

Current Report No. 3/2023

Date: 2023-02-07

Subject: Information regarding the potential issue of securities by Silvair, Inc.

Silvair, Inc. (the “**Company**”) announces that on 7 February 2023 the Company’s Board of Directors adopted a resolution to approve incurring the liabilities up to the total nominal value of USD 5.0 million in the form of the issue of promissory notes convertible into the Company’s common shares of the new issue (the “**Convertible Notes**”) and to establish the main terms of the issue of the Convertible Notes.

Within the total maximum issue value approved by the Board of Directors, the Company intends to issue the Convertible Notes by the way private placements pursuant to Regulation D adopted under the United States Securities Act of 1933, as amended (the “**Securities Act**”) based on an exemption from the registration requirements of the Securities Act and from the requirement to prepare any prospectus or offering document, in line with the Company’s capital requirements. The resolution of the Company’s Board of Directors does not specify any timetable or deadline of the issues of the Convertible Notes.

As decided by the Board of Directors, the Convertible Notes will bear interest at a fixed rate. Holders of the Convertible Notes may request their redemption after the second year of their issue date (the “**Maturity Date**”). In addition, upon consent of the majority of holders of the Convertible Notes, the Company may prepay the Convertible Notes before their Maturity Date subject to the terms of the Convertible Notes. Notwithstanding the foregoing, the Convertible Notes will be due and payable in the events specified in the terms of the Convertible Notes including, in particular, the filing of a petition in bankruptcy against the Company or a petition for any relief under the federal bankruptcy act or the appointment of a receiver or trustee to manage the assets of the Company.

The terms of the Convertible Notes provide for the mechanics of conversion of amounts due under the Convertible Notes, including the claim for payment of the principal and any accrued but unpaid interest (the “**Conversion Amount**”) into newly issued common shares in the Company in the event of: (i) a change of control over the Company as defined in the terms of the Convertible Notes including, inter alia, a sale of all or substantially all of the Company’s assets, merger, consolidation, capital reorganization or other similar transaction, subject to the specific provisions of the terms of the Convertible Notes (the “**Change of Control**”), or (ii) at the initial closing of the Company’s next sale of capital stock in a single transaction or a series of related transactions for the principal purpose of raising capital and yielding gross proceeds to the Company of at least USD 10.0 million (including conversion of the Notes and other outstanding convertible notes, safes or equity certificates) (the “**Next Equity Financing**”).

In the event of the Change of Control or the Next Equity Financing, the Company will issue to the holders of the Convertible Notes a number of common shares of the Company equal to the Conversion Amount divided by the product of: (i) the price paid in connection with the Change of Control (in the case of the Change of Control) or the price paid in connection with the Next Equity Financing (in the case of the Next Equity Financing), and (ii) 80%.

The terms of the Convertible Notes provide for lock-up regarding securities of the Company in the event of an initial public offering of the Company’s securities under the Securities Act. The Convertible Notes are governed by the laws of the state of Delaware.

Information about any issues of the Convertible Notes completed by the Company subject to the terms approved by the resolution Board of Directors will be published separately in the performance of disclosure obligations by the Company under the MAR Regulation.

Legal basis: Article 17 Section 1 of the MAR - inside information.

Disclaimer

This material constitutes fulfillment of disclosure obligations to which the Company is subject as a public company with shares listed on a regulated market in Poland and is not an offer for sale of securities in the United States of America or any other jurisdiction.

The securities referred to in this material (the “**Securities**”) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. The Company does not intend to register any part of the offering in the United States. The Securities will be “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, and hedging transactions involving the Securities may not be conducted unless in compliance with the Securities Act.

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