



DATED: 2018

[INSERT: COMPANY NAME]

## Convertible Note

[COMPANY NAME] a company incorporated in [Insert jurisdiction] registered [Insert Reg number] and whose registered office is at [insert address] (the “Company”).

### INTRODUCTION

SEEDCAMP IV LP of 727-729 High Road, London, N12 0BP (the “Investor”) has made available to the Company an unsecured loan amount in the amount of £[ ] (the “Investment Amount”) on the terms outlined below (the “Note”).

The “Valuation Cap” is [ ]

1. **Maturity.** Unless converted as provided in Sections 2 or 3, the Investment Amount shall be due and payable upon demand of the Investor any time on or after 1 December 2020 (the “Maturity Date”) (or such later date as may be agreed by the Company and the Lender, unless earlier converted as set forth below).

2. **Automatic Conversion.**

The Investment Amount shall automatically be converted on or before the Maturity Date into such number of fully paid shares as set forth below at the earlier of (i) the initial close of a Qualifying Financing (defined below), or (ii) upon the written notification by the Investor to the Company that it wishes to convert the Investment Amount.

- a. **Terms of Conversion at Qualifying Financing.**

If there is a Qualifying Financing before the Maturity Date the Company will automatically issue to the Investor a number of Conversion Shares equal to the Investment Amount divided by the lower of: (a) the Conversion Price or; (b) the price per share in such Qualifying Financing.

The “**Conversion Price**” means the price per share equal to the Valuation Cap divided by the Fully Diluted Share Capital of the Company.

The “**Fully Diluted Share Capital**” means the sum as of immediately prior to the Qualifying Financing, of: (1) all issued and outstanding shares in the Company; and (2) all shares in the Company reserved or to be reserved for issuance to employees, consultants or directors pursuant to a share option plan, restricted share plan or existing share option plan and/or on exercise of warrants and/or other share plan to be created or increased in connection with the Qualifying Financing.

The “**Conversion Shares**” means the same class of shares issued to investors participating in the Qualifying Financing.

- b. Upon such conversion of this Note, the Investor hereby agrees to execute and deliver to the Company all transaction documents related to the Qualifying Financing, including a subscription and shareholders and other ancillary agreements, with customary representations and warranties.
- c. **Qualifying Financing Defined.** The term “**Qualifying Financing**” shall mean any financing of the Company that occurs after the date of this Note pursuant to which equity securities are issued (or may, in the future, become issuable) in a bona fide financing round involving one or more third-party investors purchasing, in a single transaction or a series of related transactions, equity securities yielding gross proceeds to the Company of at least £500,000 (excluding proceeds arising from conversion of the Note, and prior to the deduction of any related fees, expenses or other costs associated with such Qualifying Financing).

3. **Change of Control.**

- a. Conversion at Change of Control. In the event that, prior to the occurrence of (a) the Maturity Date or (b) a Qualifying Financing, the Company undertakes or effects a Change of Control (as defined below), then immediately prior to such Change of Control, the outstanding Investment Amount shall, at the election of the Investor, either be repaid or convert into the highest class of equity securities that have been issued by the Company (the “**Change of Control Conversion Shares**”) as set forth below.
  - b. Terms of Conversion on Change of Control. The number of Change of Control Conversion Shares shall be equal to either (i) the number obtained by dividing the entire Investment Amount by the Conversion Price or (ii) if the amount to be received by the Investor from the proceeds of the Change of Control for the sale of the Change of Control Conversion Shares would be less than the entire Investment Amount, then such number of shares as is necessary for the Investor to receive an amount equal to the entire Investment Amount for the sale of the Change of Control Conversion Shares from the proceeds of the Change of Control.
  - c. Change of Control Defined. The term “**Change of Control**” means (i) a sale of all or substantially all of the Company’s assets other than to an Excluded Entity (as defined below), (ii) a merger, consolidation or other capital reorganization or business combination transaction of the Company with or into another corporation, limited liability company or other entity other than an Excluded Entity, or (iii) a change of control as “control” is defined in section 1124 of the CTA 2010. Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to (A) change the jurisdiction of the Company’s incorporation, (B) create a holding company that will be owned in substantially the same proportions by the persons who hold the Company’s securities immediately before such transaction, or (C) obtain funding for the Company in a financing that is approved by the Company’s Board of Directors. An “**Excluded Entity**” means a corporation or other entity of which the holders of voting shares of the Company outstanding immediately prior to such transaction are the direct or indirect holders of voting securities representing at least a majority of the votes entitled to be cast by all of such corporation’s or other entity’s voting securities outstanding immediately after such transaction.
4. **Mechanics and Effect of Conversion.**

No fractional shares will be issued upon conversion of this Note. The Company shall, in lieu of issuing any fractional share, round down the number of shares issuable to the nearest whole share. Upon conversion of this Note the Investor shall surrender this Note, duly endorsed, at the principal offices of the Company or any transfer agent of the Company. At its expense, the Company will, as soon as practicable thereafter, issue and deliver to the Investor, at such principal office, a certificate or certificates for the number of shares to which such Investor is entitled upon such conversion, together with any other securities and property to which the Investor is entitled upon such conversion under the terms of this Note. Upon conversion of this Note, the Company will be forever released from all of its obligations and liabilities under this Note with regard to that portion of the Investment Amount being converted.

5. **Company Covenants.**

The Company covenants with the Investors as follows:

- a. The Company shall at all times perform and comply in all material respects with its obligations set out in this Note and shall not take any steps or actions which impair or adversely affect or derogate from, in any manner whatsoever, the enforceability in any respect of this Note;
- b. Information Rights. The Company shall provide the Investor with certain information in accordance with Appendix 1.
- c. Board Observer. The Investor shall be entitled to appoint a non-voting observer to attend all meetings of the board of directors of the Company for a period of 9 months from the date of this Note (extendable by mutual agreement of both the Investor and the Company).
- d. Reverse Vesting: If The Company does not have a reverse vesting schedule in place for the founding team it shall put one in place on or around the signing of this document. Such reverse

vesting schedule shall be: 25% of the shares held by each founder to vest on the one-year anniversary of the signing of this Note and the remaining shares held by each founder to vest in equal installments over the next 2 years (the "Vesting Schedule").

If the Company already has a vesting schedule in place for the founder(s) that is materially different from the Vesting Schedule it shall amend such vesting schedule to be in line with the Vesting Schedule.

6. **Prepayment.**

The Investment Amount shall not be prepaid to the Investor, in whole or in part, without the prior consent of the Investor.

7. **Events of Default.**

The Investment Amount shall be repaid by the Company on demand by the Investor at any time after any one or more of the following events shall have occurred: (a) the Company stops payment of its debts generally or ceases or threatens to cease to carry on all or a substantial part of its business; (b) the Company is deemed, for the purposes of relevant insolvency laws, to be unable to pay its debts or compounds or proposes or enters into any reorganisation or special arrangement with its creditors generally; (c) any petition is advertised by any person for the winding-up of the Company or an order is made or an effective resolution passed for the winding-up of the Company; or (d) an administration order is made in relation to the Company; (e) the Company fails to comply with any of the covenants, conditions or provisions contained in this Note or breaches any provisions hereof and which breach, if capable of cure, is not cured within 30 days; (f) or any representation or warranty contained herein proves to be incorrect in any material respect (each such event constituting an "Event of Default"). Upon becoming aware of an Event of Default, the Company will promptly notify the Investor of the same and of any action taken or proposed to be taken in connection with the same

8. **Subscription Rights.**

The Company shall not consummate (and shall procure that none of its subsidiaries shall consummate), or otherwise issue any shares or other securities pursuant to, any Qualifying Financing unless and until it has provided the Investor the opportunity to participate in such financing in an amount that would permit it to hold up to a total aggregate of 7.5% of the Company on a fully diluted basis following such Qualifying Financing (inclusive of any shares to be issued to the Investor on conversion of this Note and the Investor has confirmed in writing that (i) it wishes to participate for some or all of that amount, or (ii) that it is waiving its right to so participate.

9. **Waiver.**

The waiver, express or implied, by the Investor of any right under this Note or any failure to perform or breach by the Company or the Founder shall not constitute or be deemed a waiver of any other right under this Note.

10. **Confidentiality.**

The Company and the Founders agree to treat this Note confidentially and will not distribute or disclose its existence or contents outside the Company without the consent of the Investor, except as required to its shareholders and professional advisors.

11. **Condition to close**

The Investor shall not be obliged to transfer the Investment Amount to the Company until the Company has delivered the following to the Investor:

- a. a fully completed confirmatory due diligence document to be supplied to the Company by the Investor; and
- b. a fully completed anti-money laundering document to be supplied to the Company by the Investor (including any associated documents requested in respect thereof).

12. **Miscellaneous**

Waiver: No failure to exercise or delay in exercising any right or remedy or under the Note shall operate as a waiver thereof nor shall any single or partial exercise operate to preclude any other right or remedy. No specific remedy hereunder shall be construed as excluding remedies at law. No amendment, change or addition hereto shall be effective or binding on any party unless reduced to writing and executed by all the parties for the time being.

Loss of note: Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Note or any Note exchanged for it, and indemnity satisfactory to the Company (in case of loss, theft or destruction) or surrender and cancellation of such Note (in the case of mutilation), the Company will make and deliver in lieu of such Note a new Note of like tenor.

Assignment. No party may assign this Note or any of its rights and obligations hereunder without the prior written consent of the other party, provided that this Note may be assigned to an Affiliate of a Investor. For purposes of this Note, “**Affiliate**” shall mean any person who, directly or indirectly, controls, is controlled by, or is under common control with such Investor, including, without limitation, any general partner, managing member, officer or director of such Investor or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with such Investor.

Entire Agreement. This Note sets forth the entire understanding and agreement among the parties with respect to the subject matter hereof and supersedes all existing agreement among the parties concerning such subject matter.

Governing Law. This Note shall be governed by, and construed in accordance with, the laws of England & Wales, regardless of the laws that might otherwise govern under applicable principles of conflicts of law; any dispute relating to this Note or the transactions contemplated hereby shall be submitted and be subject to the exclusive jurisdiction of the competent courts of England.

Severance. If one or more provisions of this Note are held to be unenforceable under applicable law, such provision shall be excluded from this Note and the balance of the Note shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

**SIGNATURES**

**THE COMPANY**

Signed by .....

)  
  
)

.....  
Director

**ACCEPTED AND AGREED**

.....  
on behalf of **Seedcamp Investment Management LLP**  
acting as manager of **Seedcamp IV LP**

**APPENDIX 1**  
**INFORMATION RIGHTS**

**MONTHLY:**

- monthly company KPIs – to include but not limited to: revenue, runway, cash in bank, fundraising status and others where relevant (we will work with you to understand what are important for your stage of business)

**QUARTERLY:**

- annual turnover for the previous financial year – expected only to change on an annual basis
- total number of employees QE (for the latest quarter end accounting period)
- cap table updates for quarterly reporting

**OTHER:**

- annual accounts
- P&L forecasts (2-3 years)
- follow-on investments: provide fully executed documentation & latest cap table at time of investment
- confirm if company is in liquidation / dissolved