

**Hughes
Hubbard
& Reed**

How to Attract Foreign Direct Investment

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Warsaw, Poland

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Cross-Border Investment Basics

- VC and other foreign investors consider a variety of factors (e.g., market size, investor protections, regulatory climate)

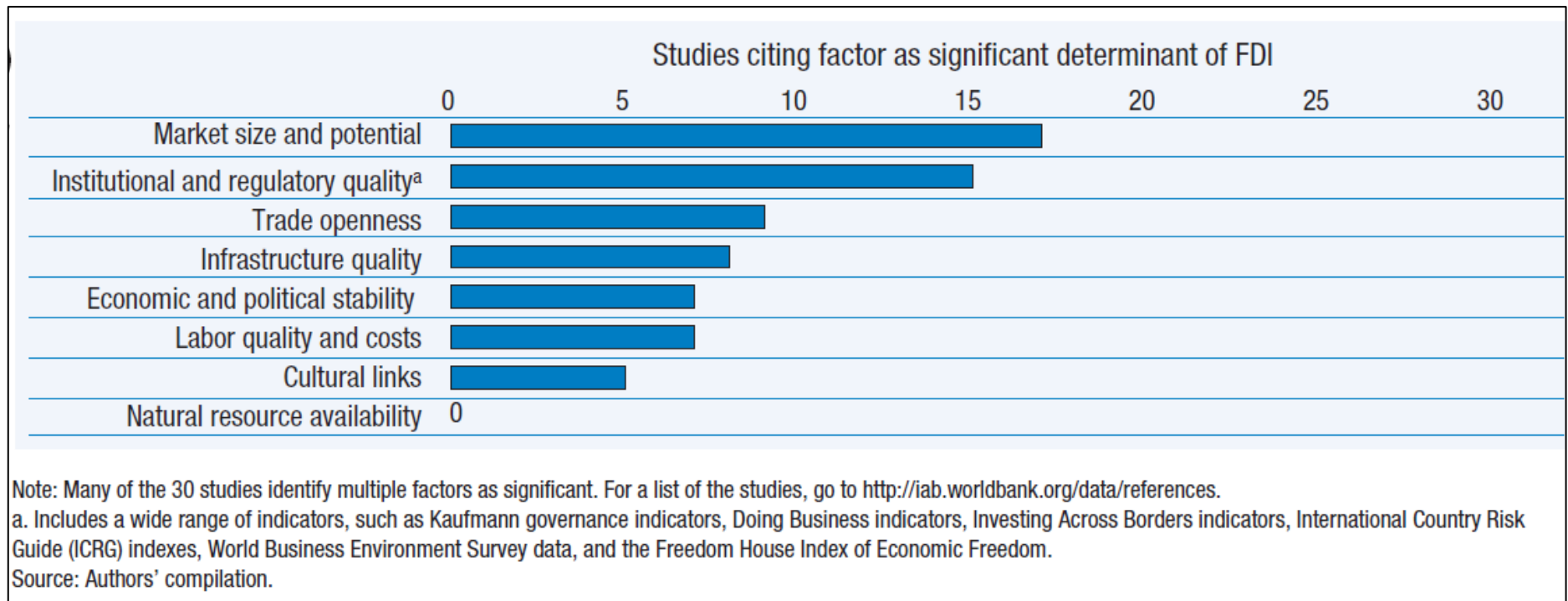
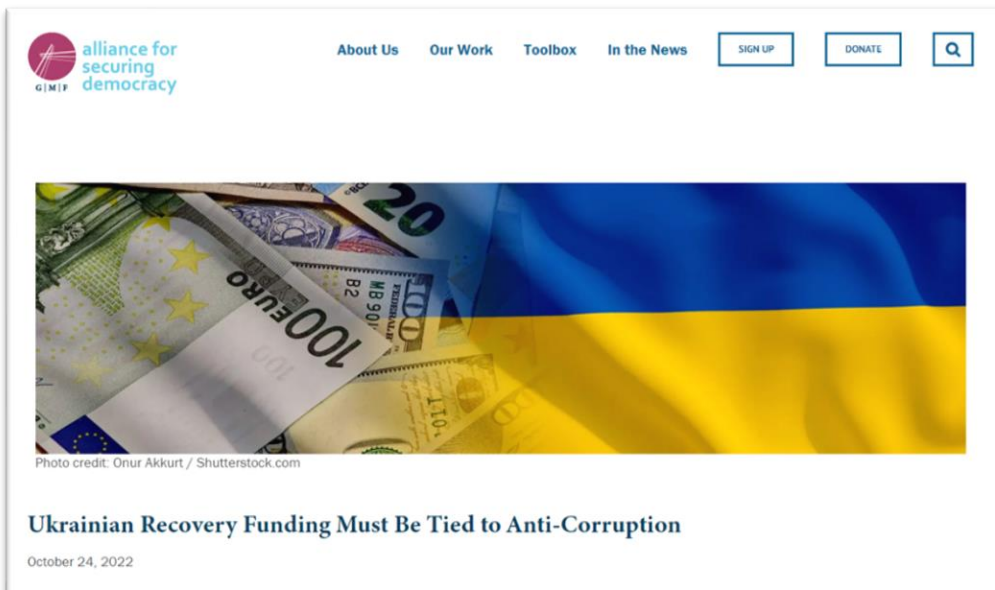


Chart: Kusi Hornberger, Joseph Battat, and Peter Kusek, *Attracting FDI: How Much Does Investment Climate Matter?* (Aug. 2011)

Anti-Corruption Attracts Investment (and Good Investment)

- Reducing corruption can attract more investment
- Reducing corruption might can also promote “gravitation” towards investors from countries with less corruption
 - Anti-corruption can help to fight against a post-war return of Russian economic interests
- Western governments’ and investors expectation



Maximize Attractiveness to Investors

- Municipalities and companies can do several things to make themselves more attractive to Western investment—
 - Increasing rates of return
 - Increasing project governance
 - Increasing investors' protection against a devaluation of their investment
 - Increasing investors ability to ensure the implementation of internal accounting controls and other measures (e.g., anti-corruption controls and trade sanctions compliance)
- Specific measures will vary for debt or equity investments
 - **Debt:** Seniority to other debt; mandatory prepayment terms
 - **Equity:** Liquidation preferences, anti-dilution protections, voting rights, board appointees or observers, drag-along rights

Sample Term Sheets Available

[SAMPLE]

SUMMARY OF PROPOSED TERMS AND CONDITIONS

Nothing contained in this non-binding Term Sheet is or is intended to be a commitment to provide or arrange all or any portion of the financing described herein. Outlined below are some of the material terms and conditions that Lender is considering for these transactions based on current market conditions. These terms and conditions are intended for discussion purposes only. The actual terms and conditions upon which Lender will provide financing are subject to completion of due diligence, Lender's Investment Committee approval and the drafting, completion, and execution of definitive financing agreements.

SENIOR SECURED CREDIT FACILITY

Borrower:	[•] (the "Borrower").
Credit Facility:	\$[•] million Credit Facility (the "Credit Facility") consisting of: <ul style="list-style-type: none"> (i) \$[•] million Revolver (the "Revolver"), and (ii) \$[•] million Term Loan (the "Term Loan").
Lender:	[•]
Use of Proceeds:	Proceeds from the issuance of the loans shall be used to finance [•].
Closing Fee:	[•]% of the principal amount of the Loans Loan due and payable on the Closing Date.
Unused Fee:	[•]% per annum on the unused portion of the Revolver.
Interest Rate:	Adjusted Term SOFR plus [•]% per annum. <i>"Adjusted Term SOFR"</i> will be defined as Term SOFR subject to a credit adjustment spread of (i) [•] for a one month interest period and (ii) [•] for a three month interest period. <i>"Term SOFR"</i> means, with respect to any tenor comparable to the applicable interest period, the Term SOFR Reference Rate at approximately 5:00 p.m., New York time, two U.S. Government Securities Business Days prior to the commencement of such tenor comparable to the applicable interest period, as such rate is published by the CME Term SOFR Administrator.
Default Rate:	[•]% per annum in excess of the rate otherwise applicable upon the occurrence and during the continuance of any event of default, payable upon demand.
Maturity:	[•] years with respect to the Revolver and [•] years with respect to the Term Loan.
Amortization:	The principal amount of the Term Loan shall amortize annually at [•]%, which shall be repaid in [quarterly] installments. Any remaining principal amount of the Term Loan shall be repaid in full at maturity.

FOR ILLUSTRATIVE PURPOSES ONLY
HHR Draft 1/27/2023

Preferred Stock Financing Term Sheet

This term sheet (this "Term Sheet") summarizes the principal terms of the preferred stock financing of [Company Name], a company organized under the laws of [•] (the "Company"). In consideration of the time and expense devoted and to be devoted by the Investor with respect to this investment, the sections below titled "Governing Law", "Confidentiality/Exclusivity", "Expenses" and "No Binding Agreement" shall be binding obligations of the Company and the Investor, whether or not the financing is consummated. No other legally binding obligations will be created until the Transaction Documents (as defined below) are executed and delivered by all parties. This Term Sheet is not an offering of securities by the Company or a commitment by the Investor to invest, and is conditioned upon the Company Redomiciliation (as defined below), the Investor's satisfactory commercial and legal due diligence, each side's approval of the transaction and documentation, and the execution by the parties thereto of the Transaction Documents.

Security:	Preferred Stock issued by the Company's new HoldCo (as defined below) ("Preferred Stock").
Investor:	[Investor Name], or an affiliate thereof (the "Investor").
Transaction:	The Investor will purchase [Investor's investment amount] worth of newly issued shares of Preferred Stock from HoldCo, at a [US\$][•] fully diluted pre-money valuation (the "Transaction")[, including a pre-money increase to HoldCo's Equity Incentive Plan (the "Plan") reserve sufficient in amount such that the total number of unallocated shares in the Plan reserve represents at least 10% of the fully-diluted post-money capitalization (the "Plan Increase")].
	Upon completion of the Transaction[and the Plan Increase], the Investor will hold [•]% of HoldCo's share capital, on a post-money fully diluted basis (assuming an investment amount equal to [total amount to be raised]). Amounts will be invested in USD.
Timing:	The closing of the Transaction shall occur as soon as practicable following the Company's acceptance of this Term Sheet and satisfaction of the conditions to closing (the "Closing").
Company Redomiciliation:	Prior to the Closing, the Company shall reorganize its corporate structure so as to become a wholly-owned subsidiary of a newly formed [Delaware/Cayman Islands] corporation ("HoldCo") (the "Company Redomiciliation").
Cumulative Dividends:	The shares of Preferred Stock will accrue, whether or not declared, a cumulative dividend equal to [ten] percent ([10]%) of the original issue price (as adjusted from time to time for stock splits, stock dividends, reverse splits, combinations, recapitalizations and similar transactions (collectively, "Adjustments")) per annum in preference to any other dividend (the "Accruing Dividend"), which shall become payable if and when declared by the board of directors of HoldCo (the "Board"). After the full payment thereof, the shares of Preferred Stock will participate in any distributions made on any shares of common stock on an as-converted to common stock basis.
Liquidation Preference:	In the event of any liquidation, dissolution or winding up of HoldCo, HoldCo shall first pay to the Investor [3]x the original issue price of the shares of Preferred

Connect

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