

Wild Card Programme: Term Sheet

Participation of EIT Health in [name]

Background

[Name] is a stealth start-up based in [●] (in the following, the “**Start-up**”). The Start-up has not been founded yet.

[●] are the founders of the Start-up (together the “**Founders**” and each a “**Founder**”). The Founders participated as a team in EIT Health’s Wild Card Programme (the “**Wild Card Programme**”, “**Wild Card**” or “**Programme**”). Wild Card Programme is an initiative, pioneered by EIT Health, to identify and support innovative and high-risk ideas with the potential to transform an area within European healthcare. In the context of the Wild Card Programme, EIT Health is looking for novel ideas to solve certain health challenges.

The Founders’ team has been selected as a winner of the Wild Card Programme 2021 edition and is thus entitled to enjoy the benefits of EIT Health funding in return for the grant of an option to assume a certain number of shares (“**EITH Shares**”) in the Company (the “**Option**”).

This Term Sheet describes the principal terms and conditions with respect to the EIT Health Wild Card Programme. On the basis of this Term Sheet, the Parties intend to enter into binding agreements.

Future Shareholding

As of the incorporation of the Start-up the Founders shall hold the following shareholdings in the Start-up:

Shareholder	Shares	Shareholding
In total		100.00 %

[All Founders shall work full-time for the Start-up and will do so in the future.]

Company	The Start-up shall be founded as a [details regarding legal form] in [city, country] (in the following also the “ Company ”).
Founder Vesting	The Founders and present shareholders shall enter into a shareholders’ agreement to determine the reciprocal rights and duties of the present and future shareholders of the Company. Especially the Founders and present shareholders shall enter into a vesting-scheme which provides that a shareholder transfers shares to other shareholders or the Company if the respective Founder ceases to work full time for the Company (the “ Founder-Vesting ”). ¹
EIT Health’s Participation	<p>EIT Health is committed to support the development of the Company and is willing to grant funds in the total amount of up to EUR 1,500,000.00. In return, EIT Health shall participate via an Option in the Company, with the contractual right to assume EITH Shares in an Activating Event (as defined below). The grants shall be paid out in tranches according to the agreed timetable and to agreed milestones.</p> <p>For the grants EIT Health will get the contractual right to assume EITH Shares and subscribe for EITH Shares at a price per share of EUR [●] (the “EITH Share Price”); based on a pre-money valuation of the Company of EUR 4,500,000.00. The amount of EITH Shares to which EIT Health is entitled under the law of obligations depends on the actually called amount of funds through the Start-up.</p> <p>Through the Option EIT Health shall get the opportunity to partake in the future increase in the Company’s enterprise value.²</p> <p>The grants shall be paid out in tranches according to the agreed timetable and, further, according to milestones to be agreed prior to the respective year and milestone reviews performed after respective milestone.</p>

¹ **Note:** The Founders will take care of the founding process and i.a. the Founder-Vesting. The Founders will come up with a respective proposal. LUTZ | ABEL is happy to discuss these topics with the team.

² **Note:** The following example shall illustrate the participation of EIT Health: The Company has a share capital of EUR 25,000. 25,000 shares are held by the Founders.

- A pre-money valuation of EUR 4,500,000.00 has been agreed on.
- EIT Health invests the full amount of EUR 1,500,000.00 into the Company. The price per EITH Share is EUR 180.00 (4,500,000.00 ./ 25,000.00 = 180.00).
- In this situation EIT Health assumes on a pre-money valuation of EUR 4,500,000.00 in total the Option to assume 8,333 EITH Shares (1,500,000 ./ 180 = 8,333) corresponding to a participation of 33.3% of the increased share capital of the Company. The subscription for the EITH Shares is subject to the condition precedent of an Activating Event.

Activating Event

In the event an activating event occurs, EIT Health gets the right to subscribe for EITH Shares. EIT Health shall be entitled to a consideration. Each of the following events shall be an “Activating Event”:³

- Sale of more than 50 % of the shares in the Company;
- Sale of more than 50 % of the assets as well as the licensing of substantial IP rights of the Company;
- IPO; and
- Liquidation.

In the event of a merger, the Option of EIT Health shall be converted into a new Option on the level of the new entity. The conversion shall occur on the same economic conditions as agreed for the shareholders.

Liquidation Preference

If at the time of the Activating Event, the Company has issued, in addition to common shares, preferred shares, or if the shareholders of the Company have agreed contractually to treat certain shares as preferred shares or equip certain shares with preferred rights such as liquidation preferences, the following shall apply:

Upon the occurrence of an Activating Event, EIT Health shall, with respect to its EITH Shares, be entitled at least to a first rank non-participating sales and liquidation preference equal to the amount of its payments to the Company per EITH Share to which EIT Health is entitled, which shall be ranked in compliance with the “last in - first out principle”: (i) senior to the common shares issued in the Company; and (ii) junior to any higher preferred shares, if any. The liquidation preference of EIT Health shall rank senior to any liquidation preference or claims regarding the Exit-proceeds of the Founders, and EIT Health shall be entitled to its liquidation preference regardless of any applicable escrow, holdback or other contingency provision. Thus, if, upon an Activating Event, the initial payment is enough to fully pay the liquidation preference of EIT Health (once any senior ranking liquidation preference has been paid in full), then the liquidation preference of EIT Health shall be fully paid.

³ **Note:** The following fictitious and simplified example shall illustrate the consideration EIT Health will be entitled to:

- Company has a share capital of EUR 25,000.
- EIT Health holds an Option to assume 8,333 EITH Shares in case an Activating Event occurs (after having invested EUR 1.5 Mio.).
- 100% of the share capital of the Company are sold.
- The purchase price distributable for 100% of the Company to the shareholders is EUR 10,000,000.00.
- EIT Health is entitled for a payment of EUR 2,499,925 $((10,000,000.00 \div (25.000+8,333)) \times 8,333)$.

For the avoidance of doubt: If no shareholder is entitled to a liquidation preference, EIT Health shall also not be entitled to a liquidation preference.

ESOP

EIT Health will bear the economic burden of any employee stock option plans (“**ESOP**”) on a pro rata basis and in relation to the increased share capital of the Company. However, EIT Health shall bear the economic burden of ESOP only to a maximum corresponding to 15 % of the fully diluted share capital of the Company.

**Advisory Board,
Supervisory Board**

The Company shall have an advisory board (“**Advisory Board**”) (*Beirat*) with up to [●] members. EIT Health shall be entitled to appoint one (1) member of the Advisory Board, as long as EIT Health holds an Option or EITH Shares which – on a fully diluted basis – correspond to at least 8.00 % of the share capital.

If a supervisory board (“**Supervisory Board**”) (*Aufsichtsrat*) will be installed at the Company, EIT Health shall have the right to appoint one (1) member as long as EIT Health holds an Option or EITH Shares which – on a fully diluted basis – correspond to at least 8.00 % of the share capital.

Information Rights

As long as EIT Health holds an Option in the Company, EIT Health shall be granted customary access and information rights with respect to the Company’s business and ongoing development. The Company shall grant EIT Health the same information rights as other shareholders of the Company. The Company shall especially include EIT Health in the regular reports that the Company sends to its shareholders. The Company’s management shall provide EIT Health with financial reports on a regular basis, including:

- unaudited or (to the extent required by law) audited annual financial statements within 90 days following the end of each business year;
- annual business plan for the following business year showing monthly projected financials, at the latest one (1) month prior to the expiration of the relevant preceding business year;
- quarterly reporting of key performance indicators and financial analysis (*BWA*).

In addition, EIT Health will get any information required for the Wild Card Programme, especially under the Project Grant Agreement (PGA) and any information required to make claims under the Option Agreement (i.a. regarding exit-proceeds).

**Indicative
Timeline**

The Founders intend to incorporate the Company by [date].

Final agreements about the participation of EIT Health shall be signed by [●].

First payout shall be [●].

Confidentiality	This Term Sheet is confidential and may not be disclosed to any party other than a party to this Term Sheet and its employees and legal advisors.
Definitive Agreements	EIT Health's legal counsel will provide the Company with the first draft of an Option Agreement in the English language. The definitive agreements shall be signed by the Founders and all other shareholders of the Company.
Governing Law	The definitive documentation relating to the participation of EIT Health shall be governed by the laws of [the country in which the Company is incorporated].
Binding Effect	The parties acknowledge and agree that, except for the obligations set forth in the sections entitled "Confidentiality", "Governing Law" and this section, which are intended to be legally binding, this Term Sheet is intended for discussion purposes only and does not constitute an offer or commitment of any kind to provide or participate in any form of financing of the Company and does not create any legally binding obligations of either Party until the execution and delivery by the Parties of definitive binding agreements.

[Signature page follows]

Signature page

Place, Date: _____

Place, Date: _____

Name:

Name:

Place, Date: _____

Place, Date: _____

Name:

Name:

Place, Date: _____

EIT Health SI GmbH

