

Appendix 2: Sample Term Sheet

TERM SHEET FOR FINANCING OF DOUGLAS LTD

JAN 1, 2008

This memorandum summarizes the principal terms of the Shares Financing between Douglas Ltd. (the "Company") and VCPE Fund I Limited Partnership ("VCPE"). Except for the paragraphs below regarding exclusivity and confidentiality, no legally binding obligations will be created until a definitive Share Purchase Agreement is executed and delivered by all parties. This memorandum is not a commitment to invest, and is conditional upon the completion of due diligence, legal review and documentation that is satisfactory to the investor(s) named below.

Offering Terms

<i>Amount to be Raised:</i>	US\$2,000,000
<i>Type of Security:</i>	Preferred A Shares
<i>Number of Shares:</i>	[•] Shares
<i>Percentage of Ownership:</i>	35% of the Enlarged Share Capital
<i>Original Purchase Price:</i>	US\$[•] per share
<i>Pre-money Valuation:</i>	US\$3,750,000 ([•] shares)
<i>Post-Closing Capitalization:</i>	Immediately following the Initial Closing, the capitalization of the Company will be as set forth in the Pro Forma Capitalization Table stated below: Management Team Options Reserved VCPE
<i>Closing Date:</i>	Upon completion of due diligence and satisfactory documentation, but no later than October 18, 2008 (the "Closing").
<i>Investors:</i>	VCPE Fund I Limited Partnership, a company organized in [•] and represented by Fund Manager Limited, a Company incorporated under the laws of [•].
<i>Special Rights:</i>	<u>Anti-dilution Provisions:</u> The price of the Shares will be subject to proportional adjustment to reflect Shares dividends, Shares splits, combinations and similar events.

The price of the Shares will also be adjusted on a weighted-average basis for issuances of Ordinary Shares or other securities of the Company convertible into Ordinary Shares to the extent below the then-effective conversion price, subject to the following exceptions: (i) issuance of up to a maximum of 15% of capital the Shares (or options) to employees, officers, directors and consultants of the Company ("Compensatory Shares") pursuant to Shares purchase or Shares option plans approved by the Company's Board; (ii) shares issued in connection with acquisition transactions; (iii) shares issued to financial institutions or lessors in connection with *bona fide* commercial credit arrangements, equipment financings, or similar transactions which are approved by the Company's Board, subject to a maximum number of shares which represents 1.5% of the fully-diluted outstanding capital Shares of the Company; (iv) shares issued in connection with Shares dividends, splits, combinations and similar events.

Protective Provisions. Consent of the Investor will be required for any action which (i) results in a Deemed Liquidation Event, (ii) applies any Company assets to the redemption, retirement, purchase or acquisition of any shares of Ordinary Shares or Preferred Shares (if applicable), with limited exceptions for Compensatory Shares, pursuant to Shares option or incentive Shares agreements or plans approved by the Company's Board or the exercise of the Company's rights of first refusal upon a transfer of such Shares, (iii) alters or changes the rights, preferences or privileges of the Shares, (iv) increases or decreases the authorized number of shares of any Shares, (v) creates (by reclassification or otherwise) any new class or series of shares having rights, preferences or privileges senior to or on parity with the Ordinary Shares, (vi) increases the size of the Company's Board, (vii) encumbers or grants a security interest in all or substantially all of the Company's assets in connection with incurring indebtedness, except in the ordinary course of business, or (viii) results in the issuance of any additional shares of capital Shares (or options) to the Company's Founders.

Terms of the Shares Purchase Agreement

Purchase Agreement:

The investment will be made pursuant to a Shares Purchase Agreement reasonably acceptable to the Company and the Investor participating in the Initial Closing, which will contain, among other things, appropriate representations and warranties of the Company and the Investors. The Purchase Agreement will also contain appropriate conditions to the Initial Closing which include, among other things, qualification of the shares under applicable laws, if necessary, the filing of the Amended and Restated Articles of Incorporation establishing the rights and preferences of the Shares and an opinion of counsel to the Company acceptable to the Investors. The Purchase Agreement and/or the Investor Rights Agreement described below will include covenants of the Company reflecting the provisions set forth herein. The Company and the Investor will each indemnify the other for any finders fees for which either is responsible.

Expenses:

The Company will pay a one time fee of US\$20,000 to the Fund Manager to cover the costs of due diligence and related legal expenses.

Terms of Investor Rights Agreement

Right of First Refusal:

The Investor will have the right in the event the Company proposes to offer equity securities to any person to purchase a *pro rata* portion of such shares based on the number or shares then held by the Investor relative to the total shares outstanding (on a Ordinary Shares equivalent basis including shares subject to outstanding warrants and Shares options for Compensatory Shares), subject to the same exceptions as described under "Anti-dilution Provisions" above. Such right of first refusal will terminate upon the first underwritten public offering of shares of the Company.

The Investor will have the *pro rata* right of first refusal on transfers of Shares for value by other investors, after which the Company will have a right of refusal, except in the case of transfers of Shares to affiliates and partners of the investor.

Information Rights:

So long as the Investor continues to hold not less than 5% of Ordinary Shares, the Company will grant the holder customary visitation and inspection rights and will furnish the holder with quarterly unaudited and audited annual financial statements and with an annual operating plan. All such information rights will terminate upon an IPO which causes the Company to become subject to the reporting requirements of the relevant Shares market governing body.

Board of Directors:

Upon the Initial Closing, the Company's Board will consist of [•] members, including one representative of the Investor as the director elected by the Investor, [•] elected by the other holders of the common shares

The member of the Company's Board elected by the Investor will have the right to be a member of the executive, audit and compensation committees of the Company's Board.

Other Matters

Assignment of Inventions and Confidentiality Agreement:

All of the Company's employees and consultants will enter into the Company's standard form of inventions and proprietary information agreement, which will be in form acceptable to the Investors.

Vesting and Restrictions on Ordinary Shares Transfers:

On or prior to the Initial Closing, the Founders [list by name] will each enter into a Shares restriction agreement with the Company with respect to the approximately [•] shares of Ordinary Shares collectively owned by them (the "Restricted Shares") which will provide that (a) each holder's shares of Restricted Shares will be subject to vesting ratably over a [48-month] period, commencing on [the Initial Closing date] [his or her initial date of employment with the Company, with the initial [•] % vesting to occur upon the first anniversary of employment], (b) upon a termination of employment of a holder for any reason, except a termination by the Company for a reason other than "Cause" (as defined below), the Company will have the assignable right (and if the Company does not exercise such right, the other shareholders of the Company will have the *pro rata* right) for a period of 90 days to repurchase unvested shares of Restricted Shares at the original purchase price paid by the Founder for such shares, and (c) the Company will have a right of first refusal to purchase shares of Restricted Shares in the event of any voluntary or involuntary transfer, other than transfers by reason of the Founder's death or inter vivos transfers by a Founder for *bona fide* estate planning and related purposes. For such purposes, the term "Cause" will mean (i) the conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud, misrepresentation or act of dishonesty against the Company; (iii) material breach of any contract with the Company; (iv) willful violation of any Company policy which adversely affects the Company in a material way; (v) causing intentional damage to the Company's property or business; (vi) conduct which constitutes gross insubordination or

incompetence; or (vii) habitual neglect of duties. In addition, no transfers of unvested shares of Restricted Shares will be allowed, and all shares of Restricted Shares will be subject to a market stand-off agreement identical to that imposed upon the Securities held by the other investors.

Pursuant to the Shares option or incentive Shares agreements or similar plans or arrangements approved by the Company's Board, each of the holders of Compensatory Shares (or options therefor) will be subject to vesting restrictions and restrictions on transfer that are no less favorable to the Company as are the Shares restriction arrangements described above with respect to the Founders.

Co-Sale Rights:

The Investor will have the right to participate on a *pro rata* basis in transfers of Shares for value by Founders [and other investors], and a right of first refusal on such transfers, after the Company's right of first refusal. Such rights will terminate upon an IPO.

Liquidation Preference:

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the Investor shall be entitled to receive, prior and in preference to any distribution of any of the assets or surplus funds of the corporation to the holders of Ordinary Shares of the corporation, an amount equal to the investment amount, plus a further amount equal to any dividends declared but unpaid on such shares. If, upon such liquidation, dissolution or winding up of the corporation, the assets of the corporation are insufficient to provide for the cash payment described above to the Investor, such assets as are available shall be paid to the Investor on a pro rata basis.

After the payment or setting apart of payment to the Investor of the preferential amounts so payable to the Investor, the holders of Ordinary Shares shall be entitled to receive pro rata the remaining assets of the corporation.

Consolidation or Merger. A consolidation or merger of the Company with or into any other corporation or corporations or any other corporate reorganization, in which the shareholders of the Company immediately prior to such consolidation, merger or reorganization, own less than 50% of the corporation's voting power immediately after such consolidation, merger or reorganization, or a sale, lease or disposition of all or substantially all of the assets of the corporation, or a transaction or series of related transactions in which more than 50% of the voting power of the Company is disposed of, shall be deemed to be a liquidation, dissolution, or winding up within the meaning of this term

and shall be treated in substantially the same manner as a liquidation, dissolution, or winding up for the purposes of the liquidation preference. A consolidation or merger of the Company with or into any non-corporate business entity or a sale, lease or disposition of all or substantially all of the assets of the Company to such an entity shall be deemed to be a liquidation, dissolution or winding up within the meaning of this term and shall be treated in substantially the same manner as a liquidation, dissolution, or winding up for the purposes of the liquidation preference.

Exclusivity:

The Company will not negotiate with, or offer or sell any of its securities to any person or entity other than VCPE Fund I Limited Partnership for a period of 45 days from the Company's acceptance of this memorandum.

Confidentiality:

The Company recognizes that the terms of this memorandum are confidential and that disclosure of these terms could cause irreparable harm to VCPE Fund I Limited Partnership and the Fund Manager.

Conditions to Closing:

This transaction will not close prior to completion of final due diligence including legal review of all pertinent documents of the Company