**TERM SHEET**

**FOR EQUITY FINANCING**

|  |  |
| --- | --- |
| Company | [data] |
| Founders | [data] |
| Current Shareholders | [data] |
| Investors | [name of investor 1], registry code [\*], address [\*], e-mail address [\*];  [name of Investor 2], registry code [\*], address [\*], e-mail address [\*]. |
|  |  |
| Structure of Financing | The Investors shall make an equity investment into the Company with the aggregate amount up to [\*] EUR at a fully diluted pre-money valuation of  [\*] EUR. The amount of the investment to be made by each Investor shall be as follows:  Investor 1: [\*] EUR;  Investor 2: [\*] EUR;  The investment will be made in one (1) tranche. |
| Conditions to Close | The financing is subject to the following: (i) completion of a due diligence related to the Company to the satisfaction of the Investors; (ii) transfer of all relevant IP to the Company; and (iii) absence of material adverse changes with respect to the Company. |
| Transfer of Investment | The Investors shall transfer the investment sum to the Company’s bank account [\*] with description “Osakapitali sissemakse” within 5 business days after the signing of the investment agreement. |
| Estimated Closing Date | [\*] |
| 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 through Commercial Register (äriregister) / Nasdaq CSD SE (väärtpaberite keskdepositoorium) 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. |
| 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 [\*] 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 3 years; * vesting schedule: 25% will become vested after 1 year, remainder to vest in monthly instalments over the period of 2 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. |
| 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 Estonia, 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 Harju County Court in Tallinn, Estonia. |
| 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: