

Studio: [Fourth Impact Studios]

TERM SHEET¹

Date: [2/22/2022]

This Term Sheet represents the current understanding of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement. Except for the section entitled “Binding Terms” this summary does not constitute a legally binding obligation. Any other legally binding obligation will only be made pursuant to definitive agreements to be negotiated and executed by the parties. This Term Sheet does not constitute an offer to sell or a solicitation of an offer to buy securities in any jurisdiction where the offer or sale is not permitted.

THE OFFERING

<i>Issuer:</i>	[Fourth Impact Studios], a corporation incorporated under the laws of [Minnesota] (the “ Corporation ”)
<i>Securities:</i>	Shares of Series Pre-Seed of the Corporation (the “ Pre-Seed Stock ”)
<i>Amount of the offering:</i>	[\$XX USD]
<i>Price per share:</i>	Price per share (the “ Initial Price ”), based on a pre-money valuation of [\$XXM] and the attached capitalization table (Appendix A).
<i>Backer(s):</i>	[Evva Karr of Moonrise Partners, LLP] and other accredited investors, acceptable to the Corporation.
<i>Closing date:</i>	Initial closing on or before [X-Date]

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BACKER TERMS

- Liquidation preference:*** In the event of any liquidation or winding down of the Corporation, the Backers shall be entitled to receive a per share amount equal to one times the initial price plus an declared but unpaid dividends (the “Liquidation Preference”). A merger, reorganization or similar transaction will be treated as a liquidation.
- Conversion:*** Shares of Pre-Seed stock may be converted at any time, at the option of the holder, into Common Shares. The conversion rate will initially be 1:1, subject to customary adjustments for stock splits, stock dividends, etc.
- Automatic conversion:*** Each pre-seed share will automatically convert into common shares, at the then applicable conversion rate, upon (i) the closing of a firmly underwritten initial public offering of common shares (“IPO”), or (ii) the consent the holders of at least a majority of the then outstanding shares of Preferred.
- General voting rights:*** Each share Pre-Seed has non-voting observation rights, except as specifically noted herein or required by law.
- Future rights:*** The Pre-Seed will be given the same rights as the next series of Preferred Stock (with appropriate adjustments for economic terms).

SHAREHOLDERS AGREEMENT

- Information rights:*** The Corporation will provide to each holder of at least [X%] of Pre-Seed (“Major Backers”) annual financial statements. This right will terminate immediately prior to the Corporation’s IPO or completion of a Sale Transaction (as defined below).
- Protective provisions:*** So long as any of the Pre-Seed are owned by an entity other than the issuing corporation, consent of majority of owners of the Pre-Seed will be required for any action that (i) amends the Articles of the Corporation if it would adversely alter the rights, preferences, privileges or powers of Pre-Seed; (ii) changes the number of directors from current number; or (iii) approves any merger, asset sale, liquidation or other corporate reorganization or acquisition.
- Pre-emptive rights (to maintain proportionate ownership):*** Each of the Major Backer will have a right to purchase its *pro rata* share of any offering of new securities by the Corporation, subject to customary exceptions. This right will terminate immediately prior to the Corporation’s IPO or a Sale Transaction.

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- Co-Sale Rights:*** In the event that any shareholder (“Selling Party”) proposes to sell their shares to a third party (“Third Party”), the Selling Party agrees not to make the sale unless Third Party includes an offer to purchase the shares of the Backers on the same terms. If Third Party has specified a maximum number of shares that they are willing to buy, then the Selling Party and interested Backers may sell their pro-rata share of the amount to be purchased by Third Party.
- Election of directors:*** Board of directors will be elected by holders of a majority of common stock.
- Sale Transaction:*** A “**Sale Transaction**” shall mean
- (i) any merger, amalgamation, reorganization, consolidation or other transaction involving the Corporation and any other corporation or other entity or person in which the persons who were the shareholders of the Corporation immediately prior to such merger, amalgamation, reorganization, consolidation or other transaction own less than fifty percent (50%) of the outstanding voting shares of the surviving or continuing entity after such merger, amalgamation, reorganization, consolidation or other transaction;
 - (ii) the sale, exchange or transfer by the Corporation’s shareholders, in a single transaction or series of related transactions, of all of the voting shares of the Corporation; or
 - (iii) the sale of all or substantially all of the assets of the Corporation.

OTHER MATTERS

- Option pool:*** The number of common stock reserved for issuance under the Corporation’s stock option plan will be increased to equal [X%] shares outstanding after issuance of the Pre-Seed to Backers.
- Expiration date:*** These terms are valid until, and will expire on, [X-Date].
- Binding Terms:*** For a period of thirty days, the Corporation agrees not to solicit offers from other parties for any equity financing. Without the consent of Backers, the Company will not disclose these terms to anyone other than officers, directors, key service providers, and other potential Backers in this financing.

Term Sheet

This Term Sheet may be executed in counterparts, which together will constitute one document. Electronic signatures shall have the same legal effect as original signatures.

[Shinki Ikari of *Fourth Impact Studios*]

[Evva Karr of *Moonrise Partners, LLP*]

Signature

Signature

Print name

Print name

Print title

Print title

Date

Date

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Appendix A – Sample Capitalization Table

Shareholder Name	Common Shares	Options	Pre-Seed Shares	Fully Diluted Shares	Pro-forma Fully Diluted Ownership %
Shinji Ikari	850,000	-	-	850,000	85%
	0	-	-	00	%
Subtotal – Current Holdings	850,000	-	-	n/a	n/a
Backer - Moonrise Partners, LLP	0-	-	120,000	120,000	12%
Options pool	-	50,000	-	50,000	5%
Total – Proforma Holdings	850,000	30,000	120,000	1,000,000	100%