



In partnership with:



## Term Sheet

The British Design Fund (the “Fund”) has worked with Sapphire Capital Partners LLP to raise investment for this and ongoing Funds. The legal shareholder will be Woodside Nominees Limited who will act as nominee on behalf of the underlying investors. Sapphire Capital Partners LLP will ask you to go through a straightforward due diligence process to ensure that everything is in order, and sign certain documents, which will contain the full terms of the investment. This term sheet summarises the structure and key terms of this process. This is a non-binding document meant for guidance only and is subject to change.

### INVESTMENT STRUCTURE

The British Design Fund uses a very simple structure, which is similar to the structure used by traditional angels and venture capital firms. Here are the basics of it:

#### **Woodside Will Act As Nominee**

For investor holdings under the Woodside nominee structure, Woodside Nominees Limited will hold the shares in your company on their behalf. This means that Woodside, as nominee, will be the only shareholder listed in your cap table and company register for the investment. Woodside will also take care of all the paperwork and general administrative communications with this set of your investors. The shares will be ordinary shares, full voting shares (because we don't think that voting power should be reserved only for large investors). As nominees, Woodside will organise the administration and voting on behalf of those investors.

#### **Documentation**

There are a number of legal documents for the investment process. One is the Shareholder Agreement, which is a contract between Sapphire Capital Partners LLP, the founders and your company, laying out certain professional-grade terms, rights and obligations. The second key document is a set of Articles of Association, which your company will need to adopt.

#### **Due Diligence**

Before the Fund completes the documentation and transfers the funds to you, we will conduct a straightforward due diligence process on your company. We will send you a short due diligence request list and, based on your answers, we may ask you for follow-up information. We will also speak with your directors and may do some other checks.

## KEY TERMS

The commercial terms of the investment—the amount of money you will receive, and the amount of equity you will give to investors—will be agreed with British Design Fund and Sapphire Capital Partners LLP. The investment will also involve certain legal terms, all of which will be laid out in detail in the documents described above.

### **Warranties**

You will need to make certain warranties to assure us that the company is what you say it is. These cover standard matters such as the corporate status of the company, the accuracy of information provided to us, the company's intellectual property, and the non-existence of debt, disputes and insolvency.

### **Information Rights**

Woodside will require 6 monthly updates on how your company is doing, and we pass these on to your investors through Sapphire Capital Partners LLP. If your company is SEIS or EIS eligible in the UK, you will need to provide certain information so the investors can apply for relief (Woodside can assist you with any relevant tax paperwork and send the documentation to the investors on your behalf).

### **Mentoring Agreement**

As an investee you will be assigned a lead mentor from the British Design Fund team. Your lead mentor will coach and advise you across all areas of your business and is there to ensure you get access to any additional support you may need. Some of the additional support you will receive will come from the British Design Fund's team of expert mentors. These expert mentors are experienced in specific areas ranging from digital marketing to manufacturing setup. Furthermore, you will be assigned a board observer from the British Design Fund team to ensure that you understand how to monitor and report on the performance of your business and are taking the necessary steps to plan for the future.

This mentoring and support is an essential part of how we work with investees. We are not able to make an investment without you first agreeing to receive this support and signing our mentoring agreement. There is a small cost for this support and that is detailed below in the Fee section.

### **Board of Directors**

We think you should control your board, but we like to be able to have a seat too if we wish to. However, we don't take board control and more often it makes sense for us to have a less formal role such as a board observer with a non-voting seat.

### **Consent Rights**

We're here to support you, not to interfere in your day-to-day business operations, but we do have a list of important decisions that we believe should be approved by a majority of the company's shareholders including us.

These consent rights cover things like winding-up the company, issuing preference shares, transferring assets out of the company, making certain loans or increasing director salaries beyond an agreed level.

### **Pre-emption**

Pre-emption ensures that existing investors have the right (but not the obligation) to invest in further investment

rounds so that they can maintain their ownership in the company. We will coordinate any pre-emption offering with you so that it is a simple process and the new shares come under our nominee structure.

### **Drag-Along / Tag-Along**

The drag-along right ensures that, if you want to sell the company, you can compel us to sell the shares held by Woodsides as nominee on the same terms. The tag-along provides a corresponding right for the Sapphire Capital Partners LLP investors and ensures that, if you sell the company, they have the option to sell their shares on the same terms.

### **Options**

We are happy for you to grant share options up to 10% of the share capital of the company (and think it is often a good way to incentivize staff), but we do ask you to make sure the exercise price is at least equal to the current share price.

## **FEES**

On each investment the British Design Fund will charge an initial deployment fee of 5% of the Funds being invested.

Each investee must also agree to receive mentoring from the British Design Fund team and our mentors, and this is charged annually at a fee of 4% of the Funds being invested.