**TERM SHEET**

**FOR SEED ROUND CONVERTIBLE LOAN FINANCING**

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| **Company** | [*name of the Company*], registry code [\*], address [\*], e-mail address [\*]. | |
| **Founders** | [*full name of Founder 1*]; [*full name of Founder 2*]; [*full name of Founder 3*]. | |
| **Investors** | [*name of Investor 1*], registry code [\*], address [\*], e-mail address [\*];  [*name of Investor 2*], registry code [\*], address [\*], e-mail address [\*];  [*name of investor 3*], registry code [\*], address [\*], e-mail address [\*]. | |
| **Structure of Financing** | The Investors shall issue a convertible loan to the Company in the aggregate amount of [*insert amount*] EUR. The amount of the investment to be made by each Investor shall be as follows:  Investor 1: [*insert amount*] EUR;  Investor 2: [*insert amount*] EUR;  Investor 3: [*insert amount*] EUR. | |
| **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 intellectual property to the Company; and (iii) absence of material adverse changes with respect to the Company. | |
| **Estimated Closing Date** | [*insert date*]. | |
| **Type of Investment** | Convertible loan to the Company (“**Loan**”). | |
| **Interest** | Interest shall accrue at the rate of [*insert amount*] % per year and is not payable until converted or until the principal amount of the Loan is repaid, as set forth below. | |
| **Repayment** | Unless previously converted as set forth below, the principal amount of the Loan and accrued interest (“**Outstanding Debt**”) become payable on demand by Requisite Investors at any time on or after [*insert date*] (“**Conversion Date**”).  “**Requisite Investors**” shall mean Investors whose aggregate outstanding principal amount of the Loan represents at least a majority of the total outstanding principal amount of the Loan. | |
| **Prepayment** | The Outstanding Debt may not be prepaid in whole or in part without the prior written consent of the Requisite Investors. | |
| **Conversion** | In case the Company issues new share(s) to any third party, as a result of which the Company acquires at least [*insert amount*] EUR in gross proceeds (“**New Financing Round**”) before the Conversion Date, the Outstanding Debt shall be automatically converted into newly issued share(s) of the Company based on the pre-money valuation (in regard to the Company’s fully diluted share capital immediately prior to the new Financing Round), which is the lower of: (i) [*insert the agreed maximum pre-money valuation of the Company*] EUR (“**CAP**”); or (ii) the pre-money valuation of the New Financing Round multiplied by [*insert the amount of the discount, e.g. if discount is 20%, the amount should be 0,8*] (“**Discounted Valuation**”), whereas the conversion of the Outstanding Debt shall take place simultaneously with the New Financing Round.  The formula to be used for calculating the ownership percentage of the Investors in the Company’s fully diluted share capital immediately after conversion of the Outstanding Debt in full shall be as follows:  *Ownership %*  If the Company has not completed the New Financing Round at the latest by the Conversion Date, the Requisite Investors may, no later than within [*insert the period during which the Investors need to decide as provided herein*] as of the Conversion Date, choose to either: (i) request repayment of the Outstanding Debt as set forth in section “Repayment” above; or (ii) convert the Outstanding Debt into the share(s) of the Company based on the pre-money valuation (in regard to the Company’s fully diluted share capital immediately prior to conversion of Outstanding Debt) of [*insert the agreed minimum pre-money valuation of the Company*]. |
| **Important Decisions** | Taking any action related to the Company in the matters provided below shall require a prior written approval of the Requisite Investors:   1. amending the articles of association of the Company; 2. increasing or decreasing the share capital of the Company, including exclusion of the shareholders’ preferential subscription rights; 3. issue of any convertible notes and entry into, or amendment of any material terms of, any convertible loan agreement, convertible note, option plan, option agreement or other transaction granting any person any right to acquire any shares of the Company; 4. acquisition by the Company of its own share(s) and transfer of any share(s) so acquired; 5. merger, division, transformation or dissolution of the Company; 6. electing and removing the members of the management board of the Company; 7. 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; 8. 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; 9. entry into transaction or series of related transactions by the Company if the value of such transaction exceeds [*insert amount*] EUR per transaction or in aggregate per one (1) calendar year. | |
| **Restrictions of the Founders** | Founders shall not sell, transfer or otherwise dispose or encumber their shares in the Company before the Conversion Date, without prior written consent of the Requisite Investors. | |
| **Information Rights** | The Investors are entitled to receive from the Company: (i) quarterly financial reports and (ii) annual reports. | |
| **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 “Confidentiality”, “Costs”, “Applicable Law” and “Dispute Resolution” which are intended to be legally binding on the parties. | |

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[*full name of Founder 1*] [*full name of Founder 2*] [*full name of Founder 3*]

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[*name of the board member*] [*name of the board member*] [*name of the board member*]

[*name of the Company*] [*name of Investor 1*] [*name of Investor 2*]

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[*name of the board member*]

[*name of Investor 3*]