LIECHTENSTEIN VENTURE COOPERATIVE

FORMATION DOCUMENT TEMPLATE

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CONTRIBUTION REGULATIONS

of

{Name} Cooperative, (hereinafter referred to as "**LVC**")

In accordance with Art. 3 (1), Art. 4 (2), Art. 12 k) and Art. 20 of the Statutes, the members have adopted the following Contribution Regulations:

Any references to one gender in this document automatically applies to the other gender as well.

1. Definitions

Concept phase	This phase extends from the preliminary idea to the concept which encompasses both the product or service concept and also the market potential and a rough business case. The concept is based on applications that are verified in the proof-of-concept phase as far as possible.
Proof-of-concept phase	In this phase, the assumptions underlying the concept are verified. This includes prototypes and preliminary market acceptance tests for example.
Implementation phase	In this phase the product is readied for the market and the company established in order to prepare for market entry.
Market launch	Customers are actively sought and the product/service sold in the market launch phase. In the market launch phase the existence of a market for the innovation is proved.
Growth phase	This phase commences with the proof that the business idea is viable and has been implemented correctly, and ends when the sales targets are reached.

2. Underlying principle

The members of the LVC pursue the joint goal of successfully developing an innovation for market launch. The LVC is used as a structure for facilitating the financial participation as well as the contribution of expertise, work and the like in the development of the innovation and to ensure fair treatment of all parties involved.

These Contribution Regulations are based on three principles:

a) *Protection of the innovator*
The innovator contributes the innovation to the LVC on condition that he can make a significant contribution to the decision-making during the development of the innovation and – assuming that the idea proves to be profitable – that he will receive a reasonable share of the profits.

b) *Allowance for risk arising in the early phases*
The investors (work and capital) in the early phases are exposed to a far greater risk of the idea being a commercial failure. Fair compensation must be paid for this risk.

c) *Protection of the investment in later phases*
The investors in each phase hold a share in the LVC on condition that the expected returns are achieved. If the innovation proves to be far less valuable than planned, the investors in the later phases are protected by an appropriate entitlement under the "liquidation preference" model.

These Contribution Regulations set out transparent rules to determine the share attributable to the idea, the work performed and the capital invested.

3. Contribution of the idea

The contribution of the idea is compensated with {50%} of the total shares (units) in the innovation plus {100} membership points. If there are multiple innovators or founders, this share is split up between them.

4. Contribution of work, capital and other assets

The remaining shares in the innovation are assigned to the providers of the investments required to develop the innovation. The following types of input may be contributed to the LVC:

- Work performed
- Waiver of salaries by employees
- Provision of capital
- Provision of infrastructure
- Provision of tangible assets
- Provision of contacts and access to networks

These investments by the members are remunerated by means of points (membership points). This not only takes account of the nominal value of the input but also the time factor and the risk arising in the individual phases of the innovation process.

In the absence of any agreement to the contrary, the remuneration per hour of work is {CHF 60}. The work to be performed by the individual members must be defined, recorded in writing and signed by the Chairman of the LVC. If any of the LVC employees waive part of their salary, they can apply this towards the work which they contribute to the LVC.

The contribution of non-tangible assets such as access to important persons, a sales network or long-standing expertise which helps to reduce the resources required for the development of the innovation can be remunerated in the form of a certain number of member points in the phase in question.

The rules apply to the determination of the member points in order to take due account of the risks arising in the early phase:

a) *Member points in the concept phase*
The member points are calculated by multiplying the nominal value with the factor {104}.

b) *Member points in the proof-of-concept phase*
The member points are calculated by multiplying the nominal value with the factor {31}.

c) *Member points in the implementation phase*

The member points are calculated by multiplying the nominal value with the factor {6}.

d) *Member points in the market launch phase*
The member points are calculated by multiplying the nominal value with the factor {5}.

e) *Member points in the growth phase*
The member points are calculated by multiplying the nominal value with the factor 1.

5. Liquidation preference model

If the shares in the LVC are sold or the sales proceeds distributed, all members of the LVC who have invested in a later, recent phase in any form receive a 100% advance on their nominal investment before the investors of the phase in question and the investors from the earlier phases receive any remuneration for their units under Section 6. The proceeds are distributed in accordance with the LVC Code of Conduct dated 23 February 2016 (Version 2.0). This guidance should be consulted in the event of any uncertainty.

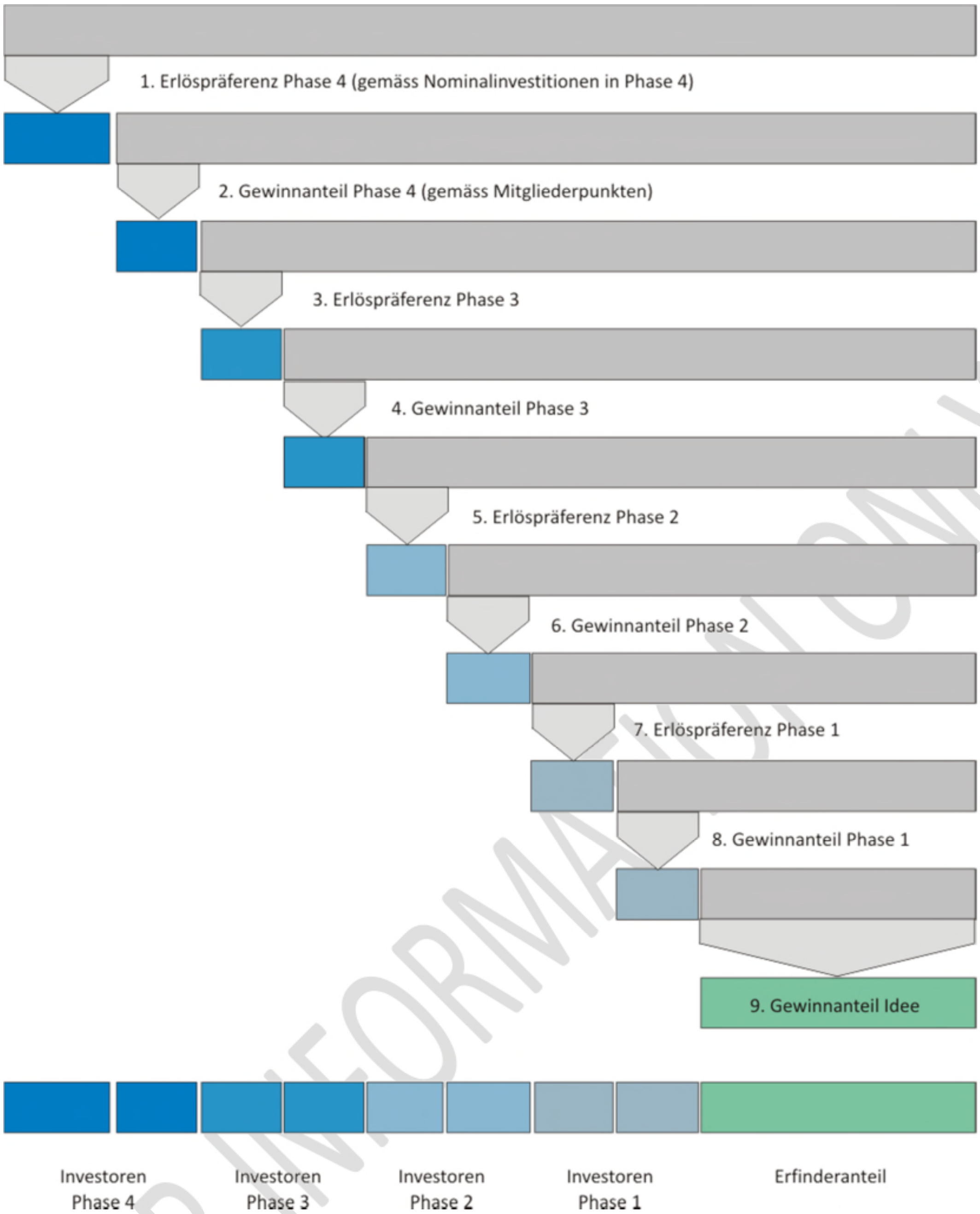
6. Shares in profit

6.1 Calculation of shares in profit

The calculation of profit entitlement comprises two elements: the shares accruing to the innovator and the sum total of all member points. The sum total of all member points is 100% minus the share accruing to the innovator (this is the *share of all member points*). The profit entitlement accruing to a cooperative member is calculated on the basis of the ratio of his member points to the total number of member points, multiplied by the share of all member points.

<u>Example:</u> If the innovator's shares stands at 50%, the share of all investor points is also 50%. A cooperative shareholder with a share of 20% of the member points is entitled to 10% of the profit from the innovation.

The proceeds are applied using the cascade method in connection with the above rules, i.e. the investors in the later phases are the first to be remunerated:


1. Erlöspräferenz Phase 4 (gemäss Nominalinvestitionen in Phase 4)
2. Gewinnanteil Phase 4 (gemäss Mitgliederpunkten)
3. Erlöspräferenz Phase 3
4. Gewinnanteil Phase 3
5. Erlöspräferenz Phase 2
6. Gewinnanteil Phase 2
7. Erlöspräferenz Phase 1
8. Gewinnanteil Phase 1
9. Gewinnanteil Idee
Investoren Phase 4
Investoren Phase 3
Investoren Phase 2
Investoren Phase 1
Erfinderanteil

6.2 Sale of the innovation

Step 1:
The cooperative members who have invested in Phase 4 receive 100% of their investment under the "liquidation preference" model.

Step 2:
The balance is paid out to the Phase 4 investors according to the allocation of the profit entitlement (Section 6). This takes full account of these investments.

Step 3:
Cooperative members who have invested in Phase 3 receive 100% liquidation preference of their nominal investment, with respect to the shares in the earlier investments.

Step 4:
The balance is paid out to the Phase 3 investors according to the allocation of the profit entitlement (Section 6.1). Here the Phase 4 investments are no longer included in the calculation of the profit entitlement.

Steps 3 and 4 are then repeated until the Phase 1 investments are paid out. The excess profit then finally accrues to the innovator.

6.3 Share in operating profit and distributions

If the cooperative members continue to operate the innovation in the form of a company, the following rules must be observed for conversion of the legal form:

Step 1:
The shareholders who have invested in Phase 4 receive 100% of the distributions made by the company until they have recovered 100% of their investment.

Step 2:
With respect to distributions beyond this, Phase 4 investors permanently receive a share of the profit equalling their profit entitlement (in accordance with Section 6.1).

Step 3:

Of the excess distributions, the Phase 3 investors receive a liquidation preference until they have recouped 100% of their nominal investments.

Steps 2 and 3 are repeated until all investments have been repaid. Thereafter, the distributions equal the profit entitlements set out in Section 6.1.

7. Amendments and additions

If necessary, these Contribution Regulations must be adjusted to allow for any changes in the prevailing circumstances, and further provisions added to reflect the progress made in developing the innovation.

{Place}, {Date}

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{Name}, Chairman