**Term Sheet**

This term sheet summarizes some of the principal terms preliminarily agreed upon between [Investor] (“**Investor**”) and [Target] (“**Company**”) [and possible other signatory parties being shareholders of the Company] with respect to a contemplated investment in the Company by the Investor on the terms set out below herein (“**Investment**”).

The Company invites the Investor to make the Investment and therefore gives the Investor a reasonable opportunity and sufficient time to a) conduct due diligence reviews of the Company and b) to negotiate the agreements relating to the Investment. The parties agree to take the terms set out herein as a basis for the agreements relating to the Investment, subject to, *inter alia*, the findings of the due diligence reviews.

# Investment

The Investor contemplates making the Investment in the form of preferred shares (or securities convertible into or exchangeable for preferred shares) in the Company up to an amount of EUR [●] and with a fully diluted pre-money [equity] valuation not to exceed EUR [●]. The preferred shares shall belong to series [B], which new share series shall be included in the Company’s Articles of Association and which shall have the characteristics set out in more detail herein (“**B-Shares**”).

The Investment shall be made in [●] tranches, the exact amounts and dates of which shall be separately agreed upon. The Investor shall commit to investing the first tranche by signing a Subscription Agreement, which signing is estimated to take place on [●]. The following tranches shall be subject to the Company reaching certain mutually agreed milestones. The Investor shall be entitled to withdraw from investing a tranche in accordance with standard conditions for closing.

# Liquidation Preference

Any consideration received by the Company’s shareholders shall be distributed in the following order: [(i) first, holders of the B-Shares shall be entitled to receive an amount equal to [insert multiplier] times the subscription price of the B-Shares and any unpaid dividends, and (ii) thereafter, any remaining surplus shall be distributed pro rata amongst all shareholders]. This order applies among other things to any liquidation, dissolution, merger or sale of the shares or asset distributions following a sale of any assets in the Company.

# Conversion

The Investor shall at any time have the right to convert its B-Shares into common shares. Each B- Share is convertible into one (1) common share, subject however to full implementation of anti-dilution and liquidation preference provisions.

# Anti-Dilution Provisions

In the event that the Company issues or sells any shares, or securities entitling to shares, at a price per share lower than the subscription price per B-Share paid by the Investor, the Company shall issue additional B-Shares to the Investor so that [the value of the Investment, calculated on the basis of the said lower subscription price, remains unaltered]. The issuance of the B-Shares shall be made [without consideration / at the nominal value of the B-Shares].

# Incentive Scheme

The parties shall agree to reserve up to [●] % of the fully diluted capital in the Company to be used for incentive purposes in relation to the Company’s key persons from time to time. Vesting to be agreed.

# Protective Provisions

In order for a decision on *inter alia* matters listed below to become valid, the Board member appointed by the Investor shall support the decision at a Board meeting and the Investor shall support the decision at a shareholders’ meeting:

1. amendment(s) of the Articles of Association;
2. alteration(s), change(s) or amendment(s) of the preferences, privileges or rights of the B-Shares;
3. issuance or authorization to issue shares or other equity securities or amendments to the number of or the terms and conditions of any issued shares or equity securities;
4. redemption, acquisition or conveyance by the Company of its shares or equity securities;
5. increase or decrease of the number of members of the Board;
6. appointment or removal of the auditors of the Company;
7. a merger or division of the Company;
8. a sale, transfer or other disposition or termination of a business area or operation or material assets of the Company;
9. voluntary liquidation or dissolution of the Company, voluntary surrendering of the Company in bankruptcy, or submission of an application to commence a procedure referred to in the Company Restructuring Act (47/1993, as amended);
10. a proposal or decision relating to the distribution of profits or assets;
11. adoption of the Company’s business plan and any amendment thereof or deviation from it;
12. adoption of the annual budget and any amendment thereof or deviation from it;
13. adoption of the annual accounts of the Company;
14. an amendment of accounting policies, practices or financial year of the Company;
15. investment(s) or expenditure(s) within the scope of an approved budget in excess of EUR [●] or investment(s) or expenditure(s) outside the approved budget;
16. any incurrence of indebtedness or refinancing of existing indebtedness in excess of EUR [●], granting of loans in excess of EUR [●], or creation, incurrence, or assumption of encumbrances, or execution of guarantees or indemnities;
17. appointment and discharge of the Managing Director, a key employee or a shareholder as an employee;
18. the terms and conditions of the Managing Director Agreement and the terms and conditions of the employment contracts of other key personnel;
19. changes of the fundamental organizational structure of the Company;
20. introduction of any profit sharing scheme, option scheme or alike or amendment of the terms thereof [other than the incentive scheme agreed in connection with the Investment];
21. acquisition by the Company or its subsidiary of any business area or operation or of any shares or securities entitling to shares or other obligations of any company;
22. establishment, sale, transfer, liquidation or dissolution of a subsidiary, joint venture, partnership, branch or affiliated company, or increase or decrease of ownership therein;
23. entering into or termination of material agreements or contracts or such that are not in the ordinary course of business;
24. any transaction with a manager or shareholder of the Company or entity related to a manager or shareholder of the Company;
25. waiver by the Company of any rights to claim damages against any party under any material agreement;
26. any transfer by the Company of patents, know-how and other IPR or technology outside the ordinary course of business;
27. commencement or settlement of judicial or arbitral proceedings; and
28. commencing of an IPO of the Company’s shares or executing a trade sale.

# Representations and Warranties

Standard representations and warranties by the Company and its shareholders shall be given.

# Future Financing

No shareholder shall be required to participate in any future financing of the Company [except as agreed in connection with the Investment]. The Investor shall always have the right to participate in any new financing of the Company on equal terms with any new third party investor.

# Board of Directors

The Investor shall always be entitled but not obligated to nominate at least [one (1)] ordinary member and [one (1)] personal deputy member. Additionally, the Investor shall be entitled to bring observers to any meetings of the Board and its subcommittees. Irrespective of any nominations, the Investor shall always be entitled to receive all information distributed to Board members at the same time with the Board members.

# Exit

The Company and its shareholders shall aim at achieving an IPO or trade sale, including a sale of all shares or all or substantially all assets of the Company (”**Exit**”), within [two (2)] years from the signing of the Investment documentation. [If an Exit has not taken place within [two (2)] years from the signing of the Investment documentation, the Investor shall be entitled to require the Company and all of its shareholders to consummate an Exit.] The Exit shall be executed for the same consideration per share for all shareholders, subject to the anti-dilution and the liquidation preference. All shareholders shall undertake to authorize an agent on their behalf to enter into and consummate an Exit.

# Restrictions relating to Shares

No shareholder, except for the Investor, shall, for as long as the Investor holds shares or securities entitling to shares in the Company, without the prior written consent of the Investor be entitled to a) transfer any of their shares or securities entitling to shares, b) assign their Shareholders’ Agreements, c) pledge, encumber or otherwise transfer or agree on a transfer of any rights attached to their shares, or d) require any distribution of profits.

# Working obligation

Shareholder employees shall undertake to work for the Company full time for a period of [three (3)] years [from the signing of the Investment documentation].

Should the employment or manager relationship of a shareholder employee terminate before the end of this period, the shares and securities entitling to shares held by such a shareholder employee shall be offered to be purchased/redeemed by [the Company/Investor/other]. The purchase/redemption price of the shares shall be nominal in nature if the shareholder employee terminates the employment or if the Company legally terminates or cancels the employment. In all other cases the purchase/redemption price shall be the fair market value of the share.

# Non-Competition and Proprietary Rights

All employees of the Company shall, in the interest of the Company, enter into sufficiently covering non-competition, non-solicitation and proprietary rights agreements. Unless shorter terms are agreed to by the Investor, the non-competition and non-solicitation periods shall be, calculated from the termination of the employment relationship, up to [24] months for shareholder employees, up to [12] months for other key employees and up to [6] months for other employees. A breach of any of these undertakings will be sanctioned severely with liquidated damages.

# Reporting and Access to Information

The Company shall regularly deliver to the Investor such reports as reasonably requested by the Investor. Additionally, the Investor shall be entitled to obtain information relating to the Company from the Company, the Company’s auditors and other professional advisers at the expense of the Investor. The Investor shall have the right to examine the Company’s accounts, records, administration and economic position at any time and shall be provided with access to the offices, officers and staff of the Company upon reasonable prior notice during normal business hours. The Company shall on a best efforts basis assist the Investor in these examinations.

# Confidentiality

The parties to this term sheet agree that the existence and contents hereof shall be kept confidential and not be disclosed without the [Investor’s] prior consent[, except to the extent that such disclosure shall be required by any applicable laws or regulations, or shall be made to such party’s affiliates, their employees or professional advisers who have a need to know for the purposes of this term sheet].

# Expenses

The Company shall pay all [reasonable] out of pocket costs and expenses incurred by the Investor in preparing the Investment, including but not limited to costs and expenses arising from conducting the due diligence reviews, preparation of the agreements, obtaining of third party opinions and negotiations, except for if the Investor without reasonable cause decides not to proceed with the Investment. The Investor shall be deemed to have reasonable cause if, among other things, a) its analysis or due diligence reviews of the Company reveal significant matters not earlier disclosed to the Investor or its advisers by the Company or its representatives, b) the financial or other status of the Company or a relevant market undergoes a significantly adverse change or c) the investment committee or corresponding body of the Investor rejects the Investment.

# Exclusivity

The Company [and the undersigned shareholders of the Company] undertake(s) on [its/their] own behalf and procure that none of the Company's directors, officers, employees, shareholders, agents or representatives will a) solicit, encourage or entertain proposals from, b) enter into negotiations with, or c) furnish any non-public information to any other person or entity other than the Investor with the aim of a possible investment in, acquisition of or disposal of the Company or its business during a period of [ninety (90)] days from the date of signing this term sheet or a longer period if the Investor continues in good faith to negotiate the Investment [on terms and conditions no less favourable to the Company than set out herein (taken as a whole)].

# Governing Law and Dispute Resolution

This term sheet shall be governed by the laws of Finland[, without regard to its choice of law provisions].

Any dispute, controversy or claim arising out of or relating to this term sheet shall be finally settled by arbitration by a sole arbitrator in accordance with the Arbitration Rules of the Finnish Central Chamber of Commerce. The arbitral proceedings shall take place in [Helsinki] and be conducted in the [Finnish/English] language and the arbitration award shall be given in the [Finnish/English] language.

# Statement of Intentions

The Company [and its undersigned shareholders] understand and approve that all terms set out herein are indicative and do not impose any obligations on the Investor. Consummation of the Investment is subject to the sole discretion of the Investor (including the formal approval of the Investor’s investment committee) and the Investor may at any time without any reason whatsoever withdraw from making the Investment. In the event of such withdrawal by the Investor neither the Company nor its shareholders shall have any claims of any nature whatsoever against the Investor. This term sheet is not intended to create legally binding relations between the parties with the exception of sections [15], [16], [17] and [18], which shall be legally binding on the parties.

We hereby confirm the above terms and our intentions as specified above. This term sheet has been made in two (2) original counterparts, one (1) for the Investor and one (1) for the Company and its shareholders jointly.

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| --- | --- |
| Place: | Place: |
| Date: | Date: |
| **[INVESTOR]** | **[COMPANY]** |
| **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  [Name]  [Position] | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  [Name]  [Position] |

**Shareholders:**

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| --- |
| Place: |
| Date: |
|  |  |
| **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  [Name] | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  [Name] |
|  |  |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  [Name] | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  [Name] |