

[OPTIONAL: SERIES [INSERT]]¹
SEED CONVERTIBLE LOAN AGREEMENT

This seed convertible loan agreement (the “**Agreement**”) is dated [date] (the “**Signing Date**”) and is between the Company, the Investor(s) and the Founders whose details are set out on the signature page (each also a “**Party**” and together the “**Parties**”). The capitalized terms used in this Agreement have the meanings set forth in Schedule 1.

WHEREAS:

- A.** The Company is seeking financing for its business of [insert description] (the “**Business**”) and each Investor has agreed to provide such financing by granting a convertible loan (the “**Loan**”) to the Company.
- B.** By an agreement regarding convertible loans dated [date] (the “**Approval Agreement**”) the shareholders of the Company have (a) approved the entry into [OPTIONAL: Series [insert]]² convertible loan agreements on the terms set forth in this Agreement to raise financing in the aggregate amount of up to EUR [insert] (or any higher amount approved under the Approval Agreement) (all convertible loans granted under such agreements, including the Loans granted under this Agreement, are hereinafter referred to as the “**Convertible Round Loans**”) and (b) agreed to take all actions in their power to allow the Company to perform its obligations regarding the conversion of Convertible Round Loans³.

THE PARTIES AGREE AS FOLLOWS:

1. LOAN

1.1 Loan

Each Investor shall grant to the Company a Loan in the amount set out opposite such Investor’s name in Schedule 2.

1.2 Main terms

The following main terms apply to this Agreement:

¹ NOTE TO DRAFT: If the Company intends to enter into separate agreements with each single investor or each separate group of investors, but all such investments are part of one and the same convertible financing round, then it is advisable to tie all agreements together for purposes of allowing amendments by Investor Majority and otherwise referring to the agreements of a particular financing round. This can be done by including a common reference to certain series, such as Series 2023A, 2023B or something of that nature.

² NOTE TO DRAFT: Include this only if the reference in question is included in the title of the agreement. See note 1.

³ NOTE TO DRAFT: To convert the loans granted under this Agreement into shares, the shareholders of the Company must adopt certain resolutions, including a resolution to increase the share capital (or to authorise the management board or supervisory board to increase the share capital), to waive their statutory pre-emptive rights to subscribe for the shares to be issued to investors and, if a new class of shares is to be created, to adopt a resolution to amend the Articles of Association of the Company. To simplify the signing process, this model document is drafted so that shareholders are not parties to this Agreement. To secure the conversion of loan, it is advisable to request the shareholders of the Company to sign a separate agreement whereby they agree to take the aforementioned actions to convert the loans granted under this Agreement as well as any other convertible loan agreement that is part of the proposed convertible financing round. The relevant model document - Agreement Regarding Convertible Instruments– is available at www.startupestonia.ee. Such agreement should be signed before the signing of this agreement. The finalized form of this convertible loan agreement (without the investors’ names) should be appended to the Agreement Regarding Convertible Instruments.

As an alternative to such Agreement Regarding Convertible Instruments, the shareholders of the Company may authorise the management board or supervisory board to increase the share capital and issue shares to convertible loan investors by including the respective authorisation in the Company’s Articles of Association. However, such alternative has certain limitations (the maximum nominal value of the shares to be issued to convertible loan investors is not precisely known as it may depend on the valuation of the next equity round, the shareholders may amend or cancel such resolution after it has been adopted, if a new class of shares is to be created and issued to convertible loan investors, then a further shareholders’ resolution is required to amend the Articles of Association in any event, etc). Therefore, please consult with an attorney or a lawyer before using such an alternative.

- 1.2.1 “**Discount**” is [insert agreed discount]⁴%;
- 1.2.2 “**Interest Rate**” is [insert]⁵% per annum;
- 1.2.3 “**Investor Majority**” are persons whose outstanding amounts of Convertible Round Loans represent more than [50]% of the aggregate outstanding amount of all Convertible Round Loans⁶;
- 1.2.4 “**Maturity Date**” is [insert]⁷, or such later date as may be agreed by the Company and the Investor Majority;
- 1.2.5 “**Maturity Valuation**” is EUR [insert]⁸;
- 1.2.6 “**Qualified Financing Threshold**” is EUR [insert]⁹;
- 1.2.7 “**Valuation Cap**” is EUR [insert]¹⁰;

1.3 Intended use

The Company and the Founders shall ensure that the Loans are used solely for the purpose of developing the Business.

1.4 Transfer of Loans

The Company shall notify each Investor once the Agreement has been signed by all Parties. Each Investor shall transfer its Loan to the Company’s bank account (details: Name of account holder [name], IBAN [IBAN], name of the bank [name], SWIFT/BIC [SWIFT/BIC]) within [number]¹¹ days of the receipt of such notice (the “**Payment Term**”). The Company shall notify each Investor of the receipt of all Loans. If the Company has not received all Loans within the

⁴ NOTE TO DRAFT: This reflects the discount offered to convertible loan investors as a benefit compared to the subsequent equity investors to recognize the added risk taken by convertible loan investors by investing earlier in the Company. A typical discount off the price paid by the subsequent equity investors would be 15-25%. Discounts may be higher in investments with more perceived risk, either because the Loan may have a longer maturity or because of the specific circumstances of the Company. IMPORTANT NOTE: Offering a discount is an optional not a mandatory term of the Convertible Loan Agreement. If no discount is offered, this Section 1.2.1 should be removed and the appropriate changes should be made in Section 3.3 and Section 4.3

⁵ NOTE TO DRAFT: This is the annual rate which accrues on the Loan until it is repaid or converted. The typical market rate is somewhere between 5-15%.

⁶ NOTE TO DRAFT: To avoid administrative challenges and “holdout” problems associated with trying to amend outstanding Loans (to extend their Maturity Date or otherwise), Loans usually incorporate a “majority rules” provision through which the persons holding an agreed majority of the principal amount of all outstanding Loans may agree to amendments that would be binding on all the investors of the relevant convertible financing round. See also Section 12.1.

⁷ NOTE TO DRAFT: This is the date on which the Company is required to repay the Loan unless it is converted – see Section 5.1. Setting this date is a way to set expectations for the investors as to the likely final date for closing the next equity financing round. As a general rule, a later Maturity Date is better for the Company. Typically, the Maturity Date is 12-24 months of the Signing Date.

⁸ NOTE TO DRAFT: This is the valuation at which the Loan will be converted into equity at Maturity Date if the Loan has not been converted or repaid before that and the Investors elect the conversion instead of repayment. Some companies and investors use the Valuation Cap here, but there are no well-established rules for the determination of this amount.

⁹ NOTE TO DRAFT: This is the minimum amount of new cash that must be raised in the equity financing round in order to trigger automatic conversion of Loans (see Section 3.1). The reason for including such threshold amount is that convertible loan investors want to make sure that they only give up their loanholder status (and the additional protection it may afford as compared to a shareholder) at a time in which the Company has demonstrated that it is healthier and more sustainable, i.e. to protect the Investors from having their Loans converted to equity in a financing that leaves the Company inadequately capitalized. Such threshold amount also ensures that the equity financing causing conversion is a “true” financing and not a sham financing designed to force the Loans to convert into terms that are not favorable. However, the threshold amount shouldn’t be set so high that the Company risks having the Loans not convert in the next equity financing round.

¹⁰ NOTE TO DRAFT: This is the maximum valuation at which the Loan will convert into equity, regardless of the valuation agreed by the Company and the subsequent equity investors. Although this Valuation Cap is not a “valuation,” investors and companies may look at this amount as an indication for either current or potential future valuation. IMPORTANT NOTE: Including a valuation cap is an optional not a mandatory term of the Convertible Loan Agreement (although it is becoming more common). The total size of the convertible financing round and the Valuation Cap are two variables that each can have a significant impact on the ownership position of the convertible loan investors following the conversion of the Loan, and the two variables together have a magnifying effect. Therefore, the founders must run through a sensitivity analysis when trying to determine how much to raise and where to set the Valuation Cap.

¹¹ NOTE TO DRAFT: The Payment Term should be long enough to enable the Investors conduct their capital calls and transfer the Investment Amounts, but not much longer.

Payment Term, it shall notify each Investor of the same without delay and send each defaulting Investor a reminder (request) to transfer its Loan within five Business Days of such notice (the “**Additional Payment Term**”).

1.5 Investor’s payment default

If any Investor has not transferred its entire Loan to the Company by the expiry of the Additional Payment Term, the Company shall have the right to withdraw from this Agreement with respect to such defaulting Investor or, if approved by the Investor Majority in a form reproducible in writing or if the default amounts to at least [insert]¹²⁰% of all Loans (the latter a “**Material Default**”), then with respect to all Parties. Upon Material Default each non-defaulting Investor shall also have the right to withdraw from this Agreement. To exercise the right of withdrawal under this Section 1.5, (a) the Company shall send a respective notice to all Parties and (b) the Investor shall send a respective notice to the Company and the Company shall, without delay, forward such notice to all other Parties.

1.6 Penalty for default

If a Party withdraws from this Agreement under Section 1.5 the Company shall have the right to claim from the defaulting Investor a contractual penalty of [10]% of the amount of Loan that such defaulting Investor has agreed to grant under this Agreement.

1.7 No joint and several obligations

If two or more Investors are parties to this Agreement, the obligations of each Investor shall be several and not joint.

2. INTEREST

2.1 Interest

Interest shall accrue on the outstanding principal amount of the Loan at the Interest Rate (“**Interest**”). The Interest shall accrue daily and be calculated by reference to the actual number of days elapsed from the date of disbursement of the Loan by the Investor to the date of repayment or conversion on the basis of a 365-day year.

2.2 Payment of Interest

The Interest shall not be payable until the conversion or repayment of the principal amount of the Loan.

3. QUALIFIED FINANCING CONVERSION

3.1 Definition of Qualified Financing

“**Qualified Financing**” means (a) the issuance (or series of related issuances) of Shares by the Company following the Signing Date with the principal purpose of raising financing with the aggregate gross proceeds for the Company of not less than the Qualified Financing Threshold (excluding the amount of convertible loans and similar instruments converted into Shares upon such issuance) or (b) any issuance (or a series of related issuances) of Shares by the Company following the Signing Date with the principal purpose of raising financing with the aggregate gross proceeds less than the Qualified Financing Threshold, which the Investor Majority has

¹² NOTE TO DRAFT: The relevant percentage should be high enough for it to be generally understood that the convertible financing round has failed, for example, due to the Company not having collected sufficient funds to finance to reach the relevant milestones for raising the next financing round or otherwise.

elected (at its sole discretion) to treat as Qualified Financing by sending a respective notice to the Company.

3.2 Notice of financing

The Company shall notify each Investor of a proposed issuance of Shares with the principal purpose of raising financing, and the price and terms thereof, at least 5 Business Days before the closing of the same.

3.3 Qualified Financing Conversion

Upon the closing of a Qualified Financing, the outstanding principal amount of the Loan plus accrued and outstanding Interest (the “**Outstanding Debt**”) owed to each Investor shall be converted in full into such number of Shares of most senior class issued in the Qualified Financing (or any Shares with identical rights and preferences and with the same obligations as such Shares) that is calculated by dividing the Outstanding Debt with the conversion price equal to the lesser of

3.3.1 (100% - Discount) multiplied by the lowest price paid per Share issued in the Qualified Financing; or

3.3.2 Valuation Cap divided by the Fully Diluted Share Capital immediately prior to the closing of the Qualified Financing.

However, if the conversion price calculated in accordance with above is less than the price per Share paid in the Qualified Financing, the Company may convert the Outstanding Debt into the shares of the newly created series with identical rights and preferences and with the same obligations as the Shares of the most senior class issued in the Qualified Financing other than with respect to (if applicable) (a) the liquidation preference (preference amount) per share and (b) the starting price for the price-based anti-dilution protection, which both shall equal the conversion price.

4. LIQUIDITY EVENT CONVERSION OR PAYMENT

4.1 Definition of Liquidity Event

“**Liquidity Event**” means:

4.1.1 the adoption of a resolution for the voluntary dissolution of the Company;

4.1.2 the closing of the transfer of all or substantially all the Company’s assets or the granting of an exclusive license over all or substantially all the Intellectual Property of the Company;

4.1.3 the closing of the transfer of any Shares which will result in the acquirer of those Shares, and persons Controlled, Controlling or under common Control with such acquirer, acquiring Control over the Company, irrespective of whether any of the above-described transactions is effected by sale, in-kind contribution, donation or otherwise and irrespective of whether it is effected in one transaction or a series of related transactions, unless the sole purpose of any such transaction is to (a) create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction or (b) obtain financing for the Company in a bona fide financing transaction that is approved by the relevant governing body of the Company.

4.2 Notice of Liquidity Event

The Company shall notify each Investor of a proposed Liquidity Event, and the price and terms thereof, at least 5 Business Days before the closing of the same.

4.3 Liquidity Event conversion or payment

If a Liquidity Event occurs before the Qualified Financing and the Maturity Date, then, at the election of each Investor:

- 4.3.1 the Outstanding Debt owed to such Investor shall be converted in full into such number of Shares of most senior class then outstanding (or Shares with identical rights and preferences and with the same obligations as such Shares) that is calculated by dividing the Outstanding Debt with the conversion price equal to the lesser of
- (a) (100%-Discount) multiplied by the price/value of a Share in the Liquidity Event; or
 - (b) Valuation Cap / Fully Diluted Share Capital immediately before the Liquidity Event; or
- 4.3.2 the Company shall pay the Outstanding Debt owed to such Investor within 5 Business Days of the receipt of any proceeds of the Liquidity Event.

5. MATURITY DATE CONVERSION OR REPAYMENT

5.1 Maturity Date conversion or repayment

If the Maturity Date arrives before (a) the signing of binding agreement(s) for Qualified Financing and (b) the Liquidity Event, then, at the election of the Investor Majority:

- 5.1.1 the Outstanding Debt shall be converted in full into such number of Shares of the most senior class then outstanding, which is calculated by dividing the Outstanding Debt by the conversion price, whereas such conversion price shall be the Maturity Valuation / Fully Diluted Share Capital immediately before the Maturity Date;
- 5.1.2 the Company shall pay the Outstanding Debt owed to each Investor within 10 Business Days of the Maturity Date¹³.

If the Outstanding Debt is converted under Section 5.1.1 and the Company has only one class of Shares outstanding (e.g. common shares), then the Outstanding Debt shall be converted into a new class of (preferred) Shares that give their holders substantially the rights and preferences set forth in the most recent version of the Startup Estonia model Seed Shareholders' Agreement without Supervisory Board.

[OPTION 1: If the Investor Majority has not sent a notice requiring the repayment of Outstanding Debt under Section 5.1.2 to the Company within 10 Business Days after the Maturity Date, the Outstanding Debt shall be converted into Shares under Section 5.1.1 (and the right to elect the repayment is deemed terminated).][OPTION 2: If the Investor Majority has not sent a notice requiring the Outstanding Debt to be converted in full to the Shares under Section 5.1.1 to the Company within 7 Business Days after the Maturity Date, the Company shall pay the Outstanding Debt to each Investor under Section 5.1.2 (and the right to elect the conversion is deemed terminated).]

¹³ NOTE TO DRAFT: This Section 5.1.2 gives the Investors the right to demand the repayment of the principal and the accrued interest after the Maturity Date (similarly to traditional loans). But the reality for the Company is that in most cases where the Loan has not been converted by the Maturity Date, the Company probably does not have the money to cover the repayment obligation. Therefore, the parties could consider/negotiate removing the repayment option under this Section 5.1.2 altogether and agree that the Loan will be automatically converted at the price based on the Valuation Floor.

6. PREPAYMENT

6.1 No prepayment without Investor consent

The Loan shall not be prepaid to any Investor, in whole or in part, without the prior consent of such Investor in a form reproducible in writing.

7. EVENT OF DEFAULT

7.1 Definition of Event of Default

“Event of Default” means (a) the commencement of the restructuring proceedings (in Estonian: *saneerimismenetlus*) in respect of the Company (b) the appointment of the interim trustee (in bankruptcy) in respect of the Company (c) the termination of the Approval Agreement or any amendment of the Approval Agreement that has an adverse effect on the ability of the Company to perform its obligations under this Agreement (d) a breach by the Company or any Founder of any obligation under Section 9 that, if capable of cure, is not cured within 30 days of committing the breach.

7.2 Notice about Event of Default

Upon becoming aware of an Event of Default, the Company shall promptly notify each Investor of the same and of any action taken or proposed to be taken in connection with the same.

7.3 Repayment upon Event of Default

Upon the occurrence of Event of Default, the Outstanding Debt shall be repaid to each Investor at its request.

8. CONVERSION PROCESS

8.1 Issue of Conversion Shares

If the Outstanding Debt is to be converted into Shares (the **“Conversion Shares”**) under this Agreement, the Company shall procure that its share capital is increased through a share issue directed to each Investor entitled to receive Conversion Shares with pre-emptive and preferential subscription rights of other shareholders of the Company being excluded so that such Investor is issued the number of Conversion Shares determined in accordance with this Agreement (with any entitlement to a fraction of a Conversion Share being rounded to the nearest number that corresponds to the lowest nominal value of the respective share) for the subscription price equal to the Outstanding Debt. Each Investor shall pay for the Conversion Shares by contributing its claim of Outstanding Debt to the Company as a non-monetary contribution and entering into a relevant agreement for the transfer of the non-monetary contribution in the form provided by the Company.

8.2 Term for completion of issue of Conversion Shares

The Company shall take, and procure that its shareholders will take all actions, including, adopt shareholders' resolutions, waive shareholders' pre-emptive rights, amend the Company's articles of association, arrange the valuation of the Outstanding Debt and submit applications to the relevant registers so as to procure that the issuance of Conversion Shares to each Investor is completed and registered in the relevant registers:

- 8.2.1 within 20 Business Days of the closing of the Qualified Financing, if the conversion is made under Section 3; or
- 8.2.2 immediately prior to but conditional upon the occurrence of a Liquidity Event, if the conversion is made under Section 4; or
- 8.2.3 within 20 Business Days of the Maturity Date, if the conversion is made under Section 5.

8.3 Failure to timely complete the issue of Conversion Shares

If the conversion is not completed within the respective term stated in Section 8.2 because the Company or any of its shareholders has failed to take respective actions set forth in Section 8.2, each Investor shall have the right to request the Company to pay a contractual penalty to such Investor in the amount of [0.1]% of the Loan granted by such Investor per each day of delay. If the conversion has not been completed within 20 Business Days of the due date stated in Section 8.2, then, irrespective of the reason for such delay, the Investor shall have the right to cancel this Agreement by sending a notice to all Parties and request the Company to repay the Outstanding Debt to such Investor.

8.4 Investor's obligation to adhere to agreements

If the Outstanding Debt is converted upon the occurrence of a Qualified Financing, each Investor shall, if requested by the Company, enter into all transaction documents relating to the Qualified Financing (which may include an investment agreement, shareholders' agreement and ancillary documents). If the Outstanding Debt is converted upon the occurrence of a Liquidity Event, each Investor shall, if requested by the Company, enter into all transaction documents relating to such Liquidity Event (which may include a share purchase agreement or a similar agreement). If the Outstanding Debt is converted upon the Maturity Date each Investor shall, if requested by the Company, enter into a new shareholders' agreement or adhere to an existing shareholders' agreement. Each Investor's obligation to enter into any documents under this Section shall be conditional upon such documents providing Investors with the rights and preferences set forth in this Agreement.

9. INVESTOR'S ADDITIONAL RIGHTS

9.1 Application of rights

The rights of an Investor set forth in this Section 9 shall apply to each Investor[OPTIONAL: that has granted Loan in the amount of at least EUR [insert]]¹⁴.

9.2 Information rights

[OPTION 1: The Company shall deliver to each Investor the same reports, updates and other documents that it delivers to any of its shareholders at the same time with their delivery to any such shareholders¹⁵.][OPTION 2: The Company shall deliver to each Investor (a) monthly reports about financials, KPIs and other metrics in the format approved by the Investor Majority - within 15 days of the end of each month; (b) annual financial statements - within three months of the end of each financial year and (c) information on events and circumstances that may have a material adverse effect on the Business specifying actions taken or proposed by the Company - as soon as possible.¹⁶] In addition, the Company shall, upon the reasonable request of each Investor, allow such Investor and its professional advisors to examine its documents and to discuss the Company's business, finances, corporate affairs and future plans with its management, all at such reasonable times as may be requested by such Investor.

¹⁴ NOTE TO DRAFT: The Company should consider whether the rights included in this Section - information rights, right to participate in the next equity round and MFN (if included) – should be given to each and any investor participating in the convertible financing round or only to those investors who make a significant contribution to the round (so-called Major Investors).

¹⁵ NOTE TO DRAFT: This option may be selected if the Company already has a proper investor/shareholder reporting procedure in place either as agreed in the shareholders' agreement or otherwise.

¹⁶ NOTE TO DRAFT: This option may be selected if the Company has not previously established any investor/shareholder reporting procedures, for example, if the current convertible financing round is the first financing round for the Company.

9.3 Participation rights

Each time until and including the closing of a Qualified Financing the Company proposes to issue Shares with the principal purpose of raising financing (the “**Relevant Financing**”), the Company shall provide each Investor with a notice about the transaction in question, its price and terms and each Investor shall have the right, but not the obligation, to participate in such transaction on the same terms and for the same price as all other investors, and to acquire up to such number of additional Shares that would result in such Investor’s percentage shareholding in the Company after the Relevant Financing being equal to the percentage shareholding it would have on a fully diluted basis if the Outstanding Debt of such Investor had converted prior to the Relevant Financing at the lowest potentially applicable conversion price. The Company shall take, and shall procure that its shareholders take, all actions to fully implement the provisions of this Section 9.3.

9.4 [OPTIONAL: Most favoured nation¹⁷

If the Company enters into any convertible loan agreement or issues any convertible notes, bonds or similar instruments (other than options to employees and service providers of the Company) at any time prior to the full conversion or repayment of the Outstanding Debt, the Company shall provide each Investor with notice of such agreements or instruments no later than 5 Business Days after the closing of the same, including the price and all terms of such agreements or instruments (the “**Subsequent Instruments**”). If any Investor determines, in its sole discretion, that any Subsequent Instrument contains terms more favourable to the holder(s) thereof than the terms set forth in this Agreement, such Investor may elect to have such terms included in this Agreement in which case all Parties shall take all actions to amend this Agreement and include the respective terms.]

10. REPRESENTATIONS AND WARRANTIES

10.1 Representations and warranties of all Parties

Each Party hereby represents and warrants to the other Parties that (a) such Party has full authority to enter into and perform this Agreement and its representative (if applicable) has all rights and approvals to enter into this Agreement; and (b) neither the entry into nor the performance of this Agreement results in a violation of any provisions of: (i) the articles of association of or any other similar document governing such Party; (ii) any legal acts to which such Party is subject; (iii) any agreement or obligation binding on such Party; (iv) any judgment, order, injunction, decree or ruling of any court or governmental or local authority to which such Party is subject; (v) the terms and conditions of any licence or permit granted to such Party; and (c) no bankruptcy petition, corporate restructuring application, liquidation application, execution application, or any other similar action under any applicable jurisdiction has been filed against such Party; such Party is not subject to any other insolvency, corporate restructuring or similar proceedings; such Party has not received any notice regarding any intention to initiate any such proceedings.

10.2 Representations and warranties of the Warrantors

The Company and each Founder (each a “**Warrantor**” and together the “**Warrantors**”) hereby represent and warrant to each Investor that the statements set forth in Schedule 3 (the

¹⁷ NOTE TO DRAFT: The inclusion of this clause may be considered, above all, if each single investor participating in a convertible financing round enters into a separate agreement with the Company and the investor’s investment is among the first investments in such a round and/or the terms of this agreement are relatively Company-friendly (e.g. no valuation cap or discount) and the investor is concerned that more investor-friendly terms may be offered to subsequent investors. However, the inclusion of such clause restricts the Company’s fundraising activities and creates an additional administrative burden. Therefore, please consult with an attorney or lawyer before including this clause.

"Warranties") are true and correct in all respects as at the Signing Date or, in case of Warranties explicitly made as at a specific date, as at such specific date.

11. CONFIDENTIALITY

11.1 Definition of Confidential Information

For the purposes of this Agreement **"Confidential Information"** means (a) the existence and the terms of this Agreement and (b) any information relating to a Party that another Party receives as a result of entering into or performing this Agreement and that, at the time of disclosure, is designated as being confidential or that would be regarded as confidential or commercially sensitive by a reasonable business person. Confidential Information shall not, however, include information that (a) is, or that becomes (other than through a breach of this Agreement), available to the public generally without requiring a significant expenditure of labour, skill or money; (b) is, at the time of disclosure, already known to the receiving Party without restriction on disclosure; (c) is, or subsequently comes, into the possession of the receiving Party without the violation of any obligation of confidentiality; (d) is explicitly approved for release by the Company at least in a form reproducible in writing; (e) a Party is required to disclose under any laws or regulations, the rules of the regulated market on which such Party's securities are traded or by any public authority to which such Party is subject or submits, or by any court order.

11.2 Confidentiality obligation

Each Party shall treat Confidential Information as confidential and shall not use or disclose it to any third party or enable any third party to become aware of (except for the purposes of the Company's business). For the avoidance of doubt, the Company is entitled to disclose Confidential Information to any third party for the purposes of the Company's business. Notwithstanding the foregoing, a Party may disclose Confidential Information to its attorneys, accountants, consultants and other professional advisors to the extent necessary to obtain their services, provided that they are subject to the same confidentiality obligations as the relevant Party. The obligations set forth in this Section 11 shall apply for the period of three years from the Signing Date.

12. FINAL PROVISIONS

12.1 Amendments

This Agreement (including this Section 12.1) may be amended only in the same form as the original Agreement, unless agreed otherwise by all Parties. Amendment of this Agreement shall be valid only if it is agreed to and signed by the Company and the Investor Majority, in which event such an amendment shall be binding on all Parties, provided that:

12.1.1 any Warranty and any terms and conditions relating to any Warranty provided by a Founder may not be amended without the consent of such Founder;

12.1.2 if the amendment in question imposes any new obligations on a Party or increases any existing obligation, the consent of the affected Party to such amendment shall be specifically required (provided that the extension of the Maturity Date shall not be considered as imposing any new obligation or increasing any existing obligation of any Investor).

12.2 Invalid provisions

If any provision of this Agreement is invalid or unenforceable the Parties shall make their best efforts to replace such provision to achieve the effect closest to the original provision.

12.3 Merger clause

This Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all other prior declarations of intent, agreements and other communication between the Parties with respect to the subject matter hereof.

12.4 Notices

Any notice or other communication under this Agreement must be in a form reproducible in writing and sent to the e-mail address specified on the signature page. Such notice or communication shall be deemed received at the time of transmission, or, if this time falls outside business hours in the place of receipt, when business hours resume (business hours means 09:00 to 18:00 Monday to Friday on a day that is not a public holiday in the place of receipt).

12.5 Investor Majority

Each Investor agrees that any action taken by the Investor Majority under this Agreement shall be binding on such Investor, irrespective of its own individual opinion and irrespective of whether any person constituting the Investor Majority is a party to this Agreement or any other Convertible Round Loan agreement.

12.6 Contractual penalties

Each contractual penalty shall be deemed to operate as a measure for achieving the performance of this Agreement and not as a substitute for the performance. The payment of any contractual penalty shall not release the breaching party from the obligation to perform the relevant obligations. Before a Party becomes entitled to claim a contractual penalty under this Agreement, such Party must give the breaching Party a reasonable term (being not more than 30 days) to cure the breach in question and its negative consequences. A Party entitled to claim a contractual penalty under this Agreement loses such right if it fails to notify the Party in breach of its intention to claim the penalty within six months after the entitled Party becomes aware of the breach in question.

12.7 Transfer of rights and obligations

No Party has the right to transfer its rights or obligations under this Agreement to any third party without the prior consent of all other Parties in a form reproducible in writing, except that each Investor shall be entitled, without any consent of any other Party, to transfer its rights and obligations under this Agreement to any of its Affiliates. In this Agreement, an “**Affiliate**” means a person Controlled, Controlling or under common Control with the relevant person and, in the case of an investment fund managed by a fund manager, (a) any other investment fund managed by that fund manager; or (b) a company Controlled, Controlling or under common Control with that fund manager; or (c) any participant, unitholder, partner in or shareholder of any such investment fund, but only in connection with the dissolution of such investment fund or any distribution of the assets of such investment fund pursuant to the operation of the investment fund in its ordinary course of business. “Control”, “Controlling” and “Controlled” shall refer to a relationship in which a person is a controlled person of another person within the meaning of Article 10 of the Securities Market Act (*väärtpaberituruseadus*).

12.8 Costs

Each Party shall bear its own costs in connection with the negotiations, preparation, entry into and performance of this Agreement.

12.9 Applicable law

This Agreement and any rights or claims arising out of or in connection with this Agreement (including any non-contractual claims) shall be governed by the substantive law of Estonia without giving effect to any conflicts of law rules.

12.10 Jurisdiction

[OPTION 1 (arbitration in Tallinn): Any dispute, controversy or claim arising out of or in connection with this contract, or the breach, termination, or invalidity thereof, shall be finally settled by arbitration in the Arbitration Court of the Chamber of Commerce and Industry of Estonia in accordance with its rules. The arbitral tribunal shall be composed of [3 arbitrators / a sole arbitrator]. The seat of arbitration shall be Tallinn. The language of the arbitration shall be English.][OPTION 2 (general courts in Estonia): Any dispute, controversy or claim arising out of or in connection with this Agreement shall be subject to jurisdiction of Harju County Court (*Harju Maakohtus*) in Estonia as the court of first instance.]

12.11 Conclusion and date

This Agreement is deemed concluded if signed by all Parties. This Agreement is deemed concluded on the Signing Date irrespective of the date on which each individual Party signed this Agreement.

SCHEDULES

This Agreement has the following Schedules:

Schedule 1: Definitions and Rules of interpretation

Schedule 2: Investment amounts

Schedule 3: Warranties

Signature page to follow

SCHEDULE 1
DEFINITIONS AND RULES OF INTERPRETATION

1. DEFINITIONS AND RULES OF INTERPRETATION

1.1 Definitions

In this Agreement the following capitalized terms shall have the following meanings:

“Additional Payment Term”	defined in Section 1.4.
“Affiliate”	defined in Section 12.7.
“Agreement”	this seed convertible loan agreement.
“Approval Agreement”	defined in Recital B.
“Business”	defined in Recital A.
“Business Day”	a day which is not Saturday, Sunday or a public holiday in Estonia.
“Conversion Shares”	defined in Section 8.1.
“Discount”	defined in Section 1.2 (if used in this Agreement).
“Encumbrance”	defined in Section 1.4 of Schedule 3 .
“Event of Default”	defined in Section 7.1.
“Founder”	a person referred to as a “Founder” on the signature page.
“Fully Diluted Share Capital”	means the aggregate number of Shares calculated as a sum of (a) the aggregate number of all issued Shares plus (b) the aggregate number of all Shares which would be issued upon the exercise or conversion of all actually issued convertible loans and other instruments giving their holders the right to acquire Shares plus (c) the aggregate number of all Shares reserved for future issuance under any agreed option pool or approved option or similar plan of the Company or any such plan created or increased in connection with Qualified Financing, excluding the Shares to be issued by the conversion contemplated by this Agreement and any other convertible loan or similar instrument converted simultaneously with the Outstanding Debt under this Agreement.
“Intellectual Property”	defined in Section 4.1 of Schedule 3 .
“Interest”	defined in Section 2.1.
“Interest Rate”	defined in Section 1.2.
“Investor”	a person referred to as an “Investor” on the signature page.

“Investor Majority”	defined in Section 1.2.
“Loan”	defined in Section 1.1.
“Liquidity Event”	defined in Section 4.1.
“Material Default”	defined in Section 1.5.
“Maturity Date”	defined in Section 1.2.
“Maturity Valuation”	defined in Section 1.2 (if used in this Agreement).
“Outstanding Debt”	defined in Section 3.3.
“Party” or “Parties”	defined in the preamble.
“Payment Term”	defined in Section 1.4.
“Proprietary Intellectual Property”	defined in Section 4.1 of Schedule 3 .
“Qualified Financing”	defined in Section 3.1.
“Qualified Financing Threshold”	defined in Section 1.2.
“Share”	a notional part of a share (osa) of the Company having a nominal value of EUR 0.01 ¹⁸ ; for example, 100 Shares shall be deemed to mean a share of the Company with a nominal value of EUR 1 ¹⁹ .
“Signing Date”	defined in the preamble.
“Subsequent Instruments”	defined in Section 9.4.
“Valuation Cap”	defined in Section 1.2 (if used in this Agreement).

¹⁸ NOTE TO DRAFT: If the Articles of Association set forth a higher minimum nominal value of a Share (for example EUR 1), the relevant value should be inserted herein and in the following example.

¹⁹ NOTE TO DRAFT: In accordance with Estonian law, in an OÜ-type company, each shareholder holds only one share, whereas the shareholding held by each shareholder is determined by the nominal value of that share. So, in legal terms, instead of a shareholder holding, for example, 500 shares (having the nominal value of EUR 0.01 each), a shareholder would actually be holding one share with the (aggregate) nominal value of EUR 5. Similarly, if a shareholder buys the share of another shareholder, the buying shareholder will not hold two shares but, instead, the nominal value of the buying shareholder's share will be increased. So, if a shareholder holding a share with a nominal value of EUR 500 purchases the share of another shareholder with a nominal value of EUR 250, the purchasing shareholder will hold one share with the aggregate nominal value of EUR 7.5. A shareholder may, however, hold several shares, if the shareholder holds different types of shares. For example, a shareholder may hold one common share with the (aggregate) nominal value of EUR 100 and one preferred share with the (aggregate) nominal value of EUR 250. At the end of the day, the matter of OÜ-type shares being determined by their nominal value is a technical nuance than an issue of any practical importance. In practice, one could imagine that an OÜ-type company with a share capital of EUR 2,500 has 250,000 shares (having the nominal value of EUR 0.01 each share). This Agreement refers to Shares in the plural, but defines a “Share” as a notional value of the nominal value of a single share. This way, the Agreement is easier to read, but at the same time, follows the concept of OÜ-type shares being defined by their nominal value, as set forth in the law.

“Warrantor”	defined in Section 10.2.
“Warranty”	defined in Section 10.2.

1.2 Rules of Interpretation

In this Agreement the following rules of interpretation apply:

- 1.2.1 References to words “include” or “including” (or any similar term) are not to be construed as implying any limitation and general words introduced by the word “other” (or any similar term) shall not be given a restrictive meaning because they are preceded or followed by words indicating a particular class of acts, matters or things.
- 1.2.2 Except where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.
- 1.2.3 References to “form reproducible in writing” include electronic mail (including pdf).
- 1.2.4 References to “persons” or “individuals” include private individuals, legal entities, unincorporated associations and partnerships and any other organisations, whether or not they have separate legal personality,
- 1.2.5 The section and paragraph headings used in this Agreement are inserted for ease of reference only and shall not affect construction.
- 1.2.6 Any reference to a section, paragraph, or a schedule means a reference to a section, paragraph, or a schedule of this Agreement.

SCHEDULE 2
INVESTMENT AMOUNTS

Investor's name	Loan to be advanced by the Investor
[insert name]	[insert amount]
[insert name]	[insert amount]
[insert name]	[insert amount]
[insert name]	[insert amount]

SCHEDULE 3

WARRANTIES²⁰

1. CORPORATE

1.1 Corporate existence

The Company is duly organised and validly existing under the laws of Estonia. No order has been made, no resolution has been passed, no petition has been submitted and no shareholders' meeting has been convened, or other action taken to initiate any bankruptcy, reorganisation, liquidation, dissolution, merger, division, or transformation of the Company.

1.2 Public registers

The information regarding the Company available from the public registers as at the Signing Date is accurate and nothing has occurred that would require any change or update in such information. There are no pending applications or filings of any kind with respect to the Company to any public register.

1.3 Right to issue Conversion Shares

The Approval Agreement entered into by the shareholders of the Company is valid and has not been terminated.

1.4 Cap table

The capitalization table in Annex 1 to this Schedule 3 is a true and correct representation of the Fully Diluted Share Capital as at the Signing Date displaying all the outstanding Shares and all the rights to Shares. All outstanding Shares have been legally and validly issued and fully paid for. To the Warrantor's knowledge, none of the Shares are subject to any Encumbrances, except for any Encumbrances arising from the articles of association of the Company. There are no outstanding options, warrants, convertible loans, or any other rights to acquire any Shares other than (a) those set out in the capitalization table in Annex 1 to this Schedule 3 and (b) Convertible Round Loans. In this Agreement, an "**Encumbrance**" means (a) a security interest of any kind, including any pledge, mortgage, financial collateral arrangement, retention of title arrangement or security assignment; (b) any claim or right belonging to a third party, including any right of pre-emption, right of first refusal, option, requirement of consent, lease; (c) any other encumbrance or restriction of any kind. In this definition, a "third party" shall mean also any state, municipal or other public authority.

2. COMPLIANCE WITH LAWS AND LITIGATION

2.1 Compliance with laws

To the Warrantors' knowledge, the Company has not breached any applicable laws, regulations, or other acts of legislation.

2.2 No litigation

The Company is not involved in any legal action, suit, litigation, prosecution, investigation, enquiry, arbitration or other legal or administrative proceeding and, to the Warrantors' knowledge, there are no grounds or circumstances likely to lead to any of the foregoing. There

²⁰ NOTE TO DRAFT: The following set of representations and warranties is provided as an example. It includes the most basic representations and warranties for early-stage technology companies. This set may be individually negotiated for each company. The Warrantors should carefully review each and every Warranty and include, in the text of each respective Warranty, anything that would otherwise make the statement to be untrue, incorrect or misleading.

are no outstanding judgements, awards, orders or any other acts of any court of arbitral body against the Company.

3. ASSETS AND INTELLECTUAL PROPERTY

3.1 Assets

The Company owns or has the lawful right to use all of the assets, rights and property that it is currently using in its ordinary course of business. To the extent the Company owns relevant assets, the assets are free and clear of any Encumbrances.

4. INTELLECTUAL PROPERTY

4.1 Definitions

In this Agreement, “**Intellectual Property**” means any works of authorship, trademarks, service marks, trade names, business names, logos, domain names, patents, utility models, semiconductor topographies, inventions, designs and any other intellectual property as may be recognized in any jurisdiction in the world, including any rights to such intellectual property as may be recognized in any jurisdiction in the world, and “**Proprietary Intellectual Property**” means any Intellectual Property, with respect to which the Company or any of the Founders have indicated that the Company owns the rights to such Intellectual Property.

4.2 Ownership of Proprietary Intellectual Property

The Company is the exclusive owner of its Proprietary Intellectual Property. The Company's Proprietary Intellectual Property is not subject to any joint ownership. No third person has been granted any exclusive license over the Company's Proprietary Intellectual Property. There are no circumstances that could affect the validity or enforceability of the Company's rights to its Proprietary Intellectual Property.

4.3 Valid transfers from original authors

None of the persons who have been involved in the development of the Company's Proprietary Intellectual Property own any copyrights or any other rights related to such Intellectual Property, except for moral copyrights, which are not assignable under applicable law. With respect to such moral copyrights, all of the persons, who have been involved in the development of the Company's Proprietary Intellectual Property, have granted the Company an exclusive license or any other relevant right for exercising such rights within the maximum scope allowed under applicable law for the entire validity period of such rights. To the Warrantors' knowledge, there are no grounds under which any such person could prematurely terminate any such license.

4.4 Valid use of third-party Intellectual Property

All Intellectual Property, other than Proprietary Intellectual Property, that is necessary in order to fully and effectively conduct the Company's business as conducted at the Signing Date, is licensed to the Company without any material fees, and the Company is entitled to use such Intellectual Property in the manner and for which purpose the Company uses such Intellectual Property as at the Signing Date and in the manner and for which purpose the Company intends, as at the Signing Date, to use such Intellectual Property in the future.

4.5 No infringement

To the Warrantor's knowledge, the Company's use of any Intellectual Property is not infringing the rights of any third party. To the Warrantors' knowledge, as at the Signing Date, no third party is infringing the Company's rights to its Proprietary Intellectual Property.

5. INFORMATION AND DOCUMENTS

5.1 Information and documents

All documents and information which has been provided to the Investors before the Signing Date by or on behalf of the Company in connection with the transactions contemplated under this Agreement have been correct and complete in all material respects and are, in light of the circumstances in which they are made, not misleading and give, in all material respects, a true and complete picture of the business, financial and legal condition of the Company.

Annex 1

Capitalization Table

[to be inserted]

SIGNATURE PAGE

THE PARTIES HAVE SIGNED THIS AGREEMENT AS FOLLOWS:

THE COMPANY:

Name: **[Name]**, incorporated under the laws of [country], registry code [insert]

Signature: _____

Represented by: [name]

Title [title]

Address: [address]

E-mail: [e-mail address]

THE FOUNDER(S):

Name: **[Name]**, a citizen of [country], identity code [insert]

Signature: _____

Address: [address]

E-mail: [e-mail address]

Name: **[Name]**, a citizen of [country], identity code [insert]

Signature: _____

Address: [address]

E-mail: [e-mail address]

THE INVESTOR(S):

Name: **[Name]**, incorporated under the laws of [country], registry code [insert]

Signature: _____

Represented by: [name]

Title [title]

Address: [address]

E-mail: [e-mail address]

Name: **[Name]**, a citizen of [country], identity code [insert]

Signature: _____

Address: [address]

E-mail: [e-mail address]