

TERM SHEET template

as of 31.10.2022



**Simpect 2.0. ASI Simpect Ventures spółka z ograniczoną odpowiedzialnością
S.K.A.**

DISCLAIMER:

This is a generic template. Each deal is unique and hence the paragraphs in this document might vary for each specific case. The main reason for publishing the template is to show you our attitude towards deals. It covers almost all of the substantial areas of the Investment Agreement, so as to speed as much as possible the closing of the deal.

If anything in this template is unclear for You let us know by Contact Form on the website: www.simpact.vc
This template will be adjusted and updated from time to time.

PARTIES

Company	The Investment will be made to [company name] with its registered office in [city], [address], entered into the register [name of the commercial register] maintained by [authority/court] under number: [register number]
Founders	[Founder 1], [Founder 2], & [Founder 3] (the " Founders ")
Lead investor	Simpact 2.0. ASI Simpact Ventures spółka z ograniczoną odpowiedzialnością S.K.A. with its registered office in Warsaw at Raclawicka street no. 19/16a, 02-601 Warsaw, KRS: 0000931335, NIP: 5213945230, REGON: 520387663, with its share capital in the amount of [], paid in total (the " Lead Investor ") or (" Simpact ")
Investors	The Lead Investor in conjunction with other investors [] (the " Investors ") mutually agreeable to the Lead Investor and the Company.

TRANSACTION

Financing	<p>Simpact will invest [PLN/EUR/USD] [] via newly issued preferred shares ("Preferred Shares") and would hold no less than [] stake of the Company on a fully diluted basis, including an unallocated employee share option plan ("ESOP") and the conversion of any convertible instruments.</p> <p>Other Investors will invest [PLN/EUR/USD] [] and would hold no less than [] stake of the Company</p>
Documentation	<p>For executing the Financing, the Parties shall finalize, execute and procure entering into effect the following documentation:</p> <ol style="list-style-type: none"> 1. Investment and Shareholders Agreement; 2. Company Articles of Association and any other relevant subscription agreements; 3. <i>Documents transferring or assigning all relevant IP rights to the Company; and</i> 4. <i>Employment or other similar agreements between the Company and the Founders and key employees, including relevant IP assignment provisions;</i>
Cap table	Cap table is an Attachment no 1 to this Termsheet. Including all equity and non-equity (convertible) investments (fully-dilluted) - before and after the Financing.
Pre-money valuation	Fully diluted pre-money valuation of [PLN/EUR/USD] []. Fully diluted pre-money capitalization shall include potential ESOP and assume the conversion of any outstanding convertible securities.

ESOP	There will be a share option plan in the Company enabling key employees to acquire shares that correspond to [] % post-money capitalization on a fully diluted basis (the “ ESOP ”). ESOP may not dilute the Investor shareholding.
Closing	The parties aim to close the investment within 45 days after signing this term sheet. Implementation of the proposed transaction shall be subject to: (i) Non-occurrence of any notable adverse change in the affairs of the Company, (ii) Completion of confirmatory due diligence and (iii) Entering into effect of the Documentation.
INVESTORS RIGHTS	
Liquidation Preference	1x non-participating. Upon a liquidation, dissolution, winding up, merger, acquisition, sale, exclusive license or other disposal of substantially all of the assets or a majority of the shares of the Company (the " Change of Control "), the Investor shall receive the higher of: (a) 1x (one time) the original purchase price for the Shares; or (b) the amount they would receive if all shareholders received their pro rata share of such assets or proceeds.
Anti-Dilution:	Investors shall be entitled to a broad-based weighted average adjustment if the Company issues additional equity at a price less than the original issue price for the Investor.
Pre-emption Right and Right of First Refusal	Each shareholder shall have a Pre-Emption Right to subscribe for any new shares issued by the Company on a pro rata basis. Each shareholder shall have the Right of First Refusal to purchase any shares being sold by another shareholder. If more than one shareholder exercises the Right of First Refusal, such shareholders will have the right to purchase shares pro rata.
Participation Right	The Investors shall have a priority right, but no obligation, to participate as (co-)investor in future financing of the Company, along the same terms as any new or existing third party investor, with follow-on investment(s) to preserve or extend their shareholding within the Company. This participation right is divided pro rata to investment amount between Investors. For the future investments, the Investors may assign this right to an other entity related by capital or personally to them, not conducting any competitive activity against the Company, which will exercise this right.
Drag Along:	In the event that a majority of the Preferred Shares and a majority of the rest of the shareholders wish to accept an offer to sell all of their shares to a third party, or enter into a Change of Control event of the Company, all other shareholders shall be required to sell their shares or to consent to the transaction on

	<p>the same terms and conditions, the Liquidation Preference also apply.</p>
Tag Along	<p>Should any shareholder (except Investor) receive an offer from a third party to acquire shares in the Company, and the shares are not acquired by the other shareholders in the Company through the Rights of First Refusal, all Preferred Shares shareholders shall have the right to sell their shares on a pro-rata basis on the terms offered by the third party.</p>
1-PLN-Put Option	<p>Lead Investor shall at any time be entitled to sell and transfer any of its shares in the Company to the Founders for a total purchase price of PLN 1 (one Polish zloty).</p>
Equalization of Financial Terms	<p>In case the offer for a proposed acquisition of all or of part of the shares of the Company, which includes, in addition to the purchase price offered for such shares, additional consideration or advantages offered to one or several shareholders or employees (including without limitation, any additional cash payments, securities or other assets, retention bonuses, salaries above market standards, and so forth), even if made conditional upon the occurrence of certain future events or with deferred payments terms, the total value of such additional consideration or advantages shall be added to the offered purchase price, and shall be deemed to form part of, without any discount of any kind, the aggregate purchase price offered for the relevant shares of the Company (the “Aggregate Purchase Price”).</p> <p>The Aggregate Purchase Price shall then be allocated between all the shareholders selling their shares in the proposed acquisition, proportionally to their respective shareholdings in the Company on the date of the purchase.</p> <p>This rule shall apply independently of the reasons, motivations or consideration for which the relevant additional consideration or advantages may have been granted. Liquidation Preference also apply.</p>
Information Rights	<p>The Company will provide the Investors, standard financial and non-financial reports on monthly, quarterly and annual basis. Investors will be entitled to standard and reasonable inspection and visitation rights. These rights may be transferred to other entities indicated by the Investors.</p> <p>The investment agreement will provide for contractual penalties for breaches in reporting.</p>
Right of Approval	<p>Company’s articles of association may stipulate that certain important decisions and actions of the Company shall require consents of the relevant governing body of the Company (i.e. Supervisory Board, provided it is established, or Shareholders Meeting of the Company). Additionally, Lead Investor may be granted some personal Rights of Approval, in particular including the following matters:</p>

1. amendment of the Company articles;
2. alteration of the Company's share capital such as (i) alter the rights, preferences or privileges of the Preferred Shares (ii) allot any new shares beyond those anticipated by this investment (iii) create any new class or series of shares having rights, preferences or privileges senior to or on a parity with the Preferred Shares (iv) increase the number of shares reserved for issuance to employees and consultants, whether under the ESOP or otherwise;
3. change of the CEO of the Company and the appointment or change of the CFO of the Company;
4. entering into or amend material terms of convertible loan agreements, option plans, etc.;
5. acquisition or disposal or merger of the Company;
6. sale, transfer, grant into use or other encumbrance of the Company's assets or IP rights;
7. payment of dividends or other distributions;
8. subscription or acquisition of any shares in the capital of another company;
9. sale or IPO of the Company;
10. permission of the Company to cease, or propose to cease, to carry on its business or to wind up;
11. permit of the Company to take any step into bankruptcy;
12. adoption of the Company's budget;
13. incurring any expenditure exceeding EUR 50,000, outside the Company's budget;
14. any material change to the nature of the Company's business;
15. changing the name of the Company or its jurisdiction;
16. making any loan or advance or giving any credit to any person or acquiring any loan of any corporate body; and entering into or varying any transactions with related parties.

FOUNDERS OBLIGATIONS

Lock-up	Until the 5th anniversary of the closing date, each Founder shall not sell more than 5% of his or her shares.
Founder Shares Vesting	4 years, quarterly with 1-year cliff. Good and Bad Leaver apply.
Management Supervisory Board	- Supervisory Board (if applicable): Two board members appointed by the shareholders majority (or Founders) and one board member appointed by the Preferred Stock Majority. The Lead Investor may appoint a board observer if not represented on the board. The Management Board will consist of at least the Founders.

Non-compete, non-solicitation and operational exclusivity

Each Founder, as long as it is a shareholder of the Company and within 24 months following a date on which the Founder ceased to be a shareholder of the Company, will be bound by a non-competition undertaking in respect of providing a service similar to the current business activity field of the company and will be also prohibited from soliciting employees (regardless of the form of cooperation) of the Company.
 Founders will devote all their business time to the Company.

Representations and Warranties

The Company and the Founders warrant the completeness, truth and accuracy of information disclosed throughout the due diligence process and warrant their right to contracting and the legality thereof. Parties set out the exact elements of the Warranty Statements in the Investment Agreement.

SIMPACT SPECIFIC REQUIREMENTS

Restricted Sectors

We assure and guarantee that the Company is not and will not (directly or indirectly) enter into activity:

- (a) whose business activity consists of an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to Simpect or the Company, including without limitation, human cloning for reproduction purposes; or
- (b) which substantially focus on:
 - (i) the production of and trade in tobacco and distilled alcoholic beverages and related products;
 - (ii) the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
 - (iii) casinos and equivalent enterprises;
 - (iv) the research, development or technical applications relating to electronic data programs or solutions, which
 - aim specifically at:
 - supporting any activity referred to under items (a) to (b) above;
 - internet gambling and online casinos; or
 - pornography, or
 - are intended to enable to illegally:
 - enter into electronic data networks; or
 - download electronic data.
 - (v) fossil fuel-based energy production and related activities, as follows:

- a) Coal mining, processing, transport and storage;
 - b) Oil exploration & production, refining, transport, distribution and storage;
 - c) Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
 - d) Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO₂e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
- (vi) energy-intensive and/or high CO₂-emitting industries, as follows:
- a) Manufacture of other inorganic basic chemicals
 - b) Manufacture of other organic basic chemicals
 - c) Manufacture of fertilisers and nitrogen compounds
 - d) Manufacture of plastics in primary forms
 - e) Manufacture of cement
 - f) Manufacture of basic iron and steel and of ferro-alloys
 - g) Manufacture of tubes, pipes, hollow profiles and related fittings, of steel
 - h) Manufacture of other products of first processing of steel
 - i) Aluminium production
 - j) Manufacture of conventionally-fuelled aircraft and related machinery
 - k) Conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation.

Company Impact Mission	The Company Impact Mission is [] The Company Impact Thesis is Annex no 2 to the Termsheet. The Company Impact Thesis can be a subject to change and evolution during DD process.
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MISCELLANEOUS

Non-binding Effect	This Term sheet does not constitute a legally binding obligation to the Parties, except points listed below:
Exclusivity	Considering that the Lead Investor commits time and expense to put in place this financing, the Company and the Founders agree not to discuss, negotiate or accept any proposals regarding the sale or other disposition of debt or equity securities (other than with Investors in relation to the Investment), or a sale of material assets of the Company for 60 Days from the date of execution of this Term Sheet, unless otherwise agreed and confirmed in advance in writing with the Lead Investor. In the event of a breach of this section, the Founders agree to reimburse the Lead Investor for all costs and

	expenses (including legal fees) incurred in relation to the contemplated Investment until and including the day the Lead Investor becomes aware of the breach.
Confidentiality:	The Company and Founders shall not disclose these terms to anyone other than its officers, directors, key service providers, and other potential investors in this financing, without the consent of Lead Investor.
Expenses	Company to pay to the Lead Investor costs of legal, technical and financial due diligence not to exceed [EUR/USD/PLN] [] in aggregate (from the Investment amount, or otherwise if the Company desists to conclude the transaction without substantial changes to what has been agreed in this TS).
Applicable Law	This Term Sheet shall be governed in all respects by the laws of the Republic of Poland. All disputes arising out of or in connection with this Term Sheet shall be settled by the Parties. If any dispute cannot be settled in this manner, the Parties will refer such dispute to a Polish common court competent for the registered office of the Company.

Signatures:

Appendix 1 - Capitalization Tables

Appendix 2 - Company Impact Thesis