

L I N E N

SIA "L. J. LINEN" Registration No. 40003669025

LEI: 9845005E46PK0915DE76

Terms of the Bonds Issue

ISIN	LV0000850071
Type of security:	Secured Bonds
Nominal:	EUR 1,000 (one thousand Euro)
Nominal value of the issue:	EUR 2,000,000.00 (two million Euro)
Annual Coupon Rate:	10% + 3M EURIBOR, quarterly
Maturity:	16 December 2024

These Terms of the Bonds Issue are not a prospectus for the purposes of the Prospectus Regulation and no competent authority of any Member State has examined or approved the contents thereof. These Terms of the Bonds Issue have been prepared on the basis all offers of the debt securities are issued by the Issuer according to the Terms of the Bonds Issue will be made pursuant to an exemption from the obligation to publish a prospectus under the Prospectus Regulation.

The issue of the Bonds is a private placement and there is no intention of the Issuer to list the Bonds on a regulated market.

The Issuer is a company incorporated and existing under the Legal Acts of the Republic of Latvia and the Legal Acts allow for the Issuer to record the issue with the central securities depository of Latvia – Nasdaq CSD.

The decision of the Issuer to organize the issue of the Bonds has been passed in compliance with the Legal Acts of the Republic of Latvia. The issue of the Bonds, including the relationship between the Issuer and Potential Investors or any third parties, and their respective rights and duties attached to the Bonds such as voting rights, dividends and corporate actions, is governed by the Legal Acts of the Republic of Latvia.

These Terms of the Bonds Issue do not constitute an offer to sell or a solicitation of an offer to buy the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.

MiFID II product governance - solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion: (i) the target market for the Bonds is eligible counterparties, professional clients, and retail clients, each as defined in Directive 2014/65/EU; and (ii) all channels for distribution of the Bonds to eligible counterparties, professional clients and respective retail clients are appropriate. Any person subsequently offering, selling or recommending the Bonds should take into consideration the manufacturer's target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

Before deciding to purchase the Bonds, Potential Investors should carefully review and consider the risk factors described herein. Should one or more of the risks materialize, this may have a material adverse effect on the cash flows, results of operations, and financial condition of the Issuer or the Guarantors. If any of these risks materialize, the market value of the Bonds and the likelihood the Issuer will be in a position to fulfil its payment obligations under the Bonds may decrease, in which case the Bondholders could lose all or part of their investments.

Any previous discussions or presentations provided to Potential Investors were solely for information purposes and the Bonds are issued in accordance with these Terms of the Bonds Issue. A Potential Investor should not make an investment decision relying solely upon the information provided in the Potential Investor presentation or otherwise.

Arranger:



13 December 2022

Table of Contents

1.	Risk Factors.....	12
2.	Risks related to the Bonds	20
3.	Party responsible for the Terms of the Bonds Issue	24
4.	Information on Bonds	26
5.	Special Conditions	43
6.	Covenants.....	46
7.	Taxes.....	50
8.	Terms of the Private Offering	52
9.	Including of the Bonds on the market and trading regulations	54
10.	Additional information.....	55
11.	The Issuer	56
12.	Business of the Issuer.....	57

Terms and abbreviations used

Accounting Principles	:	Latvian Generally Accepted Accounting Principles in accordance with Applicable Laws.
Accounts Receivables Coverage Ratio	:	The ratio of the Issuer's Eligible Accounts Receivables to total Financial Indebtedness, according to the most recent Financial report, calculated at the end of each quarter.
Total Equity	:	The aggregate book value of the Issuer's total equity (including minority interest, if applicable), according to the most recent Financial Report.
Agent	:	Authorised representative of Issuer under these Terms of the Bonds Issue.
AML	:	Anti-money laundering and counter terrorism and proliferation financing.
Arowana	:	Arowana Exim PTE LTD, with registration No. 201530946D and with legal address at: 156 Macpherson Road #09-01, Psl Industrial Building, Singapore (348528).
Arranger	:	Signet Bank.
Bank Loan	:	Issuer's debt to Signet Bank arising from the loan agreement Nr.10.5-D-01-21/5 and additional agreements arising therefrom and secured by Bank Loan Collaterals.
Bank Loan Collaterals	:	The Issuer's pledges in favour of Signet Bank, including: (i) commercial pledge on the assets of the Issuer; (ii) commercial pledge on the shares of the Issuer; (iii) financial pledge on the Issuer's accounts with Signet Bank; (iv) commercial pledge on the assets of Arowana and LionPro.
Base Rate	:	3M EURIBOR reference rate (%) determined by the Calculation Agent on the Coupon Reset Date and is fixed for the subsequent Base Rate Period. If on any Coupon Reset Date the 3M EURIBOR rate is less than 0%, 3M EURIBOR shall mean 0%.
Bondholder(s)	:	A private person or legal entity that is an owner of one or more Bonds and has a claim against the Issuer as stipulated by the Legal Acts.
Bonds	:	The debt security issued by the Issuer according to these Terms of the Bonds Issue.
Business Day(s)	:	A Business Day is a day when the Nasdaq CSD system is open for business.
Calculation Agent	:	Signet Bank.
Cash and Cash Equivalents	:	Cash and cash equivalents of the Issuer according to the most recent Financial Report.

FY	:	Financial year.
Change of Control	:	<p>The occurrence of an event or series of events whereby, a person (natural person or legal entity) or group of persons acting in concert (directly or indirectly) acquires the influence (whether by way of ownership of shares, contractual arrangement or otherwise) to:</p> <p>(a) cast or control the casting of more than 50% (fifty per cent) of the maximum number of votes that might be cast at a general meeting of the shareholders of the Issuer; or</p> <p>(b) appoint or remove or control the appointment or removal of a majority of the management board or supervisory board members or other equivalent officers of the Issuer.</p>
Collateral	:	Collateral is described in Clause 4.2.7 "Collateral of the Bonds", which serves as security for the fulfilment of the Issuer's obligations to the Bondholders in accordance with these Terms of the Bonds Issue.
Collateral Agent	:	A person holding the Collateral on behalf of the Bondholders and authorized to act with the Collateral in favour of all the Bondholders in accordance with these Terms of the Bonds Issue and the Collateral Agent Agreement, initially the KPMG Law ZAB SIA, with registration No. 40203342389 and with a registered address at: Vesetas iela 7, Riga, LV-1013, Republic of Latvia.
Collateral Agent Agreement	:	The agreement entered into between the Issuer and the Collateral Agent which stipulates the rights and obligations of the Collateral Agent in relation to the establishment, maintenance, and enforcement of the Collateral, as defined in these Terms of the Bonds Issue, in the interests of the Bondholders, as well as the Collateral Agent's compensation. The copy of Collateral Agent Agreement will be issued to the Potential Investor or Bondholder upon their written request.
Collateral Agreement(s)	:	The commercial pledge agreement concluded or to be concluded on the provision of the Collateral referred to in Clause 4.2.7 "Collateral of the Bonds" between the Collateral Agent and the relevant Collateral Provider and governed by Latvian Legal Acts. The copies of Collateral Agreements will be issued to the Potential Investor or Bondholder upon their written request.
Collateral Provider	:	Persons referred to in Collateral Agreement.
Commercial Pledge	:	Commercial pledge registered under act number 100197609 in the Register.
Coupon	:	Interest on Bonds calculated in accordance with the Clause 4 "Information on Bonds".

Coupon Payment Date	:	Coupon payments are made four times per year on the last Business Day of the calendar quarter.
Coupon Period	:	Any period between two Coupon Payment Dates, with the first Coupon Period starting on the Issue Date and ending on 31 March 2023.
Coupon Reset Date	:	The second Business Day before the start of the Coupon Period on which the Calculation Agent determines the Coupon rate for the following Coupon Period.
Custodian	:	A Nasdaq CSD participant directly or licensed credit institution or investment brokerage company that has a financial securities' custody account with Nasdaq CSD participant.
EBITDA	:	Net profit of the Issuer for the Relevant Period calculated according to the most recent Financial Reports: <ul style="list-style-type: none">(a) before deducting any amount of tax on profits, gains or income paid or payable by Issuer;(b) before deducting any Net Finance Charges;(c) before taking into account any exceptional items which are not in line with the ordinary course of business;(d) before taking into account any gains or losses on any foreign exchange gains or losses; and(e) after adding back any amount attributable to the amortisation, depreciation or depletion of assets.
Eligible Accounts Receivables	:	The Issuer's Accounts Receivables (except LionPro) prior to Reorganisation and the Issuer's consolidated Accounts Receivables after Reorganisation, according to the most recent Financial Report, where the underlying accounts receivables are secured by a letter of credit or other trade finance instrument of equivalent security.
Equity Ratio	:	Ratio of Total Equity to assets of the Issuer calculated according to the most recent Financial Report.
EUR	:	Euro (the single currency of the Member States of the European Monetary System).
EURIBOR	:	Means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Bloomberg) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor) and in case of negative rates, interest rate shall be zero.

- Fair Market Value** : With respect to any asset, the value that would be paid by a willing buyer to an unaffiliated willing seller in a transaction not involving any distress of either party, determined in good faith by the management board of the Issuer.
- FCMC** : The Financial and Capital Market Commission (*Finanšu un kapitāla tirgus komisija*), is an autonomous public institution of the Republic of Latvia, which carries out, but not limited to, the supervision of Latvian banks, credit unions, insurance companies and insurance brokerage companies, participants of financial instruments market, as well as private pension funds, payment institutions and electronic money institutions.
- Financial Indebtedness** : Any interest bearing Financial indebtedness of the Issuer according to the most recent Financial Report including:
- (a) monies borrowed and debt balances at banks or other financial institutions;
 - (b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including these Bonds;
 - (c) the amount of any liability in respect of any financial lease;
 - (d) any monies borrowed from any shareholder of the Issuer;
 - (e) any amount raised under any other transaction (including any forward purchase or sale agreement) having the commercial effect of a borrowing and treated as a borrowing under the Accounting Principles.
 - (f) any derivative transaction based on mark-to-market value;
 - (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
 - (h) without double-counting any guarantee or other assurance against financial-loss in respect of a type referred to the above items (a) to (f).
- Financial Report** : Before Reorganisation: the annual audited financial statements of the Issuer and the quarterly interim unaudited reports of the Issuer prepared in accordance with the Accounting Principles.
- After Reorganisation: the annual audited consolidated financial statements of the Issuer and the quarterly interim consolidated reports of the Issuer prepared in accordance with the Accounting Principles.
- First North** : The Multilateral Trading Facility (MTF), First North, operated by Nasdaq Riga.

First Settlement Date (Issue Date)	:	The date on which interest on the Bonds starts to accrue: 14 December 2022.
Force Majeure Event	:	Has the meaning set forth in Clause 6.6.
Guarantees	:	Guarantees set forth in Clause 4.2.6. made by the Guarantors for the fulfilment of the Issuer's obligations under the Bonds in favour of the Bondholders. The copies of Guarantees will be issued to the Potential Investor or Bondholder upon their written request.
Guarantors	:	An entity providing the guarantee of fulfilment of the Issuer's obligations under the Bonds. The Bonds shall be guaranteed by the companies related to the Issuer indicated in Clause 4.2.6.
Interest Coverage Ratio (ICR)	:	The ratio of EBITDA to Net Finance Charges for the Relevant Period.
Issuer or SIA L.J. Linen	:	SIA "L. J. LINEN", with registration No. 40003669025 and with a registered address at: Antonijas iela 5, Riga, LV-1010, the Republic of Latvia.
Legal Acts	:	All legal acts, including the regulations of the FCMC, Nasdaq Riga and Nasdaq CSD, which are in force in the Republic of Latvia.
LionPro	:	Lionpro PTE LTD, with registration number 201807927Z, legal address: 586 Pasir Ris Street 53 #02-61, Singapore (510586).
Majority Bondholders	:	<p>Bondholders who collectively (excluding the Issuer, its direct and/or indirect shareholders and the Related Parties holding any Bonds) hold in aggregate the Bonds with the Nominal representing at least 1/2 (one half) of the aggregate Nominal of all outstanding Bonds plus at least one additional Bond (excluding any Bonds held by the Issuer, its direct and/or indirect shareholders and the Related Parties (if such Bonds exist)).</p> <p>For the avoidance of doubt, Bonds held by the Issuer, its direct and/or indirect shareholders or the Related Parties shall not give them rights provided to the Majority Bondholders in accordance with these Terms of the Bonds Issue.</p>
Maturity Date	:	The date when the Bonds shall be repaid in full at their Nominal Value by the Issuer, which is 16 December 2024.
Minimum Settlement Unit	:	The minimum amount which can be held and traded, which is equal to the Nominal Value.
Nasdaq CSD or Depository	:	Nasdaq CSD SE (with registration No. 40003242879 and with a legal address at: Valņu iela 1, LV-1050, Riga, the Republic of Latvia).
Nasdaq Riga	:	AS "Nasdaq Riga" (with registration No. 40003167049 and with a legal address at: Valņu iela 1, LV-1050, Riga, the Republic Latvia).

Negative Pledge	:	The Bonds will have the benefit of a negative pledge as described in Clause 6.3. of the Terms of the Bonds Issue.
Net Debt	:	The aggregate amount of the Financial Indebtedness of the Issuer minus the sum of Cash and Cash Equivalents of the Issuer as per most recent Financial Report.
Net Debt Leverage Ratio	:	The ratio of Net Debt to EBITDA for the Relevant Period.
Net Finance Charges	:	All recurring debt related charges of the Issuer for the Relevant Period calculated according to the most recent Financial Reports: <ul style="list-style-type: none">(a) including cash interest expense on Financial Indebtedness;(b) after deducting any interest income relating to Cash and Cash equivalents; and(c) excluding any payment-in-kind interest capitalized on loans from Related Parties.
Nominal Value	:	Face value of a single Bond, which is EUR 1,000 (one thousand Euro).
Parallel Debt	:	The legal arrangement described in Clause 4.2.8. of these Terms of the Bonds Issue.
Permitted Business	:	Any businesses, services or activities that are the same as, or reasonably related, ancillary or complementary to, any of the businesses, services or activities in which the Issuer is engaged on the Issue Date, and reasonable extensions, developments or expansions of such businesses, services or activities.
Permitted Distribution	:	Distribution from the Issuer or the Guarantors up to 50% (fifty percent) of the Issuer's audited annual net profit provided that all Financial Covenants are met immediately after such distribution.
Permitted Security	:	<ul style="list-style-type: none">(a) Security granted in favour of Signet Bank (Bank Loan Collaterals) at the date of these Terms of the Bonds Issue or later, or refinancing the Bank Loan with another credit institution with the right to register first-order commercial pledge with another credit institution, where the maximum amount of the commercial pledge claim does not exceed the maximum amount of the Commercial Pledge claim, and where the description of the Commercial Pledge is preserved.;(b) Security held by the Collateral Agent on the behalf of the Bondholders that is established as a result of a new bond issue by the Issuer. The Security shall be lower ranking or ranking <i>pari passu</i> to the security interests in the same assets provided by Collateral Providers to the Bondholders under this Bond Issue;(c) any netting or set-off arrangement entered into by the Issuer or any Guarantor in the ordinary course of its banking

arrangements for the purpose of netting debit and credit balances;

- (d) any payment or close out netting or set-off arrangement pursuant to any hedging transaction entered into by the Issuer or any Guarantor for the purpose of: (i) hedging any risk to which the Issuer or any Guarantor is exposed in its ordinary course of trading; or (ii) its interest rate or currency management operations which are carried out in the ordinary course of business and for non-speculative purposes on; excluding, in each case, any Security under a credit support arrangement in relation to a hedging transaction;
- (e) any Security created over any asset of any company which becomes a subsidiary after the Issue Date, where such Security is created: (i) prior to the date on which the company becomes a subsidiary, provided that such Security was not created in contemplation of the acquisition of such company; or (ii) simultaneously with the acquisition of such company for the sole purpose of financing the acquisition of such company;
- (f) any Security arising under the sale and leaseback of assets owned by the Issuer or any Guarantor;
- (g) any Security arising under any retention of title or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to the Issuer or any Guarantor in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by the Issuer or any Guarantor;
- (h) any Security arising by operation of law; or
- (i) any other Security approved by the Majority Bondholders.

Potential Investor(s)	:	A private person or legal entity that has, according to the terms stated in these Terms of the Bonds Issue, expressed interest or is planning to purchase for its own account one or more Bonds.
Promissory Note	:	An agreement between the Issuer and the Collateral Agent where the Issuer reassures it owes any sums due under these Terms of the Bonds Issue to the Collateral Agent and which may be used, if necessary, for the purposes of registration and enforcement of the Collateral.
Prospectus Regulation	:	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, OJ L 168, 30.6.2017.
Register	:	The Commercial Pledge Register of the Companies Register of the Republic of Latvia.

Related Entities	:	Group entities which are related to the business of the Issuer and are under common control, listed in the Annex 1 of the Terms of the Bonds issue.
Related Parties	:	Any person (natural person or legal entity) in relation to the Issuer, which: <ul style="list-style-type: none">(a) is a direct or indirect shareholder holding more than 25% (twenty-five per cent) of the capital shares or voting stock;(b) directly or indirectly has Control;(c) is member of the management board or the supervisory board (if relevant); or(d) is a spouse of any persons referred to in (a) to (c) As well as all Related Entities and entities listed in Annex 2 to the Terms of the Bonds Issue.
Relevant Period	:	Each period of 12 (twelve) consecutive calendar months, fixed at the end of each calendar quarter.
Security	:	Has the meaning set forth in Clause 6.3. "Negative pledge".
Reorganisation	:	The process initiated by the Issuer, as a result of which Arowana becomes a subsidiary of the Issuer.
Settlement Unit Multiple	:	Multiple that defines the settlement quantity or nominal must be a multiple of the Minimum Settlement Unit.
Signet Bank	:	Signet Bank AS, with registration No. 40003043232 and with a legal address at: Antonijas iela 3, LV-1010, Riga, the Republic of Latvia.
Terms of the Bonds Issue	:	This document, which entitles the Issuer to execute the Issue and the initial offering of the Bonds.

BELOW IS A DESCRIPTION OF THE RISK FACTORS THAT ARE MATERIAL FOR THE ASSESSMENT OF THE MARKET RISK ASSOCIATED WITH THE BONDS AND RISK FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE BONDS.

SHOULD ONE OR MORE OF THE RISKS DESCRIBED BELOW MATERIALISE, THIS MAY HAVE A MATERIAL ADVERSE EFFECT ON THE CASH FLOWS, RESULTS OF OPERATIONS, AND FINANCIAL CONDITION OF THE ISSUER. MOREOVER, IF ANY OF THESE RISKS MATERIALISE, THE MARKET VALUE OF THE BONDS AND THE LIKELIHOOD THAT THE ISSUER WILL BE IN A POSITION TO FULFIL ITS PAYMENT OBLIGATIONS UNDER THE BONDS MAY DECREASE, IN WHICH CASE THE POTENTIAL INVESTORS COULD LOSE ALL OR PART OF THEIR INVESTMENTS.

BEFORE DECIDING TO PURCHASE THE BONDS, POTENTIAL INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS, IN ADDITION TO ALL OTHER INFORMATION PRESENTED IN THE TERMS OF THE BONDS ISSUE, AND CONSULT WITH THEIR OWN PROFESSIONAL ADVISORS IF NECESSARY. MOREOVER, POTENTIAL INVESTORS SHOULD BEAR IN MIND THAT SEVERAL OF THE DESCRIBED RISK FACTORS CAN OCCUR SIMULTANEOUSLY AND TOGETHER WITH OTHER CIRCUMSTANCES COULD HAVE A POTENTIALLY STRONGER IMPACT ON THE ISSUER. THIS IS NOT AN EXCLUSIVE LIST OF RISK FACTORS, AND ADDITIONAL RISKS, OF WHICH THE ISSUER IS NOT PRESENTLY AWARE, COULD ALSO HAVE A MATERIAL ADVERSE EFFECT ON THE ISSUER.

1. Risk Factors

1.1. Important note

The risks indicated in this section, if some or all of them materialize, may reduce the Issuer's ability to fulfil its obligations or cause its insolvency or restructuring in the worst-case scenario.

This section may not feature all of the potential risks, which may affect the Issuer.

1.2. Risks related to the economic and geopolitical environment

The Issuer sells animal origin products across the Europe, Africa and Asia and transports the products across a variety of national jurisdictions and geographical areas. This entails a risk of business interruptions that may result from political circumstances, trade disputes or inadequacies in the legal systems and law enforcement mechanisms in certain countries in which the Issuer and the Guarantors operate. The political circumstances or inadequacies of the legal systems and law enforcement mechanisms in certain countries in which the Issuer and Related Entities operates may have a material negative impact on the Issuer's reputation, revenue, cash flows and financial condition.

1.2.1. Risks associated with Russia's military aggression

On 24th February 2022 Russia launched a full-scale military invasion of Ukraine leading to geopolitical and economic instability in Europe, which as at the date of the issue of these Bonds is still on-going and has resulted in casualties on both sides, heavily damaged infrastructure in Ukraine (logistics and production), and displacement of several million Ukrainian people.

Many countries have imposed wide-ranging sanctions on Russia targeting individuals, banks, businesses, monetary exchanges, bank transfers, exports, and imports. Imposed sanctions have impact on global financial markets resulting in a significant increase in gas and oil prices, price decrease among major stock market indices, especially, Russia's MOEX as well as significant drop in Rubble exchange rate against the US dollar and the Euro.

Although, as of the date of the Terms of the Bonds Issue, the restrictive measures imposed against Russia and Belarus have had no direct material impact on the Issuer's and Guarantors'

performance, introduction of new sanctions packages, general deterioration of the economic situation and other aspects related to geopolitical events may affect their business results.

While SIA L.J. Linen does not supply its raw materials from / to or have any direct sales to Ukraine, Russia or Belarus, the on-going conflict is already having an observable impact across the globe through energy price increases as the European Union is focused on considerably decreasing its dependence on Russian gas and oil at the expense of price hikes due to limited immediate alternatives.

Furthermore, new sanctions might lead to increased operating expenses across various sectors and result in raw material and energy cost increases globally, decreased global economic growth, as well as further deterioration between NATO and the Russian Federation may lead to further risk of the war escalating, which could have negative impact on the Issuer's business results and financial performance.

1.2.2. ***Risk of global food market disruption***

As Russia and Ukraine account for a major share in the global food and fuel markets (53% of the global sunflower oil and 27% of global wheat trade in 2020 according to the UN), the war in Ukraine could have a global impact, especially on countries which rely heavily on the exports from Ukraine, and Russia.

According to the UN, up to 25 African countries import more than 33% of their wheat from Russia and Ukraine, with 15 of them importing more than 50%. Considering that trade between African countries is relatively small and there are limitations in storage capacity and logistics infrastructure, there is a concern that food crises might emerge in some regions, which would only be exacerbated with price increases in fertilizers and other agriculture inputs for the next harvest season. Although currently fertilizer prices have been stable as of June 2022, the risk still remains, if geopolitical instability would escalate.

While the management of the Issuer expects that the decrease in cereal exports to African countries would actually continue to be a further beneficial factor to the Issuer for the planned growth in the market, as its traded ingredients can replace vegetable protein sources in animal feed production, there is a limitation, however, and still ingredients of vegetable origin must be used. Decreased availability of cereals may reduce total production in certain markets where the issuer or Guarantors operate, thus reducing total demand for all goods, including those traded by the Issuer and the Guarantors.

1.2.3. ***The global pandemic risk***

The global economy has experienced a period of elevated uncertainty since the outbreak of Covid-19, in March 2020. The global outbreak of Covid-19 pandemic, and the extraordinary health measures and restrictions on both a local and global basis imposed by authorities across the world has to some extent, and could potentially cause, disruptions in the Issuer's and the Guarantors' operations in the future. As a result of the Covid-19 situation, national authorities adopted several laws and regulations with immediate effect and which provide a legal basis for the government to implement measures in order to limit contagion and the consequences of the pandemic. The pandemic situation has been continuously changing, and new laws and regulations that could directly, or indirectly, affect the Issuer's and the Guarantors' operations may enter into force. Additionally, the spread of pandemic among the workforce can cause operation disruptions, thus, negatively affecting the Issuer's and Guarantor's financial performance. Thus, the effects of the Covid-19 (or a new pandemic) situation could negatively affect the Issuer's revenue and operations going forward, and the severity of the situation in the future and the exact impacts are uncertain.

1.2.4. **Regulatory risk**

The Issuer and the Guarantors are subject to international veterinary and food safety laws and regulations, as well as EU laws and regulations that regulate the industry, consumer rights protection, personal data processing, prevention of money laundering and terrorism and proliferation financing or govern the industry in which the Issuer and the Guarantors operate. Any uncertainty as to the regulatory trends or changes in policies in relation to the industry may delay or prevent the achievement of the strategic plans or increase the cost of implementing such plans. The sale of the Issuer's products and the provision of services are subject to a high level of regulation and oversight applicable to the Issuer's industry.

The Issuer and the Guarantors comply with all legislative requirements and other regulations as of the date of the Terms of the Bonds Issue. Legislation and regulations may change however, and the management cannot guarantee, in such cases, it would be able to comply immediately, without material measures to be in line with the requirements of any revised legislation or other regulations. Adapting the operations to any of the changes described above may incur costs for the Issuer and the Guarantors that are difficult to anticipate, which in turn may have a material adverse effect on their business, financial condition and results of operations.

1.2.5. **Risk of changes in customs regulations**

The majority of the Issuer's and Guarantors products are produced in European Economic Zone and delivered to the Third countries. With respect to the export of goods to jurisdictions that are not members of the European Union, the Issuer must comply with the respective national and European foreign trade and customs regulations and, inter alia, pay statutory custom duties when the products enter the territory of other jurisdictions outside of the EU.

As a result of local protectionism, the change in Applicable Laws and interpretation of regulations by various state agencies in the respective countries may cause reduction in demand, delay in payments, and penalties, and in the worst-case scenario financial default of the buyers due to excessive costs associated with changes. The event of changes in customs regulations may have an adverse effect on the Issuer's and the Guarantors' business and financial condition.

1.3. **Risk related to the Issuer's business and industry**

1.3.1. **Agricultural commodity price risk**

The Issuer acts as an intermediary in international trade between animal origin product and grain producers and consumers (producers of poultry, livestock, animal feeds, pet food and aquafeed, organic fertilizers, and local wholesalers). As the products that the Issuer sells (mostly animal proteins) are a substitute of soybean products, a decline in market price of soybeans, can lead to potential decline in the demand for the products traded by the Issuer.

Furthermore, the availability of the raw materials is directly related to global demand for meat and meat products. If the global demand for meat declines, the Issuer may face the risk of insufficient supply of raw material and increased cost of products that may make the product offered by the Issuer relatively less attractive to the customer.

Considering the Issuer's operating cost base concentration (majority of costs is due to raw materials and transportation costs) and since the Issuer usually operates with short-term supply contracts (up to three months) and does not utilize any form of price hedging, market volatility has a direct impact on its operating margins and cash flows.

While such an approach is more flexible for a product trading company, allowing for higher operating margins and management indicated that the market volatility in prices can be transferred in full to the end-clients, the prices are volatile and can be hard to predict more than a few months ahead.

1.3.2. **Operational risk**

Operational risk is a possibility of experiencing losses due to insufficient or unsuccessful internal processes, personnel management, systems, or external circumstances. Thorough personnel selection is carried out, accurate descriptions of job duties are compiled, division of duties is coordinated, which allows the Issuer and management to reduce operational risks. The Issuer's internal controls, procedures, compliance systems and risk management systems may prove to be inadequate to prevent and discover previous or future breaches of laws and regulations and generally to manage risks which could have a material adverse effect on the Issuer's business operations, financial conditions and results of operations.

1.3.3. **Revenue concentration risk**

The Issuer has experienced significant revenue growth as its revenues increased from EUR 16.3 million in FY 2019 to EUR 18.3 million in FY 2020 (+12.2%) and EUR 28.3 million in FY 2021 (+55.0% compared to FY 2020); however, the revenue base of the Issuer is heavily concentrated, as more than 90% of the sales account for three top customers, including Arowana and LionPro, which are the Issuer's Related Entities serving clients in Asia and Africa. Related Entities Arowana and LionPro were established in Singapore as port gateways to the markets in Asia and Africa, respectively, and as such are not the end clients of the Issuer as goods are sold further to third parties in the indicated markets.

The end client base of Arowana and LionPro is significantly more diversified, including more than 175 end - clients.

To mitigate the risk of related party concentration both Arowana and LionPro are included as the Guarantors of the Bonds, and the Issuer has undertaken to consolidate the Issuer and Arowana under one group within 6 months from the Issue Date.

1.3.4. **Foreign exchange risk**

The Issuer purchases the goods from its suppliers predominately in Euro, while most of its sales are denominated in US dollars. During FY 2021, 69% from the Issuer's total revenue generated was received in USD currency as a result from sales to Arowana and LionPro in Singapore (end-customers are from Asian and from African countries). Issuer and the Guarantors are not currently using any foreign exchange hedging instruments for USD/EUR pair (or other currencies), since approximately 20-40% of the costs are in US dollars, thus, reducing the currency risk.

Furthermore, while all of Arowana sales contracts are denominated in USD, LionPro also sells to local customers in Africa in local currencies. While the company tries to minimise the local currency risk, by converting the sums to hard currencies as soon as possible, it does face risks exposed to local currency fluctuations that can negatively affect its financial position as a Guarantor and creditor to the Issuer.

Thus, the Issuer and the Guarantors do face FX risk, predominantly resulting from fluctuations in USD/EUR exchange rate, and a decrease in the value of USD could negatively affect their financial performance.

1.3.5. **Risk associated with Related Entities transactions and long trade receivables days**

Historically, the management has used working capital as a means to finance local operations of Related Entities instead of equity injection. This has resulted in operational overdue receivables from related parties.

As at 28 February 2022 SIA L.J. Linen reported EUR 7.1 million trade receivable, of which EUR 5.9 million (83.6%) were from Related Entities of which more than 90 days totalled EUR 1.8 million,

including EUR 1.5 million due from LionPro and EUR 0.3 million due from Arowana. By end of June 2022 overdue receivable from Arowana has been already repaid. And outstanding overdue invoices from LionPro constituted EUR 1.4 million. An internal settlement plan to recover outstanding overdue receivables is agreed. As per the plan the repayment would be executed until end of June 2023 by average monthly settlement EUR 100 – 150 thousand. These are transactions between Related Entities and typically they are related to slower circulation of goods in Africa. Still the risk is lower, because the debtors of the Issuer and the Guarantors hold liquid assets – short term debtors, inventory, or cash in hand.

Financial assets of the Issuer, Guarantors and other Related Entities are directly controlled by the management of the Issuer.

1.3.6. **Transfer pricing policy risks**

In the Period between FY 2019 and FY 2021 under consideration the Issuer had transactions mainly with the following two Related Entities: Arowana and LionPro.

Since new transfer pricing policy was introduced in Latvia, the Issuer contracted KPMG Latvia to prepare Transfer Pricing documentation in line with the main principles mentioned in Latvian tax laws. The principle using is comparative principle, whereby profitability of the Issuer is compared with similar entities in the same industry in European Union. Said Transfer Pricing calculations are renewed annually and submitted to Latvian Tax Authority, latest by end of the year following accounting year.

1. Transactions with Arowana

During the period SIA L.J. Linen provided mostly animal feed ingredient and organic fertilizers to Arowana in amount of EUR 6.0 million in FY 2019, of which EUR 4.0 million was Animal feed ingredient, EUR 11.2 million in FY 2020, of which 7.8 million was Animal feed ingredient, EUR 17.7 million in FY21, of which 6.9 million was Animal feed ingredient, and EUR 1.6 million in FY22 up to 28 February 2022, of which EUR 1.3 million was Animal feed ingredient. All the products were sold using relevant group transfer pricing principles and later sold to an end client.

2. Transactions with LionPro

During the period the Issuer provided mostly animal feed products to LionPro in the amount of EUR 2.1 million in FY 2019, of which 1.8 million was Animal feed ingredient, EUR 712 thousand in FY 2020, of which EUR 547 thousand was Animal feed ingredient, EUR 2.2 million in FY 2021, of which EUR 1.4 million was Animal feed ingredient, and EUR 268 thousand in FY 2022 up to 28 February 2022, of which EUR 115 thousand was Meat and Bone meal. All the products were sold using relevant group transfer pricing principles and later sold to an end client.

The Issuer's cash flows are under full control of the Issuer's shareholder. Thus, there is a risk that the shareholder might regulate the revenue and profit across the Related Entities through pricing adjustments and other measures.

1.3.7. **Group structure risk**

The Issuer and Guarantors are currently not consolidated under one group. In jurisdictions outside Latvia where the Issuer and the Guarantors operate, the companies are held directly by the UBO and majority shareholder of the Issuer - Jānis Kuļikovskis.

Historically, the decision on selection of the particular group structure was due to practical reasons of simplifying the registration process in certain jurisdictions.

Since the Issuer and Related Entities are involved in a unified supply chain it is crucial to ensure controllable, auditable and adjustable logistics and distribution of the commodities process under

unified corporate governance structure. To reduce this risk in the future, the Issuer with the help of advisors has developed a group reorganisation plan that has already been initiated, as a result of which Issuer and all Related Entities shall be consolidated under one holding company (see Annex 2 to the Terms of the Bonds Issue), significantly improving the transparency of the group structure.

1.3.8. *Risk of cooperation with suppliers*

One of the pillars of the success of the Issuer lies in its strong relationship with suppliers. Moreover the field of animal feed ingredient product trading is considered as reserved business environment and is built on business partners' mutual trust obtained within the continuous business cooperation and strong reputation. Therefore, for the new-comers to this business segment, it is almost or impossible to cooperate and purchase raw materials from the suppliers.

Saria and Darling Ingredients are two of the largest producers of animal proteins and fats in the world. Saria currently cooperates with the Issuer on exclusivity basis to distribute their products in Africa, which provide the Issuer with additional advantage in the market.

The conclusion of the exclusive distribution rights agreements might be a subject of assessment from the competition law perspective. Namely exclusive vertical distribution arrangements can be viewed as a potential dispute in the light of European commercial law in some of the regions. Therefore, the Issuer would always evaluate risks and rewards from legal constellation of cooperation with certain suppliers.

The Issuer relies on third parties to produce and transport its products over large geographical distances. Any disruption to the supply chain caused by issues with the Issuer's suppliers can have an adverse effect on the delivery schedule, revenues, financial condition and competitive position.

Delays in the production of the Issuer's products or shipments, or any interruptions of delivery of the products due to the unavailability of materials, personnel, factory capacity or transportation, work stoppages, delays in customs inspections, political instability, security requirements or other factors beyond the Issuer's control, and costs and delays associated with transitioning between suppliers, could adversely impact its ability to meet consumer demand and may result in fewer sales. Any of these risks could have a material adverse effect on the Issuer's and Guarantors' business, results of operations and financial condition.

1.3.9. *Financial leverage risk*

The financial leverage of the Issuer will increase as a result of the Bonds issue, which could result in negative consequences for the business and operations. Such consequences would include, but are not limited to, requiring the Issuer to dedicate a substantial portion of its cash flow to payments on the debt, increasing vulnerability to a downturn in business or general economic conditions, placing the Issuer at a competitive disadvantage relative to competitors with lower leverage, limiting flexibility in reacting to competition or changes in the business or industry.

Any of these or other consequences or events could have a material adverse effect on the Issuer's ability to satisfy its obligations on Financial Indebtedness.

1.3.10. *Subordination Risk*

As of the Issue Date, the Issuer has a Bank Loan from Signet Bank that includes a guarantee from Latvia's state owned development finance institution ALTUM and is secured with Bank Loan Collaterals. The maturity of the Bank Loan is 1 September 2023 with the option to be extended for one more year, and the maximum limit of the Bank Loan is EUR 1'500'000. As of the Issue Date, the Issuer has used EUR 1'500'000 million of the Bank Loan facility; however, after the Issue of the

Bonds, Bank Loan will be reduced to EUR 1'000'000 (one million euro) to limit the overall financial leverage of the Issuer.

As of the Issue Date the Issuer has received all necessary approvals from senior lenders to issue the Bonds and register the Collaterals.

While the Bonds rank *pari passu* with other senior secured obligations of the Issuer, the Collaterals securing the Issuer's obligations under the Bonds will be lower ranking, junior to the security interests in the same assets provided by the Collateral Providers to the bank. In case of enforcement the Bondholders would receive payment of their claims in respect of the Bonds only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of Signet Bank secured by the same Collateral, which increases the risk that the Bondholders that there might be insufficient proceeds to cover the Bondholders' claims in full.

1.3.11. **No limitation on issuing additional debt**

The Issuer is not prohibited from issuing further debt. If the Issuer incurs significant additional debt of an equivalent seniority with the Bonds, it will increase the number of claims that would be equally entitled to receive the proceeds, including those related to the Issuer's possible insolvency.

1.3.12. **Intellectual property rights protection strategy**

As of the date of the Terms of the Bonds Issue the Issuer has not developed any long-term and sustainable intellectual property rights protection strategy, by applying relevant intellectual property rights protection mechanisms, such as registration of trademarks in the appropriate categories, provision of evidences and etc. Also, for the cases of branded product, the Issuer has not protected its ownership or uniqueness of the used product recipes, but its brand names are protected.

The Issuer cannot guarantee that third parties will not infringe upon its intellectual property rights, for instance by using its trade names and that its intellectual property rights may not be challenged by third parties in the future, including by competitors. To limit potential risks of infringement the Issuer monitors the market and has developed intellectual property rights protection strategy.

1.3.13. **Employee risk and management contracts**

As of the Issue Date, the Issuer employs 34 full-time employees. The Issuer's employees are a significant part of the business success. Therefore, it is of high importance for the Issuer to have a professional and highly skilled team of employees with low employee turnover rate. To retain and motivate its personnel, the Issuer has a performance bonus scheme in place.

The Issuer's management is employed based on the employment contracts, which are protected by the Labour Law and does not provide the scope derived from Commercial Law against management of the company. The agreements do contain protection of commercial secrets and non-competition during employment, but does not include any non-compete and non-solicitation provisions, after termination of labor contracts. Thus the Issuer is not protected against competitive activities (including solicitation of its clients) by any of the Issuer's employee after termination of employment contracts.

To limit risks and increase motivation of the employees, the Issuer has prepared and by the end of 2022 will introduce employee option plan, whereby employees with existing labour contract will be entitled to a share of dividend. In the event of change of ownership, employees will have the right of drag-along.

1.3.14. Lack of the personal data protection measures and internal documentation

The Issuer has not yet fulfilled all obligations defined by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The Issuer still identifies all personal data categories being processed in daily operations and under the existing economic activity.

The Issuer processes the personal data of the cooperation partners' representatives and transfers personal data of own employees to third countries outside the European Union. It is clear that the Issuer has not covered complete scope of the obligations imposed by the General Data Protection Regulation.

The financial risks posed by existing shortcomings need to be taken into account. Non-compliance with General Data Protection Regulation may lead to significant fines as set down in General Data Protection Regulation. Moreover, recent decisions of Latvian Data State Inspectorate evidence that the authority has changed the approach from «consult first» to penalizing the companies for GDPR breaches. Alongside administrative fines, possible litigations must be taken into consideration.

1.3.15. IT Systems risk

The Issuer's ability to manage critical business operations depends on the ability of its IT systems, including the IT infrastructure, and processes to work effectively and securely without interruptions. There is a risk, these systems will be disrupted by, for example, software failures, computer viruses, hacking, ransomware, sabotage and physical damage, and the high pace of change in the overall IT environment introduces increases risk of data breaches. For the performance of all the internal communication and the possibility to conduct all forms of work, and for the maintenance of all external communication and customer relations, the everyday functionality of the IT system is of vital importance.

Therefore, any malfunction within these areas constitutes a risk that would severely impair the performance of the Issuer and the Guarantors and the services offered to customers. There is also the underlying risk such a failure, or major disruption or difficulties in maintaining, upgrading and integrating these systems, may lead to a degraded reputation for the Issuer and the Guarantors among their customers. Any intrusion into their IT systems, for example, from increasingly sophisticated attacks by cybercrime groups, could disrupt their business, resulting in the disclosure of confidential information and/or create significant financial and/or legal exposure and the risk of damage to their reputation and/or brand. The degree to which IT failure and the materialization of any IT risk may affect the Issuer and the Guarantors is uncertain and presents a significant risk to their operations.

1.3.16. Risk of natural disasters and other business disruption

The Issuer's and the Guarantors' operations are vulnerable to damage or interruption from various natural disasters and business disruptions, such as fire, flood, power losses, telecommunication failures, terrorist attacks, acts of war, human error, and other events. A significant natural disaster could have a material adverse impact on their ability to conduct its business, and insurance coverage may be insufficient to compensate losses that may occur. Although the Issuer has implemented business continuity plans, any of these occurrences may have a material adverse effect on the Issuer's and Guarantors' business, financial condition, results of operations and cash flows.

1.3.17. *Taxation risk*

The Issuer currently operates in European Union and exports goods to Asia and Africa all with different tax regimes. Changes to local tax regimes or challenges to the current tax structures of the Issuer's business could have a material adverse effect on the business operations, financial conditions, or results of operations and cash flows of the Issuer. Additionally, certain tax positions taken by the Issuer require the judgement of management and, thus, could turn out to be inefficient or challenged by tax authorities due to the possible erroneous interpretation of tax legislation.

2. Risks related to the Bonds

2.1.1. Bonds repayment risk

As of the Issue Date, the Issuer has a Bank Loan from Signet Bank that includes a guarantee from Latvia's State development financing institution ALTUM and is secured with Bank Loan Collaterals. The maturity of the Bank Loan is 1 September 2023 with the option to be extended for one more year, and the maximum limit of the Bank Loan is EUR 1'500'000. As of the Issue Date, the Issuer has used EUR 1'500'000 million of the Bank Loan facility; however, after the Issue of the Bonds, Bank Loan will be reduced to EUR 1'000'000 (one million euro) to limit the overall financial leverage of the Issuer. As of the Issue Date the Issuer has received all necessary approvals from senior lenders to issue the Bonds and register the Collaterals.

While the Bonds rank *pari passu* with other senior secured obligations of the Issuer, the Collaterals securing the Issuer's obligations under the Bonds will be lower ranking, junior to the security interests in the same assets provided by the Collateral Providers to the bank.

The Issuer may not have the ability to repay or refinance these obligations. If the maturity date or date occurs at a time when other arrangements prohibit the Issuer from repaying the Bonds, it could try to obtain waivers of such prohibitions from the lenders and the Bondholders under those arrangements, or the Issuer could attempt to refinance the borrowings that contain the restrictions. If the Issuer fails to obtain the waivers or refinance these borrowings, it would be unable to repay the Bonds.

In case of enforcement of the Collaterals, the Bondholders would receive payment of their claims in respect of the Bonds only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of Signet Bank secured by the same Collateral and associated enforcement costs, which increases the risk that there might be insufficient proceeds to cover the Bondholders' claims in full (or at all).

2.1.2. Liquidity risk

Neither the Issuer nor any other individual guarantees the minimum liquidity of the Bonds. Thus, the Bondholders should consider the fact they may not be able to sell or may face difficulties in selling their Bonds on the secondary market at their fair market value or at all.

2.1.3. Delisting risk

After registration of the Bonds the Issuer plans to request admission to trading of the Bonds on the Multilateral Trading Facility (MTF) First North operated by Nasdaq Riga. There is a risk Nasdaq Riga will not accept the Bonds to be admitted to trading on First North or order the Bonds are delisted from First North before maturity after admission to trading has taken place due to changes in legal acts, including Nasdaq Riga regulations, or recommendations by the FCMC.

2.1.4. Price risk

The development of market prices of the Bonds depends on various factors, such as changes of interest rates, central bank policies, overall economic development, or demand for the Bonds.

Neither the Issuer, nor any other person undertakes to maintain a certain price level of the Bonds. The Potential Investors are thus exposed to the risk of unfavourable price development of their Bonds if they sell the Bonds prior to final maturity. If a Potential Investor decides to hold the Bonds until maturity, the Bonds will be redeemed at their Nominal Value.

2.1.5. Early redemption risk

According to the Terms of the Bonds Issue, the Bonds may be redeemed prematurely at the initiative of the Issuer. If the early redemption right is exercised by the Issuer, the rate of return from the investment into the Bonds may be lower than initially expected, as the Potential Investor might not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on such Bonds being redeemed. The Issuer's redemption right may also adversely impact the Bondholder's ability to sell such Bonds.

2.1.6. Tax risk

Tax rates and tax payment procedures applicable at the time of purchasing the Bonds by tax residents, non-residents of Latvia, and residents of other countries may change. The Issuer will not compensate the increase in taxes to Potential Investors, therefore Potential Investors may receive smaller payments related to Bonds.

2.1.7. Resolutions of Bondholders risk

The majority resolution of the Bondholders is binding on all Bondholders. Thus, a Bondholder is subject to the risk of being outvoted by a majority resolution of the other Bondholders. As such, certain rights of such Bondholder against the Issuer may be amended or reduced, or even cancelled, without its consent.

2.1.8. Risk that some Bondholders might have more preferential terms than others

While the Issuer will try to maintain the proportional reduction principle to the extent possible in final allocation of the Bonds, in case the total number of Bonds subscribed for is higher than the number of Bonds available, the Issuer has a right to refuse all or part of the subscribed Bonds to any Potential Investor due to perceived risks that might not be directly measurable and subjective, thus, the proportionality principle might not be observed.

Additionally, the Issuer has the right to sell the Bonds at a price lower than their Nominal Value to selected Bondholders and / or enter into agreements that may add additional rights to selected Bondholders if the Issuer perceives them as especially important for this Bonds issue due to the size of their investment or added experience. This may result in a situation where some Bondholders might gain preferential terms for investment into the Bonds than the rest of the Bondholders.

2.2. Risks related to Collateral and Guarantees

2.2.1. Risks associated with the Collateral Agent Agreement

The Bondholders are represented by the Collateral Agent in all matters relating to the Collateral. There is a risk the Collateral Agent, or anyone appointed by it, does not properly fulfil its obligations in terms of perfecting, maintaining, enforcing or taking other necessary actions in relation to the Collateral. Subject to the terms of the Collateral Agent Agreement, the Collateral Agent is entitled to enter into agreements with a third-party or take any other actions necessary

for the purpose of maintaining, releasing or enforcing the Collateral or for the purpose of settling, among others, the Bondholders rights to the Collateral.

2.2.2. Risks associated with the value of the Collateral

The value of the Collateral is not fixed and is subject to changes in several factors, primarily the demand and supply conditions for processed animal protein and animal fats, which at times can be unpredictable and are out of the Issuer's control. Thus, the value of the Collateral might decline if unfavourable market conditions in the processed animal protein and animal fats segment would result in a decline in prices of processed animal protein and animal fats. Additionally, if a sudden necessity to sell the Collateral were to arise, the Issuer might be forced to sell the Collateral at a discount to its market value and derive less value than expected from it.

Moreover, the Collateral structure could change over time due to changes in the Issuer's inventory and overall asset structure. Additionally, the Collateral is subject to damage defects, and the risk of theft. The processed animal protein and animal fats can get damaged which could affect the resale value, if such a necessity were to arise. Any of these risks related to the Collateral can negatively affect the value of the Collateral and the Issuer's ability to meet its obligations under the Bonds.

Furthermore, as the Bondholders only have a subsequent pledge on the Collateral, and the first order pledge is in favour of the Signet Bank, the Bondholders' ability to enforce the Collateral might depend on the actions taken by the senior creditor. In case of enforcement, all proceeds will first be directed to covering the Issuer's debt towards the senior creditor, and there might be insufficient proceeds to fully cover the claims of the Bondholders.

Considering the Collateral Agent does not supervise the quality of the Collateral during the duration of the Issuer's obligations and the Collateral Agent has no liability to the Bondholders in this regard, there is a risk the Collateral may be taken over, but the realisation of the Collateral may be insufficient to fully satisfy the Bondholders' claims.

2.2.3. **The Collateral and the Guarantees will be subject to certain limitation on enforcement and may be limited by the applicable law or subject to certain defences that may limit its validity and enforceability**

The Collateral and the Guarantees provide the Collateral Agent, acting for the benefit of the Bondholders, with a claim against the relevant Collateral Provider and the Guarantor. However, the Collateral and the Guarantees will be limited to the maximum amount that can be guaranteed by the relevant Collateral Provider without rendering the relevant Collateral and Guarantee voidable or otherwise ineffective under the applicable law, and enforcement of each Collateral and Guarantee would be subject to certain generally available defences.

Enforcement of any of the Collateral and the Guarantees against any Collateral Provider will be subject to certain defences available to Collateral Providers in the relevant jurisdiction. Although laws differ among jurisdictions, laws and defences generally include those that relate to corporate purpose or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, financial assistance, preservation of share capital, thin capitalization, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, a Collateral Provider may have no liability or decreased liability under its Collateral and Guarantee depending on the amounts of its other obligations and applicable law.

There is a possibility the entire Guarantee or Collateral may be set aside, in which case the entire liability may be extinguished. If a court decided a Guarantee or Collateral was a preference,

fraudulent transfer or conveyance and voids such Guarantee or Collateral, or holds it unenforceable for any other reason, the Bondholders may cease to have any claim in respect of the relevant Guarantor or Collateral Provider and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor or Collateral Provider under the relevant Guarantee or Collateral which has not been declared void or held unenforceable.

The Bonds will be guaranteed by the Guarantors, which are organised or incorporated under the laws of the Republic of Latvia and the Republic of Singapore. In the event of a bankruptcy, insolvency or similar event of a Guarantor, bankruptcy, insolvency or similar proceedings could be initiated against that Guarantor in the Republic of Latvia and in Singapore.

2.2.4. The enforcement of the Guarantee and the Collateral will be subject to the procedures and limitations set out in the Collateral Agent Agreement and these Terms of the Bonds Issue

Even when the Collateral is enforceable, the enforcement is subject to the procedures and limitations agreed in the Collateral Agent Agreement and these Terms of the Bonds Issue. There can be no assurance as to the ability of the Bondholders to instruct the Collateral Agent to initiate any enforcement procedures. Furthermore, any enforcement of security may be delayed due to the provisions of the Collateral Agent Agreement and these Terms of the Bonds Issue.

2.2.5. The rights of the Bondholders depend on the Collateral Agent's actions and financial standing

By subscribing for, or accepting the assignment of, any Bond, each of the Bondholders will accept the appointment of the Collateral Agent as the agent and representative of the Bondholders, to represent and act for such secured creditors, *i.e.*, Bondholders, in relation to the Collateral.

Only the Collateral Agent is entitled to exercise the rights under the Collateral and enforce the same. Any failure by an Collateral Agent to perform its duties and obligations properly, or at all, may adversely affect the enforcement of the rights of the Bondholders due to, for example, inability to enforce the security and/or receive any or all amounts payable from the security in a timely and effective manner.

3. Party responsible for the Terms of the Bonds Issue

3.1. Party responsible for the Terms of the Bonds Issue

SIA "L. J. LINEN"

Registration No. 40003669025

LEI code: 9845005E46PK0915DE76

Registered office: Antonijas iela 5, Riga, LV-1010, the Republic of Latvia

3.2. Representations and Warranties of the Issuer

The Issuer shall, in accordance with these Terms of the Bonds Issue, issue the Bonds and perform the obligations arising from the Bonds to the Bondholders. The Issuer shall be liable to the Bondholders for due and complete fulfilment of its obligations deriving from the Bonds.

The Issuer gives the following warranties to the Bondholders:

- I. The Issuer is a duly registered private limited company operating in compliance with the laws of the Republic of Latvia;
- II. The Issuer and the Guarantors are duly incorporated and validly existing as legal entities in their jurisdiction of incorporation, and operating under the laws of jurisdiction of their incorporation;
- III. All the Issuer's and the Guarantors' obligations assumed under this issue of the Bonds and the Guarantees are valid and legally binding to them and performance of these obligations is not contrary to their Articles of Association, laws or any agreement concluded by them;
- IV. The Issuer and the Guarantors have all the rights and sufficient authorisations to issue the Bonds and to provide the Guarantees and fulfil obligations arising from the Bonds and the Guarantees;
- V. The Issuer and the Guarantors have performed all the formalities required for issuing the Bonds and to provide the Guarantees and fulfilling the obligations arising here from;
- VI. All information that is provided by the Issuer to the Bondholders is true, accurate, complete and correct as at the date of presenting the respective information and is not misleading in any respect;
- VII. The Issuer and the Guarantors are solvent, able to pay their debts as they fall due, there are no liquidation or insolvency proceedings pending or initiated against the Issuer or the Guarantors;
- VIII. There are no legal or arbitration proceedings pending or initiated against the Issuer or the Guarantors, which may have, or have had significant effect on the Issuer's financial position or profitability;
- IX. There are no criminal or misdemeanour proceedings pending or initiated against the Issuer or the Guarantors.

3.3. Assurance of the information provided in these Terms of the Bonds Issue

The Issuer and its members of the board are responsible for the information contained in these Terms of the Bonds Issue.

Hereby I, undersigned member of the board of SIA "L. J. LINEN" Jānis Kuļikovskis certify the Issuer has taken all reasonable care to ensure the information contained in these Terms of the Bonds

Issue is, to the best of the Issuer's knowledge, true, complete and not misleading in any material respect.

Jānis Kuļikovskis

Member of the Board SIA "L. J. LINEN"

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP

4. Information on Bonds

4.1. The use of the proceeds

The total issue size is EUR 2,000,000.00 (two million Euro).

Funds that will be raised as a result of the Bonds issue will be used to finance Issuer's working capital needs (EUR 1,500,000 (one million five hundred thousand euro)) and partial refinancing of the Bank Loan (EUR 500,000 (five hundred thousand euro)).

4.2. Information on the offered Bonds

4.2.1. General information

The Bonds are bearer and any individual or entity that holds the Bonds in his securities account has the right to receive Coupon and the Nominal Value payments. It is planned to issue the Bonds with a Nominal Value of EUR 1,000 (one thousand Euro) for one Bond and total nominal value of EUR 2,000,000.00 (two million Euro).

The ISIN (International Security Identification Number) of the Bonds allocated by Nasdaq CSD is LV0000850071.

4.2.2. Legal Acts that regulate the Bonds issue

The Bonds issue is a private placement arranged in compliance with the Financial Instrument Market Law and other Legal Acts of the Republic of Latvia that are in force including the FCMC, the Nasdaq CSD and the Nasdaq Riga regulations. Minimum subscription size for the Bonds is EUR EUR 100,000.000 (one hundred thousand Euro) with minimum step of EUR 1,000 (one thousand Euro).

All disputes between any one or more Bondholders and the Issuer shall be settled in courts of the Republic of Latvia in accordance with the Legal Acts of the Republic of Latvia in force. These Terms of the Bonds Issue are drafted and signed in English and any translations of these Terms of the Bonds Issue into another language are unofficial and made exceptionally for the Potential Investors' convenience. In case of any disputes' settlement, interpretation of the norms of the Terms of the Bonds Issue in English holds the priority against an interpretation in any other language.

4.2.3. Form and accounting of the Bonds

The Bonds are issued in dematerialised form and will be recorded in the Latvian SSS (Securities Settlement System governed by Latvian Legal Acts), which will provide the maintaining function for the Bonds. Bondholders may hold the Bonds through Nasdaq CSD participants participating in the Latvian SSS.

4.2.4. Currency of the Bonds

Currency of the Bonds is in EUR (Euro).

4.2.5. Status of the Bonds

The Bonds rank *pari passu* with other senior secured obligations of the Issuer, however, the Collaterals securing the Issuer's obligations under the Bonds will be lower ranking, junior to the security interests in the same assets provided by the Collateral Providers to the bank. If the Collaterals would be enforced, the Bondholders would receive payment of their claims in respect of the Bonds only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of Signet Bank, or in case of refinancing - other financial institution, secured by the same Collateral and the costs of enforcement of the Collaterals. Save for

mandatory provisions of law, there are no contracts or other transaction documents that would subordinate the claims of the Bondholders to other secured or unsecured liabilities of the Issuer.

As of the Issue Date, the Issuer has a Bank Loan from Signet Bank that includes a guarantee from Latvia's state owned development finance institution ALTUM and is secured with Bank Loan Collaterals. The maturity of the Bank Loan is 1 September 2023 with the option to be extended for one more year, and the maximum limit of the Bank Loan is EUR 1'500'000 (one million five hundred thousand Euro). As of the Issue Date, the Issuer has used EUR 1,500,000 (one million five hundred thousand Euro) of the Bank Loan facility; however, after the Issue of the Bonds, Bank Loan will be reduced to EUR 1'000'000 (one million euro) to limit the overall financial leverage of the Issuer. As of the Issue Date the Issuer has received all necessary approvals from senior lenders to issue the Bonds and register the Collaterals.

4.2.6. Guarantors of the Bonds

The Bonds shall be guaranteed by the following Guarantors:

- (a) Arowana;
- (b) LionPro.

As security for all obligations of the Issuer (in respect of the Bonds, including but not limited to the obligation to redeem the Bonds and pay interest thereon), the Arowana and LionPro have issued a Letter of Guarantee (both together hereinafter – the "Guarantees"), each guaranteeing that they will undertake the Issuer's duty to repay to Bondholders the full Nominal Value of all Bonds EUR 2,000,000.00 (two million Euro) at Maturity Date as well as to service interest Coupon payments not made by the Issuer and contractual penalties and other outstanding payments.

The guarantee of LionPro shall remain in force for as long as LionPro has any obligations towards the Issuer (including but not limited to loans, invoices, pledges, other guarantees). The LionPro guarantee shall be terminate if LionPro has fully repaid all obligations to the Issuer.

LionPro will cease to be Guarantor of the Issuer once it has fulfilled all its financial obligations to the Issuer. The financial obligations towards the Issuer will be considered fulfilled when the Issuer has submitted to the Collateral Agent and the Bondholders a copy of the statement signed by its board of directors, certifying that all LionPro's financial obligations towards the Issuer have been fully fulfilled.

The Guarantees will be provided by the Guarantors to the Bondholders as of the Issue Date. The Collateral Agent is authorised to enforce the Guarantee on behalf of the Bondholders pursuant to these Terms of the Bonds Issue and the Collateral Agent Agreement and its amendments. Bondholders are entitled to get acquainted with the Guarantees upon written request to the Issuer.

The Guarantee is valid immediately when:

- (a) the Issuer has failed to perform his obligations to Bondholders under the provisions of the Terms of Bonds Issue;
- (b) Issuer and/or Guarantors has caused default on another loan, bond issuance or loan guarantee commitments.

The Guarantors undertakes the Issuer's obligations under the Terms of the Bonds Issue (until all the obligations are fully met) as the Issuer itself (*Latvian term: kā pats parādnieks*) and waives the right to request from Bondholders to direct any request regarding outstanding payments from the Issuer in the first place.

With each payment under the Guarantee the Guarantor's obligation will be reduced pro rata.

4.2.7. Collateral of the Bonds

The Bonds are secured with:

- (a) a commercial pledge over all assets of the Issuer as an aggregation of property at the moment of pledging, as well as its future components, having a subsequent ranking to commercial pledges granted to Signet Bank or, and
- (b) commercial pledge over all existing shares of the Issuer, having a subsequent ranking to the commercial pledges granted in favour of Signet Bank or, (hereinafter – the "Collateral").

The maximum claim amount for the both of the above mentioned commercial pledges' together shall be EUR 2,400,000.00 (two million four hundred thousand Euro). The Collateral shall be established in accordance with the terms and conditions of the relevant Collateral Agreement to be concluded between the Collateral Agent as a pledgee and the relevant Collateral Provider as pledgor. The Collateral shall be established (registered) in the Register within 90 (ninety) days after the Issue Date.

While the Bonds rank *pari passu* with other senior secured obligations of the Issuer, the Collaterals securing the Issuer's obligations under the Bonds will be lower ranking, junior to the security interests in the same assets provided by the Collateral Providers to the bank.

In the event of an extension of the term or applying other changes to the Bank Loan agreement, Signet Bank shall maintain registered first-order of the Collateral, and the Collateral Agent can take the necessary steps to ensure this, without requesting prior consent from the Majority Bondholders. Furthermore, The Issuer has the right to refinance the Bank Loan with another credit institution and the right to register first-order commercial pledge with another credit institution, without prior consent from the Majority Bondholder, where the maximum amount of the commercial pledge claim does not exceed the maximum amount of the Commercial Pledge claim, and where the description of the Commercial Pledge is preserved. In the aforementioned case, the Collateral Agent, without prior consent from the Majority Bondholders, shall have the right to take the necessary steps (including signing an intercreditor agreement with the new senior lender) to ensure a first-order commercial pledge in favour of the new senior lender.

In case of enforcement of the Collaterals, the Bondholders would receive payment of their claims in respect of the Bonds only to the extent that the enforcement proceeds of the sale of the Collaterals are sufficient to pay in full all claims of bank, or in case of refinancing, other financial institution secured by the same Collateral and associated enforcement costs, which increases the risk that there might be insufficient proceeds to cover the Bondholders' claims in full (or at all).

Collateral Agent holds the Collateral for the benefit of the Bondholders and is authorised to act with the Collateral in favour of all the Bondholders in accordance with these Terms of the Bonds Issue and the Collateral Agent Agreement and its amendments. Bondholders have no rights to act with the Collateral directly, yet at the same time there are no restrictions set for the Bondholders' right to use any right that the law or these Terms of the Bonds Issue provide and create and/or authorise an organisation/person that represents and acts on behalf of all Bondholders or part thereof. In case of the insolvency of the Issuer, all Bondholders have the right to represent their own interests in creditors' meetings. The Bondholders will have equal rights for satisfaction of their claims with other creditors ranking in the same claims' group.

The Collateral Provider shall be responsible for all the costs related to the registration of the Collateral and changes to the Collateral as specified herein.

4.2.8. Parallel Debt

- 4.2.8.1. Notwithstanding any other provision of these Terms of the Bonds Issue, for the purpose of ensuring and preserving the enforceability of the Collateral, the Issuer irrevocably and unconditionally undertakes to pay to the Collateral Agent, as creditor in its own right and not as representative of the Bondholders and as a solidary creditor together with the Bondholders for the purposes of Latvian Legal Acts, sums equal to and in the currency of each amount payable by the Issuer to each of the Bondholders (whether present or future and whether actual or contingent), hereinafter referred to as "Parallel Debt", in accordance with these Terms of the Bonds Issue as and in case the amount falls due for payment under these Terms of the Bonds Issue.
- 4.2.8.2. The Collateral Agent shall be entitled to act as a solidary creditor (jointly with the Bondholders) of each of the Bonds (whether present or future and whether actual or contingent) of the Issuer to the Bondholders or any of them and, accordingly, the Collateral Agent shall have its own independent right to demand performance by the Issuer of any of those obligations.
- 4.2.8.3. For the avoidance of doubt, the aggregate amount due by the Issuer under the Parallel Debt will be decreased to the extent the Issuer has paid any amounts to the Bondholders under these Terms of the Bonds Issue.
- 4.2.8.4. For the avoidance of doubt, to the extent the Issuer has paid any amounts to the Collateral Agent under the Parallel Debt the aggregate amount due by the Issuer to the Bondholders under these Terms of the Bonds Issue will be decreased accordingly.
- 4.2.8.5. To the extent the Collateral Agent receives any amount in payment of the Parallel Debt following its respective specific written claim made to the Issuer, the Collateral Agent shall transfer such amount to the Bondholders in accordance with Clause 4.2.11.2. of these Terms of the Bonds Issue and other sections (if any).
- 4.2.8.6. For the avoidance of doubt, the Parallel Debt shall become due and payable at the same time and to the same extent as the obligations of the Issuer to the Bondholders under these Terms of the Bonds Issue have become due and payable.

4.2.9. Rights and Obligations of the Collateral Agent

- 4.2.9.1. By submitting a subscription order or acquiring the Bonds on the secondary market, each Bondholder:
 - (a) appoints the Collateral Agent to act as its agent and to perform the obligations and exercise the rights in connection with the Collateral and Guarantees as set forth in these Terms of the Bonds Issue, the Collateral Agreement and the Collateral Agent Agreement authorises the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under or in connection with these Terms of the Bonds Issue, the Collateral Agreement, and the Collateral Agent Agreement.
 - (b) authorises the Collateral Agent to register, amend, exercise, delete, alienate and cede the Collateral;
 - (c) acknowledges the Issuer has concluded the Collateral Agent Agreement with the Collateral Agent;

- (d) confirms the fact that the Collateral Agent acts under the Collateral Agent Agreement concluded with the Issuer does not constitute any conflict of interests with respect to the Bondholders;
- (e) confirms the fact that the Collateral secures, *inter alia*, the Issuer's obligations towards the Collateral Agent does not constitute any conflict of interests with the Bondholders (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with Clause 4.2.9.12 and other clauses of these Terms of the Bonds Issue). Each of the Bondholders acknowledges the fact the Collateral and Guarantees secures, *inter alia*, the Issuer's obligations towards the Collateral Agent, and shall not prevent the Collateral Agent from fulfilling its obligations and acting in accordance with these Terms of the Bonds Issue and the Collateral Agent Agreement;
- (f) agrees upon the performance of its obligations and exercising of its rights in connection with the Collateral, the Collateral Agent shall be entitled to act at its own discretion, considering the interests of the Bondholders collectively and generally (and not of any particular one of the Bondholders), unless specifically instructed otherwise by the Majority Bondholders in accordance with Clause 4.2.10.4(b), 4.2.10.6, 4.2.10.7 of these Terms of the Bonds Issue and without prejudice to Clause 4.2.10.10 of these Terms of the Bonds Issue;
- (g) agrees the Collateral Agent shall have the right to advise the Issuer and to provide any services to the Issuer in any matters and in any fields of activity which do not directly relate to the performance of obligations of the Collateral Agent set forth in these Terms of the Bonds Issue, and the Bondholder does not consider this to cause any potential or actual conflict of interests.
- (h) expresses its consent to the appointment of the Collateral Agent to perform the obligations and exercise the rights in connection with the Guarantees as set forth in these Terms of the Bonds Issue and authorizes the Collateral Agent to exercise the rights, powers, authorities and discretions specifically given to the Collateral Agent under the Terms of the Bonds Issue and Guarantee;
- (i) agrees that the Collateral Agent has only such functions, obligations and liability as expressly set forth in these Terms of the Bonds Issue and the Guarantees, and that upon the performance of its obligations and exercising of its rights in connection with the Guarantees, the Collateral Agent are entitled to act at their discretion, considering the interests of the Bondholders, and, unless specifically requested by the Guarantor, the Bondholders have no right to give any instructions to the Collateral Agent and the Guarantors are under no obligation to request or follow such instructions, except for the instructions provided under Section 2.4.;
- (j) expressly acknowledges that neither the Collateral Agent nor any of his employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Collateral Agent hereinafter taken, including any review of the affairs of the Issuer or any of its affiliates, shall be deemed to constitute any representation or warranty by the Collateral Agent to any such person. Each of the Bondholders represents to the Collateral Agent that it has, independently and without reliance upon the Collateral Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of an investigation into the business, operations, property, financial and other condition

and creditworthiness of the Issuer and its affiliates, and made its own decision to grant credit to the Issuer and to enter into the Terms to which it is a party.

- 4.2.9.2. By submitting a subscription order or acquiring the Bonds on the secondary market each private individual or legal entity as well as their authorized representatives upon the request of the Collateral Agent, are obliged to disclose to the Collateral Agent all information and documents on these private individuals or the legal entities and as well as their authorized representatives and the Collateral Agent is entitled to receive this information and documents for the purposes of performance of duties of the Collateral Agent. This information and documents also include those documents and information that are necessary to the Collateral Agent in order to fulfil the Collateral Agent's obligations regarding AML and Sanctions regulation requirements (e.g., information and documents on the beneficial owner). Bondholders are informed the information indicated in this Clause shall be provided also to the Issuer when requested in order to fulfil its obligations under these Terms of the Bonds Issue.
- 4.2.9.3. The functions and obligations of the Collateral Agent are limited to those expressly specified in the Collateral Agent Agreement and these Terms of the Bonds Issue and, notwithstanding any other provisions of these Terms of the Bonds Issue, such functions are limited to the exercise of those rights which belong to the Collateral Agent in its capacity as the holder of the Collateral (pledgee). The Collateral Agent is required to perform its obligations in relation to the Collateral only if the Collateral Provider establishes the Collateral in the interests of the Bondholders and under the name of the Collateral Agent (as the holder of the Collateral (pledgee)) in accordance with these Terms of the Bonds Issue to secure the Bonds. The Collateral Agent does not have any obligation:
- (a) to take any action (including, without limitation, to commence legal proceedings, compulsory enforcement proceedings, bankruptcy proceedings or any other proceedings) with the purpose to satisfy any claims arising under these Terms of the Bonds Issue in connection with any assets of the Issuer, except for enforcing the Collateral in accordance with these Terms of the Bonds Issue and the Collateral Agreements upon the Collateral becoming enforceable and receiving the relevant instructions from the Majority Bondholders;
 - (b) to ensure the existence, enforceability or validity of the Collateral or to preserve the Collateral or its value or to assess any rights arising from or relating to the Collateral (except for the validity of the Collateral after its establishment to the extent within the control or sphere of influence of the Collateral Agent and to the extent within the scope of its obligations under these Terms of the Bonds Issue);
 - (c) to inform the Bondholders or the Issuer about any circumstances relating to the Collateral except to the extent such obligation to provide information is explicitly set forth in the Terms of the Bonds Issue; and
 - (d) to provide any advice to the Bondholders in legal, accounting, tax or other matters for free.
- 4.2.9.4. The Bondholders shall not have any independent power to enforce the Collateral or to exercise any rights or powers arising under the Collateral Agreement. Bondholders may exercise their rights in relation to the Collateral only through the Collateral Agent pursuant to these Terms of the Bonds Issue.

- 4.2.9.5. Upon the performance of its obligations and exercising its rights, the Collateral Agent shall act at its own discretion in the interests and on the account of the Bondholders collectively, and generally (and not any particular Bondholder) without having any independent interests of its own (for the avoidance of doubt, the Collateral Agent has the right to withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent in accordance with Clause 4.2.9.12 of these Terms of the Bonds Issue) and without any obligation to consider any interests of the Issuer and without any right of the Issuer to give any instructions to the Collateral Agent. In particular, in accordance with these Terms of the Bonds Issue the Collateral Agent shall be entitled to decide at its sole discretion as to what would be in the best interests of the Bondholders upon failure to obtain instructions from the Majority Bondholders. However, the Collateral Agent shall not start the enforcement of the Collateral without instructions provided by the Majority Bondholders described in Clause 4.2.10.4(b) of these Terms of the Bonds Issue.
- 4.2.9.6. Upon the performance of its obligations and exercising its rights, the Guarantors acts at their own discretion in the interests and on the account of the Bondholders collectively and generally (and not of any particular Bondholder) without having any independent interests of its own, other than deriving from these Terms of the Bonds Issue and the Guarantees, and without any obligation to consider any interests or rights of the Issuer or any other guarantee provider (other than arising from the applicable law or the Guarantee).
- 4.2.9.7. The Collateral Agent is not a party to the legal relationship between the Issuer and the Bondholders and is under no circumstances liable for the performance of the obligations of the Issuer or impossibility to enforce the Collateral or Guarantee in accordance with these Terms of the Bonds Issue and the Collateral Agreements or any restrictions or delays thereof.
- 4.2.9.8. Upon the performance of its obligations and exercising of its rights hereunder, the Collateral Agent shall have the right at its own cost to use the services of third parties and to appoint third-party representatives (including, during the performance of its tasks and acts as stipulated in the Terms of the Bonds Issue and the Collateral Agreement). In case of utilization of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall evaluate and appoint only reputable third parties having professional expertise for the fulfilment of the tasks and acts as stipulated in these Terms of the Bonds Issue. In case of use of the services of third parties and/or appointment of third-party representatives, the Collateral Agent shall also ensure: (i) no conflict of interest exists in respect to the Issuer (ii) the fees, costs and expenses of such third-party services are at a reasonable market price; (iii) the fees, costs and expenses for using the services of third parties and/or appointment of third-party representatives would not exceed costs, fees and expenses of the Collateral Agent if the latter would perform its obligations under these Terms of the Bonds Issue, the Collateral Agreements and the Collateral Agent Agreement on its own; and (iv) it remains the duty and obligation of the Collateral Agent to perform its obligations under these Terms of the Bonds Issue and the Collateral Agent Agreement and not of the appointed third-party. In case the use of services of third parties or appointment of third-party representatives is required for the fulfilment of obligations arising from these Terms of the Bonds Issue, including the Collateral Agreement, Clause 4.2.9.12 of the Terms of the Bonds Issue is applicable. The Collateral Agent shall not be responsible for the losses and damage caused by the acts and omissions by third parties.

- 4.2.9.9. At the request of the Collateral Agent, the Bondholders shall provide the Collateral Agent with any information required for the purposes of identification of the Bondholders and/or for the performance of other obligations arising from applicable laws and regulations.
- 4.2.9.10. At the request of the Collateral Agent, the Issuer shall provide the Collateral Agent with an updated list of Bondholders specifying the outstanding Nominal Value of the Bonds each of them is holding and their latest known email addresses if such information is available.
- 4.2.9.11. The Collateral Agent is not liable for any circumstances relating to or affecting the validity of the Collateral that are outside the control or sphere of influence of the Collateral Agent.
- 4.2.9.12. The Collateral Agent shall have the right to receive fees from the Issuer and to be compensated by the Issuer for the costs relating to the performance of its obligations under these Terms of the Bonds Issue and the Collateral Agreements in accordance with the Collateral Agent Agreement and shall have the right to withhold the performance of its duties and obligations in case of delay of payment of the relevant fees and costs. As regards the costs, the Issuer shall compensate to the Collateral Agent also all payments made by the Collateral Agent to third parties for the purposes of establishment (registration), amendment, deletion, alienation and enforcement (exercising) of the Collateral in accordance with the Terms and the Collateral Agreement (including, without limitation, state fees and taxes, other fees and payments established by laws and regulations, costs and expenses incurred by the Collateral Agent), as well as all damages incurred by the Collateral Agent in relation to the same.
- 4.2.9.13. Notices and documents to the Collateral Agent shall be valid only if made and forwarded in writing either by post or e-mail by using the contact details set forth in these Terms of the Bonds Issue. All notices of the Bondholders to the Collateral Agent shall be sent in writing (letter and email) and copied to the Issuer and the Arranger. If the Collateral Agent has doubts that a notice from the Bondholders has not been sent to the Issuer, then the Collateral Agent shall immediately forward such notice to the Issuer.
- 4.2.9.14. The Collateral Agent has the right to terminate the Collateral Agent Agreement in case: (a) the Collateral described in Clause 4.2.7 of these Terms of the Bonds Issue has not been established within the relevant term stipulated in Clause 4.2.10.1 of these Terms of the Bonds Issue; and/or (b) the Collateral Agent withdraws from performance of the tasks set out in these Terms of the Bonds Issue on the grounds set out in Clause 4.2.10.13 or 4.2.10.15. of these Terms of the Bonds Issue. Fees and payments already paid to the Collateral Agent shall not be refunded in the event of termination of this Collateral Agent Agreement.
- 4.2.9.15. The Issuer has the right to terminate the Collateral Agent Agreement in case the Issuer decides not to proceed with the Bonds issue and/or if the Collateral Agent allows gross negligence/malicious intent in exercising their rights. A new collateral agent (who will take over the obligations of the Collateral Agent) must be designated by the Issuer within 5 (five) Business Days after the termination of Collateral Agent Agreement with the Collateral Agent.
- 4.2.10. Establishment, Release and Enforcement of the Collateral**
- 4.2.10.1. For the purpose of constituting security for the due and timely payment, discharge and performance of the Bonds, the Collateral shall be established in the interests of

Bondholders and under the name of the Collateral Agent (as the holder of the Collateral (pledgee)) under the Collateral Agreement which, in legal terms, serves as security for the Bonds of the Issuer towards the Collateral Agent. The Issuer shall ensure the Collateral Providers will conclude the relevant Collateral Agreements or amend the existing Collateral Agreements to secure the Bonds with the Collateral Agent and ensure the respective Collateral is registered in the Register within 90 (ninety) calendar days from the Issue Date. If a Promissory Note (or similar document of a technical nature) is required to register the respective Collateral, the Issuer and the Collateral Agent shall conclude such Promissory Note in the form suitable to the Register. For the avoidance of doubt, a Promissory Note does not constitute an independent or separate claim and the Collateral Agent may demand payment of any sum under a Promissory Note only in the amount and to the extent such equivalent sum has become due and payable to Bondholders under these Terms of the Bonds Issue. For the avoidance of doubt, a Promissory Note is required only if the respective Collateral has not been registered in the Register within 90 (ninety) calendar days from the Issue Date due to refusal of the Register to register the Collateral.

- 4.2.10.2. The Issuer shall provide written confirmation on the registration of the Collateral in the Register to the Collateral Agent within 3 (three) Business Days after registration has taken place.
- 4.2.10.3. By subscribing to the Bonds, each of the Bondholders acknowledges and confirms the Issuer may, within their ordinary course of business sell their assets.
- 4.2.10.4. The Collateral Agent shall take all actions that the Collateral Agent as the holder of the Collateral may reasonably take with the purpose to enforce the Collateral according to the procedure provided for in the Collateral Agreement in case:
 - (a) the Bonds are not performed in accordance with these Terms of the Bonds Issue which the Collateral Agent has been duly informed of in accordance with Clause 4.2.10.7 of these Terms of the Bonds Issue; and
 - (b) The Majority Bondholders have instructed the Collateral Agent in writing to enforce the Collateral (for the avoidance of doubt, the Majority Bondholders have such right only if the Bonds are not performed in accordance with these Terms of the Bonds Issue, and the Majority Bondholders have to specify in their instructions to enforce the Collateral which obligation(s) has been breached pursuant to these Terms of the Bonds Issue).
- 4.2.10.5. If the Majority Bondholders in accordance with Clause 4.2.10.4(b) of these Terms of the Bonds Issue have instructed the Collateral Agent to enforce the Collateral, the Collateral Agent shall immediately inform (letter or email) all Bondholders.
- 4.2.10.6. The Majority Bondholders have the right to instruct the Collateral Agent to take specific actions to enforce the Collateral according to the procedure provided for in the Collateral Agreement in case the conditions set out in Clause 4.2.10.4. of these Terms of the Bonds Issue have been fulfilled. The Collateral Agent has a right (but not an obligation) to refuse to follow such instructions until the Majority Bondholders have confirmed such instructions.
- 4.2.10.7. The Collateral Agent may assume that no violation of performance of the Bonds has occurred unless the Collateral Agent has received a written notice (letter or email) to the contrary from the Issuer or the Majority Bondholders. For the avoidance of doubt, the Majority Bondholders shall have such right only if the Bonds has not performed in

accordance with the respective terms and conditions set out in these Terms of the Bonds Issue.

- 4.2.10.8. The Collateral Agent shall be entitled (but is not under any circumstances obliged) to request instructions, or clarification of any direction, from the Bondholders as to whether, and in what manner, the Collateral Agent should exercise or refrain from exercising any rights, powers and discretions with regard to the enforcement of the Collateral. Upon such request, the Bondholders shall give their instructions or clarifications to the Collateral Agent within the time period specified in the Collateral Agent's request for instructions or clarifications, such a time period is to be at least 2 (two) Business Days. The Collateral Agent may refrain from acting unless and until Majority Bondholders have provided the Collateral Agent with requested instructions or clarifications.
- 4.2.10.9. If, under Clause 4.2.10.4(b) and 4.2.10.7. of these Terms of the Bonds Issue or following the request of the Collateral Agent submitted under Clause 4.2.10.8. of these Terms of the Bonds Issue, the Majority Bondholders have duly instructed the Collateral Agent, the Collateral Agent is obligated to comply with these instructions. Any such instructions from the Majority Bondholders will be binding on all Bondholders of the Issue. The Collateral Agent shall not be liable for any consequences or damages that result from complying with the instructions.
- 4.2.10.10. Notwithstanding Clause 4.2.10.9. of these Terms of the Bonds Issue, the Collateral Agent may refrain from doing anything which in its opinion will or may be contrary to the Terms of the Bonds Issue, the Collateral Agreement, the Collateral Agent Agreement or applicable laws and regulations or otherwise render it liable to any person and may do anything which is in its opinion necessary to comply with such legislation. The Collateral Agent may refrain from acting in accordance with the instructions of the Majority Bondholders until it has received such indemnification or security as it may require for all costs, claims, losses, expenses (including but not limited to legal fees) and liabilities which it will or may expend or incur in complying with such instructions.
- 4.2.10.11. Without prejudice to Clauses 4.2.10.8., 4.2.10.9., 4.2.10.10. of these Terms of the Bonds Issue, the Collateral Agent may (but is not obligated to) act (or refrain from acting) as it in its own discretion reasonably believes is in the best interests of the Bondholders. The Collateral Agent shall not be liable to Bondholders for acting (or refraining from acting) as described in these Terms of the Bonds Issue or in accordance with the instructions of the Bondholders and/or Legal Acts.
- 4.2.10.12. The Collateral Agent shall not be liable to Bondholders for the outcome of the enforcement of the Collateral, provided the Collateral Agent has acted in accordance with these Terms of the Bonds Issue and the Collateral Agreement.
- 4.2.10.13. The Collateral Agent shall have the right to unilaterally terminate the performance of its duties described in these Terms of the Bonds Issue in accordance with the Collateral Agreements and the Collateral Agent Agreement (including, without limitation, terminate the enforcement of the Collateral) in case:
- (a) in the reasonable opinion of the Collateral Agent: (a) (further) enforcement of the Collateral on reasonable terms is not possible or feasible due to the commencement of insolvency or reorganisation proceedings of the Issuer or the relevant Collateral Provider or enforcement of the Collateral on reasonable terms may not possible for any other reason; or (b) the estimated proceeds of the

enforcement of the Collateral will not be sufficient to cover the claims under Clause 4.2.11.1(a)(a) and/or

- (b) in the opinion of the Collateral Agent, the Collateral (or the substantial part thereof) ceases to exist for any reason.

4.2.10.14. In order to exercise its right of termination under Clause 4.2.10.13. of these Terms of the Bonds Issue, the Collateral Agent shall submit a respective written notice (letter or email) stating the basis of exercising the right of termination to the Issuer and all of the Bondholders. The duties and obligations of the retiring Collateral Agent shall be deemed to have terminated from the moment when the respective written notice is submitted to the Issuer and all of the Bondholders. For the avoidance of doubt, under the Legal Acts the relevant Collateral Agreement and/or the establishment and discharge of the Collateral, the Collateral Agent may perform certain actions to release (discharge) the Collateral as a result of the termination under Clause 4.2.10.13.

4.2.10.15. The Collateral Agent shall have the right to resign due to reasons other than stated in Clause 4.2.10.13. of these Terms of the Bonds Issue by submitting a respective written notice (letter or email) to the Issuer and all of the Bondholders. The duties and obligations of the Collateral Agent shall be deemed to have terminated upon the appointment of a successor collateral agent and acceptance by such appointment of the successor collateral agent and the execution of all necessary documentation to effectively substitute the retiring Collateral Agent.

4.2.10.16. No later than 3 (three) months after the receipt of the relevant notice under Clause 4.2.10.13 or Clause 4.2.10.15. of these Terms of the Bonds Issue by the Issuer a successor collateral agent must be designated by the Issuer and the Majority Bondholders, who must take over the obligations of the retiring Collateral Agent.

4.2.10.17. If a successor collateral agent has not been appointed within the term set out in Clause 4.2.10.16. of these Terms of the Bonds Issue, the duties and obligations of the retiring Collateral Agent shall be deemed to have terminated. For sake of clarity, the retiring Collateral Agent shall be stated as a pledgee (in the Register until the successor collateral agent has been appointed and registered as pledgee of the Collateral in the Register.

4.2.10.18. The Collateral Agent shall evaluate that no conflict of interest exists with regard to the Issuer and, the existence of conflict of interest shall not prevent the Collateral Agent from fulfilling its obligations to the extent and scope as described in these Terms of the Bonds Issue and as provided in the in the Collateral Agreements and in the Collateral Agent Agreement.

4.2.11. Application of the Proceeds from Enforcement of the Collateral

4.2.11.1. The proceeds from the enforcement of the Collateral shall be applied in the following order of priority:

- (a) as the first priority: to the satisfaction and payment of all fees, costs and expenses and damages (including, without limitation, state duties, notary fees, valuation costs and fees, costs and expenses of third parties engaged in by the Collateral Agent pursuant to conditions set out, *inter alia*, in Clauses 4.2.9.8 and 4.2.9.12) related to performance of its duties by, or otherwise payable to, the Collateral Agent under these Terms of the Bonds Issue, the Collateral Agent Agreement and the Collateral Agreement securing the Issuer's obligations relating to the Issue, including but not limited to the establishment (registration), amendment, deletion

and enforcement (exercising) of the Collateral incurred by the Collateral Agent or any of the third parties engaged by the Collateral Agent, provided that the fees, costs and expenses have occurred on a reasonable market price and pursuant to conditions specified in Clause 4.2.9.8 and/or Clause 4.2.9.12;

(b) as the second priority: (after full satisfaction, payment and deduction of all claims and amounts set forth in Clause 4.2.11.1(a) of these Terms of the Bonds Issue), in payment of the claims of the Bondholders arising under these Terms of the Bonds Issue, including but not limited to the claims arising from the Bonds.

4.2.11.2. The Collateral Agent shall withhold the proceeds necessary for satisfying the fees, costs, expenses, damages and claims of the Collateral Agent specified in Clause 4.2.11.1(a) of these Terms of the Bonds Issue and transfer the remaining proceeds to the Bondholders for satisfying the claims under Clause 4.2.11.1(b) of the Terms of the Bonds Issue. The Collateral Agent shall return the proceeds from the enforcement of the Collateral remaining after satisfying all claims set forth in Clause 4.2.11.1 of the Terms of the Bonds Issue to the relevant Collateral Provider.

4.2.11.3. In case the proceeds remaining after covering the fees, costs, expenses, damages and claims under Clause 4.2.11.1(a) of these Terms of the Bonds Issue do not cover the claims of the Bondholders under Clause 4.2.11.1(b) of these Terms of the Bonds Issue in full, these claims of the Bondholders shall be satisfied pro rata.

4.2.11.4. The Collateral Agent is not obliged to pay to the Bondholders or any other individuals any interest on the proceeds from the enforcement of the Collateral (whether deposited or not).

4.2.11.5. In case the Collateral Agent is required, under applicable laws, to withhold or pay any taxes in connection with payments to be made by the Collateral Agent hereunder, the amount to be paid by the Collateral Agent shall be reduced by the amount of respective taxes and only the net amount shall be paid by the Collateral Agent.

4.2.12. Rights and restrictions connected with the Bonds Issue

Any of the Bondholders have a right to receive Coupon and Nominal Value payments in accordance with the Clause 4.2.13 "Coupon payments" and 4.2.15 "Procedure of the Bonds repayment", as well as exercise other rights fixed in these Terms of the Bonds Issue and Legal Acts.

The Issuer has the right to purchase the Bonds on the secondary market directly from the Bondholders. The Bonds that are purchased by the Issuer are held in Issuer's financial instruments' custody account and the Issuer has the right to sell the purchased Bonds to Potential Investors and other Bondholders. The Issuer cannot cancel the purchased Bonds held in the Issuer's financial instruments' custody account, therefore decreasing the size of the Bonds issue.

The Bonds owned by the Issuer and/or its Related Parties are not eligible to participate in the voting in accordance with these Terms of the Bonds Issue.

4.2.13. Coupon payments

Coupon rate

The Coupon rate for the Bonds is 10% + 3M EURIBOR, quarterly and is fixed until the Maturity Date.

Coupon payment procedure

Coupon payments are made on each Coupon Payment Date. Coupon payments are made once a quarter on the last Business Day of the quarter. The first Coupon payment date is 31 March 2023, and the last Coupon payment date is 16 December 2024.

The Coupon record date is the 5th (fifth) Business Day prior to the Coupon Payment Date. At the end of the Coupon record date the list of the Bondholders, who will be eligible for the Coupon payments, will be fixed. Coupon payment shall be made to the Bondholders, in accordance with the relevant Bondholders' list, on each Coupon Payment Date for the preceding Coupon period.

The Issuer pays the Coupon through the intermediary of Nasdaq CSD and in accordance with the applicable Nasdaq CSD regulations, which regulate the procedure for paying income from debt securities. The Nasdaq CSD regulations applicable on the day of preparation of the Terms of these Bonds Issue are Nasdaq CSD Rulebook and Corporate Action Service description.

If the Coupon Payment Date of the Bonds is not a Business Day, the Issuer will pay the Coupon payment on the first Business Day after the Coupon Payment Date of Bonds.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in the Terms of the Bonds Issue, the Bondholders shall have the right to submit claims regarding the payment of the Coupon but not earlier than after 10 (ten) Business Days following the payment date of the relevant Coupon.

Coupon calculation

Coupon calculation will be performed by the Calculation Agent. Quarterly Coupon payments, with the exception of the first and the last Coupon payment, are determined according to the following formula:

$CPN = F * C / 4$ or $CPN\% = C/4$, where:

CPN – the amount of the Coupon payment in EUR per Bond;

F – Nominal Value of one Bond;

C – annual Coupon rate (%) that is determined as Base Rate + 10% where:

Base Rate is determined by the Calculation Agent on the Coupon Reset Date, which is the second Business Day prior the start of each Coupon Period, using published data by a designated distributor (currently Bloomberg) and shall be fixed for the respective Coupon Period. If for any Coupon Period the Base Rate determined based on the procedure specified in this paragraph is less than 0%, Base Rate shall mean 0% for purposes of determining the Coupon rate.

The first Quarterly Coupon payment on 31 March 2023 will be determined by the Calculation Agent according to the following formula:

$CPN1 = F * C/360 * 107$ or $CPN1\% = C/360 * 107$, where:

CPN1 – the amount of the Coupon payment in EUR per Bond on 31 March 2023;

F – Nominal Value of one Bond;

C – annual Coupon rate (%) that is determined as Base Rate + 10%. The Coupon rate for the first Coupon period is 11.993%, (eleven point nine hundred and ninety three percent) as the Base Rate is 1.993% (one point nine hundred and ninety three percent).

The last Quarterly Coupon payment on 16 December 2024 will be determined by the Calculation Agent according to the following formula:

$CPN2 = F * C/360 * 76$ or $CPN1\% = C/360 * 76$, where:

CPN2 – the amount of the Coupon payment in EUR per Bond on 16 December 2024;

F – Nominal Value of one Bond;

C – annual Coupon rate (%) that is determined as Base Rate + 10%.

Calculation Agent

The Issuer appoints the Calculation Agent to determine amount of quarterly payments to Bondholders and provide payment instructions to the Issuer. All calculations by the Calculation Agent shall be made in good faith and through the exercise of the Calculation Agent's commercially reasonable judgment. Upon the request of the Issuer, Calculation Agent shall provide the Issuer with such information as is reasonably necessary to enable the Issuer to confirm the accuracy of such calculations.

The Issuer shall have the right to designate another independent third party with experience in corporate bonds to replace the Calculation Agent, and the parties shall work in good faith to execute any appropriate documentation required by such replacement Calculation Agent. The Calculation Agent shall be informed of its replacement at least 10 (ten) Business Days in advance.

Any determination or calculation by the Calculation Agent in such capacity shall be made in good faith and in a commercially reasonable manner.

4.2.14. Accrued interest calculation

The first Coupon starts to accrue on 14 December 2022, which is the First Settlement Date of the Bonds issue.

The accrued Coupon is calculated presuming there are 360 (three hundred and sixty) days in one year (day count convention – "European 30/360"). Accrued interest between Coupon Payment Dates shall be calculated as follows:

$AI = F * C / 360 * D$, where:

AI – accrued interest of one Bond;

F – Nominal Value of one Bond at the beginning of the relevant Coupon calculation period, *i.e.*, the initial Nominal Value at the time of the issue of a Bond, as may be reduced by the redemption or repurchase amounts paid during the previous periods in accordance with these Terms of the Bonds Issue;

C – annual Coupon rate (%), determined as Base Rate + 10%;

D – the amount of days from the beginning of the Coupon accrual period according to European 30/360 day count method.

4.2.15. Procedure of the Bonds repayment

The Nominal Value of one Bond is EUR 1,000 (one thousand Euro) and the Issuer will repay the Nominal Value of Bonds at Maturity Date, which is 16 December 2024.

The Issuer shall pay the Nominal Value in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of these Terms of the Bonds Issue are the Nasdaq CSD Rulebook and Corporate Action Service Description. The Nominal Value will be paid on the Maturity Date. The list of the Bondholders eligible to receive the Nominal Value will be fixed at the end of the previous Business Day before Maturity Date.

If the Maturity Date of the Bonds is not a Business Day, the Issuer will pay the Nominal Value of the Bonds on the next Business Day after the Maturity Date.

If the Issuer has failed to make Nominal Value payment in accordance with the deadlines specified in these Terms of the Bonds Issue, the Bondholders shall have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Days following the Maturity Date.

4.2.16. Early redemption at the option of the Issuer (call option)

The Issuer shall be entitled to full early redemption (call option) in full but not in part:

- (a) from 14 December 2023 (including), until 14 September 2024 (including) by paying 102% (one hundred and two per cent) of the Nominal Value plus accrued and unpaid interest;
- (b) from 15 September (including), until 15 December 2024 (including) by paying 100.5% (one hundred point five per cent) of the Nominal Value plus accrued and unpaid interest;

The Issuer can carry out call option only in full amount of total outstanding Bonds.

If the Issuer takes a decision on early redemption of the Bonds, the Issuer shall notify the Bondholders at least 20 (twenty) Business Days prior to the redemption date of the Bonds by publishing a relevant notice with sufficient details on the Issuer's webpage (<https://lilinen.com/>) and, if the Bonds are listed on First North, on Nasdaq Riga webpage.

If the Issuer redeems the Bonds, the Issuer will pay the redemption payment in accordance with Nasdaq CSD intermediary and applicable Nasdaq CSD regulations. The Nasdaq CSD regulations applicable on the day of preparation of these Terms of the Bonds Issue are the Nasdaq CSD Rulebook and Action Service Description. The list of the Bondholders eligible to receive the redemption payment will be fixed at the end of the previous Business Day before the redemption payment date.

4.2.17. Early redemption at the option of the Bondholders due to Change of Control (put option)

In case a Change of Control has occurred, the Issuer has the obligation to inform the Bondholders by publishing a relevant notice with sufficient details on the Issuer's webpage and, if the Bonds are listed on First North, on Nasdaq Riga webpage no later than the date that is 20 (twenty) Business Days after the Change of Control has occurred, stating:

- (a) the Change of Control has occurred or may occur and that such Bondholders have the right to require the Issuer to purchase all of such Bondholders' Bonds at a price equal to 101% (one hundred and one per cent) of the Nominal Value plus accrued and unpaid interest;
- (b) the repurchase date, which shall be not earlier than 10 (ten) Business Days and not later than 20 (twenty) Business Days from the date such notice is delivered to Bondholders;
- (c) the record date;
- (d) stating any Bond accepted for payment pursuant to a Change of Control will cease to accrue interest after a Change of Control payment date unless the Change of Control payments is not paid, and any Bonds or part thereof not tendered will continue to accrue interest;
- (e) describing the circumstances and relevant facts regarding the transaction or transactions that constitute a Change of Control;

- (f) describing the procedures determined by the Issuer that the Bondholders must follow to have Bonds repurchased; and
- (g) if such notice is sent prior to the occurrence of a Change of Control, stating the offer is conditional on the occurrence of a Change of Control.

To exercise the Change of Control put option, the Bondholders must submit to the Issuer a duly signed and completed notice of exercise in the form provided by the Issuer within the Change of Control put period provided by the Issuer in the said notice. If no response from the Bondholders have been received within the designated time period, it is concluded the Bondholders will not execute the put option. No option so exercised may be withdrawn without the prior consent of the Issuer.

4.2.18. Early redemption (event of default)

The Bondholders have the right to demand early redemption of Bonds in case of occurrence of the events of default in accordance with Clause 5.2 "Event of default".

4.2.19. Representation of the Bondholders

The Collateral Agent holds the Collateral and the Guarantees on behalf of the Bondholders and is authorized to act with the Collateral and the Guarantees in favour of all the Bondholders in accordance with these Terms of the Bonds Issue and the Collateral Agent Agreement.

Bondholders have no rights to act with the Collateral and the Guarantees directly, yet at the same time there are no restrictions set for Bondholders' right to create and/or authorize an organization/person that represents the legal interests of all Bondholders or part thereof.

In case of the insolvency of the Issuer, every Bondholder has the right to represent their own interests in creditors' meetings. The Bondholders will have equal rights for satisfaction of their claims with other creditors in the same claims' group.

4.2.20. Decisions of the Issuer on the Bonds issue

On 8 December 2022, the Issuer's shareholders passed the decision to issue secured debt securities in the amount of up to EUR 2,000,000.00 (two million Euro) and to authorize the management board to sign all the documents related to the execution of the shareholders' decision to issue the Bonds.

On 8 December 2022, the Issuer's management board passed the decision to issue secured debt securities (Bonds) in the amount of up to EUR 2,000,000.00 (two million Euro) with a coupon rate of 10% + 3M EURIBOR, quarterly and maturity of up to 2 (two) years.

4.2.21. First Settlement Date of the Bonds Issue

The First Settlement Date (Issue Date) of the Bonds issue is 14 December 2022, on which the Coupon starts to accrue.

4.2.22. Restrictions on free circulation of the Bonds

The Bonds are freely transferable securities and can be pledged. However, the Bonds cannot be offered, sold, resold, transferred or delivered in such countries or jurisdictions or otherwise in such circumstances in which it would be unlawful or require measures other than those required under the Legal Acts.

Any Bondholder wishing to transfer or offer the Bonds must ensure any offering related to such a transfer or offer would not be qualified as public offering in the essence of the applicable law. According to these Terms of the Bonds Issue, it is the obligation and liability of the Bondholders to ensure that any offering of the Bonds does not fall under the definition of public offering under the applicable law.

5. Special Conditions

5.1. Disclosure of information

5.1.1. Up until the Maturity Date, the Issuer shall publish all the information required by the covenants, rules of Nasdaq Riga and regulatory enactments.

- (a) For so long as the Bonds are not admitted to trading on First North, all notices and reports to the Bondholders shall be published on the Issuer's website (<https://ljlinen.com/>).
- (b) As of the date when the Bonds are admitted to trading on First North, all notices and reports to Bondholders shall be published on Nasdaq Riga's website, as well as on the website of the Issuer (<https://ljlinen.com/>). Any notice or report published in such manner shall be deemed to have been received on the same Business Day when it is published.

5.2. Event of Default

The Issuer undertakes immediately or at least 10 (ten) days before the occurrence of the Event of Default to notify:

- (a) The Collateral provider, Guarantors and Collateral Agent for failing to meet its obligations under the Terms of the Bonds Issue to Bondholders;
- (b) Collateral Agent for failing to meet its obligations under the Terms of the Bonds Issue to Bondholders and that the Guarantors will take the place of the Issuer (assume Issuer's obligations - Latvian term: *kā pats parādnieks*) and will make the relevant outstanding payments (Nominal Value of the Bonds along with the accrued Coupon and contractual penalties (and other outstanding payments) to Bondholders through Collateral Agent;
- (c) the Guarantors and Collateral Agent regarding the extent to which the its obligations will not be fulfilled and the extent to which the Issuer itself undertakes to settle obligations in accordance the Terms of the Bonds Issue.

When the Guarantors undertake the Issuer's obligations under the Terms of the Bonds Issue as the Issuer itself (Latvian term: *kā pats parādnieks*) the Issuer will have an obligation to immediately make an announcement on its webpage (<https://ljlinen.com/>) and, if the Bonds are listed, on the Nasdaq information system regarding this event.

Bondholders representing at least 10% (ten per cent) of the outstanding Bonds issue, have the right to submit a written notification to the Issuer, Guarantors and Collateral Agent regarding that the immediate repayment deadline has set in for the Bonds owned by the relevant Bondholder. If the Issuer receives such written notification from the Bondholders, stating the Bonds owned by the relevant Bondholders have become due and payable, at any time after the event of default has occurred (and as long as the event of default exists), the Issuer shall pay the Nominal value of Bonds along with the accrued Coupon and contractual penalty in accordance with Clause 5.2.6 "Contractual penalty" within 10 (ten) Business Days after the receipt of the notification.

If an event of default has occurred and the Issuer has not fulfilled its obligations in accordance with these Terms of the Bonds Issue, the Collateral Agent is obliged to send a written notification to the Bondholders and Guarantors within 10 (ten) Business Days after the Event of Default has occurred or after receiving notification from Bondholders on occurrence of Event of Default. Each of the events or circumstances set out in below in Clauses 5.2.1. to 5.2.5. shall constitute an event of default:

5.2.1. Non-payment

The Issuer has failed to pay out any amount payable by it under these Terms of the Bonds Issue when such an amount is due for payment, unless its failure to pay is caused by administrative or technical error in payment systems or the Nasdaq CSD and payment is made within 10 (ten) Business Days following the original due date. The Bondholders shall have the right to submit claims regarding failure to pay amount due not earlier than 10 (ten) Business Days after the date of the relevant payment.

5.2.2. Breach of covenants

The Issuer has violated the conditions of the Clause 6 "Covenants" and has failed to remedy such violation as according to the Clause 5.2.3. "Covenant cure".

5.2.3. Covenant cure

- (a) The Issuer may cure or prevent a breach of the financial covenants in Clauses 6.1.1. -6.1.4. (and any Event of Default arising as a result therefrom) if, for Clause 6.1.1.-6.1.2. prior to or within 90 (ninety) calendar days and for Clause 6.1.3. prior 180 (one hundred eighty) calendar days of the earlier of: (i) the date on which the relevant Financial Report is to be published pursuant to these Terms of the Bonds Issue; and (ii) the date on which the Financial Report was in fact published pursuant to these Terms of the Bonds Issue for any Relevant Period in which such failure to comply was (or would have been) first evidenced, the Issuer received the cash proceeds of new shareholder injections from the shareholders of the Issuer (the "Equity cure"), in an amount at least sufficient to ensure the financial covenants set forth under Clause 6.1.1. -6.1.4. would be complied with if tested again as at the last date of the same Relevant Period on the basis any Equity Cure to be provided shall be included for the Relevant Period as if provided immediately prior to the last day of such Relevant Period. However, covenant cure for financial covenant in Clause 6.1.1. shall be allowed only once during the term of these Terms of the Bonds Issue.
- (b) Any new equity provided in respect of any Relevant Period shall be deemed to have been provided immediately prior to the last date of such period and shall be included (without double counting) in all relevant covenant calculations until the date it was deemed provided falls outside any subsequent Relevant Period.
- (c) If after the equity adjustment the requirement of the relevant financial covenant is met, then the requirement thereof shall be deemed to have been satisfied as at the relevant original date of determination of any default, Event of Default, occasioned thereby shall be deemed to have been remedied for the purposes of these Terms of the Bonds Issue.

5.2.4. Cross default

If for Issuer or any of the Guarantors:

- (a) any Financial Indebtedness is neither paid when due nor within any applicable grace period;
- (b) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity, as a result of an event of default (however described);
- (c) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor, as a result of an event of default (however described);
- (d) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity, as a result of an event of default (however described); or

- (e) any security securing Financial Indebtedness over any asset is enforced by secured creditor.

Provided, however, the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (e) above exceeds a total of EUR 200,000.00 (two hundred thousand Euro) (or the equivalent thereof in any other currency); provided it does not apply to any Financial Indebtedness owed to Related Parties and other than (a) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 90 (ninety) calendar days of commencement or, if earlier.

5.2.5. Insolvency

If the Issuer or any of the Guarantors:

- (a) is declared insolvent or bankrupt by a court of competent jurisdictions or admits inability to pay its debts in case of lawful claims save for claims by Related Parties or claims within Issuer;
- (b) an application to initiate insolvency or legal protection proceedings or similar proceedings of the Issuer or respective Guarantor or any other proceedings for the settlement of the debt of the Issuer is submitted to the court by the Issuer or the Guarantor.

Other than: (a) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within ninety (90) calendar days of commencement or, if earlier, the date on which it is advertised; and (b), in relation to the Issuer or any of the Guarantors, solvent liquidations) in relation to: (a) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of any Guarantor or the Issuer; (b) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Guarantor or the Issuer or any of its assets; or (c) any analogous procedure or step is taken in any jurisdiction in respect of any Guarantor or the Issuer.

5.2.6. Security enforced

Security (as described in Clause 6.3. of the Terms of the Bonds Issue), present or future, created or assumed by the Issuer, or any Guarantors becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person).

5.3. Contractual penalty

In the case of non-compliance or inadequate compliance with a payment obligation arising from the Bonds, the respective Bondholder shall be entitled to require and the Issuer shall be obliged to pay contractual penalty upon the request of any Bondholder to all the Bondholders that shall accrue from the due date for payment (excluding), to the actual payment date (including) in the amount of 0.1% (zero point one per cent) per day of the relevant outstanding amount.

If the Issuer has failed to make Coupon payments in accordance with the deadlines specified in these Terms of the Bonds Issue, the Bondholders shall have the right to submit claims regarding the payment of the Coupon not earlier than after 10 (ten) Business Days following the due date for payment of the relevant Coupon.

If the Issuer has failed to make the Nominal Value payment in accordance with the deadline specified in the Terms of the Bonds Issue, the Bondholders shall have the right to submit claims regarding the repayment of the Nominal Value not earlier than after 10 (ten) Business Days following due date for payment of the Nominal Value.

6. Covenants

6.1. Financial covenants

From the Issue Date of the Bonds to the date of repayment thereof, the Issuer shall comply with the following financial covenants:

- 6.1.1. To maintain Equity Ratio at least 40% (forty per cent) calculated at the end of each quarter.
- 6.1.2. To maintain Net Debt Leverage Ratio less than 2x (two times) calculated for the Relevant Period at the end of each quarter.
- 6.1.3. To maintain Interest Coverage Ratio of at least 3x (three times), calculated for the Relevant Period at the end of each quarter.
- 6.1.4. To maintain Accounts Receivables Coverage Ratio of at least 1.5x (one and a half times), calculated at the end of each quarter.
- 6.1.5. Financial covenants stated in Clauses 6.1.1. - 6.1.4. shall be tested at the end of each quarter and proof of compliance with these covenants shall be included in every Financial Report of the Issuer.

6.2. General covenants

From the Issue Date of the Bonds to the date of repayment thereof, the Issuer shall undertake the following:

- 6.2.1. The Issuer and the Guarantors shall not pay dividends or make other distribution of profits to their shareholders and/or entities directly or indirectly owned by them in form of a loan, investment or any other distribution until the Maturity Date (including), except Permitted Distribution.
- 6.2.2. To complete the Reorganisation within 6 months from the Issue Date and provide consolidated audited annual report of the Issuer, starting from FY 2023.
- 6.2.3. Not to commence any new type of economic activity outside the scope of Permitted Business.
- 6.2.4. Not to initiate or allow initiation of the Issuer's liquidation or similar proceedings and not to reduce the share capital of the Issuer until Maturity Date (including).
- 6.2.5. Any transactions with Related Parties shall be at Fair Market Value.
- 6.2.6. Related Parties debtors' transactions shall be carried inside expected norms for that type of relationship and shall have economic and lawful purpose.
- 6.2.7. Issuer may not lend/invest in other companies unless they are not:
 - (a) Guarantors;
 - (b) subsidiaries of the IssuerAny other amounts are then included in shareholder distributions.
- 6.2.8. Guarantors may not lend/invest in other companies unless they are not:
 - (a) Permitted Business;
 - (b) Guarantors;
 - (c) subsidiaries of the Issuer or the Guarantors.
- 6.2.9. Any loans from Issuer's shareholders (if any) shall be subordinated to the Bonds.

- 6.2.10. Not to sell, present, change, rent, invest, or otherwise transfer into utilization the right to use the trademarks of the Issuer and/or its Guarantors.
- 6.2.11. To include Bonds on First North operated by Nasdaq Riga within 12 (twelve) months after the Issue Date.
- 6.2.12. In the event that LionPro incurs new liabilities towards the Issuer during the Terms of the Bonds Issue, the Issuer is obliged to ensure that LionPro issues a new guarantee to the Bondholders for the payment of the Bonds.

6.3. Negative pledge

So long as any Bonds remains outstanding, the Issuer shall not, and shall procure that none of the Guarantors create or permit to subsist mortgage, pledge or any other security interest (each a "Security"), other than a Permitted Security, upon the whole or any part of its present or future business, undertaking, assets or revenues to secure any Financial Indebtedness without at the same time or prior thereto securing the Bonds equally and rateably therewith.

6.4. Reporting covenants

From the Issue Date of the Bonds to the date of repayment thereof, the Issuer shall undertake the following:

- 6.4.1. From the Issue Date, to prepare and publish unaudited quarterly reports within 2 (two) months after the reporting period.
- 6.4.2. From the Issue Date to prepare and publish audited annual reports within 4 (four) months after the reporting period.
- 6.4.3. Proof of compliance with the financial covenants shall be included in every quarterly report.
- 6.4.4. Publish the financial reports via Issuer's website (<https://ljlinen.com>) and Nasdaq Baltic (after listing on First North), in accordance with provisions of Clause 5.1.
- 6.4.5. Annual Financial Reports should be audited by a reputable international auditor.

6.5. Procedure for applying for Bondholders' consent

The Issuer has the right to request a consent (waiver) of Bondholders to amend the conditions included in these Terms of the Bonds Issue (apply for the waiver). However, the Issuer shall have a right to amend the technical procedures relating to the Bonds in respect of payments or other similar matters without the consent of the Bondholders, if such amendments are not prejudicial to the interests of the Bondholders.

The Collateral Agent may ask for instructions from the Bondholders in respect to the Collateral in the same manner as the Issuer may apply for the consent (waiver) of the Bondholders hereunder.

The amendment of these Terms of the Bonds Issue may include the amendment of any conditions, which is not restricted by such characteristics of the Bonds as currency, Coupon rate, Coupon calculation method, Coupon and Nominal Value payments, inclusion of Bonds to regulated or alternative markets, the Maturity Date and other conditions, unless they contradict applicable Legal Acts.

The Issuer can apply for the waiver itself or through the intermediary of an Agent. To request a waiver, the Issuer or Agent shall notify the Bondholders by publishing the relevant information on the Issuer's website (<https://ljlinen.com>), or, if Bonds are included in First North, *via* the Nasdaq Riga information system, specifying at the least the following information:

- (a) a description of the requested amendment;

- (b) a justification of the necessity of such amendment;
- (c) the date when the list of the Bondholders eligible to grant the waiver (vote) will be fixed;
- (d) the term within which the Bondholders can support or reject the offered waiver;
- (e) instructions concerning notification about the support or rejection of the waiver and the procedure for filling in the voting questionnaire;
- (f) notification the Bondholders willing to grant the waiver offered by the Issuer shall notify the Issuer and Issuer's Agent within the term specified in the application. If the Bondholder does not notify the Issuer or Issuer's Agent about the approval to grant the waiver within the term specified in the application, the Bondholder shall be deemed as not having granted the waiver;
- (g) contact details of the Issuer and/ or the Issuer's Agent to be used for notifications (telephone number for inquiries, email or address for sending filled in and signed questionnaires, list of representative offices and/ or branches of the Issuer and/or Issuer's Agent where the Bondholders can submit the questionnaires in person);
- (h) other information, including a fee to the Bondholders for approving the waiver (if any).

The list of Bondholders shall be inquired from the Nasdaq CSD as of the date falling to the 5th (fifth) Business Day after the waiver was sent to the Bondholders directly and/or after the relevant announcement of the waiver has been published *via* the Nasdaq Riga information system, if the Bonds are included in First North.

The term allowed to Bondholders for deciding upon refusal to grant the waiver to the Issuer may not be shorter than 14 (fourteen) calendar days after the waiver has been sent to the Bondholders directly and/or after the relevant announcement of the waiver has been published *via* the Nasdaq Riga information system, if the Bonds are included in First North.

The Bondholders shall submit signed questionnaires with their decision to the Issuer or Agent by a deadline set in the application of the waiver. The waiver is deemed to be granted, if Bondholders owning more at least 50% (fifty per cent) of the outstanding Bonds issue (excluding Bonds owned by the Issuer, direct and/or indirect shareholders and Related Parties from the total outstanding amount of Bonds) have voted for granting the waiver. The Bonds owned by the Issuer and Related Parties are not eligible to participate in the voting.

The Issuer or Agent shall count the received votes and notify the Bondholders of the results of the voting within 1 (one) Business Day after the deadline for submitting the questionnaires by publishing a relevant announcement on the Issuer's website <https://ljilinen.com> and by publishing the relevant announcement *via* the Nasdaq Riga information system, if the Bonds are included in the First North.

If the accepted changes refer to specifications of the Bonds and/or Coupon calculation method, as well as procedure of Coupon payments and/ or repayment of the Nominal Value, the Issuer shall inform the Nasdaq CSD on the mentioned changes according to the regulation determined in the Nasdaq CSD rules.

If the Issuer offers Bondholders a fee for approving the waiver and the waiver is granted, the Issuer transfers the fee amount to the account stated by the Bondholders in the questionnaire not later than 30 (thirty) calendar days after the waiver comes into force.

6.6. Force majeure and limitation of liability

The Issuer shall be entitled to postpone the fulfilment of its obligations under these Terms of the Bonds Issue in case the performance is not possible due to continuous existence of any of the following circumstances (a "Force Majeure Event"):

- (a) action of any authorities, war or threat of war, rebellion or civil unrest;
- (b) disturbances in postal, telephone, or electronic communications which are due to circumstances beyond the reasonable control of the Issuer and that materially affect the operations of the Issuer;
- (c) any interruption of or delay in any functions of measures of the Issuer as a result of fire, frost or other similar disaster;
- (d) any industrial action, such as strike, lockout, boycott or blockade affecting materially the activities of the Issuer; or
- (e) any other similar force majeure hindrance.

In case of occurrence of a Force Majeure Event, the Issuer's fulfilment of the obligations may be postponed for the period of the existence of such respective circumstances and shall be resumed immediately after such circumstances cease to exist, provided that the Issuer shall put all best efforts to limit the effect of the Force Majeure Event and to resume the fulfilment of its obligations as soon as possible.

7. Taxes

7.1. Notice

This summary is of general nature and should not be considered a legal or tax advice. This summary does not contain full and complete information on all the taxes that relate to investment in the Bonds. Tax rates and conditions for paying taxes may change during the life of the Bonds. Potential Investors should consult with their own tax advisors with respect to their particular circumstances and the effects of the Latvian or foreign tax laws to which they may be subject to.

7.2. Definition of residents and non-residents

An individual is considered resident of Latvia for tax purposes if his or her declared place of residence is the Republic of Latvia, or he or she stays in the Republic of Latvia for more than 183 (one hundred and eighty-three) days within any 12 (twelve) month period; or he or she is a citizen of the Republic of Latvia and is employed abroad by the government of the Republic of Latvia. If an individual does not meet any of the above-mentioned criteria, he or she is considered a non-resident for tax purposes.

Any legal entity is considered resident of Latvia for tax purposes if it is or should be established and registered in the Republic of Latvia according to the Latvian legal acts. This also include permanent establishments of foreign entities in Latvia. Other legal entities are considered non-residents for tax purposes.

Latvia has entered into number of tax conventions on elimination of the double taxation, which may provide more favourable taxation regime. Therefore, if there is a valid tax convention with the country of a non- resident Bondholder, it should be also examined. The procedures for application of tax conventions are provided in the Republic of Latvia Cabinet of Ministers' Regulations No. 178 "Procedures for Application of Tax Relief Determined in International Agreements for Prevention of Double Taxation and Tax Evasion" of 30 April 2001. For the purposes of exchanging documents, the Bondholder should contact the Issuer via the information provided on the Issuer's website and/or Nasdaq Riga website.

TAXATION

Tax consequences in the Republic of Latvia regarding the income derived from Bonds that are issued by a legal entity registered in the Republic of Latvia (not being a credit institution) effective as of date of the Terms of the Bonds Issue are as follows:

Legal status of income beneficiary	Bonds that are not in the public circulation (not admitted to trading on a regulated market for the purposes of MiFID II)		Conditions
	Interest tax rate	Capital gains tax rate	
Individual resident of Latvia	20% ¹	20% ¹	20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of the Bonds, if it is registered in Latvia. 1Exclusively for individual residents (natural person taxpayers), The Law on Income Tax of the Republic of Latvia allows for postponement of the taxation of income derived from securities by using an investment account regime. Provided that the investment account regime is used at the moment of receiving the respective financial income, the moment of taxation of the financial income

			<p>held on an investment account is postponed until such income is withdrawn from the investment account (i.e., the amount withdrawn from the account exceeds the amount which had been previously paid into the account).</p> <p>Income from disposal of Bonds is considered equivalent to an interest income and taxed at 20% rate in Latvia.</p>
Company resident of Latvia	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	deferred: 20/80 of the beneficiary's net profit distributed (equals to 20% of the gross profit)	<p>Interest (coupon) income and a capital gain from the Bonds constitute a part of the beneficiary's - Latvian company's overall income.</p> <p>The Corporate Income Tax obligation is deferred to the moment of profit distribution (dividends, interim dividends) or deemed profit distribution (e.g., deemed dividends, non-business expenditure, bad debts provisions/write-off, loans to the related persons, transfer pricing adjustments, liquidation quota) of the beneficiary - Latvian company. The tax is assessed and paid based on the Corporate Income Tax Return filed for a taxation period (a month or year).</p>
Individual non-resident	20% / 5% ²	20%	<p>20% tax from the interest (coupon) income is withheld and transferred to the State budget by an Issuer of Bonds, if it is registered in Latvia. Nonetheless, income from publicly traded financial instruments (interest (coupon) income) is subject to tax exemption.</p> <p>A non-resident individual being a beneficiary of interest (coupon) income or an income from disposal of Bonds could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia. Provisions of applicable double tax treaty may also provide for a more favourable tax application principle.</p> <p>2 5% tax from interest (coupon) income can be withheld and transferred to the State budget by an Issuer of Bonds who is the resident of Latvia, if all of the following three criteria are met: (i) the interest (coupon) payment is made with the intermediation of a financial institution, including the Depository, and the Notes issue has been arranged by a financial institution that is regulated by a public regulatory authority (such as the FCMC); (ii) the recipient of such income is a resident of the European Union or the European Economic Area and is not engaged in economic activity; (iii) the respective financial instrument is not publicly traded.</p>
Company non-resident	Not taxable in Latvia ^{3,4}	Not taxable in Latvia ^{3,4}	<p>Interest (coupon) income and a capital gain derived by a non-resident company (except a company from no-tax or low-tax countries or territories) are not taxable in Latvia.</p> <p>3 Payments (including interest payments) to non-resident located, registered or incorporated in a no-tax or low-tax country or territory as defined in the Regulations of the Cabinet of Ministers No. 819 "Regulations on No-Tax or Low-Tax Countries and Territories", adopted on 17 December 2020; effective as of 1 January are subject to withholding tax of 20% if the payer is a Latvian legal entity.</p> <p>4 A non-resident company being a beneficiary of interest (coupon) income or a capital gain could be obliged to assess and pay tax in its country of residence at the tax rate specified in the relevant country, which may or may not be higher than the one applicable in Latvia.</p>

8. Terms of the Private Offering

8.1. Subscription to the Bonds

8.1.1. Subscription period

The offering shall commence on 7 December 2022 at 10 am Riga time and shall end on the Maturity Date or when all Bonds are sold, whichever is earlier.

8.1.2. Subscription terms

The subscription orders to the Bonds can be submitted to the Arranger every Business Day during normal working hours. More detailed information on the submission of the subscription orders is available by phone +371 67 081 069.

Subscription orders can also be submitted to other Custodians, which in turn shall submit orders to the Arranger. The form of such subscription orders is regulated by contracts between Bondholders and Custodians and by the Legal Acts.

The minimal initial subscription size (the "**Minimum Investment Amount**") is EUR 100,000.00 (one hundred thousand Euro). The subscription size should be equal to a multiple of the Settlement Unit Multiple.

Total Nominal Value of the Bonds to be purchased and provided in each subscription order shall be for at least Minimum Investment Amount. A Potential Investor has the right to submit several orders during the offering.

All Subscription orders to the Bonds shall be considered as binding and irrevocable commitment to acquire the allotted Bonds.

By submitting the subscription order the Potential Investor confirms it: (a) has read and understands these Terms of the Bonds Issue; and (b) agrees and commits to adhere to these Terms of the Bonds Issue.

Article 5f of Regulation (EU) No. 833/2014 (as amended by Council Regulation (EU) No. 2022/328) and Article 1f of Regulation (EC) No. 765/ 2006 (as amended by Council Regulation (EU) No 2022/398) prohibit the sale of euro denominated transferable securities issued after 12 April 2022 or units of undertakings for collective investment (UCIs) providing exposure to such transferable securities, to any Russian or Belarusian national, any natural person residing in Russia or Belarus or to any legal person, entity or body established in Russia or Belarus. This prohibition does not apply to nationals of a Member State or to natural persons holding a temporary or permanent residence permit in a Member State of the European Union.

The First Settlement Date of Bonds is 14 December 2022.

All the expenses related to the acquisition and custody of the Bonds shall be borne by a Potential Investor in compliance with the pricelist of a credit institution or investment service provider, through which the investor purchases and keeps Bonds. The Issuer is not obliged to compensate any such expenses incurred by the Potential Investor.

8.1.3. Bonds price

The Bonds purchase price can be equal to 100% (one hundred per cent) of the Nominal Value or purchase price could be lower or higher than the Nominal Value, meaning that the Bonds can be sold with discount or premium, plus accrued interest.

All subscription orders that have been submitted after the First Settlement Date shall be executed with accrued interest, unless the subscription orders are submitted during the 5 (five) Business

Days before the end of each respective quarter – from the Coupon record date and until the Coupon Payment Date, in which case the subscription orders shall be executed without accrued interest.

8.1.4. Allocation of the Bonds to Bondholders

The Bonds are allocated to Bondholders in the amount not larger than the amount specified in the subscription order and not less than the minimum size as described in the Clause 8.1.2 “Subscription terms”.

In case the total number of Bonds subscribed for during the subscription period is less than the number of Bonds available, the Bonds will be allotted based on subscription orders placed.

In case the total number of the Bonds subscribed for is higher than the number of Bonds available the proportionate reduction principle shall be applied to the extent possible. The decision on the final allocation of the Bonds is made by the Issuer. The Bonds allocated to Bondholders shall not be less than the Minimum Investment Amount.

The Issuer or Arranger at its sole discretion has a right to refuse to allocate all or part of the subscribed Bonds to any Potential Investor due to AML and Sanctions regulations compliance risk or other risks.

8.1.5. Reduction of the Bonds issue size

At any time, the Issuer may decide to discontinue placement of the Bonds. The total issue size is equal to the actual issue size of the Bonds before such decision.

8.2. Settlement and delivery of the Bonds

The settlement date for the Bonds can be any Business Day which is not earlier than the second Business Day and not later than the 20th (twentieth) Business Day after subscription order is fully submitted to the Arranger.

Settlement of the Bonds will be executed through the Depository in accordance with the DVP (delivery versus payment) principle pursuant to the applicable rules of the Depository.

The Custodians execute payments for the Bonds based on the results of the subscription provided by the Arranger. The Bonds will be transferred to Bondholders’ financial instrument accounts on the settlement date.

8.3. Pre-emptive rights

None of Potential Investors has the rights of pre-emption in respect to acquisition of the Bonds in the initial placement.

9. Including of the Bonds on the market and trading regulations

The Issuer plans to request the admission to trading of the Bonds on First North within 12 (twelve) months after the Issue Date and submit these Terms of the Bonds Issue and company description with Nasdaq Riga. The Issuer does not undertake to register the Bonds prospectus with the FCMC or list the Bonds on any regulated market.

The Issuer has not signed any agreement with any person for Bonds liquidity maintenance on the secondary market.

10. Additional information

10.1. Advisors involved in the Issue

The Issuer has concluded an agreement with the Arranger to organise the Bonds issue, to communicate with the Nasdaq CSD, market it to investors and conduct settlement during the subscription period. The Arranger may provide other services to the Issuer in the future and receive remuneration for it. The Arranger may invest its own funds in the Bonds.

The Issuer has signed the Collateral Agent Agreement with Collateral Agent, which holds the Collateral on behalf of the new and the existing Bondholders and is authorized to act with the Collateral in favour of all the Bondholders in accordance with these Terms of the Bonds Issue and the Collateral Agent Agreement. The Collateral Agent may provide other services to the Issuer in the future and receive remuneration for it.

10.2. External audit of the information included in Terms of the Bonds Issue

The auditors have not verified the information included in these Terms of the Bonds Issue.

10.3. Statements or reports included in the securities description

The Terms of the Bonds Issue does not contain any expert statements or reports.

10.4. Credit ratings

There is no credit rating assigned to the Issuer or to the Bonds issue.

10.5. Employee share options

After the issue of the Bonds the Issuer has plan to issue additional shares intended for employee share options, their number will make up to 10% (ten percent) of the total number of Issuer's shares.

11.The Issuer

11.1. General information on the Issuer

The issuer is SIA "L. J. LINEN".

The Issuer's registration No. is 40003669025 and legal entity identifier is 9845005E46PK0915DE76.

The legal address of the Issuer is at: Antonijas iela 5, Riga, LV-1010, the Republic of Latvia.

The legal form: limited liability company, legal status – legal person.

The country of location: the Republic of Latvia.

The Issuer carries out its activities in accordance with the legal acts of the Republic of Latvia.

11.2. Auditor

The Issuer's financial auditor of annual reports for the FY 2019, 2020, 2021 was SIA "SANDRA DZERELE UN PARTNERIS" (with registration No. 40003476595, with a legal address at: Vīlandes iela 7 - 1, Rīga, LV-1010, the Republic of Latvia). The Issuer's FY 2022 will be audited by the SIA "ERNST & YOUNG BALTIC" (with registration No. 40003593454).

12. Business of the Issuer

12.1. Overview

The Issuer was established in 2004, is family owned business that are redesigning food waste into proteins and fats of the highest quality. Issuer offers a wide range of animal and vegetable raw materials - proteins, oils, vitamins and amino acids - and produces feed materials, pet food and organic fertilisers. It has established a reputation as one of the top 5 animal & vegetable protein and fats trading companies in Europe.

Over the years, the Issuer has accumulated a thorough knowledge base on international trade, logistics, documents and veterinary requirements, which are especially important when transporting food or animal feed raw materials. Even many large companies in Europe do not have such experience.

One of the pillars of the success of the company lies in strong relationship with suppliers. Moreover the specifics of business in the field of animal feed ingredient product retail is considered as reserved business environment and is built on business partners' mutual trust obtained within the continuous business cooperation and strong reputation. Therefore, for the new-comers in the trade of animal feed ingredient production distribution business, it is almost or impossible to cooperate and purchase raw materials from the suppliers.

Issuer's sole business purpose is to connect animal waste recyclers with animal food producers and farmers. By doing this, Issuer is increasing usage of virgin products thus ensuring sustainable business model.

As of the publishing of this Terms of the Bonds Issue the Issuer apart from Europe has got representative office and warehouses in Asia, Africa and South America, and conducts its business in 28 countries total.

Issuer structure

As of publishing these Terms of the Bonds Issue, the Issuer has no subsidiaries but its business operates in cooperation with various Related Entities. The companies are held directly by the UBO and majority shareholder of the SIA L.J. Linen Jānis Kuļikovskis or other individuals of the management (see Annex 1 enclosed to these Terms of the Bonds Issue). The Related Entities after the Issue Date will be consolidated under one group (see Annex 2 enclosed to these Terms of the Bonds Issue).

12.2. Management of the Issuer

The management board of the Issuer is responsible for the day-to-day management of the Issuer's operations. Further, according to the Latvian Commercial Law, it is the obligation of the management board to draft the annual reports and submit the reports to the supervisory board for review and to the general meeting for approval. The management board is accountable to the supervisory board and must adhere to its lawful instructions.

The management board members of the Issuer is as follows:

Name	Term until	Position
Līvija Kujikovska	Undefined period or until revoked	Member of the Board
Jānis Kujikovskis	Undefined period or until revoked	Member of the Board
Zane Kujikovska	Undefined period or until revoked	Member of the Board

Līvija Kujikovska is the Issuer's co-founder. Līvija is uniquely qualified individual with broad experience in business development, international trade and supply chain management. Shareholder at Cits Medijs, founder of Reneta LTD. MSc in Food Technology and Processing.

Jānis Kujikovskis is the Issuer's co-founder. Jānis is experienced entrepreneur with a demonstrated history of establishing businesses in waste management, International trade, ecommerce and Fintech industry. Skilled in Negotiation, Market Research, Emerging markets, Management, and Business Development. Strong entrepreneurship professional with an academic background in Law, Finance and Economics. Member of the Supervisory Board & Shareholder at Cits Medijs, previously CEO at Reneta LTD.

EMBA from SSERIGA, studies at HKUST, LLM from University of Latvia, BS from SSERIGA.

Zane Kujikovska is the Issuer's CEO. Zane is 10+ years experienced sales professional with exceptional management skills - making major corporate decisions, managing the overall operations and resources of the company, acting as the main point of communication between suppliers across Europe, clients in Asia and Africa.

Partner at Lionpro Group, previously Deputy Manager at Radisson Hotel Old Town Riga (Astor Riga), Creative director at Aterno Ltd. BNI Kettler Global Trade chapter Vice president in development and growth MBA in Strategic Management from SSERIGA, LLM from Riga Graduate school of Law, LLM from University of Latvia.

12.3. Issuer's shareholder structure

Jānis Kujikovskis holds 100% shares of the Issuer and is the Issuer's ultimate beneficial owner.

Legal proceeding and arbitration

At the time of signing these Terms of the Bonds Issue, the Issuer is not involved in any government interventions, lawsuits or arbitration processes, which may significantly affect or have significantly affected the financial situation or profitability of the Issuer.

12.4. Substantial changes in financial situation of the Issuer

As of the publication of the last financial statement, the financial situation or performance of the Issuer has not worsened. The Issuer is unaware of any factors, claims, obligations, or events which would negatively affect the financial situation or performance of the Issuer in future.

12.5. Important agreements

Apart from the agreement referred to in Clause 4.2.5. the Issuer has no knowledge of any other important agreements or internal decisions that could have been concluded within the company

or between the Issuer and any related company and that could affect the Issuer's capability to fulfil its liabilities due to Bondholders regarding the securities to be issued.

12.6. Significant recent and known trends

During the year 2020 and 2021 many economic sectors were affected by global pandemic.

At the time of signing these Terms of the Bonds Issue, the Issuer has no information at its disposal regarding any known trends that have negatively affected the Issuer or the activity, apart from the aforementioned global pandemic impact.

12.7. Other

Please refer to Issuer's presentation for furtherer information about the Issuer, its market and the financials.

Annex 1

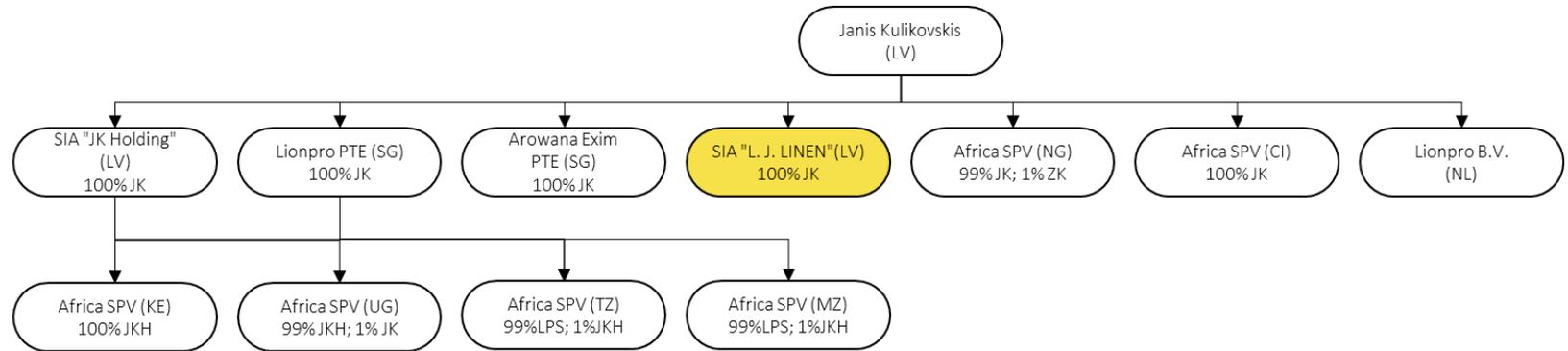
EXISTING LEGAL STRUCTURE OF THE ISSUER AND RELATED ENTITIES

Abbreviations:

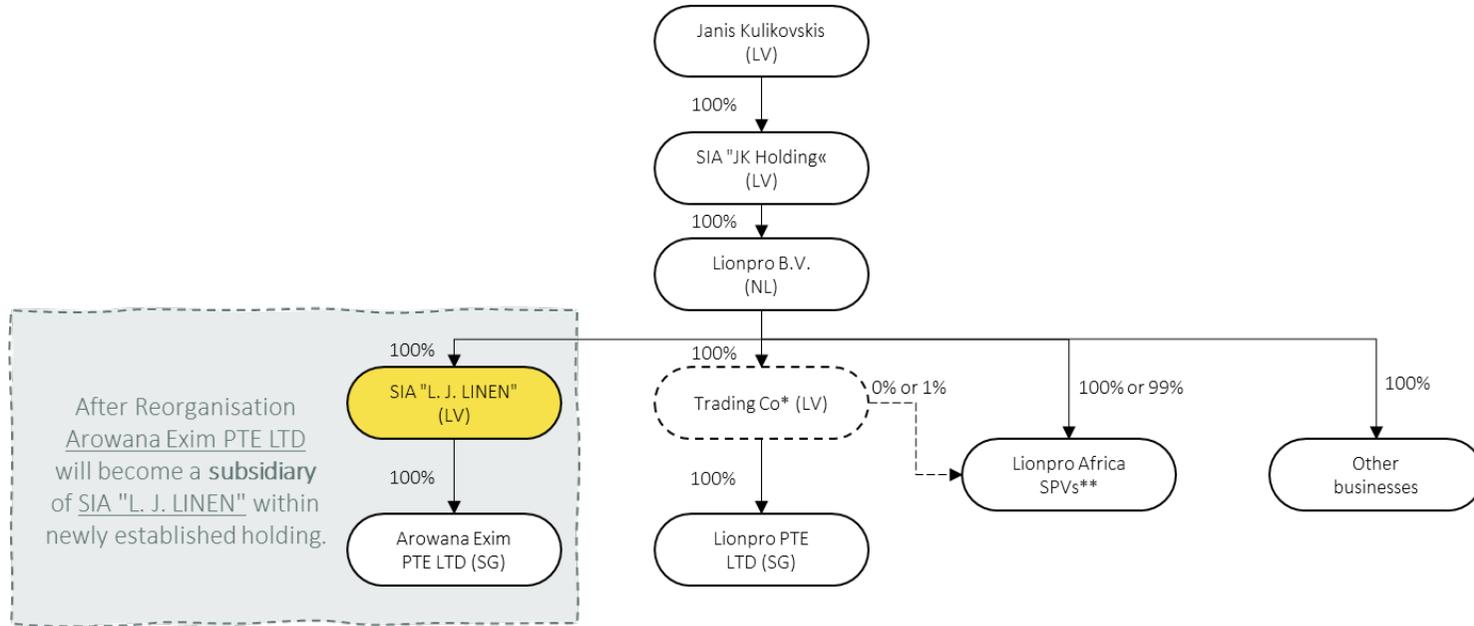
- JK - Janis Kulikovskis
- ZK - Zane Kulikovska (spouse of JK)
- JKH - SIA "JK Holding"
- LPS - Lionpro PTE (SG)

General lines of business:

1. SIA "L. J. LINEN" - Trade of goods within Europe, imports from overseas and sale to related companies;
2. Lionpro Group - Trade of goods in Africa and South Asia;
3. Arowana Exim PTE - Trade of goods in South East Asia;
4. Africa SPV - local supply chain companies
5. SIA "JK Holding" - Family fund/investment company



Annex 2
FUTURE HOLDING STRUCTURE



After Reorganisation Arowana Exim PTE LTD will become a subsidiary of SIA "L. J. LINEN" within newly established holding.

*New Trading Co, yet to be established **Local supply chain companies in Africa