

Term Sheet

Regarding the proposed investment in [Company] (the “Company”)

This Term Sheet explains the (non-exhaustive) main terms of the proposed investment in the Company. All sections of this Term Sheet are non-binding with the exception of the section “Binding conditions”. No legally binding obligations or rights are obtained until signing of the Investment Agreement (IA) and Shareholders Agreement (SHA).

Investment

Arches Capital I FGR (represented and managed by Arches Capital Management B.V.) is looking to invest € [X] in an equity deal with a post-money valuation of € [Y] according to the capitalization table found in (attached) Schedule 1.

Arches Capital rights

In return for the significant minority share interest Arches Capital expects to have the following rights attached to its shares:

- One-Tier Board:** the Company will establish a one-tier board. Arches Capital shall have the right to appoint and dismiss one (1) non-executive board member. [Founder 1], [Founder 2] (as executive board members) and [Arches Capital lead] (as non-executive board member) will reside on the board.
- Shareholders Agreement (SHA):** The shareholders agreement will contain standard venture capital clauses that need to be signed by all shareholders, including, but not limited to:
 - The right of Arches Capital to participate for twice the pro-rata share in following financing rounds of the Company.
 - A one-time (1x) non-participating liquidation preference.
 - Broad-based Weighted Average anti-dilution rights in case of a future down-round.
 - Tag along rights for all shareholders in case of a sale of 5% or more of the shares.
 - Drag along rights with Qualified Majority (to be determined based on the cap table, but shall at least include the consenting vote of Arches Capital).
 - Good leaver / Bad leaver including 4 years reverse-vesting for founders and key personnel.
 - Approval from Arches Capital appointed non-executive board member and/or Qualified Majority for certain decisions, including, but not limited to:
 - changes to rights attached to Arches Capital shares;
 - budget;
 - expenditure thresholds;
 - key personnel.
 - The right to receive (financial) information.
 - Restrictive covenants (non-compete / non-solicitation) for the Founders for a period of 2 years after departure.
 - Establish and monitor policies on diversity and sustainability of the company.
 - Arches Capital will invoice € 500 per year for services rendered.
 - An Employee Incentive Plan (by means of SAR rights) will be created for [X]% of the total equity (fully diluted) pre-closing. Reservations will be made for (future) key employees.
 - Non-executive board member i.e. [Arches Capital lead] will be compensated with:
 - € 7,500 in cash (yearly); or
 - € 3,750 in cash and € 3,750 in SARs pursuant to the EIP; or
 - € 7,500 in SARs pursuant to the EIP.
- Representations and Warranties:** limited representations and warranties will be given by the Company and the current shareholders of the Company.

Conditions precedent

Before the investment is executed, agreements are signed and money is transferred, basic due diligence investigation (a.o. technical, legal, financial, tax and team DD) needs to be done on the company and also on you, the founders. Furthermore, we need to agree on the business and financial plan (that will be attached to this Term Sheet and further documentation for investment). Other prerequisites and topics that need to be covered for closing:

1. There are no (expected) material changes in market conditions.
2. Approval is given by the Investment Committee of Arches Capital.
3. Company and Arches Capital have reached agreement on Shareholders Agreement (SHA) and Investment Agreement (IA).
4. No debts other than the debt documented in the budget (Schedule 2) and with the exception of accounts payable in the ordinary course of business.
5. All IP related to the Company will be owned by (and if necessary, transferred to) the Company prior to closing.
6. Management agreements of founders and key personnel must contain clauses on IP transfer, non-solicitation and non-compete; unless agreed otherwise the founders will be fully dedicated to the Company only and allocate substantially of their time to the Company.

Timeline

We expect that within 4 weeks after signing this Term Sheet, we will share the results of the limited due diligence investigation conducted and draft documents for the SHA, IA, articles of association and other related documents.

We strive to close this transaction before **[Date]**.

Binding conditions

Costs

All reasonable third-party fees and expenses made by Arches Capital in the finalization of the Transaction will be borne by and invoiced directly to the Company:

- If the transaction does not materialize: a maximum of EUR 5.000.
- If the transaction does materialize: a maximum of EUR 15.000.

Neither the Company nor any person or entity acting on behalf of the Company has agreed to pay a commission, finder's fee or similar payment in connection with the Transaction or any matter related hereto to any person or entity.

Exclusivity

Arches Capital and Company are bound to an exclusivity period. The exclusivity period for this Term Sheet will last from the Company's signing date (see signature page) until the **[Date]**. During this period, the Company will not seek other investment opportunities, refrain from meetings or entering negotiations with other investors, or share any documents (legal, financial, business, or otherwise) about the Company, Arches Capital or this current investment opportunity, without the explicit prior consent of Arches Capital.

If the Company receives any offers, solicitations, information requests, or otherwise, Arches Capital will be informed immediately and Company will forward any materials (such as emails, letters, or documents).

Confidentiality

This Term Sheet and the negotiation process with Arches Capital are confidential and may not be disclosed to any third party, without explicit prior consent from Arches Capital. An exception is made for the existing shareholders and the Company's directors, senior executive officers, advisors and legal counsel: in this case Arches Capital will be informed of the disclosure and these third parties will be informed and bound by the Company to full confidentiality and embargo.

No angel investors (members) of Arches Capital are to be contacted directly by the Company.

The confidentiality period will last for two years after the Company's signing date.

Applicable Law

This Term Sheet is governed by Dutch law.

If you agree with this Term Sheet, please confirm by signing before **[Date]**. If you do not sign this Term Sheet before that date, this offer is withdrawn, and the Term Sheet will be invalid.

Confirmed and agreed on behalf of the Company and its shareholders

Date: _____

Date: _____

Company

Arches Capital I FGR

Signature

Signature

Full Name

Full Name

Title

Title

Schedule 1: Capitalization Table
Schedule 2: Budget and Business Plan