

# **Loan as an instrument of funding of limited liability company formed for the purpose of business in modern technologies**

## **Abstract**

This thesis deals with convertible loan, as one of the tools of debt financing of a limited liability company established for the purpose of business in the field of modern technologies, usually referred to as a startup.

The specific of the convertible loan agreement is in the fact that in addition to the usual right to a refund of the provided loan, the lender also has the right to acquire a share in the company provided by the loan (the startup). The aim of the work is to analyze the individual parts of the convertible loan agreement and evaluate their mutual relations and the impact on the legal status of the lender and the startup. When writing this work, the author carried out his research mostly from foreign publications that focus on convertible loans and startup financing.

In his work, the author first defines the companies established for the purpose of business in the field of modern technologies and the methods of their financing. Subsequently, the thesis in detail focuses on the debt method of financing, i.e., the convertible loan agreement and its individual parts. In the first place, the credit component of the convertible loan agreement was examined, with regards to the issue of the creditor-debtor relationship between the parties. Furthermore, the author describes the interest amount in the case of a convertible loan and the maturity of such loan. The following chapter analyzes the acquisition of a share in the company. The author evaluates the possible ways in which the legal position of the lender may be strengthened in the event of the acquisition of a share in the company. For this reason, the author describes voting agreement and its enforcement, including an action to replace the expression of will.

In the fourth chapter, the author analyzes the ways of acquiring a share in the company. The author defines the term of a discount and valuation cap as aspects that significantly affect the amount of the acquired share. This is followed by analyzing four stages leading to the determination of the final amount of the acquired share. In this chapter, the author also examines three common methods that are used for a specific calculation of the acquired share. These methods are compared with each other on a model example. At the end of the thesis, three standard convertible loan arrangements are described, i.e., liquidation preference, liquidation hangover and anti-dilution provision.

**Key words**

convertible loan, startup, financing