|  |
| --- |
| This Term Sheet aims to summarize the principal terms of the transaction consisting of the provision of funds to the Company by the Investors (the “**Investment**”). This Term Sheet shall not be deemed as a commitment to invest in or otherwise financially support the Company, which shall be conditional upon the fulfilment of the conditions indicated below to an extent satisfactory to the Investors. Detailed rights and obligations of the Parties in connection with the Investment will be regulated in the investment agreement signed between the Parties (“**Investment Agreement**”). |
| **PART I****INVESTMENT** |
| **Company** | The Investment will be made to **[full company name]** with its registered office in [city], [full address], a company established under the laws of Poland, entered into the [name of the commercial register] maintained by [authority/court] under no. [KRS], [NIP], [share capital] (“**Company**”). |
| **Founders** | **[*name and surname*]** domiciled in [city] at [full address], citizen of [country], having [PESEL or other data identifying a natural person like passport or ID number if that person does not have PESEL] (“**Founder 1**”)**[*name and surname*]** domiciled in [city] at [full address], citizen of [country], having [PESEL or other data identifying a natural person like passport or ID number if that person does not have PESEL] (“**Founder 2**”)(Founder 1 and Founder 2 shall be hereinafter jointly referred to as the “**Founders**”) |
| **Investors** | The investment will be made by **[full company name]** with its registered office in [city], [full address], a company established under the laws of [country], entered into the [name of the commercial register] maintained by [authority/court] under no. [register number], [other data identifying the company] (“**Investor 1**”)The investment will be made by **[full company name]** with its registered office in [city], [full address], a company established under the laws of [country], entered into the [name of the commercial register] maintained by [authority/court] under no. [register number], [other data identifying the company] (“**Investor 2**”)(Investor 1 and Investor 2 shall be hereinafter jointly referred to as the “**Investors**”) |
| **Investment summary**  | The Investment will aim at the financing of [short description of the project]. |
| **Investment amount & method** | The Investor 1 will invest **[currency] [amount]** in exchange for **[number]** newly issued shares, which shall constitute **[%]** in the Company’s share capital on a post-money fully diluted basis.The Investor 2 will invest **[currency] [amount]** in exchange for **[number]** newly issued shares, which shall constitute **[%]** in the Company’s share capital on a post-money fully diluted basis. |
| **Pre-Money Valuation**  | The fully diluted Pre-Money Valuation of the Company is **[currency] [amount]**. |
| **Shareholding structure & ESOP** | **Pre-investment and post-investment cap tables of the Company constitute Schedule No. 1 to this Term Sheet.**Post-investment cap table depicts a fully diluted post-investment shareholding structure, i.e., including a full implementation of the employee share option plan (“**ESOP**”) in the Company  |
| **PART II****POST-INVESTMENT CORPORATE GOVERNANCE** |
| **Investors Majority** | means a group of Investors (or an Investor) holding more than 50% of all shares held by the Investors. For the avoidance of doubt, in case two Investors are holding an equal number of shares, the Investors Majority consists of both of them. |
| **1x non-participating liquidation preference** | Upon liquidation of the Company, sale, exclusive license or other disposal of all or substantially all of the assets of the Company, or sale or other disposal of the majority of shares of the Company or a sale of the majority of the Founders’ shares or any other transaction (including a corporate action) having a similar effect (“**Change of Control**”), each Investor will be entitled to receive, before and with preference to all other shareholders that are not Investors, an amount of the proceeds equal to his respective Investment Amount plus accrued but unpaid dividends on each share or, if greater, the amount that the shares would receive if all shareholders received their *pro rata* share of the proceeds. The balance of the proceeds shall be distributed *pro rata* to other shareholders. |
| **Anti-dilution Protection** | Investors shall be entitled to the Anti-Dilution Protection on a **broad-based weighted average basis** if the Company issues new shares or securities at a price per share resulting from a valuation lower than the Pre-Money Valuation (excluding issuance of new shares for the purpose of ESOP). |
| **Founders’ Lock-Up** | None of the Founders may sell or transfer, or dispose of in any other manner, any shares in the Company in the Vesting Period (as defined below) without the Investors Majority prior consent, subject to:1. disposal of the Shares between the Founders or the Company following the reverse vesting procedure;
2. acquisition of own Shares by the Company for redemption, under prior resolution of the Shareholders’ Meeting;
3. disposal of the Shares on the terms specified in this under the drag-along right and ESOP (if applicable).

(each as “**Permitted Disposal**”).Any disposal of shares being a Permitted Disposal shall not be subject to restrictions provided in ROFR, Tag-along and Drag-along procedures. |
| **Founder Vesting** | The Founders’ shares (“**Vesting Shares**”) will vest over a **4 (four) year** period following the investment agreement signing date (“**Vesting Period**”) as follows:1. **25%** of the Vesting Shares shall vest throughout the 1st (first) year after the signing date, i.e., after the 1st (first) anniversary of the Signing Date (cliff period);
2. after the 1st (first) anniversary of the Signing Date and until the end of the Vesting Period, the following **75%** of Vesting Shares shall vest monthly over the following 3 (three) years.

Regardless of whether during the Vesting Period the Founder is either Good Leaver od Bad Leaver, then all of the Founder’s shares (“**Repurchased Shares**”) will be subject to a repurchase option by the by the Company for the purpose of redemption (if legally permissible) and shall be either used to expand the ESOP pool, to accommodate new co-founder or to be split among remaining founders and other key members of the team, as reasonably agreed between the Parties. If Founder is a Bad Leaver, Company will always repurchase all that Founder’s Repurchased Shares. If Founder is a Good Leaver, then Company will repurchase all his unvested Repurchased Shares, whereas repurchase of his vested Repurchased Shares is subject to approval of the Investors Majority.The price per share of this repurchase option shall depend on whether the Founder is a Good Leaver or a Bad Leaver:1. If the Founder is a Bad Leaver, then the price for each of the Repurchased Shares shall equal its nominal value;
2. If the Founder is a Good Leaver, then:
	1. Price for each of the unvested Repurchased Share shall equal its nominal value;
	2. Price for each of the vested Repurchased shares shall equal price per share paid by the investors in the previous financing round.

In case of a liquidity event, Founders Vesting shall be subject to a double-trigger acceleration.  |
| **Drag Along** | If shareholders representing more than 50% of the share capital of the Company, including the Investors Majority, intend to sell their shares to a third party, it will trigger drag-along right so that all remaining shareholders will be required to sell their shares to a purchaser on the same terms and at the same price. |
| **Pre-Emption Rights** | Each shareholder shall have a pre-emption right to subscribe for any new shares issued by the Company on a *pro rata* basis. |
| **Right of First Refusal (ROFR)** | Each shareholder shall have the right of first refusal to purchase any shares being disposed of by another shareholder to a third party on the same conditions as agreed with such third party. If more than one shareholder exercises the Right of First Refusal, such shareholders will have the right to purchase shares *pro rata* to their stake in the shareholding of the Company.  |
| **Tag-Along** | Should shareholders entitled to ROFR waive or in any other manner don’t exercise their ROFR rights, Investors will have a tag-along right to sell their shares to a third-party purchaser on a pro rata proportion on the same terms and at the same price. |
| **Management Board**  | Subject to the competences expressly assigned to another body of the Company following the investment agreement or mandatory provisions of law, the Management Board is responsible for all day-to-day operations of the Company.Members of the Management Board will be appointed or dismissed by the Shareholders’ Meeting of the Company. The Founders will be members of the Management Board throughout the period of the Investment. The Investors Majority (acting jointly) will have the right to appoint one Management Board Member in case of a bad financial situation of the Company.  |
| **Supervisory Board** | If the Supervisory Board is established, Investors Majority will be entitled to appoint 1 (one) member of the Supervisory Board. The remaining 2 (two) members will be appointed or dismissed by the Founders. |
| **Restricted Matters** | The following actions of the Company and any of its subsidiaries, which are not expressly included in the approved budget (the **“Restricted Matters”**), shall require the consent of the Investors Majority in at least the documentary form. In the case of the establishment of a supervisory board, this competence is transferred to the supervisory board and the decision will require the consent of the supervisory board expressed in the form of a resolution, which for its effectiveness will require that a supervisory board member appointed by the Investors Majority.1. amending the Company’s articles of association, including any changes to the share capital;
2. changing the legal form of the Company;
3. merger with another company or entity, as well as division of the Company;
4. taking any action to dissolve the Company;
5. the sale and lease of an enterprise or an organized part thereof and the establishment of a limited right in rem thereon;
6. acquisition and disposal of real estate or share in real estate;
7. appointment, dismissal, and suspension of members of the Management Board, without prejudice to the individual rights of respective Shareholders.
8. establishing or purchasing any subsidiary or closing any such subsidiary;
9. incurring any expenditure, which amount exceeds [currency] [amount] in a single transaction or series of related transactions within the consecutive 12 (twelve) months;
10. taking or extending any loan or credit whose amount exceeds [currency] [amount] in a single transaction or series of related transactions within the consecutive 12 (twelve) months;
11. entering by the Company into or varying any transaction or arrangement between the Company and a Founder, members of the Management Board or Shareholders or members of the Company’s Supervisory Board or any other person that is a related entity thereof;
12. approval of any employee incentive or benefits scheme, including but not limited to the Share Option Plan and allotment of any Shares or options over Shares thereunder;
13. approving the Company’s budget;
14. granting a license on an exclusive basis to any intellectual property that is material to the Business or disposal of such intellectual property;
 |
| **Information rights** | Each Investor shall be entitled to receive customary financial information from the Company, such as:1. annual statutory financial statements,
2. quarterly balance sheets and profit and loss accounts;
3. monthly KPI reporting.
 |
| **Operational exclusivity** | Each Founder, as long as it is a shareholder of the Company, will be bound by an operational exclusivity, i.e., each Founder will devote all their professional time to the Company. |
| **Non-competition** | Each Founder, as long as it is a shareholder of the Company and within [6-18] months following the 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 identical or very similar to the current business activity field of the Company. |
| **Non-solicitation** | Each Founder, as long as it is a shareholder of the Company and within [6-18] months following the date on which the Founder ceased to be a shareholder of the Company, will be prohibited from soliciting employees of the Company. |
| **PART III****FINAL PROVISIONS** |
| **Conditions of Investment**  | The Investment is conditional on:1. satisfactory completion of due diligence;
2. approval by the respective bodies or officers of the Investor;
3. entering into the Investment Agreement;
4. satisfaction of conditions precedent from the Investment Agreement (if applicable).
 |
| **Confidentiality** | The Company, Founders, and the Investors will not disclose, within 2 years from the date on which this Term Sheet is accepted, the terms of this Term Sheet to any person or entity without the prior written consent of all other parties hereto.  |
| **Exclusivity** | The Company and the Founders agree and undertake that they shall not, for 45 days from the date on which this Term Sheet is accepted, solicit or participate in negotiations or discussions with any person or entity other than the Investor regarding the equity investment in the Company or acquisition of all or any portion of the Company or its assets. |
| **Investor-related specific provisions** | [short description specific provisions] |
| **Expenses** | The Company shall cover costs related to the Investment up to the amount of [currency and amount] on condition that the Investment is completed. In other cases, each Party bears their own costs related to the negotiations process. |
| **Binding force** | The Term Sheet shall not constitute a legally binding agreement, without prejudice to the Confidentiality and Exclusivity clauses. |
| **Applicable Law** | This Term Sheet shall be governed in all respects by the laws of the Republic of Poland.  |
| **Expiration**  | If not accepted prior to the end of the day on [date], this Term Sheet shall expire. |