

Term Sheet

Regarding the proposed investment in
[Start-up B.V.] (the “Company”)

This Term Sheet explains the main terms in the proposed investment in the Company. All sections of this Term Sheet are non-binding with the exception of the section “Binding conditions”. No legally binding obligations or rights are obtained until signing of the Shareholders’ Agreement.

Investment

Arches Capital (Cooperative Arches Capital U.A.) is looking to invest € [●] in an equity deal with a post-money valuation of € [●] according to the capitalization table found in (attached) Schedule 1.

Arches Capital rights

In return for the significant minority share interest Arches Capital expects to have the following rights attached to its shares:

1. **One-Tier Board:** the Company will establish an informal one-tier board. [Founder A], [Founder B] and [Arches Capital Lead investor] will reside on the board.
2. **Shareholders Agreement (SHA):** The shareholders’ agreement will contain standard venture capital clauses that needs to be signed by all shareholders, including, but not limited to:
 - The right of Arches Capital to participate in following financing rounds of the Company.
 - In the event of an Exit, at the option of the Investors, if the exit is below 3x times the post-money valuation, a (participating) preference of 1x the Investment, the remainder pro rata to be divided between all shareholders. If the exit is above 3x times the post-money valuation, no preference applies, and proceeds are divided pro rata among shareholders.
 - Broad-based Weighted Average anti-dilution rights in case of a future down-round.
 - Tag along and drag along rights.
 - Good leaver / Bad leaver including reverse-vesting for founders and key personnel.
 - Approval from Arches Capital and/or Qualified Majority for certain decisions, including, but not limited to:
 - a. changes to rights attached to Arches Capital shares;
 - b. budget;
 - c. expenditure thresholds;
 - d. key personnel.
 - The right to receive information.
3. **Representations and Warranties:** limited representations and warranties from the current shareholders of the Company will be given.

Conditions precedent

Before the investment is executed, agreements are signed and money is transferred, basic due diligence needs to be done on the company and also on you, the founders. Furthermore, we need to agree on the business and financial plan (that will be attached to this Term Sheet and further documentation for investment). Other prerequisites and topics that need to be covered for closing:

1. There are no (expected) material changes in market conditions.
2. Approval is given by the Investment Committee of Arches Capital.
3. Company and Arches Capital have agreement on Shareholders Agreement (SHA) and Investment Agreement (IA)
4. No debts other than the EUR debt to at terms documented in the attachment and with the exception of accounts payable in the ordinary course of business.
5. All IP related to the Company will be owned by (and if necessary, transferred to) the Company prior to closing.
6. Management agreements of founders and key personnel must contain clauses on IP transfer, non-solicitation and non-compete; unless agreed otherwise the founders will be fully dedicated to the Company only and allocate substantially of their time to the Company.

Timeline

We expect that within 4 weeks after signing this Term Sheet, we will share the results of the limited due diligence conducted and draft documents for the shareholders agreement, articles of association and other related documents.

We strive to close this transaction before [●].

Binding conditions

Costs

All reasonable third-party fees and expenses made by Arches Capital in the finalization of the Transaction will be invoiced directly to the Company:

- If the transaction does not materialize a maximum of EUR 5.000 will be invoiced.
- If the transaction does materialize a maximum of EUR 15.000 will be invoiced.

Neither the Company nor any person or entity acting on behalf of the Company has agreed to pay a commission, finder's fee or similar payment in connection with the Transaction or any matter related hereto to any person or entity.

Exclusivity

Arches Capital and Company are bound to an exclusivity period. The exclusivity period for this Term Sheet will last from the Company's signing date (see signature page) until the [●]. During this period, the Company will not seek other investment opportunities, refrain from meetings or entering negotiations with other investors, or share any documents (legal, financial, business, or otherwise) about the Company, Arches Capital or this current investment opportunity, without the explicit prior consent of Arches Capital.

If the Company receives any offers, solicitations, information requests, or otherwise, Arches Capital will be informed immediately and Company will forward any materials (such as emails, letters, or documents).

Confidentiality

This Term Sheet and the negotiation process with Arches Capital are confidential and may not be disclosed to any third party, without explicit prior consent from Arches Capital. An exception is made for the existing shareholders and the Company's directors, senior executive officers, advisors and legal counsel: in this case Arches Capital will be informed of the disclosure and these third parties will be informed and bound by the Company to full confidentiality and embargo.

No angel investors (members) of Arches Capital are to be contacted directly by the Company.

The confidentiality period will last for two years after date of signing by the Company.

Applicable Law

This Term Sheet is governed by Dutch law.

If you agree with this Term Sheet, please confirm by signing before . If you do not sign this Term Sheet before that date, this offer is withdrawn, and the Term Sheet will be invalid.

Confirmed and agreed on behalf of the Company and its shareholders

Date: _____

Date: _____

Company

Arches Capital

Signature

Signature

Full Name

Full Name

Title

Title

Schedule 1: Capitalization Table
Schedule 2: Budget and Business Plan