

POST-MONEY VALUATION CAP WITH DISCOUNT

[COMPANY NAME]

SAFE

(Simple Agreement for Future Equity – for Estonian companies)

THIS CERTIFIES THAT in exchange for the payment by [Investor Name], a [Country of Incorporation] entity with registration code/number [insert] (the “Investor”) of [insert currency] [_____] (the “Purchase Amount”) on or about [Date of Safe], [Company Name], an Estonian company (the “Company”), issues to the Investor the right to certain shares of the Company’s Capital Stock, subject to the terms described below.

This Safe has not been disseminated or approved in any way by Y Combinator Management LLC or any of its affiliates. This Safe has been drafted based on one of the forms available at <http://ycombinator.com/documents>, but it has been modified to take into consideration the laws of Estonia. This Safe is one of the forms available at <http://www.startupestonia.ee/resources> and the Company and the Investor agree that neither one has modified the form, except to fill in blanks and bracketed terms.

The “Post-Money Valuation Cap” is [insert currency] [_____].

The “Discount Rate” is [100 minus the discount]%.
See **Section 2** for certain additional defined terms.

1. Events

(a) **Equity Financing.** If there is an Equity Financing before the termination of this Safe, on the initial closing of such Equity Financing, this Safe will be converted into the number of shares of Safe Preferred Stock equal to the Purchase Amount divided by the Conversion Price. To facilitate such conversion under Estonian law it is hereby agreed that, as of the adoption of the Company’s corporate resolution to issue the aforementioned shares of Safe Preferred Stock to the Investor (i) the Investor is deemed to have subscribed for such shares at the aggregate subscription price equal to the Purchase Amount and (ii) the Investor is deemed to have a claim against the Company in the amount equal to the Purchase Amount and (iii) the Investor is deemed to have transferred the aforementioned claim to the Company as inkind contribution to satisfy the Company’s claim for the subscription price of such shares. At the Company’s request the Investor will execute and deliver to the Company all documents necessary to complete and/or evidence such transfer of inkind contribution. The Investor’s aforementioned claim against the Company will not become due and payable before it is transferred to the Company in accordance with above.

In connection with the conversion of this Safe into shares of Safe Preferred Stock, the Investor will execute and deliver to the Company all of the transaction documents related to the Equity Financing; *provided*, that such documents (i) are the same documents to be entered into with the purchasers or subscribers of Standard Preferred Stock, with appropriate variations for the Safe Preferred Stock if applicable, and (ii) have customary exceptions to any drag-along applicable to the Investor, including (without limitation) limited representations, warranties, liability and indemnification obligations for the Investor.

(b) **Liquidity Event.** If there is a Liquidity Event before the termination of this Safe, the Investor will automatically be entitled (subject to the liquidation priority set forth in Section 1(d) below) to receive a portion of Proceeds, due and payable to the Investor immediately prior to, or concurrent with, the consummation of such Liquidity Event, equal to the greater of (i) the Purchase Amount (the “Cash-Out Amount”) or (ii) the amount payable on the number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price (the “Conversion Amount”). If any of the Company’s securityholders are given a choice as to the form and amount of Proceeds to be received in a Liquidity Event, the Investor will be given the same choice, *provided* that the Investor may not choose to receive a form of consideration that the Investor would be ineligible to receive as a result of the Investor’s failure to satisfy any requirement or limitation generally applicable to the Company’s securityholders, or under any applicable laws.

(c) **Dissolution Event.** If there is a Dissolution Event before the termination of this Safe, the Investor will automatically be entitled (subject to the liquidation priority set forth in Section 1(d) below) to receive a portion of

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Proceeds equal to the Cash-Out Amount, due and payable to the Investor immediately prior to the consummation of the Dissolution Event.

(d) **Liquidation Priority.** In a Liquidity Event or Dissolution Event, this Safe is intended to operate like standard non-participating Preferred Stock. The Investor's right to receive its Cash-Out Amount is:

(i) Junior to payment of outstanding indebtedness and creditor claims, including contractual claims for payment and convertible promissory notes (to the extent such convertible promissory notes are not actually or notionally converted into Capital Stock);

(ii) On par with payments for other Safes and/or Preferred Stock, and if the applicable Proceeds are insufficient to permit full payments to the Investor and such other Safes and/or Preferred Stock, the applicable Proceeds will be distributed pro rata to the Investor and such other Safes and/or Preferred Stock in proportion to the full payments that would otherwise be due; and

(iii) Senior to payments for Common Stock.

The Investor's right to receive its Conversion Amount is (A) on par with payments for Common Stock and other Safes and/or Preferred Stock who are also receiving Conversion Amounts or Proceeds on a similar as-converted to Common Stock basis, and (B) junior to payments described in clauses (i) and (ii) above (in the latter case, to the extent such payments are Cash-Out Amounts or similar liquidation preferences).

(e) **Termination.** This Safe will automatically terminate (without relieving the Company of any obligations arising from a prior breach of or non-compliance with this Safe) immediately following the earliest to occur of: (i) the issuance of Capital Stock to the Investor pursuant to the conversion of this Safe under Section 1(a); or (ii) the payment, or setting aside for payment, of amounts due the Investor pursuant to Section 1(b) or Section 1(c). The Investor does not have the right to demand the repayment of the Purchase Amount otherwise than on the grounds and pursuant to the terms expressly set forth in this Safe and no circumstances, other than those expressly set forth in this Safe, constitute a ground for termination of this Safe.

2. Definitions

“**Capital Stock**” means the shares of the Company, including, without limitation, the “**Common Stock**” and the “**Preferred Stock**.” For the purposes of this Safe, a “share of the Company” means a notional part of a share of the Company having a nominal value of €0.01¹; for example, 100 shares of the Company means, for the purposes of this Safe, a share of the Company with the nominal value of €1².

¹ 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.

² 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, a shareholder would actually be holding one share with a nominal value of EUR 50 (provided that the minimum nominal value of one share is the statutory default of EUR 0.01). 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 50 purchases the share of another shareholder with a nominal value of EUR 250, the purchasing shareholder will hold one share with a nominal value of EUR 750. 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 a nominal value of EUR 100 and one preferred share with a 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 25,000 shares (provided that the minimum nominal value of one share is the statutory default of EUR 0.01). 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,

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“**Change of Control**” means (i) a transaction or series of related transactions in which any person together with persons Controlled, Controlling or under common Control with the first person, becomes the owner, directly or indirectly, of more than 50% of the outstanding voting securities of the Company having the right to vote for the election of members of the Company’s supervisory board or management board (ii) any merger of the Company, other than a transaction or series of related transactions in which the holders of the voting securities of the Company outstanding immediately prior to such transaction or series of related transactions retain, immediately after such transaction or series of related transactions, at least a majority of the total voting power represented by the outstanding voting securities of the Company or such other surviving or resulting entity or (iii) a sale, lease or other disposition of all or substantially all of the assets of the Company.

“**Company Capitalization**” is calculated as of immediately prior to the Equity Financing and (without double-counting, in each case calculated on an as-converted to Common Stock basis):

- Includes all shares of Capital Stock issued and outstanding;
- Includes all Converting Securities;
- Includes all (i) issued and outstanding Options and (ii) Promised Options; and
- Includes the Unissued Option Pool, except that any increase to the Unissued Option Pool in connection with the Equity Financing shall only be included to the extent that the number of Promised Options exceeds the Unissued Option Pool prior to such increase.

“**Control**”, “**Controlled**” and “**Controlling**” refers 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 of Estonia (*väärtpaberituruseadus*).

“**Conversion Price**” means the either: (1) the Safe Price or (2) the Discount Price, whichever calculation results in a greater number of shares of Safe Preferred Stock.

“**Converting Securities**” includes this Safe and other convertible securities issued by the Company, including but not limited to: (i) other Safes; (ii) convertible promissory notes, convertible loans and other convertible debt instruments; and (iii) convertible securities that have the right to convert into shares of Capital Stock.

“**Direct Listing**” means the Company’s initial listing of its Common Stock on a national securities exchange, as approved by the relevant governing body of the Company. For the avoidance of doubt, a Direct Listing shall not be deemed to be an underwritten offering and shall not involve any underwriting services.

“**Discount Price**” means the price per share of the Standard Preferred Stock issued in the Equity Financing multiplied by the Discount Rate.

“**Dissolution Event**” means (i) a voluntary termination of operations, (ii) a general assignment for the benefit of the Company’s creditors (if and to the extent such concept exists under Estonian law at the relevant time) or (iii) any other liquidation, dissolution or winding up of the Company (**excluding** a Liquidity Event), whether voluntary or involuntary.

“**Dividend Amount**” means, with respect to any date on which the Company pays a dividend on its outstanding Common Stock, the amount of such dividend that is paid per share of Common Stock multiplied by (x) the Purchase Amount divided by (y) the Liquidity Price (treating the dividend date as a Liquidity Event solely for purposes of calculating such Liquidity Price).

“**Equity Financing**” means a bona fide transaction or series of transactions with the principal purpose of raising capital, pursuant to which the Company issues and sells Preferred Stock at a fixed valuation, including but not limited to, a pre-money or post-money valuation.

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.

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“**Initial Public Offering**” means the closing of the Company’s first firm commitment underwritten initial public offering of Common Stock pursuant to a registration statement filed under the Securities Act or pursuant to other applicable laws and regulations.

“**Liquidity Capitalization**” is calculated as of immediately prior to the Liquidity Event, and (without double-counting, in each case calculated on an as-converted to Common Stock basis):

- Includes all shares of Capital Stock issued and outstanding;
- Includes all (i) issued and outstanding Options and (ii) to the extent receiving Proceeds, Promised Options;
- Includes all Converting Securities, **other than** any Safes and other convertible securities (including without limitation shares of Preferred Stock) where the holders of such securities are receiving Cash-Out Amounts or similar liquidation preference payments in lieu of Conversion Amounts or similar “as-converted” payments; and
- Excludes the Unissued Option Pool.

“**Liquidity Event**” means a Change of Control, a Direct Listing or an Initial Public Offering.

“**Liquidity Price**” means the price per share equal to the Post-Money Valuation Cap divided by the Liquidity Capitalization.

“**Options**” includes options, restricted stock awards or purchases, RSUs, SARs, warrants or similar securities, vested or unvested.

“**Proceeds**” means cash and other assets (including without limitation stock consideration) that are proceeds from the Liquidity Event or the Dissolution Event, as applicable, and legally available for distribution.

“**Promised Options**” means promised but ungranted Options that are the greater of those (i) promised pursuant to agreements or understandings made prior to the execution of, or in connection with, the term sheet or letter of intent for the Equity Financing or Liquidity Event, as applicable (or the initial closing of the Equity Financing or consummation of the Liquidity Event, if there is no term sheet or letter of intent), (ii) in the case of an Equity Financing, treated as outstanding Options in the calculation of the Standard Preferred Stock’s price per share, or (iii) in the case of a Liquidity Event, treated as outstanding Options in the calculation of the distribution of the Proceeds.

“**Safe**” means an instrument containing a future right to shares of Capital Stock, similar in form and content to this instrument, purchased by investors for the purpose of funding the Company’s business operations. References to “this Safe” mean this specific instrument.

“**Safe Preferred Stock**” means the shares of the series of Preferred Stock issued to the Investor in an Equity Financing, having the identical rights, privileges, preferences and restrictions as the shares of Standard Preferred Stock, other than with respect to: (i) the per share liquidation preference and the initial conversion price for purposes of price-based anti-dilution protection, which will equal the Conversion Price; and (ii) the basis for any dividend rights, which will be based on the Conversion Price.

“**Safe Price**” means the price per share equal to the Post-Money Valuation Cap divided by the Company Capitalization.

“**Standard Preferred Stock**” means the shares of the series of Preferred Stock issued to the investors investing new money in the Company in connection with the initial closing of the Equity Financing.

“**Unissued Option Pool**” means all shares of Capital Stock that are reserved, available for future grant and not subject to any outstanding Options or Promised Options (but in the case of a Liquidity Event, only to the extent Proceeds are payable on such Promised Options) under any equity incentive or similar Company plan.

POST-MONEY VALUATION CAP WITH DISCOUNT**3. *Company Representations***

(a) The Company is a corporation duly organized and validly existing under the laws of its country of incorporation, and has the power and authority to own, lease and operate its properties and carry on its business as now conducted.

(b) The execution, delivery and performance by the Company of this Safe is within the power of the Company and has been duly authorized by all necessary actions on the part of the Company (subject to section 3(d)). This Safe constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity. To its knowledge, the Company is not in violation of (i) its current articles of association, (ii) any material statute, rule or regulation applicable to the Company or (iii) any material debt or contract to which the Company is a party or by which it is bound, where, in each case, such violation or default, individually, or together with all such violations or defaults, could reasonably be expected to have a material adverse effect on the Company.

(c) The performance and consummation of the transactions contemplated by this Safe do not and will not: (i) violate any material judgment, statute, rule or regulation applicable to the Company; (ii) result in the acceleration of any material debt or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any lien on any property, asset or revenue of the Company or the suspension, forfeiture, or nonrenewal of any material permit, license or authorization applicable to the Company, its business or operations.

(d) No consents or approvals are required in connection with the performance of this Safe, other than: (i) the Company's corporate approvals; (ii) any qualifications or filings under applicable securities laws (to the extent applicable); and (iii) necessary corporate approvals for the authorization of Capital Stock issuable pursuant to Section 1.

(e) To its knowledge, the Company owns or possesses (or can obtain on commercially reasonable terms) sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses, information, processes and other intellectual property rights necessary for its business as now conducted and as currently proposed to be conducted, without any conflict with, or infringement of the rights of, others.

4. *Investor Representations*

(a) The Investor has full legal capacity, power and authority to execute and deliver this Safe and to perform its obligations hereunder. This Safe constitutes valid and binding obligation of the Investor, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

(b) The Investor is satisfied as to the full observance of the laws of Investor's jurisdiction in connection with any invitation to purchase the Securities, including (i) the legal requirements within Investor's jurisdiction for the purchase of the Securities, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Securities. Investor's subscription and payment for, and Investor's continued beneficial ownership of, the Securities will not violate any applicable securities or other laws of Investor's jurisdiction. The Investor is purchasing this Safe and the securities to be acquired by the Investor hereunder for its own account for investment, not as a nominee or agent, and not with a view to, or for resale in connection with, the distribution thereof, and the Investor has no present intention of selling, granting any participation in, or otherwise distributing the same. The Investor has such knowledge and experience in financial and business matters that the Investor is capable of evaluating the merits and risks of such investment, is able to incur a complete loss of such investment without impairing the Investor's financial condition and is able to bear the economic risk of such investment for an indefinite period of time.

5. *Miscellaneous*

(a) Any provision of this Safe may be amended, waived or modified by written consent of the Company and either (i) the Investor or (ii) the majority-in-interest of all then-outstanding Safes with the same "Post-Money Valuation

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Cap” and “Discount Rate” as this Safe (and Safes lacking one or both of such terms will be considered to be the same with respect to such term(s)), *provided that* with respect to clause (ii): (A) the Purchase Amount may not be amended, waived or modified in this manner, (B) the consent of the Investor and each holder of such Safes must be solicited (even if not obtained), and (C) such amendment, waiver or modification treats all such holders in the same manner. “Majority-in-interest” refers to the holders of the applicable group of Safes whose Safes have a total Purchase Amount greater than 50% of the total Purchase Amount of all of such applicable group of Safes.

(b) Any notice required or permitted by this Safe will be deemed sufficient when delivered personally or by overnight courier or sent by email to the relevant address listed on the signature page, or 48 hours after being deposited in the mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party’s address listed on the signature page, as subsequently modified by written notice.

(c) The Investor is not entitled, as a holder of this Safe, to vote or be deemed a holder of Capital Stock for any purpose other than tax purposes, nor will anything in this Safe be construed to confer on the Investor, as such, any rights of a Company stockholder or rights to vote for the election of members of governing bodies or on any matter submitted to Company stockholders, or to give or withhold consent to any corporate action or to receive notice of meetings, until shares have been issued on the terms described in Section 1. However, if the Company pays a dividend on outstanding shares of Common Stock (that is not payable in shares of Common Stock) while this Safe is outstanding, the Company will pay the Dividend Amount to the Investor at the same time.

(d) Neither this Safe nor the rights in this Safe are transferable or assignable, by operation of law or otherwise, by either party without the prior written consent of the other; *provided, however*, that this Safe and/or its rights may be assigned without the Company’s consent by the Investor (i) to the Investor’s estate, heirs, executors, administrators, guardians and/or successors in the event of Investor’s death or disability, or (ii) to any other entity who directly or indirectly, controls, is controlled by or is under common control with the Investor, including, without limitation, any general partner, managing member, officer or director of the Investor, or any venture capital fund now or hereafter existing which is controlled by one or more general partners or managing members of, or shares the same management company with, the Investor; and *provided, further*, that the Company may assign this Safe in whole, without the consent of the Investor, in connection with a reincorporation to change the Company’s domicile, including a transaction whereby another company acquires shares in the Company in consideration for the issuance of shares in that company to the holders of shares of the Company substantially in proportion to their existing holdings in the Company.

(e) In the event any one or more of the provisions of this Safe is for any reason held to be invalid, illegal or unenforceable, in whole or in part or in any respect, or in the event that any one or more of the provisions of this Safe operate or would prospectively operate to invalidate this Safe, then and in any such event, such provision(s) only will be deemed null and void and will not affect any other provision of this Safe and the remaining provisions of this Safe will remain operative and in full force and effect and will not be affected, prejudiced, or disturbed thereby.

(f) All rights and obligations hereunder will be governed by the laws of the Republic of Estonia, without regard to the conflicts of law provisions of such jurisdiction. Any disputes arising from this Safe will be solved by the courts of Estonia

(Signature page follows)

IN WITNESS WHEREOF, the undersigned have caused this Safe to be duly executed and delivered.

[COMPANY]

By: _____
 [*name*]
 [*title*]

Address: _____

Email: _____

INVESTOR:

By: _____
Name: _____
Title: _____

Address: _____

Email: _____