**TERM SHEET**

**FOR CONVERTIBLE FINANCING**

|  |  |
| --- | --- |
| Company | … registered …  |
| Founders | …. (ID code: )…. (ID code: ) |
| Current Shareholders | ……………... |
| Investors | L59 SPV2020 OÜ, reg code …., represented by board members Kristjan Raude (i.k ....) and Anu Oks (49005010010)  |
|  |  |
| Structure of Financing | The Investors shall make an investment into the Company in form of a convertible note with the following terms:* Amount up to [200000] EUR
* Interest rate [5%] pa
* Maturity: 18 months
* The loan principal and accrued interest can be converted into equity at Qualified Financing with a discount of 25% on qualified financing or at a fully-diluted pre-money valuation of 3.4mEUR, whichever is lower
* The loan principal and accrued interest can be converted into equity at Maturity at a fully-diluted pre-money valuation of 1.2mEUR
* At Qualified Financing or Maturity, the nore holder may at his sole discretion decide whether to convert the receivable into equity of the company or whether to require the repayment of the loan capital and accrued interest
* Qualified financing: 500000 EUR equity financing

The investment will be made in one (2) tranches in equal installments.  |
| Conditions to Close | The financing is subject to the following:… company is announced as a EstBAN syndicate winner at Latitude59 2020, January 31. Tranche 1. (i) completion of a due diligence related to the Company to the satisfaction of the Investors; (ii) absence of material adverse changes with respect to the Company; (iii) signing Shareholders agreement; (iv) Constituting non diluting ESOP 10% of all shares of the Company;(v) there are no outstanding loans from Founders and third parties. (vi), reverse vesting of the founder(s), (vii) transfer of all relevant IP to the Company, (viii) amendment of the Articles of Association to reflect the terms of the Term sheet.**Tranche 2**Monthly NET recurring revenue is at least 10000 EUR for 3 consecutive months. |
| Transfer of Investment | The Investors shall transfer the investment sum to the Company’s bank account no later than after 10 days after signing the investment agreement (Tranche 1) and 10 days after fulfilling the Condition to Close for the 2nd Tranche.  |
| Estimated Closing Date | [latest by July 1st, 2020] |
| Type of Shares | The Investors shall obtain newly issued shares of the Company giving their holders the rights set out in this Term Sheet and the law. |
| Issue of Shares | The Company will take all the necessary steps to issue the new shares to the Investors within 10 business days after the signing of the investment agreement. |
| Liquidation Preference | Upon a (a) liquidation of the Company (b) merger of the Company involving a change of control (c) a sale, exclusive license or other disposal of substantially all of the assets of the Company (d) a disposal of shares representing more than 50% of the share capital of the Company (the “Liquidity Event”) the investors shall receive the higher of (a) one times the investment amount invested by each Investor or (b) the amount they would receive if all shareholders received their pro rata share of the proceeds of the Liquidity Event. |
| Founders’ commitment | Each Founder shall devote all their business time to the Company if not agreed otherwise between the Company and the Founder with the approval of the Investors. Commitments undertaken prior to Estimated Closing Date are not affected, provided that they carry the nature of consulting and have a finite ending date no later than 6 months after Estimated Closing Date. |
| Important Decisions | Taking any action related to the Company in the matters provided below shall require a prior written approval of the Investors representing more than fifty percent (50%) of the nominal value of the Company’s shares held by all Investors:* 1. amending the articles of association;
	2. changing the Share Capital, excluding the existing Shareholders’ pre-emptive right to subscribe for new Shares, options, convertible loans, other instruments giving their holders the right to acquire any Shares;
	3. issuing convertible note, entering into convertible loan agreement, changing any material terms of any such transaction;
	4. approving, and changing any material terms of, any option plan
	5. entering into, and changing any material terms of, any option agreement, except in accordance with previously approved option plan
	6. entering into any other agreement granting any person a right to acquire any Share, changing any material terms of such transaction;
	7. acquiring own (treasury) Shares and transferring such Shares;
	8. deciding on merger, division, transformation or dissolution of the Company;
	9. distributing profit;
	10. any transfer or granting into of use or other encumbrance of material assets of the Company, including IP or an enterprise (ettevõte) or the organizationally independent part thereof, other than entering into non-exclusive licenses in the ordinary course of business;
	11. granting of any loan or credit or providing any collateral for securing any obligations other than collateral for securing the Company’s own obligations in the ordinary course of business;
	12. entry into transaction or series of related transactions by the Company if the value of such transaction exceeds EUR [50000] per transaction or in aggregate per one (1) calendar year.
	13. entering into, and changing any material terms of, any transaction for granting loan or providing guarantee, suretyship or other collateral (including, but not limited to collateral for securing the Company’s own obligations), other than collateral for securing the Company’s own obligations in the ordinary course of business;
	14. entering into, and changing any material terms of, any transaction for transferring or granting any right to use over any intellectual property or other material assets, other than non-exclusive licenses granted in the ordinary course of business;
	15. establishing any subsidiary and establishing, acquiring, transferring or encumbering any shareholding in any entity, including a subsidiary;
	16. taking any other action that results in Liquidity Event;
	17. approving annual report;
	18. electing auditor;
	19. designating special audit and remuneration of the special auditor;

electing and recalling management board members.  |
| Reverse Vesting: | The Founders’ shares shall be subject to reverse vesting on the following terms:vesting period 4 years;vesting schedule: 25% will become vested after 1 year, remainder to vest in monthly instalments over the period of 3 years. |
| Pre-emption | All shareholders will have a pro rata right, but not an obligation, based on their shareholdings in the Company, to participate in subsequent financings of the Company. To the extent such right is not exercised by any eligible persons, it may be reallocated among other eligible persons.  |
| Right of First Refusal | All shareholders of the Company shall have a pro rata right, based on their shareholdings in the Company, of first refusal in case of transfers of any shares, subject to customary permitted transfers. |
| Co-sale | In case any of the Founders wish to transfer its shares to a third party, then the Investors are entitled to participate in such transfer of shares on identical terms.In case the holders of the shares representing more than fifty percent (50%) of the nominal value of all Company’s shares (“Sellers”), including in any case, the shares of at least one Investor, wish to transfer shares representing more than fifty percent (50%) of the nominal value of all Company’s shares to a third party, then the other shareholders of the Company, not being the Sellers, are entitled to participate in such transfer of shares on identical terms. |
| Drag Along | In case the Sellers wish to transfer all their shares to a third party who wishes to acquire one hundred percent (100%) of the Company’s shares or enter into a Liquidity Event, then the Sellers are entitled to demand the other shareholders of the Company to participate in the respective transaction on identical terms and transfer all their shares to the relevant third party, subject to the liquidation preferences set out above.  |
| Information Rights | The Investors are entitled to receive from the Company: (i) monthly acitvity reports, (ii) quarterly financial reports and (iii) annual reports. |
| Exclusivity  | The Company and Founder(s) agree not to discuss, negotiate or accept any proposals regarding the financing of the Company by equity, debt or otherwise or (ii) disposal of material assets of the Company for 60 days from the date of this Term Sheet unless new investors are willing to join the current round with EstBAN. |
| Confidentiality | This Term Sheet and any information about the Company are confidential and are not to be disclosed to third parties, except (i) if required by law or (ii) if disclosed to a professional advisor of a party, who has undertaken an obligation to keep the relevant info confidential. |
| Costs | Each party shall bear its own costs and expenses arising out of or incurred in connection with this Term Sheet |
| Applicable Law | This Term Sheet shall be governed and construed in accordance with the laws of Latvia, except the conflict of laws rule. |
| Dispute Resolution | Any dispute, controversy or claim arising out of or in connection with this Term Sheet shall be resolved by Riga district court. |
| Non-binding Effect | This Term Sheet is intended solely as a basis for further discussion and does not constitute any legally binding obligation except for the sections “Exclusivity”, “Confidentiality”, “Costs”, “Applicable Law” and “Dispute Resolution” which are intended to be legally binding on the parties. |

On behalf of the Company:

On behalf of the Founders:

On behalf of the Investors:

Kristjan Raude

Anu Oks