

The Sting Agreements

When you get accepted to Sting Incubate or Sting Accelerate, the company, its founders, and Sting enter into an Agreement that covers the parties' rights and duties.

If the company receives an investment from our closely connected Propel Capital, the company also signs an agreement with Propel Capital.

Sting is a nonprofit company

It is important to note that Sting is a nonprofit company; nobody is making money from Sting. Sting is not a Venture Capital fund, but we think it is fair that companies 'pay' for the extensive services from Sting. This 'payment' is made via warrants that the company issues to Sting. If these warrants, and the corresponding shares, will result in money coming back to Sting, it will be used to finance Sting's operation. In this way, Sting companies 'pay it forward' and support the development of Stockholm's startup ecosystem. With Sting being part of your journey, we are dedicated to your success over the years to come.

How does the Sting warrant work?

- For Sting Accelerate, warrants issued to Sting correspond to 2% of the company's fully diluted capital stock.
- For Sting Incubate, warrants issued to Sting correspond to 3-6 % (depending on the length of services) of the company's fully diluted capital stock.

Sting can decide to use the warrants and convert them to shares within three years. The price for the shares is based on the company's nominal value. Sting will receive common shares.

Sting typically exercises the warrant to shares within 1-3 years and thus becomes a small shareholder, like all other small shareholders.

If Sting decides not to exercise the shares from the warrants (this is a rare case), a cash payment shall be paid to Sting based on the corresponding share percentage Sting could receive from the warrants and the value of the company at that time. If Sting does not exercise the warrants, the minimum cash payment is 5 000 EUR.

Preemptive rights

Sting has the right to participate in investment rounds, on equal terms to all investors, to protect Stings pro rata interest resulting from the warrants before Sting has exercised the warrants and become a shareholder.

When Sting has become a shareholder, Sting has no preemptive rights but, if offered, can participate in investment rounds with small amounts and on equal teams to all investors.

Sting has no anti-dilution rights

Sting does not have anti-dilution rights, so Sting's warrants and the corresponding shares will be diluted when you are issuing new shares or warrants. Most other international accelerators and incubators have anti-dilution rights until a defined qualified financing round.

Investment and terms from Propel Capital

The companies accepted to Sting Accelerate are offered an investment of 500 000 SEK (approx. 50 000 EUR) from our closely connected angel investment company Propel Capital.

Companies accepted to Sting Incubate may also be offered an investment of 500 000 SEK, usually a few months after being admitted to the program.

This investment is normally done via a convertible loan that Propel can decide to convert to common stock.

Maturity

The convertible loan falls due for payment after three years to the extent that conversion has not occurred before.

Interest

The convertible loan has an annual interest rate of 6%.

Conversion at qualified financing

Propel Capital has the right (but not the obligation) to convert to shares when the company, after Propels investment, has made a new issue/s to

investors for a total amount of at least 1 MSEK in external capital, the qualified financing.

Conversion price

The conversion price is 70% of the cost per share in qualified financing but is, at most, what corresponds to a valuation of all shares in the company of SEK 20 million before conversion.

Propels Capital's ownership

When Propel converts to shares, it usually results in an ownership share for Propel at an average of 3,2 %, depending on how much you raise and your company's valuation in the qualified financing. Here are some examples of Propels share percentages depending on the valuation and the amount raised in the funding qualified:

- You raise 1,5 MSEK on a valuation of 15 MSEK. Propel will get 4,15% ownership.
- You raise 2 MSEK on a valuation of 20 MSEK. Propel will get 3,14 % ownership.
- You raise 3 MSEK on a valuation of 30 MSEK. Propel will get 2,2 % ownership.

What is the total ownership of Sting and Propel Capital for Sting's Accelerate program?

Stings warrant is 2%, and Propels ownership, after converting, will usually represent 3,2 %, depending on the amount you raise and the valuation. In most cases, the result is approximately 5,2% %, including the 500 000 SEK investment from Propel Capital.

Are there other benefits of having Propel Capital as an investor besides the investment itself?

Propel is not a Venture Capital fund maximizing the return on its investments. Propel Capital does not make follow-on investments; consequently, Propels ownership stake decreases after every funding round. The value with Propel Capital, besides the 500 000 SEK investment, is the access for the Sting companies to the potential follow-on investors behind Propel.

The investors in Propel Capital are hand-picked business angels actively looking for investment opportunities in exciting, promising startups. In other words, as a portfolio company to Propel, you are exposed to many potential investors in your company. Historically, Propel Capital's investors have invested in approximately 40 % of Propel Capital's portfolio companies. Some of the angels in Propel Capital ("SIA angels") have so-called co-investment agreements with Saminvest (a Swedish public investor in VC funds). This means that a direct investment in a Propel Capital company by a "SIA angel" is matched by Saminvest with an equal amount. In this way, you get access to more capital than the angel is investing on its own.

Sting Incubate and Incubate Deeptech

Sting Incubate and Sting Incubate Deeptech are tailored business development programs for 6-24 months, depending on individual needs. The Incubate programs give you access to extensive business development services, recruitment, financing advice, PR & Communication services, and office space. Selection and start are made continuously during the year. For the Incubate programs, you sign an agreement with Sting. You can later in the program be offered an investment from Propel Capital.

More about [Sting Incubate](#) and [Sting Incubate Deeptech](#).

Sting Accelerate

Sting Accelerate is a four-month batch program that gives you access to extensive business development services, recruitment, financing advice, PR& Communication services, and free office space. More about [Sting Accelerate](#).

Sting Accelerate companies also get an investment of 500 kSEK from Propel Capital, our closely connected business angel investment company. Propel Capital is the most active pre-seed investor in the Nordics, and the 170+ portfolio companies have attracted many renowned follow-on investors, both VC's and angels. Propel is not a venture capital fund making follow-on investments and is not trying to maximize the return to its investors, as a VC

fund does. Instead, via Propel Capital you get access to a selected group of very experienced and well-renowned business angels who can make follow-on investments direct in your company and add know-how and a relevant network.

This means that you, for the Accelerate program, sign two agreements: One with Sting for the services in the Accelerator program and one with Propel Capital for the 500 kSEK invested in the company via a convertible loan.

In the Accelerate program: What is the total equity of Sting and Propel Capital?

- It may be difficult to compare offers from different accelerators. To compare Sting with others, you should combine the Sting Accelerator Agreement and the Propel Agreement.
- The compensation for taking part in the Sting Accelerate program and receiving Sting's extensive and proven support, including office space, is a warrant corresponding to 2 % of the shares that you sign with Sting.
- Additionally, Propel Capital's ownership stake, for the 50 KSEK invested in the company, typically ends up between 2-4 %, depending on what valuation Propel is converting at. For example, if your valuation for the first 1 MSEK is at 30 MSEK, Propel will convert to approximately 2.4% of the shares. If the valuation is 15 MSEK, Propel will convert to around 3,2% of the shares. These figures are indicative.
- As your company grows and attracts more investors, Propel typically owns approximately 0.5-1.5 percent per company at the exit time.
- The sum of Sting and Propel agreements will be between 4 – 6 %.
- We know few other Accelerator programs offering the same extensive value as Sting. So, check out what you get! And remember, Sting is an independent nonprofit company, and our Accelerator program is not a feeder for a later investment vehicle, which most others are.