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**TERM SHEET FOR**

**THE PROPOSED INVESTMENT INTO [NAME OF COMPANY]**

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| --- | --- |
| 1. Parties
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| Company | **[COMPANY]** with its registered office at [REGISTERED OFFICE], ID No. [ID NUMBER], registered with the Commercial Register of [COURT], Section [SECTION], insert No. [INSERT NUMBER]. |
| Founders | **[FOUNDER 1]**, residing at [ADDRESS], born on [DATE] (**Founder 1**), currently owning directly [or indirectly] [PERCENTAGE]% of the Company [through Current Shareholder 1];and**[FOUNDER 2]**, residing at [ADDRESS], born on [DATE] (**Founder 2**), currently owning directly [or indirectly] [PERCENTAGE]% of the Company [through Current Shareholder 1];and**[FOUNDER 3]**, residing at [ADDRESS], born on [DATE] (**Founder 3**), currently owning directly [or indirectly] [PERCENTAGE]% of the Company. |
| Current Shareholders | **[CURRENT SHAREHOLDER 1]**, with its registered office at [REGISTERED OFFICE], ID No. [ID NUMBER], registered with the Commercial Register of [COURT], Section [SECTION], insert No. [INSERT NUMBER], currently owning [PERCENTAGE]% of the Company (**Current Shareholder 1**) [, ultimately controlled by the [Founder 1 and the Founder 2];and**[CURRENT SHAREHOLDER 2]**, with its registered office at [REGISTERED OFFICE], ID No. [ID NUMBER], registered with the Commercial Register of [COURT], Section [SECTION], insert No. [INSERT NUMBER], currently owning [PERCENTAGE]% of the Company (**Seed Investor**);andFounder 3 (also referred as the **Current Shareholder 2**). |
| Investor | **[INVESTOR]**,with its registered office at [REGISTERED OFFICE], ID No. [ID NUMBER], registered with the Commercial Register of [COURT], Section [SECTION], insert No. [INSERT NUMBER] |
| 1. Investment
 | The investment will be made on a fully diluted pre-investment valuation of EUR [AMOUNT]. The Investor will invest the amount of EUR [AMOUNT] (the **Investment Amount**) and will acquire [newly issued] shares that will represent, on fully diluted basis, [PERCENTAGE]% share in the Company’s registered capital (and corresponding voting rights, dividend rights and other shareholder’s rights) with the preferential rights set out in this term sheet (the **Investor Shares**).The Investment Amount shall be provided to the Company in cash [in one tranche at Completion] **OR**[in [NUMBER] stages, with [PERCENTAGE OR AMOUNT] being invested at Completion and [PERCENTAGE OR AMOUNT] being invested in [NUMBER] subsequent rounds, subject to the Company fulfilling performance milestones as follows:(a) the amount of EUR [AMOUNT] in cash shall be due for payment after and subject to [INSERT PERFORMANCE MILESTONES] is satisfied by [DATE];(b) the amount of EUR [AMOUNT] in cash shall be due for payment after and subject to [INSERT PERFORMANCE MILESTONES] is satisfied by [DATE]; and(c) [FURTHER TRANCHES].] |
| 1. Use of Funds
 | The Investment Amount shall be used solely for the following purposes: [TO BE INSERTED] (the **Project**). |
| 1. [Due Diligence]
 | [The Investor’s due diligence shall commence and the Company shall provide access to a data room [NUMBER] business days following [the day of execution of this term sheet] **OR** [the official communication of the Investor's request to begin due diligence] . ] |
| 1. Estimated Completion Date
 | [DATE] |
| 1. Completion Conditions
 | The execution and completion of the Investment (**Completion**) will be subject to satisfaction (or waiver by the Investor) of the following conditions:* + 1. completion of customary due diligence in financial, legal, IP, taxation and commercial maters of the Company to the satisfaction of the Investor;
		2. all relevant parties entering into each of the following legally binding documentation reflecting the terms of this term sheet and on further terms acceptable to the Investor (together the **Transaction Documents**):
			- 1. investment/subscription agreement drafted by the [Company] **OR** [Investor] (including customary warranties in respect of capacity, authority and affairs of the Company to be provided by [the Company] **AND / OR** [the Founder[3] and the Current Shareholders controlled by the Founders] and customary limitations of liability);
				2. [a shareholder’s agreement] **OR** [an amendment to the shareholders agreement];
				3. [a management agreement or employment agreement between each Founder and the Company (as the case may be); ]
				4. [a personal guarantee given by each Founder that holds shares in the Company through any Current Shareholder in respect of the obligations of that Current Shareholder under the investment/subscription agreement and the shareholders agreement; ]
				5. [IP transfer or licence agreement by each of the Founders and [OTHER OWNER OF IP] transferring or licensing to the Company the IP rights related to the Company’s business];
		3. [between the date of conclusion of [this term sheet] OR [the Transaction Documents] and Completion, there being no material adverse change in the [nature,] [conduct,] [assets,] [position [(financial] or [trading])], [profits] or [prospects] of the business of the Company [and its subsidiaries] (the **Business**) [and no contract, licence or financial agreement] [that is material to the Business] being terminated or having its terms [materially and adversely] amended] ;]
		4. [the relevant competition authorities issuing decisions (or such decisions being deemed issued under applicable law) that they have no objections to the Investment or that the Investment is approved [without imposing any remedies [other than those acceptable to the Investor [(acting reasonably)] ] ] or that the Investment is not subject to their review; and ]
		5. adoption of resolutions by the Company's General Meeting implementing in particular the matters addressed in this term sheet.
 |
| 1. Post-Transaction Ownership Structure
 | The Post-Transaction Ownership Structure is set out in Annex A of this term sheet. |
| 1. Rights attached specifically to the Investor Shares
 |
| * 1. Liquidation Preference
 | Upon Liquidation Event (as defined below), if and to the extent any cash proceeds are generated by such Liquidation Event, such cash proceeds should be distributed in the following order:* + 1. [firstly, to the Seed Investor which shall receive, in preference to the holders of any other shares, proceeds of such Liquidation Event in the amount equal to the aggregate of:
			- 1. the investment amount provided by such Seed Investor; plus
				2. any declared but unpaid dividends pertaining to shares held by the Seed Investor; plus
				3. [OTHER AMOUNT]
		2. [secondly] / [firstly], to the holders of the Investor Shares which shall receive, in preference to the holders of any other shares, proceeds of such Liquidation Event in the amount equal to the aggregate of:
			- 1. the Investment Amount; plus
				2. any declared but unpaid dividends pertaining to the Investor Shares [; plus
				3. [OTHER AMOUNT]

(the **Priority**); and* + 1. [secondly] / [thirdly], any remaining proceeds of such Liquidation Event after the payment of the Priority (the **Surplus Proceeds**) shall be distributed as follows:

[100% of the Surplus Proceeds shall be distributed to all shareholders [excluding the [Seed Investors and] the holders of the Investor Shares] on pro-rata basis according to their contribution into the Company’s registered capital.]**OR**[ [PERCENTAGE]% of the Surplus Proceeds shall be distributed to the [Seed Investors and] holders of the Investor Shares on pro-rata basis according to their respective investment amounts and the remaining [PERCENTAGE]% of the Surplus Proceeds shall be distributed to all shareholders [excluding the [Seed Investors and] the holders of the Investor Shares] on pro-rata basis according to their contribution into the Company’s registered capital.]**OR**[the Surplus Proceeds shall be distributed between the shareholders of the Company to “catch up” the percentual shareholding of each shareholder in the registered capital of the Company (the **Base Participation**) on the basis of the ratio between sum of a priority received by each particular shareholder (if any) and the sum of all priorities received by all shareholders (the **Balance Ratio**) as follows:* + - * 1. first, the shareholder(s) with the lowest Balance Ratio shall receive the portion of the Surplus Proceeds until its/their Balance Ratio is equal to the next lowest Balance Ratio of another shareholder(s);
				2. then, the shareholders with the lowest Balance Ratio shall receive the portion of the Surplus Proceeds until their Balance Ratio reaches the next lowest Balance Ratio of another shareholder(s). The Surplus Proceeds shall be distributed on a pro rata basis (calculated as a priority of a particular shareholder to the aggregate of all priorities of all shareholders);
				3. as long as the Surplus Proceeds remain available, paragraphs (i) and (ii) shall apply repeatedly until all shareholders reach the same Balance Ratio and until distribution received by a particular shareholder reaches its Base Participation (i.e. no shareholder shall receive under paragraphs (i), (iii) and (iii) the portion of the Surplus Proceeds greater than its Base Participation);
				4. upon achieving the same Balance Ratio by all shareholders and subject to the cap equal to the Base Participation pursuant to paragraphs (i), (ii) and (iii), the remaining amount of the Surplus Proceeds shall be distributed among all Shareholders pro-rata according to the nominal value of their shares.]

A few calculation examples of the application of the distribution of the proceeds after the Liquidation Event, for illustration purposes only, are set out in Annex C; the parties confirm that the calculation of the distribution of the proceeds after the Liquidation Event shall be performed in line with the attached calculation examples.Any of the following matters shall represent a **Liquidation Event**:* + 1. merger/demerger/change in the company’s form which will result into [change of control over the Company] **OR** [change of the stakes of the shareholders in the Company’s registered capital or [material adverse] change of rights or obligations of the shareholders or rights or obligations attached to the shares issued by the Company ];
		2. sale of Company’s enterprise or part of it;
		3. sale, long term transfer of usage for any legal title (including lease) of assets (devices) and/or of IP rights material to the key activities of the Company (for this purpose assets of book value higher than [PERCENTAGE]% of the entire value of assets of the Company shall be deemed material);
		4. dissolution of the Company without a legal successor;
		5. a sale of the Company’s shares involving a change in control over the Company; or
		6. initial public offering of the Company’s shares.

For the avoidance of doubt, any payment of the Priority to the Investor in case of a Liquidation Event under sup-paragraph 1.1(e) or 1.1(f)above is subject to the Investor executing the relevant instruments required to effect the disposal of the Investor Shares (or their part) as a part of such sale or initial public offering. |
| * 1. [Dividend preference]
 | [If and when the dividends are declared by the general meeting of the Company in accordance with applicable law and this term sheet:* + 1. the amount equal to up to EUR [AMOUNT] [(being [PERCENTAGE]% of the Investment Amount)] shall be firstly paid to the holders of the Investor Shares until they receive in aggregate the cumulative amount of EUR [AMOUNT]; and after that
		2. the remaining amount of the declared dividends available for distribution shall be distributed pro rata among all shareholders of the Company (including, for the avoidance of doubt, holders of the Investor Shares).]
 |
| * 1. [Anti-dilution]
 | [Should any shares of the Company be issued to existing or new shareholders other than to the Investor (or to its affiliates) following Completion at a price below the pro-rata purchase/subscription price of the Investor Shares (the **Down-Round**), the holder of Investor Shares will be awarded at no purchase price (or symbolic purchase price of one EUR or nominal value) such additional Investor Shares by the Current Shareholders [other than the Seed Investors] as required to obtain such ownership percentage it could have been entitled to hold had the Investor’s Investment been made at the price of the Down-Round.][The obligation under this paragraph shall not apply to the Seed Investor.][The obligation under this paragraph shall not apply after lapse of [NUMBER] year[s] from Completion.][The obligation under this paragraph shall not apply to the extent it would result into the aggregate share of the Current Shareholders [other than the Seed Investors] in the Company’s registered capital decreasing below [PERCENTAGE]% .] |
| * 1. Reserved Matters
 | Without prejudice to paragraph 8.1 (Liquidation Preference), certain important actions of the Company shall require consent of the [majority of holders of the Investor Shares] **OR** [Supervisory Board] **OR** [Advisory Committee], provided that such actions shall include in particular: * + 1. [amendment of the Company’s memorandum of association and/or the articles of association (as applicable);]
		2. [redemption or transfer of any of the shares of the Company;]
		3. [transfer of business and/or sale of any enterprise (or part thereof) of the Company; ]
		4. [commencement of any subsequent round of financing;]
		5. [issuance of priority bonds or convertible bonds;]
		6. [any professional engagement of a Founder in any commercially active entity or any financial engagement of a Founder in any entity directly competing with the Company]; and
		7. [appointment and recall of a member of a Director [member of the Baird of Directors] and approval of the terms (including amendment or termination) of his/her management contract];
		8. [appointment and recall of a legal proxy [and approval of the terms (including amendment or termination) of his/her management contract]; ]
		9. [employment of person and approval of the terms (including amendment or termination) of his/her employment contract with a gross annual remuneration excess of EUR [AMOUNT]; ]
		10. [acquisition or establishment or disposal of a subsidiary (or any share thereto); ]
		11. [any material change to the nature of the Company's business;]
		12. [declaring or approving distributions of any dividend/share of profit or other Company's funds; ]
		13. [taking any action resulting in a Liquidation Event;]
		14. [increase, decrease, repayment or other variation the Company's registered capital or other funds forming Company’s equity; ]
		15. [change of the registered seat of the Company and/or change in the place from where the business is actually carried out; ]
		16. [approval of the Share Option Plan; ]
		17. [approval of non-budgeted transactions in excess of EUR [AMOUNT]; ]
		18. [approval of any transaction between the Company and a related party; ]
		19. [approval of the Company’s budget; ]
		20. [amendment or modification of the Business Plan;]
		21. [any transaction concerning the Company’s intellectual property rights, expect for transactions within the Company’s ordinary course of business.]
		22. [approval of the terms of life insurance under paragraph 18 ([Key Person Insurance];)
		23. [OTHER]
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| * 1. [Drag Along]
 | [If the majority of holders of the Investor Shares wish to accept an offer to sell the Investor Shares to a bona fide buyer, then:* + 1. subject to the approval of at least [PERCENTAGE]% of votes of all the shareholders (not excluding the votes of the holders of the Investor Shares who wish to accept such offer), if the offered purchase price in cash payable on completion offered by a bona fide buyer for 100% of the shares in Company (the **Drag Consideration**) [exceeds EUR [AMOUNT] but ] is less than EUR [AMOUNT]; or
		2. subject to the approval of at least [PERCENTAGE]% of votes of all the shareholders (not excluding the votes of the holders of the Investor Shares who wish to accept such offer), if the Drag Consideration exceeds EUR [AMOUNT] [but is less than EUR [AMOUNT] ]; or
		3. [subject to the approval of at least [PERCENTAGE]% of votes of the holders of the Investor Shares (excluding the votes of all other shareholders), if the Drag Consideration exceeds EUR [AMOUNT] , ]

all other shareholders shall be required to sell and transfer their shares on the same terms and conditions (provided that the liability of each shareholder in respect of operational warranties and similar protections relating to the affairs of the Company shall be several (and not joint) on pro-rata basis according to their share in the Drag Consideration). |
| * 1. Other rights
 | The Investor Shares shall benefit from other rights as set out in paragraph 9 (Rights of all Company’s shareholders) or Annex B (if applicable), but shall, for the avoidance of doubt, not benefit from any further or additional rights not granted or available to all other shareholders generally. |
| 1. Rights of all Company’s shareholders
 |
| * 1. Voting Rights
 | Subject to paragraph 8.4 (Reserved Matters), the voting rights attached to the Investor Shares shall be the same as those of the other Company’s shares and the Investor shall vote together with the other shareholders on all matters related to the Company as one class of shares. |
| * 1. Priority subscription / financing
 | All shareholders will have a pro rata right, but not an obligation, based on their contribution into the Company’s registered capital, to participate in subsequent financings (including subscription of new shares or provision of convertible loans) of the Company, subject to customary exceptions. The Investor may assign this right to its affiliates. |
| * 1. Right of First Refusal
 | All shareholders shall have a pro rata right, but not an obligation, based on their contributions into the Company’s registered capital, to acquire from a leaving shareholder the Company’s shares that the leaving shareholder contemplates to transfer to a third party on identical terms (i.e. right of first refusal) (subject to customary permitted transfers, including transfers by the Investor to its affiliates).  |
| * 1. Tag Along
 | Subject to the Liquidation Preference, Right of First Refusal [and Drag Along right], all shareholders will have co-sale rights such that if any shareholder or group of shareholders has an opportunity to sell its/their shares (or any part thereto) [and such shares represent at least [PERCENTAGE]% of the Company’s registered capital], the other shareholders must be given the opportunity to sell a pro rata proportion of their shares (such pro-rata proportion determined based on the proportion of the shares to be sold by the selling shareholders compared to all shares held by selling shareholders) on the same terms and at the same price. |
| 1. [Restriction for inheritance ]
 | [Shares of the Company are [not] inheritable. ] [If the inheritance is excluded, upon the death of a shareholder, that shareholder’s shares passes to the Company and the Company is obliged to pay the heirs of the shareholder the value of the shares calculated as [⏺]] |
| 1. Conversion of the Investor Shares
 | Upon a firmly underwritten initial public offering that received approval in accordance with this term sheet), all of the Investor Shares shall be converted (or deemed converted) into ordinary shares of the Company. On conversion of the Investor Shares all declared but unpaid dividends must be paid in cash or all declared but unpaid dividends attached to Investor Shares must be converted into such amount of the ordinary shares that will be determined as: (i) amount of declared and unpaid dividend attributable to the Investor Shares; divided by (ii) the Investment Amount per Investor Share. |
| 1. Dividends
 | [Until the Liquidation Event, the Company is not expected to pay any dividends.][Any dividend may be paid only after it was approved in accordance with this term sheet.] |
| 1. Restrictive Covenants and undertakings
 | For as long as the respective Founder holds directly or indirectly at least [PERCENTAGE]% stake in the Company’s registered capital, or the Founder holds a position [in the Company’s corporate bodies] [or as a chief [DESCRIPTION] officer ]: * + 1. that Founder shall agree to devote its entire business time and attention to the Company and to not undertake additional activities without the consent of the Investor; and
		2. and for a period of [NUMBER] year[s] after that, that Founder will be subject to customary non-competition and non-solicitation obligation.

Furthermore, a breach of any of the foregoing restrictive covenants and undertakings by any of the Founders shall result in dismissal for cause of such Founder and the relevant Current Shareholder (that if a Founder or is controlled by that Founder) will be considered a Bad Leaver. |
| 1. Protection Period
 | A protection period of [NUMBER] year[s] from Completion will be introduced (**Protection Period**). Subject to customary permitted transfers, no disposals of the Founders’ direct or indirect interest in the Company shall be allowed [that would result in the Founders’ (direct and indirect) interest in the Company decreasing below [PERCENTAGE]%].***Good Leaver*****Good Leaver** shall be specified in the Transaction Documents and shall in particular include the situation when a Founder’s role as the Company’s [CxO / Director] and/or a management agreement between a Founder and the Company is terminated for a reason attributable to death, serious injury or long-term illness or long-term disability of a Founder (provided that such serious injury, long-term illness or long-term disability is evidenced by a report of a physician in a way reasonably satisfactory to the Investor).If, within the Protection Period, an event occurs under which the departing Current Shareholder (that is a Founder or controlled by a Founder) is considered a Good Leaver, such departing Current Shareholder must offer to all other shareholders to sell and transfer:* + 1. [PERCENTAGE]% of its shares in the Company if the Good Leaver event occurs during the first year after Completion;
		2. [PERCENTAGE]% of its shares in the Company if the Good Leaver event occurs during the second year after Completion; or
		3. [PERCENTAGE]% of its shares in the Company if the Good Leaver event occurs during the third year after Completion ,

in each case for the consideration equal to [the nominal value of those shares].For the avoidance of any doubt, the Good Leaver shall be entitled to keep the remaining part of its shares in the Company.***Bad Leaver*****Bad Leaver** shall be specified in the Transaction Documents and shall in particular include the following situations: * + 1. a Founder (or the Current Shareholder controlled by that Founder) is in serious or persistent breach of a Transaction Document [and this breach has not been remediated within [NUMBER] business days after delivery of a written notice of the Investor to that Founder]; or
		2. a Founder’s role as the Company’s [CxO / Director] and/or a management agreement between a Founder and the Company is terminated for a reason that is not a Good Leaver.

If [,within the Protection Period,] an event occurs under which a Current Shareholder (that is Founder or controlled by a Founder) is considered a Bad Leaver, then:[*CALL OPTION*][ [the Investor] **OR** [any other shareholder] shall have a right to require and the Bad Leaver shall have an obligation to sell (i.e. the call option) [(pro-rata to the contributions to the Company’s registered capital of [such shareholders] **OR** [the shareholders exercising such call option)]] all shares in the Company held by such Bad Leaver for consideration equal in total to: [the nominal value of these shares] **OR** [OTHER].**AND/OR**[*PUT OPTION*][ [the Investor] **OR** [any other shareholder] shall have a right to require and the Bad Leaver shall have an obligation to purchase (i.e. the put option) all shares in the Company held by [the Investor] **OR** [the other shareholder exercising such put option] for consideration equal to[[PERCENTAGE]% of the] [Investment Amount] provided by the [the Investor] **OR** [the other shareholder exercising such put option] **OR** [valuation of 100% shares of the Company based on most recent financing round, pro-rated to the stake of the [the Investor] **OR** [the other shareholder exercising such put option] in the Company’s registered capital]**OR**[OTHER][In case of the put option, the relevant transfer instrument shall contain only the mandatory provisions prescribed by law [and customary warranties as to capacity/authority and title to the transferred shares].] |
| 1. Share Option Plan
 | The Company will implement a [“phantom”] share option plan corresponding to not more than [PERCENTAGE]% stake of the Company’s capital (on fully diluted basis) out of which: * + 1. [PERCENTAGE]% shall be reserved for the employees and directors of the Company; and
		2. the remaining [PERCENTAGE]% shall be reserved for remuneration of works and services of third parties (advisors, consultants and/or mentors) who support the Company in the development of the Project.

Any share option plan must be approved in accordance with this term sheet.[The [“phantom”] shares pertaining to the share option plan shall not bear any voting rights]. |
| 1. Corporate Governance
 |
| * 1. Directors and executive management
 | The [Directors] **OR** [the Board of Directors] will be the executive body of the Company.The Company shall have [three] Directors who shall be nominated for appointment and removal as follows:* + 1. [Founder 1 shall be a Director;]
		2. [Founder 2 shall be a Director;] and
		3. [one Director shall be nominated by the [Investor]]

[The Investor shall have the right to nominate [the chief [financial] officer (C[F]O)] of the Company responsible for supervision of the Company’s finance and accounts.][Each member of the board of directors is entitled to act on behalf of the Company individually.] OR [The chairman of the board of directors is authorized to act on behalf of the Company independently and other members are authorized to act on behalf of the Company at least two jointly.] |
| * 1. Supervisory Board
 | If the Company is required by operation of law to create a Supervisory Board, it shall consist of [three] members who shall be nominated for appointment and removal as follows:* + 1. [2/3] of the members nominated by the Investor; and
		2. [1/3] of the members nominated by the [Seed Investor].

If, under applicable law, the Company’s employees have a right to elect 1/3 of the Supervisory Board members, then the remaining [1/3] shall be nominated for appointment and removal by the Investor and [1/3] by [the Seed Investor].[One of the members nominated by the Investor shall become the Chairman of the Supervisory Board.][The Chairman of the Supervisory Board shall have the right to participate as an observer at the meetings of the [Directors] **OR** [the Board of Directors] without any voting or executive rights.][The Supervisory Board shall have only the competences conferred on the Supervisory Board under applicable law.] |
| * 1. Advisory Committee
 | The Company shall create the Advisory Committee as a voluntary corporate body (not required by operation of law) to facilitate more flexible decision-making and appointment/removal of its members. The Advisory Committee shall consist of [NUMBER] members who shall be appointed and removed as follows:* + 1. [NUMBER] members by the Investor;
		2. [NUMBER] members by the [Seed Investor];
		3. [one member by each Company’s shareholder [(other than a Founder or Current Shareholder controlled by a Founder)] holding at least [PERCENTAGE]% stake in the Company’s registered capital ].

[One of the members appointed by the Investor shall become the Chairman of the Advisory Committee.][The Chairman of the Advisory Committee shall have the right to participate as an observer at the meetings of the [Directors] **OR** [the Board of Directors] and Supervisory Board without any voting or executive rights.]The competence[s] of the Advisory Committee shall be as follows:* + 1. [voting on and approving matters specified in paragraph 8.4 (Reserved Matters]; OR
		2. [providing the [General Meeting] OR [Supervisory Board] with recommendations regarding voting on matters specified in paragraph 8.4 (Reserved Matters]; AND/OR
		3. [OTHER]

The Advisory Committee shall adopt resolutions by simple majority of all members [provided that resolutions on the matters specified in sub-paragraphs [SPECIFIC SUB-PARAGRAPHS OF PARAGRAPH 8.4 TO BE LISTED] of paragraph 8.4 (Reserved Matters) shall require affirmative vote of at least one member of the Advisory Committee appointed by the Investor] . |
| 1. Information and Management Rights
 | The [Investor] **OR** [members of the Advisory Committee] shall receive the following information:* + 1. an annual budget at latest 30 calendar days prior to the beginning of each financial year;
		2. a monthly reporting package comprising financial, economic and other business data on the Company as reasonably required and in the form as requested by the Investor (including provision of such reporting package through an online access);
		3. draft annual or extraordinary accounts before their submission for approval to the relevant corporate body;
		4. annual or extraordinary accounts as approved by the relevant corporate body; and
		5. any further information that is provided or available to the other shareholders of the Company.

[The Investor shall be entitled to access any facilities of the Company [,subject to reasonable prior notice,] for inspection [provided, however, that the operation of such Company’s facility shall not be substantially hindered].][The Investor shall be further entitled to have access to the Company’s personnel [,subject to reasonable prior notice,] and request any information or explanations from the Company’s personnel in relation to the Company’s activities [within reasonable deadlines, if in writing] [provided, however, that such exercise of the Investor’s right shall not substantially hinder performance of such personnel’s duties or operation of the Company’s business ]. [The Investor shall have such access only in the course of normal business hours.]] |
| 1. [Key Person Insurance]
 | [The Company, as the beneficiary, shall acquire life insurance on [Founders] **OR** [each Founder] **OR** [SPECIFY PARTICULAR FOUNDER] [in an amount satisfactory to the Investor.] ] |
| 1. [Regulatory Requirements]
 | [ As the Company will benefit from the financial support made available from the [SPECIFY RELEVANT FRAMEWORK], the Company will have to comply with certain regulatory rules and obligations imposed by [SPECIFY AUTHORITY]. ] |
| 1. [Expenses]
 | [The Company shall pay the Investor’s transaction expenses at Completion, [anticipated not to exceed] **OR** [subject to the cap of] EUR [AMOUNT] whether or not a definitive Transaction Documents are signed and whether or not the Completion occurs. ][The Investor shall bear all costs, fees and expenses relating to the financing to be obtained by it on or before Completion, if applicable, including without limitation all costs related to the creation and/or registration of securities and collaterals in favour of its lending bank. Each party shall bear taxes levied upon it relating to the consummation of this investment Transaction. ] |
| 1. [Exclusivity]
 | [In consideration of the Investor committing time and expense to put in place the Investment, the Current Shareholders and the Founders grant the Investor a [60 day] period of exclusivity on and from the date of acceptance of this term sheet (**Exclusivity Period**).During the Exclusivity Period [and with the exception of negotiations with [other participants of the investment round part of which is the Investment]], the Company and/or the Current Shareholders and/or the Founders shall not (directly or indirectly) enter into or continue, facilitate or encourage, any discussions or negotiations with any other party relating to the possible subscription or purchase of any of the shares in the Company, or of any material part of the Company or its assets or enter into or continue to negotiations with any party other than the Investor in connection with such matters (all or any of the foregoing being referred to as a Competing Investment).The Current Shareholders, the Founders and the Company agree and undertake with the Investor to inform the Investor immediately of any third party who contact the Current Shareholders or the Founders or the Company with a view to the sale of any shares in the Company or any part of the business of the Company.] |
| 1. [Break Fee]
 | [The Investor shall be entitled to a break fee in the amount of EUR [AMOUNT] payable by [the Company] [and the Founders (or the Current Shareholder controlled by a Founder) (on joint and several basis)] if the Company or Founders (or the Current Shareholder controlled by a Founder):* + 1. [frustrate the Investment or Completion after conclusion of the Transaction Documents; ] **AND/OR**
		2. [without due reason discontinue negotiations of the Transaction Documents; ] ; **AND/OR**
		3. [breach undertakings under paragraph 21 ([Exclusivity] and for this reason the Investor decides not to pursue the Investment); ] **AND/OR**
		4. [OTHER]
 |
| 1. Confidentiality
 | The Company, the Current Shareholders, and the Founders agree to treat this term sheet confidentially and will not distribute or disclose its existence, contents or transactions contemplated by it outside the Company without the consent of the Investor, except as required to its shareholders or professional advisors.The Company shall be however entitled to inform other interested parties on the fact that certain investor (not specifying investor’s identity) has an exclusivity to negotiate this investment and when the exclusivity ends.This paragraph is without prejudice to any confidentiality agreement entered into between the Investor, Company, Founders and/or Current Shareholders (as applicable) in connection with the contemplated Investment. |
| 1. Governing law and disputes resolution
 | This term sheet and any disputes or claims arising out of or in connection with its subject matter (including non-contractual disputes or claims) shall be governed by and construed in accordance with Slovak law.Any disputes arising under or in connection with this term sheet, including any question regarding its existence, validity or termination and any non-contractual disputes, shall be referred to and finally resolved in arbitration under the [the Rules of Procedure of the Arbitration Court of the Slovak Bar Association] **OR** [the Rules of Arbitration of the Austrian Federal Economic Chamber (VIAC)] (the **Rules**). The Rules are deemed to be incorporated by reference into this clause. The number of arbitrators shall be [one] **OR** [three]. The seat, or legal place, of arbitration shall be [Bratislava (Slovakia)] **OR** [Vienna (Austria)]. The language to be used in the arbitral proceedings shall be [Slovak] **OR** [English]. |
| 1. Non-binding Effect
 | This term sheet is not intended to be legally binding, with the exception of this paragraph 25 (Non-binding Effect), paragraphs 20 ([Expenses]), 21 ([Exclusivity]), 22( [Break Fee]), 23 (Confidentiality), 24 (Governing law and disputes resolution), 27 ([Expiration) which are binding upon the parties hereto. |
| 1. Specific Conditions
 | Each particular transaction may be subject to particular terms and conditions stipulated in Annex B. The parties agree that the terms and conditions set out in Annex B shall prevail over the terms and conditions set out in this main body of the term sheet. Unless expressly stipulated otherwise, the remaining part of the term sheet shall apply accordingly. |
| 1. [Expiration]
 | [This term sheet expires on [DATE] if not accepted by [INSERT] by that date.] |
| 1. General
 | This term sheet may be executed in one or more counterparts and delivered by facsimile or as a PDF or similar attachment to an email. Unless otherwise agreed, all Transaction Documents will be negotiated and finalized in the English language.  |

**IN WITNESS WHEREOF** this term sheet has been duly executed by the following parties:

|  |  |  |
| --- | --- | --- |
| On behalf of the **Investor** | ) |  |
| by [***Name of the authorised representative*]**  | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| On behalf of **Current Shareholder 1** | ) |  |
| by [***Name of the authorised representative*]** | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| On behalf of **Seed Investor** | ) |  |
| by [***Name of the authorised representative*]**  | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| [***Name***] as the Founder 1 | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| [***Name***] as the Founder 2 | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| [***Name***] as the Founder 3 | ) | ……………………………………… |
| Date: …………………... |  |  |
|  |  |  |
|  |  |  |
| On behalf of **Company**  | ) |  |
| by [***Name of the authorised representative*]** | ) | ……………………………………… |
| Date: …………………... |  |  |

**ANNEX A**

**POST TRANSACTION STRUCTURE**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Shareholder** | **Class of Shares** | **Investment Amount**  | **Nominal Value[ / No. of Shares ]** | **Share Premium** | **Ownership** |
| [Current Shareholder 1] | [Ordinary] |  |  |  | % |
| [Current Shareholder 2] | [Ordinary] |  |  |  | % |
| [Seed Investor] | [Ordinary] |  |  |  | % |
| [Investor] | [Investor Shares] |  |  |  | % |

**ANNEX B**

**SPECIFIC CONDITIONS**

The following specific conditions shall prevail over the terms and conditions set out in the main body of the term sheet and shall apply for the present transaction:

[SPECIFIC CONDITIONS]

**ANNEX C**

**ILLUSTRATIVE CALCULATION OF LIQUIDATION PREFERENCE**

***TAX CONSIDERATIONS***

***The following key aspects of the Investment and the terms of this document may need to be considered from the taxation perspective. Please note that this is only a high level summary of key taxation aspects and is not a tax advice.***

**Re paragraph 2 (Investment)**

* + 1. Investment can be provided as a mix of contribution into registered capital and partially as a contribution into equity out of registered capital, usually into other capital funds or share premium.
		2. Different tax regimes apply in case the other equity items will be distributed to shareholders in the future, not only in the case of Liquidation Events.
		3. The Income Tax Act differentiates whether the other equity items have been created from own sources (e.g. retained earnings of previous periods) or from other sources.
		4. Distribution of other capital funds is generally taxable in hands of recipient (both natural person and legal entity). However, the Income Tax Act allows deducting the amount of the paid contribution for tax purposes. Thus, only the proceeds from the distribution of other capital funds exceeding the paid-in contribution will be subject to taxation.
		5. There is a different tax regime vis-à-vis income from such a pay-out for shareholder who has and who hasn’t made the contribution out of registered capital in terms of above mentioned.
		6. Individual tax opinion is necessary also in case that registered capital will be increased from other items of equity – different impacts on tax input value/entry tax price of shares for shareholders (natural persons, legal persons).

**Re paragraph 8.1 (Liquidation Preference)**

* + 1. Individual consideration of each type of pay-out is required in case of Liquidation Event (legal title).
		2. Individual tax regimes will apply depending on status of the recipient: different tax implications depend on: (i) person of the recipient (legal person, natural person), (ii) country of residence (Slovak tax resident vs. Slovak tax non-resident), (iii) concluded Double Tax Treaty between Slovakia and country of residence (person from treaty vs. non-treaty country).
		3. Following letter (b) above withholding tax may apply.
		4. For example, cash proceeds from sale of Company’s shares (probably the most common Liquidation Event) may be considered as taxable in Slovakia with various income tax rates up to 35% applicable or as non-taxable at all depending on particular situation. Tax input value/entry tax price of shares is generally deductible.
		5. Income earned as a result of the acquisition of new shares and ownership interest as well as income earned as a result of their exchange upon winding-up of the Company without its liquidation (in case of merger/demerger etc.) is not subject to income tax in Slovakia.
		6. Settlement share and share in the liquidation balances are not subject to income tax in Slovakia only in case of recipient a legal entity (also subject to certain exemptions).
		7. Certain proceeds from Liquidation Event (started before 1 January 2017) in case of natural person can be also subject to health insurance contributions.

**Re paragraph 8.2 ([Dividend preference])**

* + 1. Legal review/opinion is necessary in order to ensure that these preference dividends will always be considered as a declared dividend with no doubt that it is only an income from assigned claim of other shareholder free of charge.
		2. The same is true for claims in case of Liquidation Events – every claim is always directly bound to the person of the shareholder at the moment of origin and claims are not assigned between shareholders – e.g. due to the fact that some of the claims are bound to share and cannot be divided in other way.
		3. Generally, dividend income is taxable in hands of recipient that is a natural person (withholding tax will apply), but tax exempt in case of recipient that is a legal entity apart from legal entities being tax residents of non-treaty countries. Determining the year of profit generation from which the dividends are paid is crucial for consideration of their taxability.
		4. Certain dividends (from profits generated during the accounting periods ending on 31 December 2016 at latest) received by natural persons can be also subject to health insurance contributions.

 **Re paragraph 8.3([Anti-dilution])**

* + 1. Should the Investor acquire shares free of charge or even for symbolical price, this can be considered as delivery free of charge, i.e. generation of taxable non-monetary income except for cases where the acquisition of new shares itself is not subject to taxation - see letter (e) to Point 8.1 above.

**Re paragraph 14 (Protection Period)**

* + 1. The aspects of transfer pricing vs. transfers for agreed consideration which can be much lower than fair value of shares should be considered.
		2. We propose to review whether transfers for agreed consideration at the nominal value comply with transfer pricing rules and whether these “unfavourable” transfers have not a sanction character.
		3. In principle, transfer pricing in Slovakia applies only to legal entities and entrepreneur natural persons.
		4. Loss from the sale of shares is generally tax non-deductible while capital gain from sale is taxable.
		5. Review with regard on basic principles of Act on Tax Administration – substance over form rule.

**Re paragraph 15 (Share Option Plan)**

* + 1. In connection with option plans for employees or directors (company executives), it is important to take into consideration the taxation at the level of natural person – specifically taxation of the benefit for person with payroll income.
		2. Remuneration of third parties (external advisors, consultants, mentors) by “phantom” payments may be treated as increased consideration for their advisory services. This income should be taxable in hands of recipient (depending on recipient’s form/status and country of tax residence). Should the third party be a registered VAT payer, VAT may apply on such remuneration.