**[NAME COMPANY]**

**SUMMARY OF PROPOSED TERMS AND CONDITIONS**

**SERIES [@] CONVERTIBLE PREFERRED SHARES**

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| Issuer: | [name company], (the “Company”). |
| Amount of Financing: | €[\_\_\_] million (the “Series [●] Financing”). |
| Milestones: | [Alternative 1: (investment milestone): The Series [●] Financing is payable in [\_\_\_] tranches of €[\_\_\_] subject to the achievement of the milestones set forth in Appendix [\_\_\_].]  [Alternative 2: (valuation milestone): The pre-money valuation of €[\_\_\_] as referenced in the ‘Share Price and Valuation’ clause will be adjusted to €[\_\_\_] subject to the achievement of the milestones set forth in Appendix [\_\_\_].] |
| Investors: | [name investor] as lead investor will invest €[\_\_\_].  Other investors participating in the Series [●] Financing (together with the lead investor, the “Investors”), the amounts of their investment to be approved by the lead investor. |
| Type of Security: | Series [●] convertible preferred shares (the “Series [●] Shares”) are initially convertible on a 1:1 basis into the Company’s common shares (the “Common Shares”). The Series [●] Shares and all other outstanding preferred shares (the “Junior Preferred Shares”) are jointly referred to as the “Preferred Shares”. |
| Warrant Coverage: | In addition to the Series [●] Shares, the Investors will also receive [\_\_\_]% warrant coverage. For each Series [●] Share purchased, an Investor will receive a warrant to purchase [\_\_] Common Shares/Series [●] Shares. The warrants will have a term expiring on the earlier of (i) [\_\_\_] years from issuance or (ii) the date of completion of a Qualified Offering. The warrants will have standard anti-dilution protections. The warrants will be exercisable in cash or on a cash-less basis, at the option of the holder, at an exercise price of [Original Purchase Price] per share. |
| Share Price and Valuation: | [Alternative 1: €[\_\_\_] per share (the “Original Purchase Price”) representing a fully diluted pre-money valuation of €[\_\_\_].]  [Alternative 2: €[\_\_\_] per share (the “Original Purchase Price”). The Original Purchase Price represents a fully diluted pre-money valuation of €[\_\_\_] based on all outstanding Common Share equivalents, including options and warrants, at the time of the Closing and including (a) [\_\_\_] new options as an increase to the option pool, as reflected in the capitalisation table attached as Appendix [\_\_\_] and (b) the additional shares issuable to the holders of Junior Preferred Shares as a result of the anti-dilution protection in connection with the transaction contemplated in the Term Sheet.] |
| Capital Structure: | The attached capitalisation table (Appendix [\_\_\_]) details all of the securities that will be outstanding immediately prior to and after the Closing. |
| Anticipated Closing Date: | [date] (the “Closing”). [provide for multiple closings if applicable]. |
| Dividends: | The Series [●] Shares will carry a dividend in preference to the Common Shares of [\_\_\_]% of the Original Purchase Price per annum, which will accrue and cumulate annually and will be payable only if declared.  [The dividend will be payable in Series [●] Shares at the Original Purchase Price or in cash at the option of the Investors in the event of a liquidation or a Deemed Liquidation Event and without any compounding.]  [Without the approval of the holders of a [qualified] majority of the Series [●] Shares, no dividends will be paid on the Common Shares or Junior Preferred Shares so long as Series [●] Shares are outstanding.] |
| Redemption: | At the election of the holders of at least [\_\_\_]% of the Series [●] Shares, subject to any restrictions under applicable law, the Company will redeem (…)  [Alternative 1: (…) all outstanding Series [●] Shares in full, at any time after the fifth anniversary of the Closing.]  [Alternative 2: (…) one third of the outstanding Series [●] Shares on the fourth anniversary, one half of the outstanding Series [●] Shares on the fifth anniversary of the Closing and all of the remaining outstanding Series [●] Shares on the sixth anniversary of the Closing.]  Such redemption will be at a purchase price equal to the Original Purchase Price (as adjusted for stock splits, stock dividends and the like) plus any accrued and unpaid dividends.  [In the event that the Company does not have funds legally available for such redemption, the Series [●] Shareholders will have the right to require the Company to take any further steps necessary to effect a sale of the Company, including retention of an investment banker appointed by the Series [●] Shareholders to actively market the Company for sale to a third party.] |
| Voluntary Conversion: | A holder of Series [●] Shares will have the right to convert Series [●] Shares, or any part of such shares including declared dividends, at the option of the holder, at any time, into Common Shares. The total number of Common Shares into which each Series [●] Share may be converted will be determined by dividing the Original Purchase Price by the conversion price. The conversion price will initially be equal to the Original Purchase Price. The conversion price will however be subject to a proportional adjustment for share dividends, splits, combinations and similar events and in accordance with the ‘Anti-Dilution’ clause.  [Milestone: the conversion price of the Series [●] Shares will be adjusted to €[\_\_\_] per share if the Company fails to meet any of the milestones set forth in Appendix [\_\_\_] to this Term Sheet.] |
| Automatic Conversion: | The Series [●] Shares, including declared dividends, and all other Preferred Shares will automatically be converted into Common Shares at the then applicable conversion price upon (i) the closing of a firmly underwritten public offering with a price per Common Share of at least [\_\_\_] times the Original Purchase Price (subject to adjustments for share dividends, splits, combinations and similar events) and [net/gross] proceeds to the Company of not less than €[\_\_\_] (a “Qualified Offering”), or (ii) upon the written consent of the holders of (a) [\_\_\_]% of the Series [●] Shares, voting separately [and (b) [\_\_\_]% of the Preferred Shares of the Company, voting together as a single class. |
| Anti-Dilution: | In the event that the Company issues new shares, or securities convertible into or exchangeable for shares, at a purchase price lower than the applicable conversion price of the Series [●] Shares, then the conversion price of the Series [●] Shares will be subject to a(n) (…)  [Alternative 1: (…) full ratchet adjustment, reducing the applicable conversion price of the Series [●] Shares to the price at which the new shares are (to be) issued.]  [Alternative 2: (…) [broad based][narrow based] weighted average adjustment, reducing the applicable conversion price of the Series [●] Shares to a new conversion price calculated in accordance with a weighted average anti-dilution formula.]  [Alternative 3: (…) full ratchet adjustment within [\_\_\_] years of the Closing. Thereafter, the conversion price will be subject to adjustment on a [broad based][narrow based] weighted-average basis.]  [Alternative 4: (…) (a) [broad based] [narrow based] weighted-average adjustment if the purchase price per share is equal to or greater than €[\_\_\_] per share and (b) full ratchet adjustment if the purchase price per share is lower than €[\_\_\_] per share.]  [Alternative 5: (…) adjustment, reducing the applicable conversion price of the Series [●] Shares to a new conversion price calculated as the average of the conversion prices resulting from the weighted average adjustment and the full ratchet adjustment (new conversion price = (WA + FR)/2).]  [In the event that the Company issues new shares, or securities convertible into or exchangeable for shares, at a purchase price lower than the applicable purchase price of the Series [●] Shares, the holders of Series [●] Shares may elect that the Company shall procure (to the extent that it is lawfully able to do so) the issue to the holders of Series [●] Shares, additional Series [●] Shares against payment of such an amount that the average purchase price they have paid is equal to the purchase price at which the new shares are issued.]  The anti-dilution adjustment will not apply in the event of issuance of (…)  [Alternative 1: (…) Common Shares issued or issuable to employees, consultants or directors of the Company directly or pursuant to the ESOP (as set out in the ‘Employee Pool’ clause) that have been approved by the Supervisory Board.].  [Alternative 2: (…) (i) Common Shares issued or issuable to employees, consultants or directors of the Company directly or pursuant to the ESOP (as set out in the ‘Employee Pool’ clause) that have been approved by the Supervisory Board; (ii) Common Shares issued or issuable upon conversion of the Preferred Shares; (iii) Common Shares issued or issuable in connection with a merger, acquisition, combination, consolidation or other reorganisation involving the Company and approved by the Supervisory Board of the Company; (iv) Common Shares issued or issuable in connection with (a) any borrowings from a commercial lending institution, (b) the lease of equipment or property by the Company, or (c) strategic partnerships and/or licensing relationships, so long as such transactions are approved by the Supervisory Board; and (v) Common Shares issued or issuable (a) in a public offering before or in connection with which all outstanding Preferred Shares will be converted to Common Shares or (b) upon exercise of warrants or rights granted to underwriters in connection with such a public offering.] |
| Pay-to-Play: | Holders of Preferred Shares are required to participate in any dilutive issuance [including the Series [●] Financing] to the extent of their pro rata equity interest in the Preferred Shares, [unless the participation requirement is waived for all Preferred Shareholders by the Supervisory Board [(including the Series [●] Director)]][unless the holders of [●]% of the Series [●] Shares elect otherwise].  In the event that a holder of Preferred Shares fails to participate in accordance with the previous paragraph, the Preferred Shares held by such shareholder will automatically [and proportionally], [lose their anti-dilution rights][lose their liquidation rights][convert to Common Shares]. |
| Liquidation Preference: | In the event of a liquidation or winding up of the Company, the holders of Series [●] Shares will be entitled to receive in preference to the holders of Junior Preferred Shares and the holders of Common Shares payment of an amount equal to [\_\_\_ times] the Original Purchase Price per Series [●] Share [plus any accumulated and unpaid dividends].  If there are insufficient assets or proceeds to pay such amount to the holders of Series [●] Shares in full, the amount available will be paid on a pro rata basis between the holders of Series [●] Shares.  Thereafter, the holders of Junior Preferred Shares will receive payment in full of the original purchase price paid per Junior Preferred Share [plus any accumulated and unpaid dividends].  [Alternative 1: (non-participating liquidation preference): Thereafter, any remaining assets or proceeds will be paid exclusively to the holders of Common Shares on a pro rata basis.]  [*Alternative 2: (participating liquidation preference)*: Thereafter, any remaining assets or proceeds will be distributed pro rata among the holders of Common Shares and the holders of Preferred Shares (the latter on an as-if converted basis).]  [*Alternative 3* (non-participating with conversion at the option of investor): In the event of a liquidation (…), the holders of Series [●] Shares will be entitled to receive, in preference to the holders of common shares, an amount equal to the greater of (i) the Original Subscription Price of the Series [●] Shares held plus any accrued and unpaid dividends and (ii) the amount they would have received had they converted the Series [●] Shares to common shares immediately prior to such liquidation or winding up.]  [*Alternative 4:* (capped participating liquidation preference): Thereafter, any remaining assets or proceeds will be distributed pro rata among the holders of Common Shares and the holders of Preferred Shares (the latter on an as-if converted basis) until such time that the holders of Series [●] Preferred Shares have received an aggregate of [\_\_\_ times] the Original Purchase Price per share (including any amounts paid pursuant to the paragraphs above). The balance thereafter will be distributed amongst the holders of Common Shares on a pro rata basis.]  A reorganisation, consolidation, merger of the Company, sale or issue of Shares or any other event pursuant to which the shareholders of the Company will have less than 51% of the voting power of the surviving or acquiring corporation, or the sale, lease, transfer or other disposition of all or substantially all of the Company’s assets will be deemed to be a liquidation or winding up for the purposes of the liquidation preference (a “Deemed Liquidation Event”), thereby triggering the liquidation preferences described above [unless the holders of [\_\_\_]% of the Series [●] Shares elect otherwise]. |
| Favourable Terms: | The terms herein, other than valuation, are subject to a review of the rights, preferences and restrictions pertaining to the existing shares in the Company. Any changes necessary to conform such existing shares to this Term Sheet will be made at the Closing as necessary in order to ensure that holders of existing Common Shares and Junior Preferred Shares will not have rights more favourable than those of the holders of Series [●] Shares. |
| Board Representation: | The supervision of the policies by the Management Board and all other tasks and duties as assigned to it will be entrusted to the supervisory board (the “Supervisory Board”), which at Closing will consist of [\_\_\_] members comprised of (i) [\_\_\_] member(s) elected upon the nomination of the holders of a [qualified] majority of the Series [●] Shares (the “Series [●] Director”), (ii) [\_\_\_] member(s) elected upon the nomination of the holders of the Preferred Shares, (iii) [\_\_\_] elected upon the nomination of [[ ] (the “Founders”)], and (iv) [\_\_\_] person(s) who have specific expertise in the Company’s field of business elected by a [qualified] majority of all shareholders and who are mutually acceptable [to the Founders and Investors][to the other directors].  [In addition, [name(s) Investor(s)][so long as it [they] hold(s) at least [\_\_\_]% of the [Series [●] Shares][outstanding shares] will have the right to designate one observer to the Supervisory Board, who will have the right to participate in discussions and to receive information, but will not be entitled to vote.]  The Supervisory Board will meet at least [quarterly] with intermittent teleconferencing for at least the first [twelve (12)] months after Closing.  The Company will pay the reasonable expenses incurred by members of the Supervisory Board in attending Supervisory Board meetings, including committee meetings, or otherwise representing the Company. Furthermore, [\_\_\_] will receive an annual retainer of €[\_\_\_] and a per-meeting fee of €[\_\_\_].  [Following the Closing, the Supervisory Board will establish an audit committee and a compensation committee to be composed of the Series [●] Director and [\_\_\_]. The compensation committee will be responsible for reviewing and approving all option grants, as well as compensation of officers of the Company and all non-officer employees whose annual salary exceeds €[\_\_\_].]  The Company will [maintain][take out] D&O insurance in the amount of at least €[five (5)] million per occurrence. |
| Voting Rights: | The holders of Series [●] Shares will vote together with the holders of Common Shares and not as a separate class except as specifically provided herein or as otherwise required by law. [Each Series [●] Share will have a number of votes equal to the number of Common Shares issuable upon conversion of such Series [●] Share.] [Each Series [●] Share and Common Share will have one vote.] |
| Consent Rights: | [Alternative 1: The Company’s articles of association or any other constitutive corporate documents will be amended to contain restrictions making certain resolutions of the Management Board with a material effect on the Company’s operations or management subject to the prior approval of the Supervisory Board and/or the holders of [Preferred Shares][Series [●] Shares], as the case may be. In addition, these documents will contain restrictions making certain resolutions of the general meeting of shareholders (e.g. resolutions regarding the structure and capitalisation of the Company) [subject to the prior approval of the holders of [Preferred Shares][Series [●] Shares][subject to a qualified majority of votes].]  [Alternative 2: The approval of a [qualified] majority of the Supervisory Board [including the Series [●] Director] and/or the holders of [Preferred Shares][Series [●] Shares] and/or a qualified majority of [two thirds/three fourths] of the votes in the general meeting will be required for the following actions [unless provided for in the annual budget]: (i) engagement in any new line of business or jurisdiction where the Company is managed and controlled or any material modification of the business plan; (ii) approval of the annual budget and any non-budgeted expenses in excess of €[\_\_\_]; (iii) implementation of an Employee Stock Option Plan and granting any rights thereunder; (iv) appointment of employees with a yearly salary in excess of €[\_\_\_]; (v) disposal or acquisition of any securities in the capital of any other company or establishment of any new branch or subsidiary of the Company; (vi) exercise of voting rights in the shareholders’ meeting of any subsidiary or affiliate, if any; (vii) conduct of any litigation on behalf of the Company; (viii) entering into a guarantee or indemnity or otherwise committing the Company (other than in the ordinary course of business); (ix) provision of any loan or advance or any credit (other than in the ordinary course of business) to any person;  (x) entering into any transactions with related parties; (xi) changing the accounting policies; (xii) entering into any agreements, contracts or arrangements that are not of an at arm’s length nature; and (xiii) undertaking any such legal acts as will be determined and clearly defined by the Supervisory Board and notified to the Management Board in writing.  The approval of a [qualified] majority of the [Preferred Shares voting together as a class][Series [●] Shares] and/or a qualified majority of [two thirds/three fourths] of the votes in the general meeting will be required for the following actions:  (i) issuance of any securities (including instruments convertible into securities and the issuance of subordinated debt); (ii) declaration and/or payment of any and all dividends by the Company; (iii) entering into any merger, consolidation, recapitalisation, change of control, or sale of all or substantially all of the assets of the Company; (iv) undertaking of any filing for bankruptcy, insolvency by or against the Company; (v) engagement in any transaction that constitutes a deemed dividend according to the relevant tax laws; and (vi) making of any amendments to the articles of association/charter/bylaws of the Company that adversely impact the [Preferred Shares][Series [●] Shares], including by way of merger, consolidation or otherwise. |
| Registration Rights: | [Alternative 1: The holders of [Preferred Shares][Series [●] Shares] will have normal registration rights including demand registration rights, [unlimited] ‘piggyback’ registration rights, S-3 registration rights, transfer of registration rights, proportionate underwriter cut-backs, and other typical registration rights, all at the expense of the Company. The registration rights of all [Preferred Shares][Series [●] Shares] will be the same.]  [Alternative 2: All Common Shares [issued or] to be issued upon conversion of the [Preferred Shares][Series [●] Shares] will be deemed “Registrable Securities”.  Demand Registration: Upon the earliest of (i) [three-five] years after the Closing; or (ii) [six] months following an initial public offering (“IPO”), persons holding [30-50]% of the Registrable Securities may request [one][two] (consummated) registrations of their shares by the Company. The aggregate offering price for such registration may not be less than €[\_\_\_] million. In the event of any cut-backs by the Company and/or its underwriters, shares to be registered by holders of Registrable Securities will have first priority for registration.  Registration on Form S-3: The holders of [10-30]% of the Registrable Securities will have the right to require the Company to register on Form S-3 (if available for use by the Company) Registrable Securities for an aggregate offering price of at least €[\_\_\_] million. There will be no limit on the aggregate number of such Form S-3 registrations, provided that there are no more than [two] per year.  Piggyback Registration: The holders of Registrable Securities will be entitled to ‘piggyback’ registration rights on all registration statements of the Company, subject to the right, however, of the Company and its underwriters to reduce the number of shares proposed to be registered to a minimum of [30]% on a pro rata basis and to complete reduction on an IPO at the underwriter’s discretion. In all events, the shares to be registered by holders of Registrable Securities will be reduced only after all other shareholders’ shares are reduced.  Transfer of registration rights: The registration rights may be transferred to a transferee (other than to a competitor of the Company) who acquires at least €[\_\_\_] of the shares held by a holder of [Preferred Shares][Series [●] Shares]. [Transfer of registration rights to a group company of any Investor will be without restriction with regards to minimum shareholding.] Expenses: The registration expenses (exclusive of share transfer taxes, underwriting discounts and commissions) will be borne by the Company. The Company will also pay the reasonable fees and expenses [not to exceed €\_\_\_,] of one special counsel to represent all the participating shareholders.  Other registration provisions: Other provisions will be contained in the registration rights agreement with respect to registration rights as are reasonable, including cross-indemnification, the Company’s ability to delay the filing of the demand registration for a period of not more than 120 days, the agreement by holders of [Preferred Shares][Series [●] Shares] if requested by the underwriter in a public offering not to sell any unregistered shares they hold for a period of up to 120 days following the effective date of the Registration Statement of such offering, the period of time during which the Registration Statement will be kept effective, underwriting arrangements and the like. [The registration rights will apply exclusively to Common Shares issued upon conversion of [Preferred Shares][Series [●] Shares] and the Company will have no obligation to register an offering of any other shares.]  If so requested by the managing underwriter, the holders of Preferred Shares will reach an agreement with regard to the IPO not to sell or transfer any Common Shares of the Company [(excluding shares acquired in or following the IPO)] for a period of up to 180 days following the IPO (provided all directors and officers of the Company and [1 – 5]% shareholders agree to the same lock-up).]  [In the event that the public offering as referred to in this ‘Registration Rights’ clause will or has taken place on a stock exchange outside the U.S., then the holders of Registrable Securities will be entitled to registration rights equivalent to the rights and obligations contained in this ‘Registration Rights’ clause (or as equivalent as possible given differences in applicable law).] |
| Representations and Warranties: | The investment agreement or a separate representation and warranties agreement will include standard representations and warranties granted by the [Company] [Founder][Management Board][and existing shareholders], [including, but not expressly limited to: (i) organisation and good standing; (ii) capitalisation structure; (iii) due authorisation; (iv) valid share issuance; (v) governmental consents; (vi) no company litigation; (vii) ownership or exclusive license of intellectual property rights; (viii) employees; (ix) pension plans; (x) assurances of full disclosure and accuracy of information provided; (xi) good title to all assets; (xii) tax; (xiii) accuracy of financial statements; (xiv) absence of adverse developments; and (xv) material contracts]. |
| Information Rights: | [Any holder of Series [●] Shares][As long as the holders of [Preferred Shares][Series [●] Shares] [(provided that they are not a competitor of the Company)] continue to hold at least [\_\_\_] [Preferred Shares][Series [●] Shares], they] will be granted access to the Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to such shareholder(s) (i) un-audited financial statements within 120 days after the end of the calendar year; (ii) quarterly [and monthly] financial statements within 20 days after such period, and other information as determined by the Supervisory Board; (iii) thirty days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company’s revenues, expenses, and cash position on a month-to-month basis for the upcoming fiscal year; and (iv) promptly following the end of each quarter, an up-to-date capitalisation table, certified by the CFO. The foregoing provisions will terminate upon a Qualified Offering. |
| Use of Proceeds: | The Company will apply the net proceeds of the sale of the Series [●] Shares to the Investors exclusively to the development and operation of the Company in accordance with a business plan (including key milestones) and a twelve month budget to be [agreed upon by the Company and the Investors][approved by the Investors] prior to Closing. |
| Pre-Emptive Rights: | Without prejudice to the ‘Anti-Dilution’ clause, if the Company proposes to offer equity securities, or securities convertible into or exchangeable for shares, the holders of [Preferred Shares][Series [●] Shares] will be entitled to purchase (…)  [Alternative 1: (…) on a pro rata basis all or any portion of such securities. Any securities not subscribed for by a holder of [Preferred Shares][Series [●] Shares] may be reallocated among the other holders of [Preferred Shares][Series [●] Shares]. If holders of [Preferred Shares][Series [●] Shares] do not purchase all of such securities, the portion that is not purchased may be offered to the other shareholders on terms not less favourable to the Company for a period of [60] days.]  [Alternative 2: (…) such securities in an amount sufficient to allow the holders of [Preferred Shares][Series [●] Shares] to retain their fully diluted ownership of the Company.]  [The pre-emptive right will not apply in the event of issuances of (i) Common Shares issued or issuable to employees, consultants or directors of the Company directly or pursuant to the ESOP (as set out in the ‘Employee Pool’ clause) that have been approved by the Supervisory Board; (ii) Common Shares issued or issuable upon conversion of the Preferred Shares; (iii) Common Shares issued or issuable in connection with a merger, acquisition, combination, consolidation or other reorganisation involving the Company approved by the Supervisory Board of the Company; (iv) Common Shares issued or issuable in connection with (a) any borrowings from a commercial lending institution, (b) the lease of equipment or property by the Company, or (c) strategic partnerships and/or licensing relationships, so long as such transactions are approved by the Supervisory Board; and (v) Common Shares issued or issuable (a) in a public offering before or in connection with which all outstanding Preferred Shares will be converted to Common Shares or (b) upon exercise of warrants or rights granted to underwriters in connection with such a public offering.] |
| Rights of First Refusal: | [Holders of [Preferred Shares][Series [●] Shares]][The Company first and holders of [Preferred Shares][Series [●] Shares] second (or vice versa)] have a right of first refusal with respect to any [share(s) in the Company][Common Share(s)][and securities convertible into or exchangeable for shares] proposed to be sold by [a shareholder][Founder][and employees holding more than [1]% of the outstanding Common Shares (assuming conversion of the Preferred Shares)], at the same price and on the same terms as offered, with a right of over-subscription for holders of [Preferred Shares][Series [●] Shares] of [share(s) in the Company][Common Share(s)][and securities convertible into or exchangeable for shares] un-subscribed by the other holders of [Preferred Shares][Series [●] Shares].  The right of first refusal will not apply in the event of (i) a transfer of shares approved by a majority of [75]% of the voting rights; or (ii) a transfer by a holder of Preferred Shares to an affiliate.  Such right of first refusal will terminate upon the earlier of [(i) ten years from the Closing Date;] (ii) a Qualified Offering; (iii) a sale or merger of the Company; [(iv) with respect to any employee, when such employee no longer owns any Common Shares]; [(v) with respect to any holder of [Preferred Shares][Series [●] Shares], when such holder of [Preferred Shares][Series [●] Shares] no longer owns at least [\_\_\_] [Preferred Shares][Series [●] Shares]]. |
| Co-Sale Right: | Before any shareholder may sell its shares in the Company, after having observed the terms and procedures of the ‘Right of first Refusal’ clause, he will give [the other Shareholder] [the holder of [Preferred Shares][Series [●] Shares] an opportunity to participate in such sale on a pro rata basis. |
| Drag-Along Right: | [Alternative 1: The holders of a [qualified] majority of the [Preferred Shares][Series [●] Shares] may require a sale of the entire issued share capital of the Company.]  [Alternative 2: In the event, [that a third party makes an offer to acquire all of the outstanding shares of the Company][of a Deemed Liquidation Event], that is accepted by the holders of a [qualified] majority of the [Preferred Shares][Series [●] Shares], the other shareholders will be obliged to [vote in favour of such Deemed Liquidation Event and to take all actions necessary in connection therewith][offer their shares to said third party under the same terms and conditions specified in such offer] and accordingly (to the extent necessary) waive their rights of first refusal etc.]  [If the holders of the [Preferred Shares][Series [●] Shares] wish to exercise the drag-along right as set out in the previous paragraph within [\_\_\_] years after the Closing, the additional approval of the holders of a [qualified] majority of the outstanding Common Shares (assuming conversion of the Preferred Shares), will be required.] |
| Management Board: | The management of the Company will be entrusted to the management board (the “Management Board”) consisting at Closing of [\_\_\_] as chief executive officer and [\_\_\_] as chief [ ] officer. Any new Management Board members or senior company officers will not receive an offer of employment without the approval of the Supervisory Board [including the Series [●] Director]. [The Company will, on a best-efforts basis, hire a chief [\_\_\_] officer within the [six (6)] month period following the Closing.] |
| Employee Pool: | Upon the Closing, the Company will reserve up to [[number of shares] Common Shares][[\_\_\_]% of the post-money outstanding shares] for issuance to employees, directors and consultants (the “Reserved Employee Shares”) [including the Common Shares presently reserved for issuance upon the exercise of outstanding options]. The Reserved Employee Shares will be issued from time to time under [such arrangements, contracts or plans][an employee share option plan (the “ESOP”)] as [recommended by the Management Board and] approved by the Supervisory Board. |
| Vesting Scheme: | All Reserved Employee Shares will be subject to vesting as follows: [25]% to vest at the end of the first year following their issuance, with the remaining [75]% to vest monthly over the next [three] years. Good leaver/bad leaver provisions will apply. |
| Founders’ Shares: | Upon the Closing, [number of shares] of the Company’s issued and outstanding Common Shares will be held by the Founders (the “Founders’ Shares”). The Founders’ Shares will be subject to a similar vesting scheme as set forth in the ‘Vesting Scheme’ clause, provided that the vesting period will begin as of the Closing. [In addition, in the event that the Company milestones are not satisfied, the Company will have the right upon termination of employment of a Founder with or without cause, to repurchase his vested Founders’ Shares in the Company at fair market value (as determined by the Supervisory Board).] |
| Lock-Up: | At no time prior to [date] will any Founder or key employee, if any, dispose of any shares in the Company in any manner, except with the written consent of [two-thirds] of the holders of Series [●] Shares. This lock-up will in any case lapse at the consummation of a Qualified IPO, trade sale or other liquidity event. |
| Employment Relationships: | The Company has or will have prior to the Closing employment agreements in a form reasonably acceptable to the Investors with [the following persons: [names]][each Founder and key employee]. |
| Non-Competition/Non-Solicitation: | Prior to Closing, each Founder and key employee will enter into a [one] year non-competition and non-solicitation agreement in a form reasonably acceptable to the Investors. |
| Non-Disclosure Agreement: | Prior to Closing, each current and former Founder, and each officer, employee and consultant with access to the Company’s confidential information/trade secrets will enter into a non-disclosure agreement in a form reasonably acceptable to the Investors. |
| Assignment Inventions: | Prior to Closing, each Founder and key employee will enter into a proprietary rights assignment agreement in a form reasonably acceptable to the Investors. Such agreement will contain, inter alia, appropriate terms and conditions under which each Founder and key employee will assign to the Company their relevant existing patents and patent applications and other intellectual property rights as defined by the Company’s business plan. [In the event that a Founder is not allowed to assign his IP under any outstanding arrangement, as evidenced by such an arrangement, said Founders’ requirement to assign his IP will be amended in a way acceptable to the Investors.] |
| Key Man Insurance: | [Within [number] months of the Closing,] the Company will procure a life insurance policy for those individuals deemed to be key members of the Company’s management team in the amount of €[] million per person (or such lesser amount as approved by the Investors). [The Company will purchase such policies within [60] days after the Supervisory Board determines these key members of the team.] The Company will be named as the beneficiary of the policies [provided however that at the election of the holders of a [qualified] majority of the Series [●] Shares, such proceeds will be used to redeem Series [●] Shares]. |
| Agreements at Closing: | The purchase of the Series [●] Shares will be made pursuant to a(n) [Investment Agreement] [Subscription Agreement] [Share Purchase Agreement] [and Shareholders’ Agreement] acceptable to the Investors and containing, inter alia, appropriate representations, warranties as referenced in the ‘Representation and Warranties’ clause and covenants of the Company, [Founder] [Management Board] [and existing shareholders], where appropriate reflecting the provisions set forth herein and appropriate conditions of the Closing. |
| Fees and Expenses: | The Company will pay reasonable fees and expenses incurred by [name lead investor] in connection with (the preparation of) the transaction contemplated by this Term Sheet, including (but not limited to) expenses in connection with the preparation of legal documentation and the conduct of due diligence investigation(s) [subject to a cap of €[\_\_\_]][payable at the Closing or payable as soon as the Company elects not to proceed with the transaction contemplated by this Term Sheet] [payable at the Closing or payable at the end of the exclusivity period if no transaction has occurred for whatever reason]. |
| Confidentiality: | The parties will keep strictly confidential the fact that they have entered into negotiations concerning the transactions contemplated by this Term Sheet and the contents of such negotiations and of this Term Sheet. [After the expiry of [\_\_\_] months after the date on which this Term Sheet is executed, the parties will no longer be bound by this confidentiality clause.] |
| Exclusivity/No-Shop: | The Company agrees to work in good faith expeditiously towards the Closing. The Company agrees and shall ensure that the Founders, its key employees, its shareholders and the members of its corporate bodies agree (a) to discontinue any discussions with other parties concerning any investment in the Company, (b) not to take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Investors relating to the sale or issuance, of any of the capital shares of the Company [or the acquisition, sale, lease, license or other disposition of the Company or any material part of the shares or assets of the Company] (c) to notify the Investors promptly of any inquiries by any third parties in regards to the foregoing. This provision ‘Exclusivity/No-Shop’ will be in force until [●].  [Thereafter this exclusivity period will automatically continue for a period of two weeks (revolving) unless either the Company or the Investors decide to end the discussions by way of a written notice to the other party at least five days prior to the ending of such exclusivity period.] |
| Governing Law: | This Term Sheet and all other agreements resulting from this Term Sheet will be exclusively governed by [applicable law].  Insofar as permissible by law, exclusive jurisdiction for all disputes arising from and in connection with the present Term Sheet will be the seat of the Company. |
| Non-Binding Character: | Except as otherwise herein specifically provided, the parties to this Term Sheet expressly agree that no binding obligations will be created until a definitive agreement is executed with the requisite formality and delivered by both parties.  Notwithstanding the foregoing, the ‘Fees and Expenses’, ‘Confidentiality’, ‘Exclusivity/No-Shop’, ‘Governing Law’ and ‘Indemnities’ clauses will be binding upon execution of this Term Sheet. |
| Indemnities: | The Company and the Investors will each indemnify the other for any finder’s fees for which either is responsible. [The Company and the Investors will each indemnify the other against all losses and damages arising out of or relating to breach of the binding obligations: the ‘Fees and Expenses’ ‘Confidentiality’, ‘Exclusivity/No-Shop’, ‘Governing Law’ and ‘Indemnities’ clauses of this Term Sheet.] |
| Conditions Precedent: | The Closing is subject to the following conditions precedent:  (1) satisfactory completion of financial, [IP commercial, regulatory, tax] and legal due diligence; (2) no material adverse change in the financial condition or the prospects of the Company as mentioned in the business plan [and any documents sent to the Investors]; (3) negotiation and execution of legal documentation satisfactory to the Investors; (4) consent of the necessary legal majority of the Company’s shareholders, and (5) final formal approval of the Investors’ investment and partner committees. |
| Expiration: | This Term Sheet expires on [date] if not accepted by the Company by that date. |

Signatures:

[Name Company] [Name Founder(s)] [Name Investor(s)]