Convertible Loan Agreement

Early-stage loan that converts into shares at the next equity round

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This agreement is made on [date] between [Company legal name], a private company limited by shares registered in Ireland, [company number], whose registered office is at [address] (the "Company"); and the lenders listed in Schedule 1 (each a "Lender").

1. The loan

1.1 Each Lender will lend the Company the amount set out next to its name in Schedule 1 (its "Loan"), paid by bank transfer within [__] days of signing.

1.2 The Company will use the Loans for [working capital / the purposes in Schedule 2].

1.3 The Loans are unsecured [and rank behind the Company's bank debt, if required by its bank].

2. Interest

2.1 Interest accrues at [__]% a year (simple), calculated daily on the outstanding Loan. Interest is not paid in cash; it is added to the amount that converts or is repaid.

3. Conversion on a qualifying financing

3.1 A "Qualifying Financing" is an issue of new shares by the Company raising at least [amount] in total (excluding conversion of the Loans) before the Maturity Date.

3.2 On a Qualifying Financing, the outstanding Loan and accrued interest of each Lender automatically convert into shares of the same class issued in the Qualifying Financing, at a price per share equal to the lower of: (a) the price paid by new investors less a discount of [__]%; and (b) the price per share implied by a pre-money valuation of [amount] (the "Valuation Cap") on a fully diluted basis.

3.3 The Lenders will sign the investment documents for the Qualifying Financing on the same terms as the new investors (except as to price).

4. Exit before conversion

4.1 If there is a sale of the Company or of all or substantially all of its assets before conversion, each Lender may choose either: (a) repayment of [__] times its outstanding Loan plus accrued interest; or (b) conversion into ordinary shares immediately before the sale at the price implied by the Valuation Cap.

5. Maturity

5.1 If no conversion or exit has happened by [date] (the "Maturity Date"), the Lenders holding a majority of the Loans may choose: (a) conversion into [ordinary shares] at the price implied by the Valuation Cap; or (b) repayment of the outstanding Loans and accrued interest within [__] days of written demand [or an extension of the Maturity Date].

6. Events of default

6.1 The Loans and accrued interest become immediately repayable on written notice from Lenders holding a majority of the Loans if: the Company fails to pay any amount due within [__] days; the Company becomes insolvent, enters examinership, liquidation or receivership; or the Company materially breaches this agreement and does not remedy it within [__] days.

7. Company undertakings

7.1 Until the Loans have converted or been repaid, the Company will not, without the consent of Lenders holding a majority of the Loans: pay any dividend; repay any shareholder loan; or create security over its assets other than in the ordinary course of business.

7.2 The Company will keep the Lenders informed with [quarterly] updates and will pass any shareholder resolutions needed to allow conversion.

8. Warranties

8.1 The Company confirms that it is duly incorporated, has the power and authorisations to enter into this agreement and issue shares on conversion, and that the information it has given to the Lenders is accurate in all material respects.

9. Lender confirmations

9.1 Each Lender confirms that it understands that this is a high-risk investment in an early-stage company, that the Loan may not be repaid, and that it has taken its own advice. [Whether the Loan qualifies for any tax relief has not been confirmed.]

10. Transfers

10.1 A Lender may not transfer its rights under this agreement without the Company's consent, except to an affiliate.

11. Boilerplate

11.1 Entire agreement. This agreement (with its schedules) is the whole agreement between the parties on its subject.

11.2 Variation. Any change must be in writing and signed by [the Company and Investors holding a majority of the Investor Shares / all parties].

11.3 Notices. Notices must be in writing and sent by email or post to the addresses in Schedule 1 (or as updated by notice).

11.4 Severability. If any provision is invalid, the rest remains in force.

11.5 Costs. Each party bears its own costs, except as stated in this agreement.

11.6 Counterparts and e-signature. This agreement may be signed electronically and in counterparts.

11.7 Governing law and jurisdiction. This agreement is governed by the laws of Ireland and the courts of Ireland have exclusive jurisdiction.

Schedule 1 - Lenders and Loan amounts: [table: name, address, email, amount].

Schedule 2 - Use of proceeds: [describe].

Signed for and on behalf of
[Company legal name]

Signature: _____
Name: _____
Title: _____
Date: _____

Signed for and on behalf of
[Lender 1]

Signature: _____
Name: _____
Title: _____
Date: _____

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