**This sample term sheet sets out typical provisions (including respective descriptions) of a term sheet used for early stage business angel investments in an Austrian GmbH. Please note that the transaction structures of such investments vary (sometimes heavily) on a case by case basis. Thus, the transaction structure and provisions as outlined in this sample term sheet must be adapted to the needs of each individual case. The persons involved in the preparation of this sample term sheet do not assume any liability for the content and correctness of this sample term sheet and shall not be responsible for loss which may arise from reliance on information contained herein. This sample term sheet does not constitute or contain investment, legal, accounting, regulatory, taxation or other advice.**

# TERM SHEET

regarding an investment in

**[●] GmbH**

| Company: | [*company name*], FN [*register number*], with a nominal share capital of EUR [●] which is paid up in the amount of EUR [●](the "**Company**"). | Usually, investors only invest into a company (with limited liability) which is already founded and duly incorporated. Sometimes investors invest in the course of the foundation of the company whereby financial closing takes place under the condition that the company will in fact be registered with the competent commercial register (*Firmenbuch*).A financing round may be concluded even if the company has made use of the foundation privilege according to § 10b GmbHG. According to current case law, the foundation privilege does not need to be terminated in such a case (also see section "Transaction Structure" below).  |
| --- | --- | --- |
| Founders: | [*name*], born [●]; and[*name*], born [●]**(**collectively the "**Founders**", each a "**Founder**"). | Persons who are engaged in the project prior to foundation and assume key operative roles in the company are usually defined as "Founders". They usually invest time and workforce instead of money (apart from the nominal amounts to be paid at foundation). Founders usually hold so called "ordinary shares" which do not carry any special or preferential rights. |
| Investors: | [*name*]; and[*name*](together with any other investors investing in the course of the financing round [and acceding to this term sheet] the "**Investors**", each an "**Investor**").(the Company, the Founders and the Investors collectively the "**Parties**", each a "**Party**") | In case all investors participating in the financing round are already known and have committed their investment amount, they can be listed here conclusively and sign the term sheet. However, sometimes term sheet negotiations take place only between the company/founders and one or several (lead) investor(s), who are executing the term sheet. In this case, additional investors may accede to the executed term sheet later on, who will then be covered by the definition "Investor". |
| Form of Investment: | The Investors intend to invest a total amount of EUR [●] into the Company (together with any other investment amounts to be invested by any other Investors the "**Investment**") against issuance of new shares in the Company (the "**Investor Shares**"), whereby each Investor shall contribute the following amount:[*name*]: EUR [●];[*name*]: EUR [●]. | Typically, the investment is made in the form of a cash payment by the investor to the company. In return, the investor receives (new/existing) shares in the company (cash investment). Sometimes investors also provide certain in-kind services (e.g. advisory services) to the company against issuance of shares (work-for-equity investment). Often a re-transfer obligation by the investor (to all/certain shareholders) is agreed in case the services are not fulfilled properly by the investor. |
| Transaction Structure: | The Investment shall be implemented by way of a capital increase in the Company from currently EUR [●] by EUR [●] to EUR [●] (the "**Capital Increase**"). The nominal amount to be paid by the Investors for the subscription of the Investor Shares therefore amounts to EUR [●]. Such amounts of the Investment exceeding the nominal amounts shall be paid in as non-refundable shareholder contributions (*nicht rückzahlbare* *Gesellschafterzuschüsse*) which shall be booked into the free capital reserves of the Company. | The investment is usually made by way of an ordinary share capital increase (*ordentliche Kapitalerhöhung*) in the company in the course of which the investors subscribe for the newly issued shares. Each investment therefore is to be split up into (i) the nominal amount (*Nominalbetrag*) of the newly issued shares and (ii) a non-repayable shareholder contribution (*nicht rückzahlbarer Gesellschafterzuschuss*). If the company has made use of the foundation privilege according to § 10b GmbHG, according to current case law, the investors have to take over shares which are not subject to the foundation privilege. Termination of the foundation privilege is possible but not obligatory, so the founders are not obliged to pay-in additional nominal share capital in the course of the financing round (despite full payment of privileged nominal share capital, if half paid-in at foundation and upon request by investors).The respective nominal amounts of the investors' shares are usually paid immediately after signing in full and in cash (requirement for the registration of the capital increase with the commercial register). The non-repayable shareholder contributions may be due for payment at once (together with the nominal amounts or subject to registration of the capital increase with the commercial register) or in certain tranches, usually dependent upon the achievement of milestones by the company (in practice, milestones are often agreed in case the total investment amount exceeds the company's short term liquidity requirements and/or investors accept a higher pre-money valuation which shall be challenged by milestones). Share transfer obligations of the investors may be agreed in case they do not pay any non-repayable shareholder contributions due. In case the company does not achieve the agreed milestones, the company is not entitled to request milestones payments, but is not obliged to repay the already received shareholder contributions. Alternatively, instead of increasing the share capital of the company the investment can be made by way of a transfer of existing shares from the existing shareholders (on a pro rata basis) to the investors. In such case, the investors pay (i) a purchase price corresponding to the nominal amount of the transferred shares to the respective transferring shareholder and (ii) a non-repayable shareholder contribution to the company.The choice of the transaction structure shall be made in accordance with a tax consultant.  |
| Pre-Money Valuation: | EUR [●] | The pre-money valuation is the value assigned to the company prior to the receipt of the investment amounts (pre-money). The pre-money valuation is used in the calculation of the share price to be paid by the investors (also see section "Share Price" below). Usually, the pre-money valuation is freely agreed between the founders/company on the one hand and the investors on the other hand and mirrors the actual market conditions (e.g. multiples, reference deals, bid/ask). There are no specific standard market rules for the determination of the pre-money valuation. |
| Share Price: | EUR [●] (rounded) per each EUR 1 of the newly issued share capital of the Company. | The share price determines the price to be paid by an investor for each EUR 1 of the nominal share capital of the company and forms the basis for the calculation of the number of shares (nominal amount) an investor receives for its total investment. The following example demonstrates how share price might be calculated:EUR 2,000,000 (pre-money valuation) / EUR 35,000 (nominal share capital of the company) = EUR 57.14. Accordingly, the number of shares (nominal amount) to be issued to the investor are calculated as follows (example): EUR 200,000 (investment amount) / EUR 57.14 (share price) = 3.500 |
| Cap Table: | A Cap Table reflecting the shareholder structure before and after the transaction is attached hereto as per **Annex 1**. | The cap table sets forth the shareholder structure, including shareholders' names, their nominal amounts and their percentage participation in the company (including employee participation, if any) before and after the financing round. |
| Investors' Majority: | Investors' Majority means the consent of Investors holding [the simple majority/at least [●]%] of the Investor Shares. | Usually, investors require certain special rights, such as approval, consent or veto rights with respect to certain business and/or corporate measures (also see section "Consent Rights" below). In the case where there is more than one investor participating in a financing round, it is common practice for there to be a pooling of investors' votes and to let the investors' majority (based on shares held by investors) decide whether or not the required consent is given.Alternatively, the investors' majority may be calculated per capita, independently of the number of shares held by the investors (e.g. consent is required from two out of three investors).  |
| Incentive Program: | In case an incentive program for employees, advisors or other parties is implemented, in whatever form, all shareholders shall be obliged to contribute to such incentive program on a pro rata basis up to an equivalent of [●]% of the Company's share capital. | Incentives in the form of real or virtual shares, options for the purchase of real or virtual shares, profit participation rights (*Gewinnbeteiligungen*) or silent participations (*stille Beteiligungen*) can be granted to employees, advisors or other parties providing certain services to the company (the so-called "beneficiaries"). In any event, tax considerations should be taken into account when choosing the right type of incentive program.Real shares are usually only granted in the seed phase of the company to beneficiaries who hold a position similar to that of a founder. By holding real shares the beneficiary becomes a shareholder in the company with the legal and corporate rights (e.g. voting rights, information rights and dividend claims) that are associated with the position of a legal shareholder. However, more shareholders mean more administrative work for the company, for example in connection with shareholders' meetings (*Generalversammlungen*) or circular resolutions (*Umlaufbeschluss*). Further, the beneficiary has to accede to the shareholders' agreement, if any. Investors usually want to keep the cap table clean, therefore real shares of beneficiaries may be held by an escrow (*Treuhänder*).The granting of option rights for the acquisition of real shares postpones the time at which a shareholder position is acquired by the beneficiary (to the date the option is exercised) – and thus the time when the challenges associated with the granting of real shares arise – to a later date. However, it does not completely resolve these issues.By granting virtual shares (phantom shares), the respective beneficiary does not become a shareholder of the company. Instead, the beneficiary receives a payment claim against the company or the shareholders in the case of a liquidity event (also see section "Liquidation Preference" below). The amount of the payment is calculated based on the "virtual share quota" (*virtuelle Beteiligungshöhe*) of the beneficiary in the company.If beneficiaries are granted (real or virtual) shares or options, free of charge or at a price lower than the market value of the share, such granting may be qualified as a monetary benefit that results exclusively from the employment relationship (or advisory services) and which therefore is subject to income tax (*Einkommensteuer*). The main advantage of virtual shares is that they may be structured in such a way that the monetary benefit becomes taxable only at the time payments are effectively received by the beneficiary, while real shares/options usually become taxable at the time the beneficiary assumes the shares/option or upon exercise of the option (if the option is not transferable). Incentive programs regularly provide for provisions regarding vesting, good- and bad-leavers (also see section "Good/Bad Leaver" below). |
| Liquidation Preference: | The Investors shall be entitled to a 1x non-participating liquidation preference with regard to their respective investment amounts. | A liquidation preference provides the investors with a right to receive an upfront preferential payment (usually in the amount corresponding to their respective investment amounts) in the event that a "liquidity event" occurs. "1x non-participating liquidation preference" (as provided in this template term sheet) means that exit/liquidation proceeds are distributed to the shareholders in a way that first each investor shall receive – in preference to the founders – the investment amount paid by such investor to the company and, secondly, the founders are catching-up with the liquidation preference received by the investors. The investors, thereby, stop participating in the distribution of the exit/liquidation proceeds until the founders have received such amount of the exit/liquidation proceeds which they would have received without application of the liquidation preference. Any remaining proceeds shall then be distributed among all shareholders pro rata.As a result, the 1x non-participating liquidation preference is a downside protection for the investors with the aim of at least recovering their investment into the company where the valuation of the company is falling instead of rising (capital guarantee).Sometimes, investors request a so called "participating liquidation preference". In such case, the founders do not catch-up after the investors have received their liquidation preference (= e.g. the investment amount). The remainder of the proceeds is then distributed among all shareholders (including the investors) pro rata. As a result, the investor would receive the liquidation preference in addition to the remaining exit/liquidation proceeds.The following events are often defined as "liquidation or liquidity events" and thus trigger the liquidation preference: Dividend Pay-out = the occurrence of dividend distributions by the company, e.g. following a sale of certain/all assets of the company;Trade Sale = the sale or other disposal of a certain amount (e.g. 50% or more) or the entire registered share capital of the company (share deal);Liquidation = winding-up or liquidation of the company, voluntary or mandatory. |
| Pre-emption Rights: | In case of insolvency, death or divorce of a shareholder, change of control in a shareholder or a criminal offence against the company by a shareholder (each a "**Pre-emption Event**"), all other shareholders shall have a pro rata pre-emption right regarding the shares of the shareholder affected by a Pre-emption Event. | A pre-emption right entitles the other shareholders (on a pro rata basis) to demand the assignment of shares from the shareholder which is affected by a pre-emption event against payment of a certain assignment price. The assignment price usually corresponds to the market value of the shares, sometimes minus a potential discount (in particular in the event of a criminal offence against the company). According to a recent decision by the Regional Court in Linz, the pre-emption right in the case of insolvency may be inadmissible. However, as to date there is no case law by the Supreme Court (OGH) confirming such a decision. |
| Share Transfer: | Save for certain exceptions (each a "**Permitted Transfer**") and notwithstanding a lock-up obligation of the Founders, any transfer, encumbrance or other disposal of shares requires the approval of the shareholders' meeting (simple majority) including the affirmative vote of the Investors' Majority. If the provisions regarding the right of first refusal are complied with such approval has to be given. | The restriction on transferability of shares (*Vinkulierung*) prevents third parties from becoming shareholders. Exceptions from such restriction may be agreed upon for so-called "permitted transfers" (examples):A founder, for instance, may be entitled to transfer its share or parts thereof to (i) legal entities in which the founder himself – or legal entities in which it holds a majority share – have a majority share or (ii) family members.An investor for instance may be permitted to transfer its share or parts thereof to (i) affiliated companies, (ii) companies in which the investor, alone or together with affiliated companies, is the beneficial owner, or (iii) private foundations, the founder and / or beneficiary of which is the investor. If after such a "permitted transfer" the pre-conditions for the "permitted transfer" do not apply anymore (e.g. change of control in the respective transferee), the shares often must be re-transferred to the respective founder/investor. |
| Right of First Refusal:  | Save for Permitted Transfers, any shares of the Company proposed to be sold by any shareholder to any third party (including other shareholders) shall be subject to a pro rata right of first refusal by the other shareholders. | In case a shareholder intends to sell its share or parts thereof to a third party (usually but not necessarily including other shareholders), such a shareholder has to first offer the share to the other shareholders for purchase on the same conditions (e.g. purchase price) as those offered by the third party. The other shareholders have to state within a certain period (e.g. 14-21 days) whether they want to exercise their pro rata right of first refusal. In case some of the shareholders do not exercise their right of first refusal, their right of first refusal usually accrues to the ones who did exercise their right of first refusal. If the right of first refusal is not exercised in respect of the entire share, the shareholder is entitled to sell and transfer the respective share to the third party under the disclosed conditions or under (undoubtedly) worse conditions.Usually the right of first refusal shall not be applicable in case of "permitted transfers" (see above). |
| Tag-along Right: | In the event that a shareholder intends to sell all or parts of its shares to a third party all other shareholders are entitled to sell their shares on a pro rata basis under the same terms and conditions (proportional tag-along right). | The tag-along right (*Mitverkaufsrecht*) determines a right of shareholders to co-sell their shares in the company if other shareholders (usually majority shareholders) sell their shares to third parties. The selling shareholders have to ensure that the shares of all shareholders exercising their tag-along right are also acquired by the third party acquirer on equal terms and conditions (taking into account the liquidation preference of the investors).A proportional tag-along right (as provided in this template term sheet) allows the shareholders to exercise such a right to co-sell the respective proportional part of their shares (e.g. where the selling shareholder sells 10% of its shares, the shareholders exercising their tag-along right may also sell 10% of their shares). Sometimes, full tag-along rights are agreed upon which allow the shareholders exercising such a right to co-sell all of their shares (independent from the amount of shares sold by the selling shareholders). Typically, full tag-long rights are only agreed in the event that the selling shareholders intend to sell more than 50% of the total share capital of the company.Further, it is possible to exclude the tag-along right in cases where the selling shareholders intend to sell only a small portion of the entire share capital (e.g. up to 3%). |
| Drag-along Right: | In case shareholders holding at least [75%] of the Company's share capital agree to a sale of all of their shares, all other shareholders are obliged to sell all of their shares under the same terms and conditions. Upon an asset sale of the Company or an IPO, this rule shall apply *mutatis mutandis*. | The drag-along right (*Mitverkaufsverpflichtung*) provides a right of (majority) shareholders to force all other shareholders to join in a sale of (typically) all shares in the company. Such sale may only be carried out on equal terms for all shareholders (taking into account the liquidation preference of the investors). The same obligation often applies to facilitate other exit events, such as sale of assets of the company or an IPO.Sometimes the drag-along right is only exercisable (i) after lapse of a certain period of time and/or (ii) dependent on specific financials (e.g. a minimum valuation of the company) and/or (iii) special consent rights of investors' majority. |
| Subscription Rights: | In case of future capital increases in the Company the shareholders shall have pro rata subscription rights.  | Unless otherwise agreed in the articles of association (*Gesellschaftsvertrag*), all existing shareholders of a GmbH have pro rata statutory subscription rights (*gesetzliches Bezugsrecht*), which means that they can primarily subscribe for shares newly issued in the course of future capital increases to avoid any dilution. Such subscription rights have to be executed on the same terms that are granted to investors who are not yet shareholders (usually based on the respective company's pre-money valuation). However, there is no obligation to exercise subscription rights in the event of capital increases. If shareholders do not exercise their subscription rights, those rights usually accrue to the other shareholders. Alternatively, the shareholders' meeting may decide how to handle the subscription rights which have not been (fully) exercised (e.g. new investors are granted the right to subscribe for such shares). In order to ensure that the investors are able to subscribe for newly issued shares in the course of a financing round, the existing shareholders usually declare (e.g. in the investment agreement) to waive their subscription rights in the course of the respective capital increase. |
| Lock-Up: | Founders shall not be permitted to sell their shares to any third party [including for Permitted Transfers] until [*date*]. | This section provides for a specific period of time (usually 3 years) during which the founders must not sell their shares in the company. In cases were founders are subject to good/bad leaver provisions, the lock-up period usually corresponds to the respective vesting period (also see section "Good/Bad Leaver" below). Permitted transfers are sometimes exempted from such a lock-up. |
| Good/Bad Leaver: | The shares of each Founder are subject to Good/Bad Leaver provisions. Such shares shall vest over a period of [●] years from the signing date with a 1 year cliff and thereafter a monthly vesting over the remaining period of [●] years.  | Leaver provisions set forth the obligation of the founders or other key employees (who are also shareholders of the company) to transfer their shares (or parts thereof, which are not vested at that time) to the other shareholders in case their employment/advisory relationship with the company or function as a managing director of the company is terminated within a specific period of time (vesting period). Such vesting period typically amounts between 3-5 years, whereby the respective shares may vest on a monthly/quarterly/yearly basis. Sometimes a cliff period is agreed, which means that if a leaver event occurs during such cliff period (usually 1 year), the respective founder is obliged to transfer all of its shares. Depending on the cause of the termination, such termination may be considered a "Bad Leaver" (e.g. a justified dismissal by the company) or a "Good Leaver" (e.g. an ordinary termination by the company) or even a "Grey Leaver" (e.g. an ordinary termination by the founder). In case of a "Bad Leaver" or a "Grey Leaver" the purchase price for unvested shares to be transferred usually corresponds to the nominal value of such shares. In a "Good Leaver" event, the purchase price usually corresponds to the market value or latest post-money valuation, sometimes minus a potential discount. |
| Advisory Board: | The shareholders' meeting, [*optional:* subject to approval of the Investors' Majority], may establish an advisory board (without approval rights). The exact structure and competences of the advisory board shall be determined together with its establishment. | Unlike a supervisory board (*Aufsichtsrat*), an advisory board (*Beirat*) is not explicitly regulated by law. There are two types of advisory boards: a scientific advisory board which is installed on a contractual basis without approval rights (members of the board who are usually experts, only have an advisory function, exclusions of liability are common) and a corporate advisory board with investors and/or third parties as members having several approval rights. In case the corporate advisory board has a supervisory board-like character due to certain approval rights, the legal provisions concerning the supervisory board (including liability) have to be applied. |
| Consent Rights: | The business measures set forth in **Annex 2** shall require the prior approval of the Investors' Majority. Moreover **Annex 3** sets out a list of corporate measures which require the consent of the shareholders' meeting with [75%] of the votes cast (unless mandatory law requires higher majority), including the Investors' Majority. | Usually, the parties agree on a list of (important) business measures (measures which according to mandatory law fall within the competence of the management), requiring prior approval by the shareholders. Such approval may be given by either the shareholders meeting (e.g. 75% majority) or selected shareholders, such as the investors' majority (as set forth in this sample term sheet). **Annex 2** of this sample term sheet sets forth an illustrative list of such business measures, which may be adapted on a case-by-case basis.In addition, the parties often determine certain corporate measures (measures which according to mandatory law fall within the competence of the shareholders' meeting), requiring a qualified majority in the shareholders' meeting (a higher majority than required by law, e.g. 75% instead of simple majority), often including the investors' majority. **Annex 3** of this sample term sheet sets forth an illustrative list of such corporate measures, which may be adapted on a case-by-case basis. |
| Non-Compete, Non-Solicitation:  | The shareholders shall be subject to standard non-compete and non-solicitation obligations as long as they hold shares in the Company and for a period of [●] months thereafter. | Non-compete obligations (*Wettbewerbsverbote*) shall ensure that the shareholders (sometimes only the founders), within a certain period of time (during their shareholding and usually 6-12 months thereafter), do not (i) assume a position as managing director, employee or consultant in another company providing products or services in competition with the activities or products of the company or (ii) hold any shares carrying voting rights in the share capital of any company the activity of which is similar to that of the company.Non-solicitation obligations (*Abwerbeverbote*) shall ensure that the shareholders do not solicit or entice away from the company any of its employees, officers, suppliers or clients, for any reason whatsoever, whether directly or indirectly for a certain period of time. |
| Intellectual Property: | All intellectual property used by or that may be used by the Company that is owned by a Founder shall be transferred to the Company prior to signing. | Usually, for the investors it is key that the company at any time owns or at least has valid rights to use all intellectual property (*gewerbliche Schutzrechte - IP*) which is relevant for the business of the company. In particular, it has to be ensured that all intellectual property rights which have been developed by a founder prior to the financing round are transferred to the company prior to Investors' accession to the company. The founders typically do not receive any consideration for such transfer, but the value of the IP is mirrored in the pre-money valuation of the company. |
| Information Rights: | The Company shall provide the shareholders with the annual financial statements, the annual budget, [monthly reports] and other information reasonably requested by the shareholders. | The shareholders of a GmbH are entitled to information provided by the company that encompasses all business matters and that cannot be restricted. However, any request for information must be proportionate and must not deliberately burden the company. If a shareholder requests information, it is not obligated to justify this in more detail.Such information rights apply to every shareholder, regardless of the amount of its participation. It therefore also enables minority shareholders to exercise a certain degree of control and influence.In addition to these statutory information rights, investors sometimes require regular updates on the ongoing business of the company (e.g. in the form of monthly/quarterly reports or interim financial statements). |
| Warranties: | The Company and the Founders will give representations and warranties (jointly and severally) that are customary for a financing of this type. The Investors and the Founders will agree on individual, reasonable and customary limitations of liability as to the personal liability of the Founders. | Due to the fact that startups in an early stage usually lack *proof of concept*, company and/or founders normally only give representations and warranties as to basic facts (e.g. that the company is duly incorporated and validly existing under Austrian law, that the nominal share capital is paid as set out in the articles and that they are the sole legal and beneficial owners of the shares, free and clear of any encumbrance). In addition, representations and warranties regarding the completeness of corporate books, completeness and accuracy of the financial statements, proper preparation of the business plan and compliance with tax regulations may be given by the founders and/or the company. Moreover, investors can also request representations and warranties regarding ownership of intellectual property, but these can vary, depending on the stage of the company. In principal, the founders/company are liable for damages arising out of a breach of such representations and warranties.Instead of a EUR per EUR compensation, it is sometimes agreed that the investors may be compensated in shares, meaning that in case of a breach of warranty the investors receive additional shares (either by share transfer from the founders or by a compensatory capital increase) instead of cash compensation.In most cases limitations of liability of the founders/company towards each investor for breaches of warranties are agreed upon, such as (examples):Liability cap (*Haftungshöchsbetrag*): The liability may be capped by e.g. the annual gross salary of the respective founder or the investment amount paid by the respective investor;De-Minimis Amount: Investors shall only be entitled to claims, which individually exceed a certain amount;Threshold (*Freigrenze*): Investors shall only be entitled to claims if the aggregate amount of all individual claims exceeds a certain threshold. If so, the investors are entitled to claim compensation of the aggregate amount of all damages and not only the surplus exceeding the threshold;Statute of Limitations (*Verjährung*): Claims become time barred after a certain period of time. |
| Transaction Agreements: | The Investment will be carried out on the basis of, in particular, an investment/contribution agreement, a shareholders' agreement and revised articles of association the Company. The first draft of the investment related documentation will be provided by the Company's counsel. | Usually the transaction agreements comprise of:1. an investment agreement (*Beteiligungsvertrag*), providing for provisions regarding (i) the form of investment, (ii) the transaction structure and (iii) representations and warranties (including indemnification and limitation of liability provisions; if the company is co-founded by an investor or financed immediately after the foundation, usually limited representations and warranties (in particular regarding ownership of intellectual property) apply;
2. a shareholders agreement (*Syndikatsvertrag / Gesellschaftervereinbarung*), including provisions regarding (i) rights and obligations of the shareholders with respect to their shareholdings, (ii) the voting of the shareholders in shareholders' meetings, (iii) the completion of a successful exit of the shareholders and (iv) the company's corporate governance (including nomination rights to advisory/supervisory boards);
3. the articles of association (*Gesellschaftsvertrag*), which usually need to be amended in the course of a financing round (e.g. consent and/or veto rights of the investors' majority need to be included);
4. documents required for the capital increase (minutes of the shareholders' meeting (*Protokoll der Generalversammlung*), subscription- and/or accession declaration (*Übernahme- und/oder* *Beitrittserklärung*), commercial register application (*Firmenbucheingabe*)).

Usually, for each financing round a separate investment agreement is concluded. However, the shareholders agreement will often be replaced by a new shareholders agreement concluded in the course of a new financing round (instead of executing amendment agreements) so that only one shareholders agreement at a time shall be in place.Alternatively, the provisions of the investment agreement (lit (a)) and the shareholders' agreement (lit (b)) may be set forth in one single agreement, a so-called investment agreement or investment- and shareholders' agreement. In such case, existing agreements are amended rather than replaced (due to provisions which shall survive for a certain time period, such as indemnification provisions). |
| Due Diligence: | The Investors are free to conduct a due diligence, especially with regard to financial, tax, legal and technical aspects of the Company. For this purpose, the Company will provide the Investors and their advisors with all requested documents and information. | Due diligence means the careful, systematic and detailed investors' review and analysis of data and information collected by the company and disclosed in a virtual data room.There are no statutory rules on how a due diligence should be carried out. Since startups are usually still in the development phase and have little experience at the time of the financing round, detailed due diligence applying conventional methods can sometimes be difficult. The investors try to make their investment decision by collecting all available information. In addition to the soft skills of a start-up, such as the team structure, the usual contents of a due diligence are legal and tax law aspects, market position and future development, the financial status and reporting. |
| Confidentiality: | The terms and existence of this term sheet and the identity of the Investors are to be kept confidential by the Parties and are not to be disclosed to any person other than the Company's, the Founders' and the Investors' officers, shareholders and legal, financial and/or other transaction advisors (to the extent necessary to complete the transactions contemplated hereby) without the prior written consent of the other parties. Prior to due diligence, a separate Non-Disclosure-Agreement (NDA) will be signed by the Investors. | Investors typically do not want the term sheet to be disclosed to other potential investors in order to avoid the deal terms being shopped. Further, the term sheet provides for certain sensitive information regarding the company, in particular the company's valuation. It is within the interest of the company and the founders for this to not be disclosed. Prior to disclosing the data room the parties often enter into a separate (and more detailed) Non-Disclosure-Agreement (*Geheimhaltungsvereinbarung*). |
| Costs: | All costs occurred in the sphere of a Party in relation to this transaction will be borne by the respective Party itself. | In case of a financing round in the form of a capital increase or a transfer of shares to investors, costs are usually incurred with respect to drafting and execution of transaction agreements, such as lawyers' and notary fees as well as commercial register fees for the entry of changes in the commercial register. The company counsel fees and the notary fees are usually borne by the company whereas costs for legal services of the individual parties are borne by the respective party. In case the investment takes place in the course of the foundation of the company, the costs related to the foundation are also borne by the company up to a reasonable maximum amount (provided that this is stated in the articles of the company). |
| Accession: | The Parties grant their consent that other Investors accede to this term sheet by either signing (i) a separate term sheet with the same terms and conditions as set forth herein or (ii) an accession letter to this term sheet. | Term sheet negotiations often take place only between the company/founders and one or several (lead) investor(s), who execute the term sheet. This provision allows additional investors to join the financing round in a simple way. |
| Timeline to Signing: | The Parties work towards a successful signing as soon as possible; in any event, signing shall take place within [●] weeks following execution of this term sheet. | This provision is intended to provide those involved with a certain predictability in the planning of the process. |
| Press/Media: | The Company and the Investors undertake to agree on the form and substance of press reports concerning the envisaged transaction. | In press reports neither the specific terms on which the investors have invested in the Company nor the amounts invested shall be disclosed without the prior written approval by the investors and the company. |
| Applicable Law / Jurisdiction: | This term sheet is subject to the laws of Austria, excluding its rules on conflict of laws and the UN Sales Convention. All disputes arising from or in connection with this term sheet shall be subject to the exclusive jurisdiction of the commercial court competent for [●].  | Typically, the term sheet as well as the transaction agreements shall be subject to the laws of the country in which the company is seated/registered, since mandatory legal provisions of that jurisdiction apply anyway.Usually, it is agreed that the commercial court (*Handelsgericht*) competent for the city/region in which the company is seated/registered shall have jurisdiction regarding any disputes arising out of or in connection with the term sheet.  |
| Non-Binding Effect / Liability: | Except as explicitly set out below, this term sheet shall be non-binding for the Parties. As long as the transaction contracts are not signed, there shall be no obligation for any Party to execute this transaction. Thus, there shall be no liability for any Party (including on the grounds of *culpa in contrahendo*) resulting from the execution of this term sheet. However, the sections "Confidentiality", "Costs", "Validity of this Term Sheet" and "Applicable Law/Jurisdiction" shall be binding for the Parties. | Usually, a term sheet is a non-binding agreement setting forth the basic terms and conditions under which an investment will be made without going into every minor detail and contingency covered by a binding contract.However, some provisions such as "Confidentiality", "Costs", "Validity of this Term Sheet" and "Applicable Law/Jurisdiction" only make sense, if they are binding. |

**Investors**

| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| --- | --- |
| [●] | [●] |

**Founders**

|  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| --- | --- |
| [●] | [●] |
|  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |  |
| [●] |  |

**Company**

|  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_/\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| --- |
| [●] GmbH |

## Annex 2

**Business Measures requiring consent of Investors' Majority**

*[Measures which are almost always included in term sheets:]*

1. sale, lease or exclusive licensing of core assets of the company, in particular its IP rights;
2. raise of loans and credits as well as the issuance of bonds exceeding an amount of EUR [●][[1]](#footnote-0) in the individual case or EUR [●]1 in total in a financial year;
3. granting of loans and credits or comparable financial instruments (eg subscription of bonds), except for credits in connection with the supply of goods or the provision of services in the ordinary course of business;
4. all measures and transactions of the company with its (direct or indirect) shareholders or their family members (section 32 Austrian Bankruptcy Act; "**IO**") as well as with companies in which (direct or indirect) shareholders or their family members (section 32 IO) are holding a direct or indirect interest;
5. all measures and transactions of the company with members of the management board or their family members (section 32 IO) and/or companies, in which a member of the management board or its family members (section 32 IO) has/have a significant economic interest;
6. implementation or adaption of bonus, pension or other award schemes for managing directors or other employees (in particular ESOP);
7. entering into or amendment of agreements regarding silent partnerships, profit participating loans or similar financing arrangements;
8. starting of new or shutdown of or material change to existing lines of business;
9. determination of general principals of the business policy.

*[Measures which are often included in term sheets:]*

1. acquisition, sale and encumbrance of real estate;
2. acquisition and sale of participations (irrespective of the nominal participation) as well as the acquisition, sale and/or shutdown of companies and businesses (or parts thereof);
3. establishment and closure of branch offices as well as the establishment of subsidiaries;
4. investments and other expenditures (eg in connection with continuing obligations) exceeding an amount of EUR [●][[2]](#footnote-1)net in the individual case or EUR [●]2 net in total in a financial year;
5. approval of the annual budget, if any, as well as amendments thereto;
6. entering into or amendment of employment/freelance agreements providing for a yearly remuneration exceeding EUR [●]2 and the change of remuneration or bonification of such employees/freelancers;
7. allocation of rights under ESOP schemes exceeding [●][[3]](#footnote-2)% of the share capital
8. granting and revocation of commercial proxies or appointment and dismissal of authorized agents;
9. entering into transactions outside the ordinary course of business.

The approval of the transactions and measures listed above that are carried out during a fiscal year is not necessary in case such transactions and measures are specifically set out in the budget (if applicable) approved without any reservation by the shareholders for the respective fiscal year.

## Annex 3

**Corporate Measures requiring consent of the shareholders' meeting with [75]% of the votes cast, including the Investors' Majority**

1. amendments of the articles of association;
2. increases and decreases of the share capital;
3. dissolution and/or liquidation of the company;
4. approval of the financial statements and payment of dividends;
5. appointment and removal of managing directors as well as conclusion, amendment or termination of management agreements;
6. sale, encumbrance and any other disposal of assets (incl IP) which are material for the business operations of the company;
7. instructions (*Weisungen*) to the managing directors regarding the business measures set forth in **Annex 2**
1. Amount to be inserted. [↑](#footnote-ref-0)
2. Amount to be inserted [↑](#footnote-ref-1)
3. Percentage to be inserted [↑](#footnote-ref-2)