**CONVERTIBLE LOAN TERM SHEET DATED [**⚫**]**

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| **Company** | [name], ID No.: [⚫], with its registered office at [⚫]. |
| **Founder[s]** | Following founder[s] and current shareholder[s] of the Company: [insert]. |
| **Investor** | [name], ID No.: [⚫], with its registered office at [⚫]. |
| **Loan** | Convertible loan by the Investor in amount of [CZK/EUR] [insert amount] payable to the Company within [10] days after the conclusion of the Convertible Loan Agreement. |
| **Purpose** | The Loan will be used only for the developing the Company’s business. |
| **Convertible Loan Agreement** | The Loan will be provided under a convertible loan agreement reflecting this term sheet to be concluded between the Company, the Founder[s] and the Investor [based on the Czech Startup Documentation]. |
| **Discount Rate** | [insert decimal number calculated as follows: [100 minus (agreed discount)]/100, i.e. 20% agreed discount amounts to the Discount Rate of 0.8] |
| **Interest Rate** | A simple interest at the rate of [insert]% per annum. |
| **Maturity Date and Repayment** | [insert maturity date]No early prepayment without the consent of the Investor.The Convertible Loan Agreement will include customary list of events of default upon which the Investor will be entitled to declare the Conversion Amount [plus sanction interest rate of ⚫] immediately payable. |
| **Qualified Financing** | any new equity financing [round] amounting to at least EUR [⚫] |
| **Valuation Cap** | EUR [insert] |
| **Valuation Floor** | EUR [insert] |
| **Conversion Share** | the shareholding (in Czech *podíl*) in the Company which the Investor shall receive as a result of the Conversion, the size of which shall be determined as a portion of the Total Shares (i.e. on a fully diluted basis) calculated as follows:*Conversion Share (in percentages) = Conversion Amount/Qualified Valuation or Valuation Floor (as applicable)x100;* |
| **Conversion at Qualified Financing** | Upon the closing of the **Qualified Financing**, the outstanding principal amount of the Loan with accrued interest (the **Conversion Amount**) shall be converted concurrently with the completion of the Qualified Financing at the valuation of the Company set as the lower of: **(a)** a post-money valuation of the Company upon the Qualified Financing applying the Discount Rate calculated as follows: “(*Qualified Investment / Qualified Share) \* (Discount Rate)*”; or **(b)** Valuation Cap (the **Qualified Valuation**), where:*Qualified Investment* means the total proceeds provided or unconditionally committed to the Company by the new investor(s) within the Qualified Financing; and*Qualified Share* means the total shareholding in the Company acquired by the new investor(s) within the Qualified Financing in the form of a decimal number (e.g. 10% being 0.1). |
| **Conversion at Liquidity Event** | If any Liquidity Event occurs before any Qualified Financing or the Maturity Date, the Investor will be entitled to request that:the Conversion Amount will be converted concurrently with the completion of the Liquidity Event into the Conversion Share at the valuation of the Company set as the Valuation Floor; orthe Conversion Amount will become immediately payable; orneither of the option above will apply and the Loan will continue as unaffected.*Liquidity Event* means voluntary dissolution of the Company with liquidation, change of control of the Company, transfer of an enterprise of the Company or any material part of it, transfer or disposal of all or substantially all of the assets of the Company beyond ordinary course of business, or IPO. |
| **Maturity Date conversion or repayment** | If the Maturity Date occurs before any Qualified Financing or any Liquidity Event, the Investor will be entitled to request that:* + 1. the Conversion Amount will be converted on the Maturity Date into the Conversion Share at the valuation of the Company set as the Valuation Floor; or

the Conversion Amount will become immediately payable. |
| **Information rights** | [On a pari passu basis with the current shareholders] OR [The Company will deliver to the Investor: (a) monthly reports about financials, KPIs and other metrics in the format approved by the Investor, within 15 days of the end of each month; (b) annual financial statements - within three months of the end of each financial year or within six months of the end of each financial year in case of audited financial statements, and (c) information on events and circumstances that may have a material adverse effect on the business specifying actions taken or proposed by the Company - as soon as possible]. |
| **[Most Favoured Nation]** | [The Convertible Loan Agreement will include the most favoured nation clause for the benefit of the Investor in respect of any subsequent convertible loan agreement or convertible notes, bonds or similar instruments (other than ESOP) entered or issued by the Company at any time prior to the conversion or repayment of the Conversion Amount.] |
| **[Other Investor rights]** | [For instance, *pro rata* participation rights or other investor rights] |
| **Warranties** | The Convertible Loan Agreement will include representations and warranties provided by the Company and the Founder[s] customary for the size and industry of the Company and the Loan. |
| **Closing conditions and estimated signing** | Customary conditions to closing, including satisfactory due diligence by the Investor shall be completed. Estimated signing date is [30] days after signing this term sheet. |
| **Documentation** | Definitive agreements will be based on the model convertible loan agreement published by the initiative “Czech Startup Documentation”. The first draft of the Convertible Loan Agreement will be prepared by [the Company/the Investor]. |
| **Confidentiality** | The Company and the Investor agree to treat this term sheet and information related to its content confidentially and not to distribute or disclose its existence or contents to any other persons without the prior consent of the other party, except as required to its shareholders and professional advisors. |
| **Costs** | [Each of the Investor, Founder[s] and the Company shall bear its own costs incurred in respect of the conclusion of this term sheet and the Convertible Loan Agreement. / The Company and the Founder[s] shall bear its own costs incurred in respect of the conclusion of this term sheet and the Convertible Loan Agreement and the Company shall reimburse the Investor after the provision of the Loan reasonable legal fees and costs incurred by the Investor in respect of the conclusion of this term sheet and the Convertible Loan Agreement up to a maximum aggregate amount of [EUR/CZK ⚫]]. |
| **Non-binding effect** | This term sheet is intended solely as a basis for further discussion and does not constitute legally binding obligations except for the terms “**Confidentiality**”, “**Costs**” and “**Governing law and disputes**” which are intended to be legally binding on the Company, the Founder[s], and the Investor. |
| **Governing law and disputes** | This term sheet and the Convertible Loan Agreement shall be governed and construed in accordance with the laws of the Czech Republic. Any dispute arising out of this term sheet and the Convertible Loan Agreement will be finally decided by the Czech courts. |