Poznań, … March 2022

**TERM SHEET**

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| **Parties** | 1. *Name of the startup*, hereinafter **“Company”,**
2. *Name of originator*, hereinafter “**Originator I”,**
3. *Name of originator*, hereinafter “**Originator II”,**
4. *Name of originator*, hereinafter “**Originator III”,**
5. *Name of investor*, hereinafter “**Fund”** or “**Investor**”,
 |
| **INVESTMENT PARAMETERS** |
| **Project**  | Description of the idea due to be the subject of the investment. |
| **Shareholding structure of the Company before the Investment** | Shareholding structure of the Company before the Investment:

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Shareholders | Number of shares | % of shares |
| 1. |  |  |  |
| 2. |  |  |  |
| 3. |  |  |  |
| 4.  |  |  |  |

 |
| **Finances of the Company** | Financial results of the Company:

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Revenue** | **Operating costs** | **Net profit/loss** |
| 2021 |  |  |  |

The Company's liabilities as at the date of signing the investment agreement will amount to no more than PLN ..... .00.Planned results of the Company:

|  |  |  |  |
| --- | --- | --- | --- |
| Year | Revenue | Operating costs | Net profit/loss |
| 2022 |  |  |  |
| 2023 |  |  |  |
| 2024 |  |  |  |

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| **Financing**  | The financing provided to the Company as part of the round shall total up to (investment amount)The **Investor** will provide the Company with financing in the amount of (investment amount) **("Investment")** as follows:* The Fund will make an equity investment as a contribution to the Company in exchange for ...shares in the Company, representing ..... share in its share capital, in the amount of PLN ..... (in words: .... zlotys),

The purpose of the Investment is to implement the Project and to cause a significant increase in the Company's value during the next years of its operation. The financial resources transferred by the Fund will be used for:* (description of the Company's development objectives financed with the investor's funds),

 (hereinafter referred to as the "**Project Budget**").The exact Project Budget and the Company's budget will be defined by the Parties by the time the investment agreement is signed and after the final schedule of the Project's research and development work is prepared.  |
| **Shareholding structure of the Company after the Investment** | Target shareholding structure of the Company after the planned Investment

|  |  |  |  |
| --- | --- | --- | --- |
| No. | Shareholders | Number of shares | % of shares |
| 1. |  |  |  |
| 2. |  |  |  |
| 3. |  |  |  |
| 4.  |  |  |  |
| 5 |  |  |  |

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| **ESOP** | The Parties provide for the establishment of an incentive scheme for key employees of the Company (hereinafter referred to as the "**Eligible Persons**") in the Company in the form of an increase of the Company's share capital through the establishment of up to 30 (thirty) new shares to be taken up at nominal value by the Eligible Persons (hereinafter referred to as the "**ESOP**"). The Eligible Persons will be persons unrelated to the Parties, involved on a non-incidental basis in the operational activities of the Company (including, in particular, as employees, members of the Advisory Board), having objectives set by the Company. The ESOP will be granted in the form of a right to take up shares at their nominal value. The shares taken up by the Eligible Persons under the ESOP will be subject to a 2-year vesting. The detailed terms and conditions for takin up shares under the ESOP will be determined by the Parties in the investment agreement. |
| **MSOP** | The Parties envisage that, upon the achievement of the milestones set out below, they will, as shareholders of the Company, bring about an increase in the share capital of the Company by establishing up to 45 (forty-five) new shares to be subscribed for a nominal value by the Originators (hereinafter referred to as the "**MSOP**").The condition for taking up shares as part of the MSOP shall be ... |
| **Pre-investment phase****(*due diligence*)** | The purpose of the pre-investment phase is a detailed analysis and assessment of the Project in terms of its development and commercialisation possibilities with the help of the Investor's investment support. This phase ends with the Investor making an investment decision and possibly proposing an investment agreement to the Company. As part of the aforementioned phase, depending on the needs, the Investors may carry out the following activities: * Legal, financial, tax and intellectual property due diligence,
* Technological analysis of the Project,
* Market and competition analysis
* Market and commercialisation strategy analysis,
* Analysis of the profitability and financial plan of the Project.

The Originators and the Company undertake to fully cooperate with the Investors in providing documentation and information necessary to conduct the pre-investment phase.The Investor and the Company will cover the costs of the due diligence processes and the preparation of the investment agreement, where the Company will cover all or part of the costs of preparing the due diligence reports only to the extent that such costs do not exceed PLN 15,000 and only in the event that the Investment is executed. |
| **Management Board** | The Management Board of the Company will be composed of 1 to 3 members appointed and dismissed as follows:* 1 member of the Management Board may be appointed and dismissed by the Originator I, through a written statement submitted to the Company,
* 1 member of the Management Board is appointed and dismissed by the Meeting of Shareholders,
* 1 member of the Management Board may be appointed by the Investor, by means of a written statement submitted to the Company, only if an Undesired Event takes places that shall be defined in the investment agreement.

In the case of a Management Board composed of multiple members, two members of the Management Board acting jointly shall be entitled to make declarations of will on behalf of the Company, where if the Investor exercises the right to appoint a Member of the Management Board referred to above, the Company may be represented only by the Member of the Management Board appointed by the Investor. |
| **Meeting of Shareholders** | Resolutions of the Meeting of Shareholders of the Company will be adopted by a 65% majority of votes resulting from the Company's Articles of Association (subject to generally applicable laws). The following matters will require the prior consent of the Investor, otherwise being ineffective (by voting "in favour" of the resolution of the Company's shareholders):1. amendments to the Articles of Association of the Company;
2. increase or reduction of the Company's share capital;
3. any change in the legal form, in particular transformation into another company or merger with another company, including through takeover or merger;
4. disposal, by way of one or more connected transactions, of the Company’s enterprise or of an organised part thereof or of fixed assets of the Company of a high, definable value;
5. disposal or encumbrance, in particular by way of use, lease, rental or exclusive licensing, of material assets of the Company or of the Company's intellectual property rights;
6. liquidation of the Company, as well as election of a liquidator, appointment and dismissal of liquidators of the Company;
7. redemption of shares; preference of shares; encumbrance of shares;
8. acquisition, subscription or disposal of shares in other companies and entities and the establishment of an entity with the Company's participation;
9. establishment of the principles of remuneration and the amount of remuneration of members of the Management Board, the Originators and the appointment of an attorney in accordance with Article 210 § 1 of the Commercial Companies Code;
10. establishment or change of the ESOP and MSOP, including in particular a change in the number of shares to be taken up under the incentive scheme;
11. coverage of losses, distribution of profit and payment of dividend, as well as other matters provided for in Article 231 of the Commercial Companies Code (including acknowledgement of the fulfilment of duties by members of the Management Board);
12. conclusion of an agreement with a third party, based on which such a third party takes control over the Company, where "taking control" is understood as defined in the Act on Competition and Consumer Protection of 16 February 2007 (Journal of Laws No 50, item 331, as amended)
13. disposal of the Company's name or trademark or granting a licence to a third party to use the Company's name or trademark;
14. approval of the Company's budget;
15. appointment of an auditor;
16. conclusion by the Company of any loan agreement or credit agreement or conclusion of any other agreement of a similar nature that could increase the Company's liabilities;
17. approval of agreements/transactions between the Company and persons/entities with capital or personal links to the Originators;
18. adoption of the regulations of the Supervisory Board of the Company (if established);
19. any surety (including aval) provided by the Company for performance of obligations by another person, issuance of bills of exchange, cheques, letters of credit, bank guarantees and other similar collateral;
20. appointment of an attorney.
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| **Commitment of the Originators and Non-Competition**  | The Originators will engage in the Company's activities as long as it is necessary for the proper, relevant execution of the Company's business (hereinafter referred to as the "**Operational Exclusivity Order**"), aimed at achieving the key operational parameters and the Company's financial plan (hereinafter referred to as the "**KPIs**").As long as the Investor remains a shareholder of the Company, the Originators will not undertake, personally or through their related parties, any activities competitive to the business of the Company and its related companies, and in particular will not take up any cooperation or employment as an employee of an entity conducting competitive activity, will not participate as a shareholder or a member of bodies of entities conducting competitive activity and will not provide services or perform services of a professional nature for such entities.The Originators will be obliged to transfer, without any time and territory limits, irrevocably to the Company, all intellectual property rights, including invention rights, industrial property rights and all property copyrights to the Project; |
| **Lock-up** | All shares held by the Originators (including the MSOP) and the Eligible Persons will be subject to lock-up for the period from the signing of the investment agreement, when the Investor and the Partner will remain shareholders of the Company, and will be subject to a 3-year vesting, and in the case of already held shares, a reverse vesting clause will be included in the investment agreement for a period of 3 years from the signing of the investment agreement.In the event of a breach by the Originator or the Eligible Person of the operational exclusivity or non-competition clause, the Originator or the Eligible Person will be obliged, upon the written request of the Investor, to dispose of their shares in the Company to the Company for redemption, at a price corresponding to their nominal value, in a number depending on the occurrence of the breach, i.e:- during the first 12 months from the date of the investment agreement - 100% of their shares in the Company,- in the period between 13 and 24 months from the date of the investment agreement - 50% of their shares in the Company,- in the period between 25 and 36 months from the date of the investment agreement - 25% of their shares in the Company,The investment agreement shall provide that any encumbrance of the Company's shares in any form, except for the shares held by the Investor, shall require the prior written consent of the Shareholder and the Investor, otherwise being null and void. |
| **Tag Along** | If any Shareholder other than the Investor intends to sell the purchaser their shares in the Company, the Investor shall have the right to tag along with the disposal of the shares on the same terms and conditions, in a number proportionate to the shares sold by the Shareholder.  |
| **Drag Along** | In the case of receipt of an offer to purchase 100% of the Company's shares, the Investor shall have the right to oblige all other shareholders of the Company to sell their shares to a designated purchaser, with the proviso that the price per share sold as part of the drag-along will be the same as the price of the shares sold by the Investor.The Drag Along Right will be exercisable when the following two conditions are jointly satisfied:- at least 3 years have passed since the investment was made;- the sale amount for 100% of the Company's shares is at least PLN 30,000,000 (in words: thirty million and 00/100 PLN). The exercise of the Drag Along right shall be preceded by the Investor making a right of first offer (ROFO) to the remaining shareholders. In the case of acceptance by the Originators of the ROFO, the Originators will have the right to purchase, according to the same principles as in the aforementioned offer, the shares of the Company owned by the Shareholder.  |
| **Priority right**  | In the event that any of the shareholders of the Company other than the Investor intends to dispose of a part or all of their shares in the share capital of the Company, all other shareholders will have a priority right to purchase those shares.The disposal of shares by the Investor shall be preceded by the Investor making a right of first offer (ROFO) to the remaining shareholders.  |
| **Liquidation preference** | If an event takes place resulting in a change of control of the Company, in particular such as the liquidation of the Company, the disposal, exclusive licensing or other disposal of all or substantially all of the assets/property of the Company, the sale or other disposal of a majority of the shares in the Company held by the Originators or any other transaction with a similar effect (hereinafter referred to as a "**Liquidation Event**"), as a result of which the Investor would receive an amount less than the amount of cash transferred by the Investor to the Company, the distribution of the sums obtained as a result of the sale shall be made as follows:* in the first instance, the Investors and the Shareholder will receive an amount equal to the amount of cash transferred to the Company ("**Liquidation Preference**");
* the remaining funds after the payment of the amounts referred to in the point above shall be distributed among all other Shareholders in proportion to their percentage share in the Company's share capital.

In all other cases, the distribution of the sums received as a result of the Liquidation Event will be made pro rata. |
| **Pro rata / Anti-dilution clause** | In the event of the implementation of a subsequent financing round, the Investor will be entitled to participate in the round at least in proportion to its share in the Company. If, as part of a subsequent financing round, the shares are taken up at a value lower than those taken up by the Investor, additional shares will be issued to the Investor at the same time as the financing round in order to equalise their share to the % of the Company's share capital before the round, which the Investor will take up at a nominal price (**Anti-dilution clause**).  |
| **Reporting** | From the date of signing the investment agreement, the Company will be obliged to provide reports to the Investors on a monthly, quarterly and annual basis. The form and scope of the reports will be agreed by the Parties in the investment agreement.The Fund will have the right to: (i) designate a person with access to the Company's bank account, (ii) audit the finances, documents and Projects implemented by the Company. |
| **Investment Exit** | The investment horizon for the Fund is no more than 7 years. During that time, exit from the Investment may consist, in particular, in the Fund disposing of its shares in the Company through:* sale of all or part of shares to the Venture Capital / Private Equity Fund,
* sale or all or part of its shares to another external investor, or
* introduction of the Company's shares to trading in the Alternative Trading System or on the Warsaw Stock Exchange and ultimately the sale of the shares (by way of a private placement or public offering) or on the secondary market, or
* sale of the shares to the Originator or to the Company's other shareholders or managers, including through the use of leveraged buy-out mechanisms, or
* redemption of shares, or
* liquidation of the Company.
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| **Conditions precedent** | The Fund stipulates that the investment is conditional upon:* A positive outcome of the due diligence process,
* Obtaining necessary corporate approvals by the Fund, including the approval of the Fund's Investment Committee.
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| This document does not constitute a legally binding agreement and nothing in it may be construed as an obligation of the Investor to contribute any resources to the Company. This document also does not constitute an offer as understood in the Civil Code. Detailed provisions of the investment agreement, which will bind the Parties, will be drafted on the basis of assumptions specified in this document and, as long as such investment agreements are not signed by the Parties, this document will not be binding. |

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| **SIGNATURES OF THE PARTIES** Originator I: Originator II:  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Originator III: Partner: Investor: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_    |
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