



Synch Incentive

- an offer by **Synch**

INTRODUCTION

Incentive programmes for key employees and senior executives are often expensive, complex and time consuming to produce. Synch offers a standardised product for a warrant-based incentive programme at a fixed price, including valuation of the warrants and a tax statement regarding the programme. This is our product “Synch Incentive”.

1. DIFFERENT TYPES OF INCENTIVE PROGRAMMES

There are many different types of incentive programmes for employees. Some of the most frequently implemented programmes are cash bonuses, synthetic options, employee stock options and security-based warrant programmes. While some will only provide the participant with a cash compensation, others will provide the participant with actual ownership in the company. Another important difference is the way the incentive programmes are taxed.

Synch Incentive is designed to be a security-based programme from a tax perspective, meaning that the participant will acquire a warrant (Sw: *teckningsoption*) at market value, which entitles him/her to subscribe for a share in the company at a later point in time, at a predefined strike price. If correctly implemented, neither the acquisition of the warrant nor the subscription of the share will have any tax effects on the participant or the issuer/company. At the later disposal of the share by the participant, any profit will be taxed as capital gains, and any loss will be deductible as a capital loss. Other types of incentive programmes or incorrectly implemented security-based warrant programmes, can render participants gains to be taxed as salary.

2. STEP-PLAN/DOCUMENTATION

Synch Incentive include the following steps and documentation.

No	Documentation	Description
1.	Engagement Letter (Synch)	Synch will provide the company with an engagement letter regarding Synch Incentive.
2.	Term Sheet (Synch and the company)	As soon as Synch has received a signed engagement letter, the company will be provided with a term sheet regarding the proposed terms of the warrant programme for the company to fill in. It can be noted that information regarding the warrant price cannot be filled in until the warrant valuation report (please see item 3 below) has been issued. At the same time, Synch will provide you with the invoice for Synch Incentive.



<p>3. Warrant Valuation Report (Valuation partner)</p>	<p>When the company has completed the term sheet, our valuation partner will perform a warrant valuation. The company will thereafter be provided with a warrant valuation report. Normally this takes around 1-2 weeks. During the valuation period, the valuation partner may require certain information from the company (for example cap table, warrant terms, benchmark companies and information about the valuation in the latest financing round). Please note that no valuation of the company or its shares will be made by Synch nor Synch's valuation partner, this is for the company to provide.</p>
<p>4. Template Grant and Subscription Notice (Synch)</p>	<p>Based on the completed term sheet, Synch will produce and provide the company with a template of the Grant and Subscription Notice (which includes, <i>inter alia</i>, a warrant holder agreement and warrant terms and conditions).</p>
<p>5. Tax Assessment (Valuation partner)</p>	<p>When the company has confirmed and approved the template Grant and Subscription Notice, the company will be provided with a tax assessment regarding the programme. Normally this is done within one (1) week.</p>
<p>6. Issue Decision (Synch and the company)</p>	<p>Synch will provide the company with documentation for the resolution to issue the warrants. The issue resolution could either be taken by the board of directors or by the shareholders as set out below.</p> <ul style="list-style-type: none"> • The board of directors under an authorisation by the general meeting (not possible for public companies). • The board of directors subject to subsequent approval by the general meeting. • The shareholders on a physical general meeting (requires that the notice requirement set out in the articles of association of the company is being observed). • The shareholders on a general meeting per capsulam (requires that all shareholders sign the minutes from the general meeting or that one person is authorised to sign on behalf of all shareholders by power of attorney).
<p>7. Individualised Grant and Subscription Notices (Synch)</p>	<p>Synch will provide the Company with individualised Grant and Subscription Notices to be signed by the company and each of the warrant holders.</p>
<p>8. Miscellaneous documentation (Synch)</p>	<p>As soon as the Grant and Subscription Notices have been signed and the subscription price for the warrants have been paid, Synch will provide the company with the following documents:</p> <ul style="list-style-type: none"> • Draft board meeting minutes regarding the allotment of warrants;



- Registration form to the Swedish Companies Registration Office (Sw. *Bolagsverket*); and
- Individualised warrant certificates (to be signed by the board of directors and kept in original by the company as pledge to secure the company's rights under the warrant holder agreement).

9. Registration
(Synch)

After having received (i) the registration form in original, (ii) confirmation of payment of the subscription price, and (iii) a copy of the issue decision, Synch will complete the registration with the Swedish Companies Registration Office (Sw. *Bolagsverket*).

3. FEES AND INVOICING

Synch's standard fixed prices for Synch Incentive are set out below (the standard fixed prices require that no major deviations are made from the standard terms). It can be noted that our fixed prices include the warrant valuation as well as the tax assessment by our valuation partner. Any other external costs (e.g. registration fee to the Swedish Companies Registration Office) are not included in our fixed prices.

- **Basic Synch Incentive (only common shares in the company):**
SEK 65,000 (exclusive of VAT) for programmes with up to 10 participants.
- **Advanced Synch Incentive (preference shares or other complicated share structure):**
indicatively SEK 90,000 (exclusive of VAT), subject to type of preference share structure or other first needs to be assessed.

Synch will invoice the company for Synch Incentive in advance in connection with providing the Term Sheet (item 2 of the step-plan above). Any external costs and/or major deviations made from the standard terms causing extra costs, will be invoiced in connection with the registration of the Warrant Programme with the Swedish Companies Registration Office (Sw. *Bolagsverket*).

Please note that if the process takes longer than 4 weeks, and this is due to circumstances within the control of the client, additional charges may apply. Please note that the warrant valuation performed by Synch's valuation partner will be valid for approximately three months maximum.

