

CONVERTIBLE LOAN AGREEMENT

Shannon Technologies Limited

&

Betalab Limited Liability Partnership

____ Drawn & negotiated ____

Knight Castle & King LLC

Valley view office park

City Park drive Nairobi.

CONVERTIBLE NOTE

THIS AGREEMENT dated this 25th day of November 2024 by and between;

SHANNON TECHNOLOGIES LIMITED

A private limited liability company incorporated in Kenya as company number **PVT-JZU9BZ8** and of Kayahwe road, off Galana road Nairobi in the Republic of Kenya (hereinafter called "**Shannon or Company**") which expression shall where the context so admits include its successors and assigns) of the one part; and

ERICK OYUGI

A duly registered and authorized director of Shannon Technologies Limited whose address for purposed of this agreement shall be care of **SHANNON TECHNOLOGIES LIMITED**. (hereinafter referred to as "**the Founder**")

BETALAB LLP

A **Limited Liability Partnership incorporated in Kenya** of Britam Center, 4th floor Upperhill Nairobi in the Republic of Kenya (hereinafter called "**the Investor**") which expression shall where the context so admits include its successors, assigns and/or nominees) of the Second Part and

Definition of terms

- a) **Business Day**" shall mean any day which is not a Saturday or Sunday, or legal holiday as may be gazzetted.
- b) **Closing**" means the point at which the Company has accepted and executed the Qualified Investor Questionnaire, Subscription Agreement and Note as subscribed for by the Investor, and funds representing the principal amount of the Note have been released from the Escrow Account.
- c) **"Confidential Information"** means, whether or not such information is designated or marked by the Company as confidential, proprietary or secret, (i) any and all financial, technical and other information regarding the Company and its business, products, assets or properties; and (ii) any and all proprietary information, materials, know-how and trade secrets of the Company with regard to the ideas, technology, products, business or business methods (whether or not in written, electronic, machine readable or other tangible form) of the Company, any parent, subsidiary or affiliate of the Company, or any of their respective officers, directors, members, managers, employees or agents.
- d) **"Equity Securities"** shall mean any equity securities, and securities convertible into or exchangeable for equity securities, of any class or series of the Company, except that such defined term shall not include any security

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granted, issued and/or sold by the Company to any employee, consultant or other service provider of the Company in such capacity

- e) **"Outstanding Debt"** means the entire outstanding principal amount of this Note, together with all accrued and unpaid interest thereon.
- f) **"Major Purchasers"** means the Investors investing a principal amount in the Notes of at least KES. 1,000,000.
- g) **"Majority Investors"** means the Investors holding at least fifty percent (50%) of the outstanding principal amount of all Notes issued.
- h) **"Sale Transaction"** shall mean (i) the acquisition, directly or indirectly, by any person, related group of persons or entity (other than the Company, any shareholder of the Company as of the date of the Closing of this Note, or an affiliate of the Company or any such shareholder of beneficial ownership of securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding voting securities in a single transaction or a series of transactions, (ii) the sale, lease, exchange, license, transfer distribution or other disposition (in one transaction or a series of related transactions) of all or substantially all of the Company's assets, or (iii) the merger, share exchange, combination or other reorganization of the Company with one or more entities that will result in the transfer of voting control as described in subpart (i) above.
- i) **"Senior Creditors"** includes the existing senior creditors of the Company, if any, any commercial bank or other lending institution seeking to issue a secured loan to the Company in the future and excludes any shareholders or officers of the Company.

WHEREAS:

1. The Investor is a specialized incubator in financial services and insurance keen on driving impact investment through investment in progressive businesses as per its investment framework:
2. The Company is company with expertise in the field of integrated financial services and more specifically the use of technology to improve the penetration of insurance in Kenya:
3. The Company as guaranteed by the guarantor has requested for a loan facility of to enable it to finance its project through investment in its technological integration, customer acquisition and operations:
4. The Investor is willing, able and has agreed to extend the loan facility to the Company, subject to the terms, conditions and covenants herein agreed.

NOW THEREFORE IT IS HEREBY AGREED AND DECLARED as follows:

ARTICLE I – CONVERTIBLE LOAN.

For value received, the undersigned company and as guaranteed by the founder, promises to pay to the order of the investor, or his, her or its registered assigns, the principal amount of KES. 5,000,000 together with interest on the principal amount of this Note outstanding from time to time until such principal amount is paid in full, at such interest rate, and at such times and upon such other terms and conditions, as specified in this Note.

ARTICLE II – INTEREST

Interest shall accrue on the principal amount of this Note at the rate of 4.0% per annum, compounded annually and computed on the basis of a 365-day year for the actual number of days elapsed. Such interest shall commence from the date of Closing applicable to the Investor and become due and payable upon the earliest to occur of (as such terms

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are defined herein) (i) the Maturity Date, (ii) an Event of Default, (iii) a conversion under Section 7 herein, or (iv) at the closing of a Sale Transaction. All payments shall be applied first to accrued interest, and thereafter to principal.

ARTICLE III – TERM & PREPAYMENT

3.1 TERM

Unless previously converted as provided for herein, the Outstanding Debt, shall become immediately due and payable upon demand made in writing by the Investor or Administrative Agent to the Company at any time upon or after the date equivalent to 24 months from the date of Closing applicable to the Investor (the date that this Note becomes due and payable pursuant to any such demand being the "Maturity Date").

3.2 PREPAYMENT.

- a) **Optional Prepayment.** Except to the extent expressly permitted in writing by the Investors, the Company shall not be entitled to prepay any portion of the Outstanding Debt of this Note or any of the other Notes. The Company shall be permitted to prepay the unpaid principal balance of this Note in whole or in part at any time or from time to time without penalty, together with interest accrued thereon to the date of such prepayment.
- b) **Prepayment upon a Sale Transaction.** Unless previously converted as provided for herein, the Company shall prepay an amount equal to two times (2x) the original principal amount of this Note, less any previous payments of principal or interest, upon the occurrence of a Sale Transaction occurring prior to the Maturity Date.

ARTICLE IV – DISBURSEMENT & EXPENDITURE

The Investor shall release the funds to the Company net off a deduction of 5% which shall be utilized as cost incurred to support the company in the development of:

- a) The negotiated term sheet
- b) The Financial Model
- c) Cap table and valuation
- d) Investment documentation.

The disbursements shall be in line with the performance of the company and shall consequently be subject to the draw down milestones hereunder:

Draw down milestone	Key results	Amount.
1. Post convertible note execution.	1. Executed convertible note. 2. Detailed work plan. 3. Founder guarantee and Board resolutions. 4. Shareholder agreements and fully diluted Cap table.	Ksh. 1,000,000
2. Product development	1. Completion of a minimum viable product 2. Initial product testing and market validation. 3. Onboarding key team members. 4. Establishment and implementation of Key financial, process and people SOPs.	KES. 1000,000

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	5. Registration of all relevant trademarks and copyrights.	
3. Revenue generation.	1. Execution of a go to market strategy. 2. Customer acquisition 25% revenue growth from previous milestone. 3. Securing and implementing Key partnerships.	Kes.1,000,000
4. Product scaling	1. Grow market share by 15% from earlier milestone period. 2. Growth of customer base by 50% from previous milestone. 3. Implementation of a fully functional customer support structure. 4. Customer retention rate (CRR) of 70% averaged across the fiscal year. 5. Customer satisfaction (CSAT) score of 75% averaged across the fiscal year.	Kes.2,000,000

ARTICLE VII- CONVERSION TERMS.

7.1 Automatic Conversion Upon a Qualified Financing.

In the event the Company issues and sells any Equity Securities with an aggregate sales price of not less than KES. 50,000,000, excluding amounts received upon the conversion of the Notes and any other convertible securities of the Company, to investors prior to the repayment or conversion of this Note in an equity financing (a "Qualified Financing"), then the Outstanding Debt of this Note shall automatically convert without any further action by the Investor upon the closing of such Qualified Financing, into Preferred voting shares of the Company for all Major Purchasers at a conversion price (the "Conversion Price") equal to the lesser of the following: (i) 80% of the lowest price per share paid by the investors purchasing Equity Securities in the Qualified Financing (such percentage, the "Conversion Discount"); or (ii) the number equal to (A) Kes. 50,000,000 (such number, the "Valuation Cap") divided by (B) the number of shares of the Company outstanding (calculated on a fully-diluted basis assuming full exercise of all outstanding options and warrants to purchase capital stock of the Company and full conversion of all securities convertible into Equity Securities) immediately prior to the conversion, and excluding the shares reserved or authorized for issuance under the Company's then-existing stock option plan, if any (the Company's "Outstanding Shares"). The resulting number of shares issued to the Investor will be equal to the Outstanding Debt divided by the Conversion Price.

Upon such conversion of this Note, the Investor hereby agrees to execute and deliver to the Company any and all transaction documents related to the Qualified Financing, including a purchase agreement and other ancillary agreements, with customary representations and warranties and transfer restrictions (including a 180-day lock-up agreement in connection with an initial public offering), and having the same terms as those agreements entered into by the investors purchasing Equity Securities in the Qualified Financing, and the Investor shall receive the same rights as



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all other investors purchasing Equity Securities in the Qualified Financing, except as it relates to (i) the voting rights of the Equity Securities, which will exclusively be available to Major Purchasers, (ii) any board representation and observer rights may vary among holders of the Company's Equity Securities and will be as set forth in the applicable transaction documents, and (iii) any rights the Investor may otherwise agree to. The Investor also agree to deliver the original of this Note at the closing of the Qualified Financing for cancellation; provided, however, that upon satisfaction of the conditions set forth in this Section 7.1, this Note shall be deemed converted and of no further force and effect, whether or not it is delivered for cancellation as set forth in this sentence.

7.2. Optional Conversion.

If the Notes have not been converted to Equity Securities of the Company prior to the Maturity Date, then, at any time after the Maturity Date until repayment thereof, the Notes may be converted upon the approval of the Administrative Agent and the Majority Investors into Equity Securities of the Company on such terms as agreed upon by the Company, the Administrative Agent and the Majority Investors at the time of the conversion, with the number of shares of Equity Securities being issued to the Investor equal to the Outstanding Debt divided by the conversion price, with such conversion price calculated as (A) the Valuation Cap divided by (B) the number of the Company's Outstanding Shares (an "Optional Conversion").

Article VII- Events of Default; Remedies.

8.1. Events of Default Defined. Each of the following events constitutes an "Event of Default" for purposes of this Note:

- a) if anyone (1) payment of principal and/or interest due to the Investor is not paid by the Company on or prior to the due date, as defined in this Note, and the non-payment continues for a period of ten (10) Business Days thereafter.
- b) an involuntary proceeding has been commenced or an involuntary petition has been filed seeking (i) liquidation, reorganization or other relief in respect of the Company or any of its debts, or of a substantial part of its assets, under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of its assets, and, in any such case, such proceeding or petition has continued undismissed for sixty (60) days or an order or decree approving or ordering any of the foregoing has been entered;
- c) the Company has (i) voluntarily commenced any proceeding or filed any petition seeking liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (c) immediately above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;
- d) If any representation or warranty made in this Note by the Company shall be materially incorrect when made or deemed made.

8.2. Rights and Remedies.

- a) If an Event of Default occurs under Section 8.1 (a) or Section 8.1 (d) and is continuing, then this Note will forthwith mature and an amount equal to the Outstanding Debt shall, at the option of the Investor (as communicated by the Investor) and, in the case of an Event of Default pursuant to Section 8.1 (b) or Section 8.1 (c), automatically, become immediately due and payable jointly and severally by the Company and the founder to the Investor.
- b) Upon the occurrence and during the continuance of an Event of Default, all or any one or more of the rights, powers, privileges and other remedies available to the Investor against the Company under this Note or at law or in equity may be exercised by the Investor, or any other person appointed by the investor, whether or not all or any of the Outstanding Debt shall be declared due and payable.
- c) all rights, remedies or privileges provided to the Administrative Agent shall remain in full force and effect until the Administrative Agent has exhausted all of its remedies and this Note has been foreclosed, sold and/or otherwise realized upon in satisfaction of the obligations herein or the Outstanding Debt has been paid in full. A waiver of one or more Events of Default with respect to the Company shall not be construed to be a waiver of any subsequent Event of Default by the Company or to impair any remedy, right or power consequent thereon.

ARTICLE IX- SUBORDINATION OF UNSECURED OBLIGATIONS OF THE COMPANY

- a) The rights and indebtedness evidenced by this Note are subordinated and junior in right of payment, to the extent and in the manner enforceable by the relevant laws, to all indebtedness owed by the Company to the "Senior Creditors" of the Company, as such term is defined in Section 1 whether now existing or hereinafter arising, plus all interest, expenses, and related fees related thereto (such indebtedness, hereinafter referred to as the "Senior Debt"). If at any point in the future, non-senior, unsecured debt financing is obtained by the Company, this Note shall be senior in its position among all unsecured creditors.
- b) If there shall occur any receivership, insolvency, assignment for the benefit of creditors, bankruptcy, reorganization, or arrangements with creditors (whether or not pursuant to bankruptcy or other insolvency laws), sale of all or substantially all of the assets, dissolution, liquidation, or any other marshaling of the assets and liabilities of Company, (i) no amount shall be paid by the Company to the any other unsecured creditor unless and until the principal amount of the investor has been paid in full.
- c) Subject to the foregoing paragraphs, nothing contained in this Section 9 shall impair, as between the Company and the Investor, the obligation of the Company, subject to the terms and conditions hereof, to pay to the Investor the payments of principal and interest as and when the same become due and payable.

ARTICLE X- REPRESENTATION AND WARRANTIES.

The Company hereby represents and warrants to the Administrative Agent and the Investor as of the date the first Note was issued as follows:

- a) **Organization and Authority.** The Company is a corporation duly organized, validly existing and in good standing under the laws of Kenya. The Company has the requisite power to own and operate its properties and assets and to carry on its business as now conducted and as proposed to be conducted, including issuing this Note

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and performing the obligations hereunder. The Company's executive officers, directors and/or shareholders, as appropriate, have approved and taken such actions necessary for the issuance of this Note based upon a reasonable belief that the issuance of this Note is appropriate for the Company when considering the Company's financing objectives and financial situation.

- b) **Validity.** This Note constitutes a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, the relief of debtors and, with respect to rights to indemnity, subject to the relevant laws. Any securities issued upon conversion of this Note, when issued in compliance with the provisions of this Note, will be validly issued, fully paid, nonassessable, free of any liens or encumbrances and issued in compliance with all applicable provisions of the Companies Act.
- c) **Governmental Consents.** Subject to the information to be provided by the Investor, no registration or filing with, or consent, authorization, approval, permit or order of or other action by any governmental agency or instrumentality or other person is or will be necessary for the valid execution, delivery and performance by the Company of this Note or the issuance, sale and delivery of the Notes, except for filings pursuant to applicable Kenya's securities laws, which have been or will be made in a timely manner.
- d) **Compliance with Other Instruments.** The Company is not in violation or default of any term of its certificate of incorporation or bylaws, or of any provision of any mortgage, indenture or contract to which it is a party and by which it is bound or of any judgment, decree, order or writ. The execution, delivery and performance of this Note will not result in any such violation or be in conflict with, or constitute, with or without the passage of time and giving of notice, either a default under any such provision, instrument, judgment, decree, order or writ or an event that results in the creation of any lien, charge or encumbrance upon any assets of the Company or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations or any of its assets or properties. Without limiting the foregoing, the Company has obtained all waivers reasonably necessary with respect to any preemptive rights, rights of first refusal or similar rights, including any notice or offering periods provided for as part of any such rights, in order for the Company to consummate the transactions contemplated hereunder without any third party obtaining any rights to cause the Company to offer or issue any securities of the Company as a result of the consummation of the transactions contemplated hereunder.
- e) **Information Rights.** The Company will provide the Investor with the following information as to any period during which the Notes are outstanding: (a) unaudited quarterly financial statements of the Company within thirty (30) days after the end of each calendar quarter; (b) management commentary on the Company's operations, sales and financial condition within thirty (30) days after the end of each calendar quarter; and (c) annual financial statements of the Company within ninety (90) days after the end of each fiscal year, which may or may not be audited, as determined in the sole discretion of the officers or directors of the Company.
- f) **Confidential Information.** The parties agree (a) to use all Confidential Information only to the extent necessary to enable the Investor to assess the Investor's investment in the Company; (b) not to disclose or provide any Confidential Information to any person or entity without the other party's prior written consent; and (c) not to copy or reproduce any of the Confidential Information. Ownership of all right, title and interest in the Confidential Information shall remain at all times with the respective party, and nothing in this Note shall give any right, title or interest in, or license to, any such Confidential Information to the other party (or any other person or entity). The obligations set forth in this article shall indefinitely survive the termination of this Note.

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- g) **Certain Waivers.** Except as otherwise expressly provided herein, the Company and all guarantors and endorsers of this Note, if any, hereby waive presentment, demand, protest or notice and all other demands and notices in connection with the delivery, acceptance, performance or enforcement of this Note.
- h) **Notices.** All notices and other communications hereunder shall be in writing and shall be deemed duly delivered if delivered personally (upon receipt), or one (1) Business Day after being delivered by a recognized overnight delivery service, or upon transmission, if sent via electronic mail (with confirmation of receipt). Notices to each party shall be addressed to the last address communicated in writing by either party.:
- i) **Consent to Electronic Delivery.** The parties hereby agree that the each party may deliver all Notes, notices, financial statements, tax information, valuations, reports, reviews, analyses or other materials, and any and all other documents, information and communications concerning the affairs of the Company, including, without limitation, information about the investment, required or permitted to be provided to the Investor under the Notes or hereunder by means of e-mail or by posting on an electronic message board or by other means of electronic communication.
- j) **Entire Agreement and Amendments.** Any term of this Note may be amended or waived with the written consent of the parties. Except as otherwise expressly provided herein, this Note with respect to the Company and the Investor, represent(s) the entire agreement between the parties regarding the subject matter hereof and supersedes all prior or contemporaneous communications, promises, and proposals, whether oral, written, or electronic, between them.
- k) **Severability.** In case any provision contained in this Note should be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
- l) **Successors and Assigns.** Subject to the restrictions on transfer described in Section 11.9 below, the rights and benefits of this Note shall inure to the benefit of, and be enforceable by, the parties' successors and assigns. Whenever in this Note reference is made to the Company or the Investor, such reference shall be deemed to include, as applicable, a reference to their respective permitted successors, assigns, heirs, administrators or transferees. The rights and obligations of the Investor under this Note may only be assigned with the prior written consent of the Company and the Administrative Agent.
- m) **Transfer.** This Note may not be sold, assigned, or otherwise transferred. This Note is transferable only on the books of the Company and may be transferred only upon its surrender to the Company for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in a form satisfactory to the Company. Thereupon, this Note shall be reissued to, and registered in the name of, the transferee, or a new Note for like principal amount and interest shall be issued to, and registered in the name of, the transferee. Interest and principal shall be paid solely to the registered Investor in this Note. Such payment shall constitute full discharge of the Company's obligation to pay such interest and principal.
- n) **Governing Law.** This Note shall be governed by, and construed in accordance with, the internal laws of the Republic of Kenya without giving effect to the principles of conflicts of law.
- o) **Counterparts.** This Note may be executed in three or more counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other party.
- p) **Further Assurances.** Each party hereto will use all reasonable efforts to take, or cause to be taken, all actions and do, or cause to be done, all other things necessary, proper or appropriate under applicable laws,



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regulations and contracts to consummate and thereafter make effective the transactions contemplated by this Note.

ARTICLE X- DISPUTE RESOLUTION.

Any dispute or claim arising out of this agreement will be subject to final and binding arbitration by one arbitrator who is a member of the Law Society of Kenya ("LSK") and governed by the Arbitration Act of Kenya. The arbitration will be in Nairobi, Kenya. The arbitrator shall have all decide the validity of any claim and enter a final, binding judgment at the conclusion of any proceedings. Any final judgment only may be appealed on the grounds of improper bias or improper conduct of the arbitrator. The party prevailing in the resolution of any claim will be entitled, in addition to such other relief as may be granted, to an award of all attorneys' fees and costs incurred in the claim, without regard to any statute, schedule, or rule of court purported to restrict such

IN WITNESS WHEREOF the parties hereto have executed these presents in the form and manner appearing hereunder on the day and year first above mentioned.

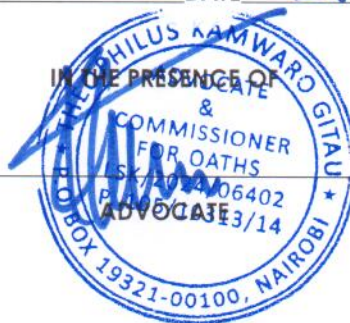
SHANNON TECHNOLOGIES LIMITED

MANAGING DIRECTOR'S SIGNATURE

JS.

DATE

25th November 2024.



BETALAB LIMITED LIABILITY PARTNERSHIP

MANAGING PARTNER'S SIGNATURE

DATE

IN THE PRESENCE OF

ADVOCATE