

## example of a Term Sheet

Proposed Acquisition of X,. (“X”)  
Summary of Significant Terms

June ?, 20??

### Terms of the Proposed Transaction

#### Asset Purchase or Share Purchase

The buyer (“Buyer”) will work together with the seller (the “Seller”) (including SELLER and the shareholders of SELLER) in good faith, considering the advice of independent advisors (including accounting, tax and legal), in order to determine the most preferable method to structure a transaction, in which Buyer will purchase either (1) the key assets of SELLER relating to its business (including customer services agreements, consultant agreements, copyrights, trademarks, branding and other intellectual property) (an “Asset Purchase”) or (2) 100% of the equity interests of SELLER (a “Share Purchase”).

#### Valuation

The valuation to be attributed to SELLER shall be (1) 3.25x projected EBITDA of €1.287 million (or €4.2 million) (the “EBITDA Consideration”) plus (2) total current assets less total current liabilities of SELLER as of the closing date as determined in accordance with IFRS (less the amount outstanding under any bank financings, letters of credit, or similar facilities prior the closing date which shall be repaid by the time of the closing) (the “Net Tangible Assets Consideration”); provided, however, that such amounts are subject to adjustment pending the satisfactory completion of due diligence.

#### Consideration

The consideration to be paid is 100% of the valuation amount described above, subject to adjustment as set out below.

#### Payment of EBITDA Consideration

Payment of the EBITDA Consideration amount is to be spread over 3 tranches as follows:

- ★ Tranche 1 amounts to €3.0 million, and is payable in the form of cash at closing.
- ★ Tranche 2 amounts to a guaranteed fixed amount of €330,000 (the “Tranche 2 Fixed Consideration”), plus a variable amount (the “Tranche 2 Variable

Consideration”) depending upon the EBITDA performance of SELLER (or the acquired assets) for the fiscal year ending December 31, 2007 (the “2007 EBITDA Amount”).

The Tranche 2 Fixed Consideration shall be paid in the form of cash.

The Tranche 2 Variable Consideration, which is payable in the form of cash, shall be €300,000 in the event that the 20?? EBITDA Amount shall equal €1.35 million. In the event the 20?? EBITDA Amount is more than €1.35 million, the Tranche 2 Variable Consideration shall increase euro-for-euro in the amount of such excess. In the event that the 20?? EBITDA Amount is less than €1.35 million, the Tranche 2 Variable Consideration shall decrease euro-for-euro in the amount of such shortfall; provided, however, that the Tranche 2 Variable Consideration shall not be less than zero. The amount of the Tranche 3 Variable Consideration is also subject to further adjustment as set forth below under “Adjustment of Variable Consideration Payments”.

For example, in the event that the 20?? EBITDA Amount shall be €1.5 million, then the Tranche 2 Variable Consideration shall equal  $€300,000 + (€1.5 \text{ million} - €1.35 \text{ million}) = €450,000$  (subject to further adjustment as set forth below under “Adjustment of Variable Consideration Payments”). In the event that the 20?? EBITDA Amount shall be €1.05 million, then the Tranche 2 Variable Consideration shall equal  $€300,000 - (€1.35 \text{ million} - €1.05 \text{ million}) = €0$  (subject to further adjustment as set forth below under “Adjustment of Variable Consideration Payments”).

- ★ Tranche 3 amounts to a guaranteed fixed amount of €220,000 (the “Tranche 3 Fixed Consideration”), plus a variable amount (the “Tranche 3 Variable Consideration”) depending upon the EBITDA performance of SELLER (or the acquired assets) for the fiscal year ending December 31, 20?? (the “20?? EBITDA Amount”).

The Tranche 3 Fixed Consideration shall be paid in the form of cash.

The Tranche 3 Variable Consideration, which is payable in the form of cash, shall be €400,000 in the event that the 20?? EBITDA Amount shall equal €1.45 million. In the event the 20?? EBITDA Amount is more than €1.45 million, the Tranche 3 Variable Consideration shall increase euro-for-euro in the amount of such excess. In the event that the 20?? EBITDA Amount is less than €1.45 million, the Tranche 3 Variable Consideration shall decrease euro-for-euro in the amount of such shortfall; provided, however, that the Tranche 3 Variable Consideration shall not be less than zero. The amount of the Tranche 3 Variable Consideration is also subject to further adjustment as set forth below under “Adjustment of Variable Consideration Payments”.

For example, in the event that the 20?? EBITDA Amount shall be €1.7 million, then the Tranche 3 Variable Consideration shall equal  $€400,000 + (€1.7 \text{ million} - €1.45 \text{ million}) = €650,000$  (subject to further adjustment as set forth

below under “Adjustment of Variable Consideration Payments”). In the event that the 20?? EBITDA Amount shall be €1.05 million, then the Tranche 3 Variable Consideration shall equal €400,000 – (€1.45 million - €1.05 million) = €0 (subject to further adjustment as set forth below under “Adjustment of Variable Consideration Payments”).

The definition of EBITDA is to be determined between the parties prior to closing through negotiations.

### **Adjustment of Variable Consideration Payments**

The amount of the Tranche 2 Variable Consideration and Tranche 3 Variable Consideration is subject to adjustment as follows:

- ★ The Tranche 2 Variable Consideration may be reduced in the amount of any losses by Buyer caused by a breach by Sellers of any representations and warranties in the Asset Purchase Agreement/Share Purchase Agreement and the amount of any claim by a third party with respect to a liability associated with the purchased assets/shares arising before the closing date.
- ★ Tranche 3 Variable Consideration may be reduced in the amount of any losses from the breach of any representations and warranties in the Asset Purchase Agreement/Share Purchase Agreement and amount of any claim by a third party with respect to a liability associated with the purchased assets/shares arising before the closing date

### **Payment of Net Tangible Assets Consideration**

At or prior to the closing, the Sellers shall repay or have repaid all amounts outstanding under any bank financings, letters of credit, or similar facilities from the current assets of SELLER.

SELLER shall prepare in accordance with IFRS an unaudited consolidated balance sheet as of the closing date which balance sheet shall include, without limitation, the total current assets (the “Closing Current Assets”) and total current liabilities (the “Closing Current Liabilities”) of SELLER as of such date (which, for the avoidance of doubt, shall reflect the repayment of any such amounts described in the preceding paragraph)

The Net Tangible Assets Consideration shall be paid by the Buyer to the Seller in four equal installment payments in the form of cash. The amount of each such installment payment shall be equal to (Closing Current Assets – Closing Current Liabilities) / 4. The installments shall be paid on the following dates:

- ★ The date 6 months after the closing date
- ★ The date 12 months after the closing date
- ★ The date 18 months after the closing date
- ★ The date 24 months after the closing date

## Conditions Precedent to Making Payment

Prior to making any payment (whether an EBITDA Consideration payment or Net Tangible Assets Consideration installment payment) the following conditions precedent need to be satisfied:

- ★ SELLER and/or each of the Sellers are in compliance with the provisions of the Asset Purchase Agreement/Share Purchase Agreement.
- ★ The SELLER principal X shall be in material compliance with the terms of his employment agreement.
- ★ Other conditions precedent to be determined subject to negotiation among the parties

## Bank Accounts

New bank accounts will be opened which the Buyer will control, and at closing SELLER will give notice to customers that all monies due from such customers will be deposited in the new account.

In addition, immediately after closing SELLER will change the signatories on all existing SELLER accounts to include X or another person designated by the Buyer who will be required to approve any movement of funds from these accounts

## Executive Authority

X shall be granted the executive authority to manage the SELLER customer contracts and employees during the continuation of his employment under the terms of his employment agreement.

## Terms of the Employment Agreements

### Employment Agreements

The following employment agreements are contemplated:

- ★ An agreement with X to have the executive authority to manage the SELLER customer contracts and employees of SELLER which shall have a term of six months from the closing date.
- ★ An agreement with Y to be a vice president with responsibility for the overall operations of SELLER, including administration and finance, which shall have a term of twelve months from the closing date with an option by the Buyer to renew for a second period of twelve months.
- ★ An agreement with Z to have responsibility over the day-to-day operation issues involving the employees of SELLER which shall have a term of twelve months from the closing date with an option by the Buyer to renew for a second period of twelve months.

The form of employment agreement shall be based off of the standard form of Buyer's employment agreement for senior employees modified upon such terms as may be mutually agreeable to the parties.

For the avoidance of doubt, the failure by the Buyer to renew the employment agreements with either X or Y for the second period of twelve months shall not affect the making of any EBITDA Consideration payment or Net Tangible Assets Consideration installment payment by the Buyer

### **Compensation**

Under the employment agreement, X shall receive a salary of €125,000 In addition, Mr. X is eligible to receive whatever amount may be due to him as a result of the purchase of SELLER by Buyer.

### **Annual Leave**

To be negotiated among the parties

### **Termination by Notice**

The employer may terminate the employment agreements by notice upon 3 months advance written notice. For the avoidance of doubt, the termination by the employer of an employment agreement by notice shall not affect the making of any EBITDA Consideration payment or Net Tangible Assets Consideration installment payment by the Buyer

### **Non-competition**

Each of Mr. X, Ms. Y and Ms. Z agree to comply with the standard form non-competition clause for a period of 2 years following termination.

### **Governing Law**

