted
JFDI.2012	1,620	18.00%	Warrant for Ordinary
Employee Stock Option Plan	900	10.00%	Ordinary
Total	9,000	100.00%	as-if-converted and -exercised



Part A: Loan Terms (non-binding)

Issuer: Porridge Pte. Ltd. (UEN: 201300000Z), a company incorporated in Singapore (the "**Company**")

Total amount on offer: S$500,000 (the "**Investment Amount**"), due in full on the Closing Date

Anticipated Closing: 25 May 2012 (the "**Closing Date**")

Investors and Amounts Subscribed:

Tony Stark	$360,000	20% discount
Steve Rogers	$30,000	no discount
Bruce Banner	$30,000	no discount
Natasha Romanoff	$30,000	no discount

(the "**Investors**")

Different investors may invest different amounts of money. It is anticipated that one or more NRF TIS incubators will invest.

Security: Convertible Bonds (the "**Bonds**"), which will, at the closing of the first subsequent equity financing in which the Company receives gross proceeds of not less than $1,000,000 (the "**Next Equity Financing**"), automatically convert into the securities issued at that Next Equity Financing (the "**Conversion Shares**").

When a preferred equity funding happens, this debt turns into preferred shares.

Valuation Cap: Should the fully diluted pre-money valuation at the Next Equity Financing exceed $5,000,000 (the "**Cap**") then the Conversion Shares shall be priced as though the Cap were the valuation.

The noteholders will own at least 10% of the company after the next round.

Discount: Should the fully diluted pre-money valuation not exceed the Cap, then the Conversion Shares shall be priced at [25%] less than the lowest price of securities issued in the Next Equity Financing.

The noteholders may get a discount on the next round because they're coming in earlier.

Shareholders: Smoochy///Legs///Panama///Ponder
(collectively, the "**Founders**")

Maturity Date: 3 years from date of issue of the Bonds, or such other date as may be mutually agreed between the Parties.

The Company has 3 years to raise the next round.

Interest Rate: The Bond accrues 10% simple interest if redemption or conversion occurs within 2 years of the date of issue of the Bonds (the "**Issue Date**"), 15% if within 3 years, and 5% per year additionally thereafter; to be payable in full on the earlier of the Maturity Date or the date on which the Bonds are redeemed in full.

This happens to match the NRF TIS terms.

Early Redemption: Up to 25% of the Investment Amount and interest accrued thereon may be redeemed by the Company at any time prior to the Maturity Date, provided that the funds used for redemption are drawn solely from the retained earnings of the Company.

The Company can pay off up to a quarter of the note early.

Redemption: Should the Bond have failed to convert by the Maturity Date, the Investors may at any time thereafter redeem in full the outstanding principal and accrued interest of the Bond. The Investors shall at any time thereafter also have the option to convert the Bond in whole or in part to Ordinary Shares of the Company at a price per share determined as though the fully diluted valuation of the company, prior to conversion, were $1,000,000 ("**Pre-Money Valuation**").

If the Company hasn't gone anywhere in three years, Investors get to demand their money back – or to convert to Ordinary Shares.

Employee Share Option Plan: The option pool shuffle will be negotiated by the investors in the Next Equity Financing. The Company already has a 3 year vesting schedule for founder shares but an additional pre-money ESOP reservation of 10% may be useful to attract and retain non-founder talent, particularly if the core team is still forming.

See venturehacks.com on the Option Pool Shuffle.

Conditions Precedent: Standard terms will be included in the Definitive Agreements. These are the usual Conditions Precedent normally found in venture capital financing documentation, including but not limited to the following:

- completion of legal and financial due diligence to the satisfaction of the Investors.
- representations and warrants by the Company that all intellectual property and other rights necessary to pursue the business are the full legal, beneficial, and unencumbered property of the Company.

The detailed agreements will contain more text about due diligence.

Negative Pledge: The Company shall not, without the consent in writing of the Investors, create or allow the creation of any security interest upon the whole or any part of its property or assets, present or future, in order to secure, for the benefit of any creditor of the Company (other than the holders of the Bonds), without according to the Bonds at the same time, either the same security as is created or is outstanding in respect of such issue or such other security or guarantee as is not materially less beneficial to the Investors.

If the Company takes on senior debt, the Investors have to hear about it, and they may ask for the same benefits and protections.

Negative Covenants: The Definitive Agreements shall contain negative covenants normally found in venture capital financing documentation, including but not limited to the following:

- not to use the proceeds raised from the Bonds issuance for any purpose other than the meeting of the Company's operating expenses and capital expenditure.

The money you raise has to go toward the Company.

Events of Default: Events of Default normally found in venture capital financing documentation, including the following events:

- if there is a breach of any of the warranties, undertakings and conditions of the Definitive Agreements or any document in connection therewith and such breach is capable of remedy, it is not so remedied within thirty (30) days after notice of such breach shall have been given by the Investors to the Company or the Founder(s).

The Investors get to ask for all their money back in special cases.

Board Rights: TIS investors hold board rights as a requirement of the NRF TIS scheme. Non-TIS investors shall hold no board rights.

If you really want to be on the board, we can negotiate this.

Liquidation Preference: In the event of any liquidation or winding up of the Company, the holders of Conversion Shares shall be entitled to receive in preference to the holders of Ordinary Shares an amount (the "**Liquidation Amount**") equal to 100% of the Bond Conversion Price (plus interest accrued on the principal amount of Convertible Bonds) for each Conversion Share held out of the net proceeds from liquidation or winding up of the Company after payments to all creditors of the Company, whether secured or unsecured. A merger, reorganization, initial public offering, sale of substantially all of the assets of the Company, or other transaction in which a material amount (greater than 50% of the voting securities) of the Company is transferred will, at the option of 75% or more of the holders of the Conversion Shares, be treated as a liquidation for the purpose of the Liquidation Preference, in which case the holders of the Conversion Shares shall be entitled to receive in preference to the holders of Ordinary Shares an amount equal to the Liquidation Amount.

The Next Equity Financing will be required to give the noteholders a 1× liquidation preference. That means they get their money back in the event of liquidation.

Moratorium: Subject to the Founders' Reverse Share Vesting arrangement (as described below), each Founder agrees and undertakes that during the period commencing on the signing date of the Investment Agreement and ending on the third anniversary of the date of the issue of the Bonds, he shall not sell, transfer or otherwise dispose of his shareholdings in the Company or cause or allow any change of control in the Company without the Investors' consent.

The Founders will stick around and work on the company, and not sell their shares in the next 3 years.

Legal Costs: Each party shall bear their own legal expenses.

Confidentiality: The Company, and the Founder(s) recognize that this Summary of Terms is confidential and that save as expressly permitted by the Investors, the disclosure of the existence of this Summary of Terms or any of the provisions contained herein is expressly forbidden. Accordingly, each of the Company, and the Founder(s), on behalf of itself and each of its directors, officers, employees, agents, affiliates and representatives, acknowledges and agrees that the existence of this Summary of Terms or any of the terms, conditions and contents hereof will be kept confidential and will not be published or disclosed except to the Company's directors, officers, employees, agents, affiliates and representatives who need to know such information for the purpose of evaluating this proposed investment (it being understood that such persons shall be informed, by the Company, of the confidential nature of such information and shall be required to treat such information confidentially), or to such other persons as the Investors may permit.

In the event one or more of the Investors publicly disclose the existence of this Summary of Terms, or of any of the provisions contained here, then the Company and the Founders shall be released from this restriction but only to the extent of the disclosures made by the Investors.

Non-Binding Effect: Except as set forth under "Confidentiality", this Summary of Terms is not intended to create any legally binding obligations on any party unless and until the parties sign the Definitive Agreements.

Governing Law and Jurisdiction: This Summary of Terms and the Definitive Agreements shall be governed by, and construed in accordance with, the laws of Singapore. The Investors, the Company, and the Founder(s) hereby submit to the non-exclusive jurisdiction of the Courts of Singapore in relation to any disputes or difference arising from or in connection with this Summary of Terms.

SIGNATURES

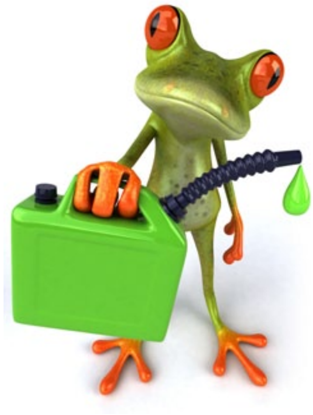
Founder 1

Founder 2

Investor 1

Investor 2

SERIES AA FINANCING OF
PORRIDGE PTE. LTD. (201300000Z)
SUMMARY OF TERMS



This is a sample document showing the first external equity financing for a JFDI company. Most of the JFDI startups are expected to execute some version of this term sheet subsequent to Demo Day. A debt round of capped convertible notes may precede this equity round. In this round, the startup issues Series AA Convertible Preference Shares. This document is provided for educational purposes only. Use at your own risk. Your mileage may vary. Hire a lawyer. This is not legal advice. Please read this document together with the introduction titled "How to Invest in a JFDI Startup."

Valid for acceptance until 5:00pm (SGT) on 18 May 2012

28th of April 2012
version 1.0.2

This document ("**Term Sheet**") summarises the principal terms of a proposed private placement of Series AA convertible preference shares (the "**Investment**"). This offer is made in reliance on the exemption under section 272A(1) of the Securities and Futures Act. It is not made in or accompanied by a prospectus that is registered by the Monetary Authority of Singapore. This Term Sheet is not legally binding except for the terms stated under "Confidentiality" and there will be no obligation to proceed with the Investment until binding agreements ("**Definitive Agreements**") are signed by the parties.

Preamble: Capitalization Table

Set forth below is the Company's current fully diluted capitalization, as adjusted to reflect the issue of all shares of Series AA preferred stock proposed to be offered in this financing, and including the conversion of convertible debt.

	Shares (as-if-converted)	Ownership Percentage	Security
Founders	10		Ordinary
Founders (vested)	1,610	47.99%	Class F unrestricted
Founders (unvested)	4,860		Class F restricted
JFDI.2012	1,620	12.00%	Warrant for Ordinary
Employee Stock Option Plan	900	6.67%	Ordinary
First Convertible Debtholder (at 25% discount)	321	2.37%	Converted from Debt to Series AA
Second Convertible Debtholder (at 20% discount)	1,082	8.01%	Converted from Debt to Series AA
Third Convertible Debtholder (at no discount)	216	1.60%	Converted from Debt to Series AA
Series AA Investors	2,884	21.36%	Series AA Preferred
Total	13,503	100.00%	as-if-converted

Part A: Investment Terms (non-binding)

Issuer: Porridge Pte. Ltd. (UEN: 201300000Z), a company incorporated in Singapore (the "**Company**")

Number of Shares Offered: Up to [2,884] shares of Series AA.

Price Per Share: $[416.00] (the "**Original Purchase Price**").
The Original Purchase Price represents a post-money valuation of $[5,617,333].

Total Amount on Offer: Up to $[1,200,000], but not less than $[800,000].

Inward Conversion: The issue of Series AA Shares pursuant to a Convertible Debt Agreement shall honour the discounts, if any, provided therein. For purposes of conversion the Original Purchase Price should be understood to refer to the Conversion Price should those prices differ.

Dividends: The holders of the Series AA shall be entitled to participate *pro rata* in any dividends paid on the Ordinary Shares on an as-if-converted basis.

Nobody's expecting dividends. Get big or go bust.

Liquidation Preference: In the event of any liquidation or winding up of the Company, the holders of Series AA shall be entitled to receive in preference to the holders of the Ordinary Shares a per share amount equal to the greater of:

- the Original Purchase Price plus any declared but unpaid dividends or
- the amount such holder would have received had the shares of Preferred Stock been converted into Ordinary Shares immediately prior to the liquidation or winding up (the "**Liquidation Preference**").

If the company goes bust, the Investors get their money back.

After the payment of the Liquidation Preference to the holders of the Series AA, the remaining assets of the Company shall be distributed to the holders of the Ordinary Shares on a pro-rata basis. A consolidation, merger, acquisition, sale of voting control or sale of all or substantially all of the assets of the Company in which the shareholders of the Company do not own a majority of the outstanding shares of the surviving corporation shall be deemed to be a liquidation or winding up for purposes of the Liquidation Preference.

This is an example of "non-participating preferred". If it were participating, this sentence would read "shall be distributed to Ordinary and Series AA shareholders on an as-if-converted, pro-rata basis."

Conversion: The holders of the Series AA shall have the right to convert the Series AA, at any time, into Ordinary Shares. The initial conversion rate shall be 1:1, subject to adjustment as provided below. All the Series AA shall be automatically converted into Ordinary Shares

(i) if the holders of at least a majority of the outstanding Series AA consent to such conversion or

(ii) upon the closing of a firmly underwritten public offering of shares of Ordinary Shares of the Company offering with total proceeds to the Company of not less than fifteen million dollars ($15,000,000) (before deduction of underwriters' commissions and expenses) (a "**Qualified IPO**").

Investors can convert to Ordinary. They do this either before a big exit, or when they give up and walk away.

Board of Directors: The size of the Company's Board of Directors shall be set at a minimum of 3 and a maximum of 5. The Board shall initially comprise [Founder Name 1] and [Founder Name 2] as representatives of the Ordinary Shares, and [Investor Name] as a representative of the Series AA investors; provided that such Series AA board seat shall terminate in the event that the Series AA Stockholders do not retain at least 5% of the Company's voting shares calculated on an a fully diluted basis.

These board rights are unexceptional.

Conversion Price Adjustments: The conversion price of the Series AA shall be subject to broad-based weighted average anti-dilution protection (with customary exceptions) to reduce dilution in the event that the Company issues additional equity securities at a purchase price less than the applicable conversion price.

This is a midway point between no protection and full ratchet.

Voting Rights: The Series AA will vote together with the Ordinary Shares (and any other class of shares granted voting rights) and not as a separate class except as specifically provided herein, as otherwise provided in the Articles of Association, or as required by law. Each share of Series AA shall have a number of votes equal to the number of shares of Ordinary Shares then issuable upon conversion of such share of Series AA.

Series AA get voting rights.

Investor Rights: Upon the closing of an additional financing round pursuant to which the company grants customary investors rights, the holders of Series AA shares shall be made parties to any investors rights agreement (or similar agreement providing for information, voting, registration, preemptive or similar rights); provided that, each Series AA Holder must execute such agreement and be subject to the terms of such agreement in the same manner as other investors and such right shall terminate following the company's closing of additional equity investments of more than $1,000,000 (a "**Qualified Financing**").

Future rights that arise in future financings will also apply to the current round of Investors.

Information Rights: The Company shall provide in a reasonable timeframe to each Investor annual financial statements. Should the Company fail to do so, each Investor may inspect all the accounts, user data, and other financial records of the Company.

The Company has to report financials annually.

Protective Provisions: The consent of holders of a majority of the Series AA shall be required for:

- Any amendment to the Company's Articles of Association which adversely affects the rights, preferences or privileges of the Series AA.
- Dissolving, liquidating or winding-up of the Company, and the entering into of any schemes of arrangement or the appointment of a judicial manager;
- Ceasing to conduct or carry on or change of business, or any amalgamation or merger of the Company, or sales, transfer, lease, assignment or disposal of a substantial part of the undertaking and goodwill or 10% or more of the assets of the Company (including without limitation to any Intellectual Property Rights of the Company);
- Any fund raising, borrowings or capital raising plans in excess of [S$50,000] or any action that will result in the Company incurring debts in excess of [S$50,000] or being a guarantor;
- The incurrence of capital expenditures in excess of [S$35,000] in a single or a series of related transactions;
- Any increase, consolidation or sub-division of the issued share capital of the Company or the issue of any options over any class of shares in the Company, or the issue of any new class of shares in the capital of the Company or the issue of any convertible securities by the Company other than pursuant to the Employee Share Option Plan;
- Any grant of exclusive rights to material technology, except in the ordinary course of business;
- Any transactions between the Company and its shareholder(s);
- The entry into any other business that is not related to the Company's existing business.

Various protective provisions prevent the company from doing unusual things or spending a lot of money without the approval of the Investors.

Right of First Refusal: Investors shall have the right in the event the Company proposes to offer equity securities to any person (other than securities issued to employees, officers and directors of the Company, securities issued pursuant to a merger or acquisition, securities issued in connection with an equipment leasing or debt financing, securities issued pursuant to a registration statement, or securities issued in connection with strategic transactions) to purchase their *pro rata* portion of such shares. Each Investor's *pro rata* portion shall be calculated by dividing the outstanding shares of Series AA held by such investor by the total number of shares outstanding on a fully-diluted basis. Such right of first refusal will terminate upon a Qualified IPO or upon an acquisition, merger or consolidation of the Company and may be waived, modified or terminated on behalf of all Investors by a majority in interest of the Investors. Such right may be terminated, waived or modified in any manner by a majority of the Series AA Preferred and shall terminate following a Qualified Financing.

If the Company raises more money, the current round of Investors have the right to participate in that future round.

Expenses: Each party shall pay their own fees and expenses.

The Company doesn't have to pay the Investors' legal fees.

Confidentiality: The Parties recognize that this Term Sheet is confidential and that save as expressly permitted by the Investors, the disclosure of the existence of this Term Sheet or any of the provisions contained herein is expressly forbidden. Accordingly, each of the Company, and the Founder(s), on behalf of itself and each of its directors, officers, employees, agents, affiliates and representatives, acknowledges and agrees that the existence of this Term Sheet or any of the terms, conditions and contents hereof will be kept confidential and will not be published or disclosed except to the Company's directors, officers, employees, agents, affiliates and representatives who need to know such information for the purpose of evaluating this proposed investment (it being understood that such persons shall be informed, by the Company, of the confidential nature of such information and shall be required to treat such information confidentially), or to such other persons as the Investors may permit.

In the event one or more of the Investors publicly disclose the existence of this Term Sheet, or of any of the provisions contained here, then the Company and the Founders shall be released from this restriction but only to the extent of the disclosures made by the Investors.

The first rule of raising money is: you don't talk about raising money.

Non-Binding Effect: The investment shall be made pursuant to a subscription agreement and other documentation reasonably acceptable to the Company and the investors. Except as set forth under "Confidentiality", this Term Sheet is not legally binding on any parties and is subject to the satisfactory completion of due diligence and the execution of the Definitive Agreements.

The actual contract is a lot longer than this. If you sign this, that just means you have a vague intention that you want to do something at some point.

Governing Law and Jurisdiction: This Term Sheet and the Definitive Agreements shall be governed by, and construed in accordance with, the laws of Singapore. The Investors, the Company, and the Founder(s) hereby submit to the non-exclusive jurisdiction of the Courts of Singapore in relation to any disputes or difference arising from or in connection with this Term Sheet.

SIGNATURES

Founder 1

Founder 2

Investor 1

Investor 2