

# Wild Card Programme: Term Sheet

## Participation of EIT Health and Invest Health in [name]

### Background

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

EIT Health e.V. (hereinafter “**EIT Health**”) is one of the largest healthcare initiatives worldwide, leveraging the expertise of close to 150 leading organizations and spanning the key areas of the healthcare industry. The consortium behind EIT Health was chosen by the European Institute of Innovation and Technology (EIT) to form a Knowledge and Innovation Community (KIC). EIT Health’s mission is to accelerate entrepreneurship and innovation in healthy living and active ageing by providing EU top talents with new opportunities and resources, for the benefit of all citizens.

EIT Health SI GmbH (hereinafter “**Invest Health**”) is a 100 % owned affiliate of EIT Health. Invest Health is a business services company, supporting and facilitating investment for European companies from both venture and corporate players to achieve their corporate and financial needs and reaching their international ambitions. It aims at enabling EU-based innovative and ambitious life sciences companies to attract capital to develop, scale faster, and globalize at rates competitive with the US and Asia.

[●] 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 receive funding from EIT Health in return for the grant of an



option to assume a certain number of shares (“**EITH Shares**”) in the Company (the “**Option**”). Invest Health shall be entitled to exercise the Option.

This term sheet describes the principal terms and conditions with respect to the EIT Health Wild Card Programme (hereinafter “**Term Sheet**”). On the basis of this Term Sheet, the Parties (as defined below) intend to enter into binding agreements.

**Parties** EIT Health, Invest Health and the Founders (each a “**Party**” and collectively the “**Parties**”) shall be party to this Term Sheet.

**Future Shareholding** As of the incorporation of the Start-up the Founders shall hold the shares in the Start-up as follows:

Shareholder	Number of shares in the nominal amount of EUR [•]	Total nominal amount of shares in EUR
[Founder 1]		
[Founder 2]		
[Founder 3]		
<b>Total</b>	<b>[•]</b>	<b>[•]</b>

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

**Company** The Start-up shall be incorporated as a [details regarding legal form] in [city, country] (hereinafter 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**”).<sup>1</sup>

<sup>1</sup> **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.

**EIT Health's and  
Invest Health's  
Participation**

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. 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.

For the grants Invest Health will get the contractual right to 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 Invest Health is entitled under the law of obligations depends on the actual amount of funds called upon by the Start-up.

Subject to the condition precedent of the occurrence of certain Activating Events (as defined in below), Invest Health shall participate in the future increase of the Company's enterprise value by way of subscribing to EITH Shares in the Company.<sup>2</sup>

**Activating Event**

In the event an Activating Event occurs, Invest Health gets the right to subscribe for EITH Shares. Instead of offering Invest Health the position as shareholder, the Company is entitled to settle all claims of Invest Health arising in connection with Invest Health's contractual claim to the acquisition of EITH Shares by a payment.<sup>3</sup> Each of the following events shall be an “**Activating Event**”:

- Sale of more than 50 % of the shares in the Company;

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<sup>2</sup> **Note:** The following example shall illustrate the participation of Invest 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 Invest 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.

<sup>3</sup> **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.
- Invest 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.
- Invest Health is entitled for a payment of EUR 2,499,925 ((10,000,000.00 ./ (25.000+8,333)) x 8,333).



- 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 Invest 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, Invest 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 Invest 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 Invest Health shall rank senior to any liquidation preference or claims regarding the exit-proceeds of the Founders, and Invest 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 Invest Health (once any senior ranking liquidation preference has been paid in full), then the liquidation preference of Invest Health shall be fully paid.

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

**ESOP**

Invest 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, Invest 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 with up to ten (10). “**Advisory Board**” in this context means any corporate body that can be established under the applicable jurisdiction by the Shareholders and has controlling rights vis-à-vis the management of the company and advises the management of the Company. Invest Health shall be entitled to appoint one (1) member of the Advisory board, as long as Invest Health holds an Option or EITH Shares which – on a fully diluted basis – correspond to at least 8.00 % of the share capital. The member appointed by Invest Health shall have all available voting rights within in the Advisory Board. The Advisory Board shall consist of internationally recognized experts.

If a supervisory board is installed at the Company, Invest Health shall have the right to appoint one (1) member as long as Invest 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 Invest Health holds an Option in the Company or EITH Shares, Invest Health shall be granted customary access and information rights with respect to the Company’s business and ongoing development. The Company shall grant Invest Health the same information rights as other Shareholders of the Company and in addition provide Invest 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;
- reasonably satisfactory evidence that the Investment Amounts have been used to cover costs of the Company which have actually been incurred;
- 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, Invest Health and EIT Health will get any information required for the process of the Wild Card Programme, especially under the Project Grant Agreement (PGA) and any information required to assert claims under the Option Agreement (i.a. regarding exit-proceeds).



<b>Indicative</b>	The Founders intend to incorporate the Company by [date].
<b>Timeline</b>	Final agreements about the participation of EIT Health and Invest Health shall be signed by [●]. First payout shall be [●].
<b>Confidentiality</b>	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.
<b>Definitive Agreements</b>	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.
<b>Governing Law</b>	The definitive documentation relating to the participation of EIT Health and Invest Health shall be governed by the laws of [the country in which the Company is incorporated].
<b>Binding Effect</b>	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

**Founder 1**

**Founder 2**

Place,

Date: Place,

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Date: -----



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Name: Name:

**Founder 3**

Place, Date:

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Name:

**EIT Health SI GmbH**

Place, Date: Place,

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Date:-----

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Name: Kurt Höller

Name: Jean-Marc Bourez

Position: Mananging Director

Position: Mananging Director

**EIT Health e.V**

Place, Date: Place, Date:

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Name: Jan-Philipp Beck

Position: CEO

Name: Hans-Peter Lauffs

Position: COO



Funded by the  
European Union