

## TERM SHEET

### Investment in China Medical Data Services Ltd.

This term sheet describes the key terms upon which a to-be formed parent company to China Medical Data Services Ltd. (the “Company”) will issue securities (“Financing”) to a to be identified entity controlled by Dr. Richard Merkin (the “Investor,” and together with the Company, the “Parties”).

The Senior Note purchase agreement will reflect that the Financing will close but funds and Senior Note will not be released until there exists a signed agreement between Asia Gateway Healthcare Information Technology and any governmental party under the jurisdiction of the Ministry of Human Resources and Social Security of the P. R. China, having a value of no less than RMB 1 million, for use of the Asia Gateway Healthcare Insurance Information Processing And Analytics System [to be discussed].

This document is not intended to be a binding agreement of the signatories hereto with respect to the subject matter hereof, except for the provisions contained in Section II. A binding agreement with respect to the proposed terms and conditions in Section I would be subject to, among other things, the Conditions set forth herein. Until execution and delivery of definitive agreements, any signatory shall have the absolute right to terminate all negotiations for any reason without liability therefor except with respect to the provisions contained in Section II. All dollar amounts stated herein are in US dollars.

The Parties agree to abide by all applicable law, including laws of the People’s Republic of China that apply to the Company’s business and all applicable securities laws, in connection with the negotiation of this term sheet, due diligence and issuance and purchase of shares.

### **Section I. Non-Binding Proposal of Terms and Conditions**

<u>Topic</u>	<u>Agreement</u>
The Company and its Subsidiary	[Insert description of holding co] China Medical Data Services Ltd., a company registered in Hong Kong, is owned 100% by David Stern (“ <u>Stern</u> ”). The Company owns 100% of the shares of Asia Gateway Healthcare Information Technology (Beijing) Co Ltd., registered in the People’s Republic of China.
The Investor	A to-be identified entity controlled by Dr. Richard Merkin, resident in California, U.S.A.
Senior Debt Securities	The Company shall issue Investor a Senior Note with a face value of US\$5 million (the “ <u>Senior Note</u> ”), in consideration of US\$5 million purchase price paid by Investor.
Availability of Funds	The consideration will be released to the Company in

	immediately available funds and the Senior Note released to Investor immediately upon the Company entering into a binding agreement between Asia Gateway Healthcare Information Technology and any governmental party under the jurisdiction of the Ministry of Human Resources and Social Security of the P. R. China, having a value of no less than RMB 1 million, for use of the Asia Gateway Healthcare Insurance Information Processing And Analytics System. A draft of this agreement, substantially the same as that which will be executed, will be included as an exhibit to the definitive documentation.
Interest on Senior Debt Securities	The Senior Note will bear interest at a rate per annum equal to 8% of the average outstanding principal of the Senior Note, during the applicable interest period. Interest will compound annually. All interest will be paid in kind, in the form of additional Senior Note principal.
Seniority of Senior Debt Securities, Collateral, Guarantees and Anti-Layering	The Senior Note will be senior in priority to all existing indebtedness of the Company and be secured by all outstanding stock in all of its subsidiaries as well be issued guarantees from all of its subsidiaries. No debt shall be issued on a pari pasu basis to the Senior Notes without the Investor's approval.
Detachable Warrant	Concurrently with the delivery of the Senior Note, Company shall issue to investor a warrant representing, in the aggregate when converted, 17.5% of the issued and outstanding shares of the Company ("Warrant"). The strike price of the Warrant shall be US\$0.001 and the Warrant shall be exercisable, in whole or in part, at any the time and from time-to-time from the issuance thereof until 10 years following such issuance.
Anti-Dilution Provisions	The Warrant shall be appropriately adjusted for stock splits, stock dividends and combinations, and similar events. The Warrant shall have weighted average anti-dilution protection at issuances (or deemed issuances) of Common Stock (or capital appreciation rights or phantom stock).
Voting Rights	The holders of the Warrant shall be entitled to vote on an as converted basis in respect of all matters on which the holders of Common Stock are entitled to vote.
Shareholders' Agreement	<p>The Parties and Stern shall enter into a shareholders' agreement in connection with the issuance and purchase. The shareholders' agreement shall include the following:</p> <ul style="list-style-type: none"> <li>• The Investor shall have the right to designate one director to the Board of the Company;</li> <li>• If the Company seeks to raise additional capital in the future, the Investor shall have the right of first offer related to such capital raise</li> </ul>

	<ul style="list-style-type: none"> <li>• If the Investor does not make the additional investment, Stern and the Investor shall be diluted <i>pari passu</i> by new shareholders;</li> <li>• The Company [or other shareholders or both?] shall have customary “drag along” rights;</li> <li>• The Investor will have customary “tag along” rights and demand registration rights with respect to the shares underlying the Warrant</li> <li>• The Company and Stern will provide customary representations required by applicable securities laws; and</li> <li>• The Company shall agree to certain customary covenants related to an initial public offering of the Company.</li> </ul>
Due Diligence	<p>The Investor’s obligation to pursue or close the Financing would be conditional upon (in addition to any other items identified in the definitive stock purchase agreement):</p> <ol style="list-style-type: none"> <li>1. The negotiation, approval, execution and delivery of a mutually acceptable stock purchase agreement including, among other things, appropriate representations and warranties, indemnifications, conditions and covenants, and such other agreements, documents and certificates that the Parties determine are necessary or desirable in connection with the financing (the “Closing Documents”);</li> <li>2. The completion by the Investor of due diligence investigation of the Company and its corporate structure, business, condition (financial and otherwise), operations, assets and prospects and the Investor being satisfied with the results of such investigation;</li> <li>3. Investor’s satisfaction as to the form of incorporation and domicile.</li> <li>4. The obtaining of all approvals and consents (governmental or otherwise) required in connection with the consummation of the financing, including, but not limited to, any appropriate third party consents with respect to the leases, licenses, contracts and agreements of the Company;</li> <li>5. There having been no material adverse change in the Company’s business, condition (financial or otherwise), operations, assets or prospects</li> </ol>

	<p>from the date of this Term Sheet through Closing; and</p> <p>6. The receipt by the Investor of such other documents as may be reasonably requested;</p>
Dispute Resolution	All disputes related to the transaction, including those that may arise under the purchase agreement or shareholders' agreement, shall be arbitrated exclusively in the London Court of International Arbitration.
Closing	The Parties will use their best efforts to close the Financing in the most timely manner reasonable
<b>Section II. Binding Proposal of Terms and Conditions</b>	
Confidentiality	This term sheet, its terms, due diligence and negotiations related to this term sheet or potential transaction are confidential and are not to be disclosed to third parties by the Company or the Investor without prior written consent of the other Party. All terms and conditions contained in the Mutual Non-Disclosure and Confidentiality Agreement dated July 23, 2013, are incorporated herein by this reference.
Legal Fees and Expenses	If the transaction contemplated herein is closed, the Company shall reimburse the Investor for the reasonable fees and expenses of Investor counsel and the reasonable fees and expenses of the Investor's financial advisory due diligence, such fees to be mutually agreed upon by Company and Investors.
Due Diligence	From the date hereof and prior to the Financing, the Company shall provide the Investor with such information as the Investor may from time to time reasonably request with respect to the Company and its financial condition, results of operations, capital resources, prospects, personnel, accounting policies and procedures, customer and vendor relationships, and contingencies and commitments. Without limiting the foregoing, the Company shall provide and shall cause its subsidiaries to provide, authorize and permit, the Investor and its representatives copies of, or, during regular business hours and upon advance notice, reasonable access to, all of their properties, books, records, operating instructions and procedures, personnel, financial statements, tax returns and all other information with respect to the Company as the Investor may from time to time reasonably request, including, without limitation, its respective directors, officers, employees, accountants, counsel, suppliers, customers, and creditors.
Governing Law	This term sheet is governed by and shall be construed under the laws of California, USA.

Because the Parties are in agreement with the terms stated above and desire to proceed with the proposed transaction on that basis, the Parties have executed this term sheet on the \_\_\_\_ day of September, 2013.

China Medical Data Services Ltd.

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Name: \_\_\_\_\_

Dr. Richard Merkin