**CONVERTIBLE LOAN AGREEMENT**

This Convertible Loan Agreement (“**CLA**”) has been entered into on [insert date] by and between:

1. **[insert name]**, registry code [insert registry code], address [insert address], e-mail [insert e-mail] (“**Investor**”); and
2. **[insert name]**, registry code [insert registry code], address [insert address], e-mail [insert e-mail] (“**Company**”); and
3. **[insert name]**, personal ID code[insert personal ID code], address [insert address], e-mail [insert e-mail]; (“**Founder 1**”); and
4. **[insert name]**, personal ID code[insert personal ID code], address [insert address], e-mail [insert e-mail]; (“**Founder 2**”); and
5. **[insert name]**, personal ID code[insert personal ID code], address [insert address], e-mail [insert e-mail]; (“**Founder 3”**),

(persons in (3)-(5) above also individually “**Founder**” and collectively “**Founders**”; persons in (1)-(5) above also individually “**Party**” and collectively “**Parties**”), as follows:

1. **DEFINITIONS**
   1. “**Dissolution Event**” means **(i)** termination of Company’s operations; **(ii)** initiating dissolution of the Company, either voluntary or involuntary; **(iii)** initiating restructuring proceedings (in Est. *saneerimismenetlus*) in respect of the Company; **(iv)** appointing an interim trustee (in bankruptcy) in respect of the Company.
   2. “**Equity Financing**” means the next issuance (or series of related issuances) by the Company of its share(s) from which the Company receives gross proceeds of not less than the Equity Financing Threshold, excluding the aggregate amount of securities converted into and/or exchanged for Company’s shares in connection with such issuance (or series of related issuances).
   3. “**Equity Securities**” means shares of the Company and/or instruments convertible into or exchangeable for Company’s shares.
   4. “**Liquidity Event**” means **(i)** the closing of the transfer of all or substantially all the Company’s assets (including intellectual property), or the granting of an exclusive license over all or substantially all the intellectual property of the Company; **(ii)** the closing of the transfer of any shares in the Company, 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 it is effected in one transaction or series of related transactions.
   5. “**Outstanding Debt**” means the outstanding amount of the Loan plus the outstanding amount of the Interest.
2. **MAIN TERMS**
   1. **Loan:** [insert amount] euros.
   2. **Interest:** [insert amount] % per annum.
   3. **CAP:** [insert amount] euros.
   4. **Discounted Rate:** [insert amount] %.
   5. **Equity Financing Threshold:** [insert amount] euros.
3. **EVENTS**
   1. **Equity Financing.** If there is an Equity Financing before the Liquidity Event or Dissolution Event, then the Outstanding Debt shall be converted into a Company’s common share. The nominal value of such share issued to the Investor shall be equal to the Outstanding Debt divided by the Conversion Price. The “**Conversion Price**” shall mean the price which is the lowest of the following: **(i)** Discounted Rate multiplied by the price paid per each 1 eurocent of nominal value of the Company’s share in the Equity Financing by the investors in the Equity Financing; or **(ii)** the CAP divided by the Company’s fully diluted share capital immediately prior to closing of the Equity Financing (the instruments that are converted into and/or exchanged for Company’s share(s) simultaneously with conversion of the Outstanding Debt under this CLA shall not be taken into account when calculating the Company’s fully diluted share capital).
   2. **Liquidity Event.** If there is a Liquidity Event before the Equity Financing or Dissolution Event, then, at the election of the Investor, the Outstanding Debt shall be **(i)** repaid to the Investor or **(ii)** converted into the Company’s common share. The Company shall notify the Investor immediately of occurrence, or potential occurrence, of a Liquidity Event. The Investor shall notify the Company whether it chooses the repayment or conversion within 5 days (“**Notification Period**”) as of dispatch of the relevant notice by the Company. In case the Investor notifies the Company within the Notification Period that it requests the Company to repay the Outstanding Debt, then such amount shall be repaid to the Investor within 30 days as of occurrence of the Liquidity Event. In case the Investor fails to notify the Company of its choice within the Notification Period, i.e. whether it chooses the repayment or conversion, or notifies the Company that it chooses the conversion, then the Outstanding Debt shall be converted into a Company’s common share. The nominal value of such share issued to the Investor shall be equal to the Outstanding Debt divided by the Conversion Price. The “**Conversion Price**” shall mean the price which is the lowest of the following: **(i)** Discounted Rate multiplied by the price paid per each 1 eurocent of nominal value of the Company’s share in the Liquidity Event; or **(ii)** the CAP divided by the Company’s fully diluted share capital immediately prior to occurrence of the Liquidity Event (the instruments that are converted into and/or exchanged for Company’s share(s) simultaneously with conversion of the Outstanding Debt under this CLA shall not be taken into account when calculating the Company’s fully diluted share capital).
   3. **Dissolution Event.** In case of a Dissolution Event, the Outstanding Debt shall be repaid to the Investor at the request of the Investor.
   4. **Mechanics of the Conversion.** In order to effect the conversion as set out above the Company and the Founders shall procure that the Company’s share capital will be increased through a share issue directed to the Investor with the preferential acquisition rights of other shareholders of the Company being excluded so that the Investor shall be issued the respective Company’s common share (fully paid up and free of any encumbrances and third party rights) as specified above for the subscription price equal to the amount of the Outstanding Debt. The Investor shall pay for such share so issued by way of setting off its claim of Outstanding Debt against respective claim for the payment of the issue price as set out above (all actions described in this section 2.4 hereinafter “**Conversion**”). The Company shall take all actions to procure that the Conversion will be completed (including duly registered in the Commercial Register) **(i)** within 30 days after date of closing of the Equity Financing (if the conversion is effected pursuant to section 2.1) or **(ii)** immediately before the Liquidity Event (if the conversion is effected pursuant to section 2.2). Conversion of the Outstanding Debt may be made contingent upon the closing of the Equity Financing or the Liquidity Event.
4. **MISCELLANEOUS**
   1. The Investor shall transfer the Loan in full to the Company’s bank account within 5 days as of entry into force of this CLA. The investor is not entitled to cancel or withdraw from this CLA, including demand repayment of the Loan and Interest, except if not provided otherwise in this CLA. The Interest is not payable until conversion or repayment of the outstanding amount of the Loan.
   2. Each time (until the closing of the Equity Financing) the Company proposes to offer any Equity Securities, the Company shall provide the Investor with at least 5 days prior written notice of such offering, including the price and terms thereof. The Investor shall have a right of first offer to participate in such offering(s), on the same terms and for the same price as all other investors in such offering(s), by purchasing an aggregate number of Equity Securities (whether in one offering or across multiple offerings) valued at up to an amount in euros equal to 1 times the Loan granted by the Investor under this CLA.
   3. The CLA is personal to the Investor and may not be transferred by the Investor to a third person.
   4. The conversion of the Outstanding Debt may require the Investor’s execution of certain agreements, including a shareholders’ agreement regarding the Company, provided that such agreements contain terms and conditions which are customary in similar transactions and apply to the Investor and all other shareholders or investors in similar position in same fashion on a *pro rata* and *pari passu* basis.
   5. Upon request of the Investor, the Company shall provide the Investor such information concerning the Company and its business as the Investor may reasonably require from time to time in order to monitor the use of the Loan by the Company.
   6. This CLA shall be governed by the laws of the Republic of Estonia, excluding the conflict of laws rule. Any disputes resulting from this CLA will be finally solved in Harju County Court Tallinn Court House.
   7. This CLA shall enter into force as of being signed by all the Parties.

Investor - /*digital signature*/, [insert the name of the Investor’s representative], [insert the name of the Investor]

Company - /*digital signature*/, [insert the name of the Company’s representative], [insert the name of the Company]

Founder 1 - /*digital signature*/, [insert the name of Founder 1]

Founder 2 - /*digital signature*/, [insert the name of Founder 2]

Founder 3 - /*digital signature*/, [insert the name of Founder 3]