FunderNation

Investment and Pooling Contract – Summary

This summary should help understand and navigate the investment and the pooling contract. Reading this summary does not substitute reading and understanding the complete agreement. Before making an investment, we highly recommend going through the agreements in their entirety. This is simply a convenience translation and not legally binding. The German "investment agreement" is prevailing.

	What does the contract say	What does this mean for the investor
Type of investment	Subordinated loan	1. The investor provides a loan, he does not become a shareholder of the company. The investor has the rights of a lender, but no shareholder rights. 2. The loan is subordinated, which means in case of insolvency of the company the investment is treated similar to equity (subordinated to all other creditors). 3. The investor participates in the successful development of the company. The investor does not share in the losses of the business. 4. Since this is a loan agreement, there is no obligation for the funder to make additional capital contributions.
Conditions for the closing of the contract	1. **Condition precedent:** payment of the investment amount by the investor 2. **Dissolving condition:** The company does not reach the funding threshold	1. The contract is only valid after the investor has paid in the investment. 2. The contract is automatically dissolved if the company does not reach the funding threshold in the timeframe chosen. In this case, the company will reimburse all investments made and paid.
Payment	Payment is due to the crowd investing bank account of the company immediately after making the investment. Until the successful completion of fundraising, the company needs an approval from FunderNation to utilize the proceeds.	The approval requirement ensures that the company pays back investments in full to the investors in case the funding threshold has not been reached.
Term of the investment	5 years	During the term of the investment, the contract can only be cancelled with cause.

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Payback	The loan will be paid back at the end of the term. Payment will be in 12 monthly installments.	The payback starts upon completing the 5th year of the term. At the end of the 6th year the investment is fully paid back to the investor. Prior to that date the investment amount is illiquid for the investor, an early termination is not possible.
Subordination	The contract includes a qualified subordination clause.	1. If interest payment or payback to an investor would lead to insolvency of the company, the investor cannot claim the interest payment or payback 2. In case of insolvency, payments to investors are subordinated behind payments to creditors of the company.
Interest	**1. Interest during the term of the investment:** Success based interest – annual profit multiplied with the investment share of the investor. A negative success-based interest is not possible.	1. If the company develops successfully and reaches an annual profit, the investor participates in this success and receives a share of the profit.
	2. Interest at the end of the term: Bonus interest– in case of increase of the enterprise value of the company, the investor gets a share of the value increase based on his investment share. The enterprise value is either determined by a recent transaction or the revenue of the previous year. A negative bonus interest is not possible.	2. If the company develops successfully, but no exit took place until the end of the investment term (after 5 years) the investor participates in the increase of the enterprise value with the bonus interest.
	3. Interest at exit: Exit interest – the net earnings in case of exit will be multiplied with the investment share. A negative exit interest is not possible.	3. In case of exit the loan will be paid back to the investor. To 100% in case of 100% exit or based on the exit quota. Additionally, the investor receives his share of the net earnings of the exit, based on his investment share.
Investment share	The investment share is the quota of the amount invested in relation to the enterprise value (at time of investment).	The investment share stipulates the investor's share in the success-based interest, bonus interest and exit interest.

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Investment share (continued)		Example: If the enterprise value amounts to EUR 1 million and the investor invests EUR 1.000, the investment share of this investor equals 0.1%.
Exit	1. Exit means, more than 50% of the shares of the company or more than 50% of its assets are being sold. 2. In case more than 75% of share or assets are sold, the acquirer has the right to take over 100% of the investment, against payment of a take-over bonus.	1. If less than 50% of shares or assets are sold, the subordinated loan remains in force. The investor has no right to receive an exit interest and payback. 2. In this case, the investor has a full exit, even though only 75% of the company has been sold. If the acquirer chooses this option, he will have to acquire the remaining 25% for the same valuation as he paid for the 75%.
Exit quota	The percentage of shares or assets that are being acquired.	A partial exit is possible. In this case, the investor receives payback and exit interest according to the exit quota. The remaining share of the loan will remain in force.
Dilution protection	The company has the right to raise additional capital for further growth. This could take the form of equity or loans. **Anti-dilution in case of capital increase:** The investor is only protected against dilution if the new shares are issued to existing shareholders (or related persons) and the share increase is dilutive to penalize existing investors. **Anti-dilution in case of employee stock options:** An investor is protected against dilution if an employee stock option programs exceeds 10% of the capital of the company. **Anti-Dilution in case of crowd investing:** The investor has no dilution protection in case of further crowd investments.	Dilution means, that the investment share and the exit share get reduced. The investor participation in the annual profit respectively net earnings from an exit decrease with increasing dilution. An investor is protected from dilution in case the new shares are being issued solely to dilute existing shareholders or investors. In this case, the investment share and exit quota will remain unchanged.

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Pooling agreement	The investor signs a pooling agreement with FunderNation Support UG (limited liability). In case future investors in the company propose to pay back the subordinated loan before the end of its term, or the company proposes to change the loan contract for the subordinated loan, FunderNation Support UG (limited liability) will coordinate communication between company and investors and voting among the investors of the subordinated loan.	1. The coordination by FunderNation supports the interaction between the company and its investors and facilitates reporting. This provides best possible transparency by ensuring that all investors receive the same information at the same time. 2. FunderNation Support UG (limited liability) is the central point of contact for both investors and the company. 3. Possible changes to the crowd investment agreement will be coordinated and facilitated based on the pooling agreement. The pooling agreement is a key prerequisite for Venture Capital investors when considering an investment in the company.
Cancellation	The loan cannot be cancelled before the end of the term of the investment.	Only cancellation for cause is possible.
Right of rescission	According to German consumer protection law, the investment can be rescinded within 14 days after signing of the investment agreement. (Also see paragraph 15 of the investment agreement.)	In case of valid rescission, the amount invested will be returned to the investor.
Risks	An investment in a company carries numerous risks. The success of the undertaking cannot be guaranteed. FunderNation does not consult or advise the investor and is not responsible for the development of the companies on FunderNation. The investment decision rests solely with the investor.	The investment risk can result in a full loss of the investment. A single investment should therefore only be a small part of the total asset allocation of an investor. For the same reason, an investment should not be leveraged. Further details to the risks related to investments can be found in paragraph 14 of the investment agreement and on www.FunderNation.eu "Risikohinweise".

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Information rights	The company has to provide the following to each investor: - information regarding interest payments: on 31. January of each year - annual statement: on 15. Mai of each year	The investor is a lender, not a shareholder in the company. Therefore the investor does not have voting, control or delegation rights. The company is obliged to provide the investor with the data specified on the left.
Bank account	The investor is obliged to provide FunderNation with a valid bank account (in a EU country) and keep this information up to date during the term of the investment.	The company uses the bank account information of the investor on FunderNation for interest and loan payback payments.
Taxation	If required by law, the company will retain and report dividend tax. If that is the case, the investor will be notified accordingly.	Investors should verify the tax implications of an investment with their tax advisors.