

Checklist Term Sheet VC Investment

Issuer:	[COMPANY] [ADDRESS] [COMMERCIAL REGISTRY] ("the Company")
Shareholder(s) ("Founder(s)"):	[NAMES] [ADDRESSES]
Key Management:	[NAME]
Investor(s):	[COMPANY] [ADDRESS] [COMMERCIAL REGISTRY] [COMPANY] [ADDRESS] [COMMERCIAL REGISTRY] Details of the current share capital of the company are set out in a capitalization table in Schedule "A".
Current capitalization:	
Valuation:	Pre-money Company value of [CURRENCY] [AMOUNT], fully diluted ¹ based on [NUMBER] common shares outstanding [CURRENCY] [AMOUNT]
Investment Amount: Issue Price:	Price per new preferred B share of [CURRENCY] [AMOUNT] ("the Original Issue Price") implying a [CURRENCY] [AMOUNT] fully diluted pre-money valuation
Securities:	[NUMBER] shares of a newly-created class B shares each having the rights described in this Term Sheet (the "preferred B shares") representing [PERCENTAGE] % of the Company's fully diluted issued share capital
Resulting Capitalization:	A pro forma detailed capitalization table showing the Company's capital structure after the Transaction is effected is attached as Schedule "B".
Use of the proceeds:	The proceeds from issuing the preferred B shares will be used for <i>[TO BE COMPLETED]</i> , following the budget and key business plan attached in Schedule "C" as prepared by the Company and the Founders.

¹ Assuming exercise/conversion of all outstanding financial instruments.

Exit Préférence²:

In the event of an Exit, the proceeds will in principle be distributed to all Shareholders proportionately. However, the holders of the preferred B shares will receive an amount, for each preferred B share, at least equivalent to the Original Issue Price, *[increased [in the first [] years] by an IRR of [20] % per annum compounded annually]* ("the Exit Preference").

"Exit" means [DEFINE]

[Define circumstances in which exit preference does not work, e.g. IPO/sale at a pre-defined minimum price]

Voting:

Each preferred B share is entitled to the same voting rights as all common shares.

Board représentation:

The Board of Directors will be composed of up to and including [NUMBER] directors, of whom [NUMBER] are appointed on proposal by the holders of A shares and [NUMBER] on proposal by the holders of preferred B shares.

[Minimum shareholding threshold to nominate directors; Casting vote for chairman; Remuneration of directors; Committees (remuneration, audit etc.)? - to be discussed]

Protective Provisions:

(i) at the level of the Board of Directors: the Directors appointed on proposal of the holders of the preferred B must approve the following decisions [LIST].

(ii) at the shareholders' level: the holders of the preferred B must approve the following decisions [LIST]

Anti-dilution Protection

[If the Company issues additional shares] OR [In the event of a capital increase of at least [AMOUNT] [CURRENCY] of which at least [AMOUNT] [CURRENCY] is subscribed by a third party] before [DATE] at a purchase price less than the Original Issue Price], the Investors will benefit from a [full ratchet] anti-dilution protection as outlined in Schedule "D".

[specify exceptions: e.g. employee offerings]

Exit:

AU shareholders will use their best efforts to realize an Exit by way of a Qualified Public Offering or a trade sale before [DATE].

² Local tax conséquences and légal issues to be checked.
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Mandatory Exit Route:

If no Exit has occurred before [DATE], *[a [] majority of- each of]* the holders of the preferred B shares will have the right to:

- (i) force the Company or the other shareholders or both the Company and the other shareholders to realise their investment in a Qualified Public Offering, trade sale⁴ or liquidation or to instruct an independent, professional third party to find an industrial partner for the Company or to organise a sale of all or most of the Company's shares or assets; or
- (ii) sell their shares to [NAMES]⁵ at a price based on [VALUATION MECHANISM].

Lock-up:

Any transfer of securities (including, without limitation, granting options, pledges) *[by the Founders]* will be subject to a lock-up period of [NUMBER] months / years after Closing.

Right of first refusal:

Any holder of securities wishing to transfer his securities must inform the other shareholders and the Board of Directors. The other shareholders have a right of first refusal to acquire the offered securities. [+ specify terms and conditions right of first refusal].

Take-Along right:

If a holder of [A] shares transfers in one or more successive transactions more than *[10]* % of his stake *[to a third party]*, the holders of the preferred B shares can require the purchaser to take over a pro rata proportion of their shares at the price offered by the latter.

Take over offer:

Free Transfers:

Other:

Right to Information:

The Shareholders must sell their shares if an offer is made to buy all the Company's shares, and if [specify conditions: e.g. board approval or minimum price offered by candidate acquirer].

Each holder of preferred B shares may transfer Shares in the Company (i) to affiliates, or (ii) in connection with the liquidation of an Investor.

The holders of preferred B shares must not give any representation and warranties other than the clean title to the shares when they sell their shares.

The shareholders *[Investors]* will *[OR may, if requested]* receive the following information:

A take-along obligation *if a [] majority of— one of]* the holders of the preferred B shares sell their shares in the Company.

A put option to the Company is no real option given the Belgian mandatory rules on a company's acquisition of its own shares.

- (1) audited financial statements by a respected auditing firm within [90 days] after each fiscal year ends;
- (2) quarterly financial statements [(profit & loss, cash flow statements, balance sheet and a management report)] within [30 days] after each quarter ends;
- (3) monthly reports [(profit & loss and cash flow statements)] within [25 days] after each month ends;
- (4) a budget and business plan [30 days] or more before each fiscal year begins; and
- (5) other information reasonably requested.

Right to Inspection:

The Company will permit the Investors, or their authorized representatives, (i) to visit and inspect the Company's properties, (ii) to discuss the business and finances with officers of the Company, (iii) to have full access to the books and records of the Company and (iv) to copy these books and records at its sole discretion.

Articles of Association:

The Articles of Association of the Company will be amended on Closing, to the extent required by law, to reflect the terms of the Subscription and Shareholders' Agreement.

Other covenants:

The Subscription and Shareholders' Agreement/Management Agreement must include [a full-time / an exclusivity commitment from the [operational] Founders until [DATE], a non-compete undertaking, a customary confidentiality undertaking, proprietary rights and invention assignment, appropriate representations and warranties by the Founders and other typical covenants deemed necessary by the Investors to perform the transaction.

[+ include GOOD LEAVER / BAD LEAVER provisions].

Other Matters

Expenses:

[specify who bears transaction costs of the transaction completes / does not complete]

Conditions:

Closing of the Transaction is subject to [INSERT CONDITIONS, e.g. satisfactory due diligence, no MAC before Closing etc.].

Term of the Shareholders' Agreement:

[NUMBER] years, and automatic renewal for [NUMBER] years, except if all parties agree otherwise.

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Confidentiality: *[Except as required under any applicable law, regulation or governmental order,]* the Company and the Founders *[ALSO INVESTORS?]* will keep the existence and contents of this Term Sheet confidential, and will disclose that information only to the Company's directors, employees and independent advisors with a need to know, in each case under a confidentiality obligation.

Exclusivity: [include no-shop provision]

Expiration Date: This Term Sheet will expire if not executed on or before [DATE].

Governing Law and jurisdiction: [Specify governing law of term sheet and later documentation]

[Arbitration vs. Courts]

Notwithstanding anything to the contrary in this document, this Term Sheet is intended solely as a basis for further discussion between the parties and is not intended to be and does not constitute a legal or binding obligation.

THE COMPANY

[TO BE COMPLETED]

THE FOUNDERS

[TO BE COMPLETED]

THE INVESTORS

[TO BE COMPLETED]