

## Personal Loan Notes

*“I receive a STI Foundation personal loan – what does that mean for me?”*

You have an innovative technological idea and would like to market it successfully. That is your aim.

You are the innovation driver and are committed to this aim both as a private individual and as part of your enterprise (e.g. GmbH, AG).

STI Foundation wishes to promote the success of your project and supports it with funding in the form of an interest-free loan. For this purpose you sign a loan agreement with STI Foundation as a private individual (Agreement 1 in the diagram). On the basis of this 'personal loan' agreement the STI loan is paid into your personal bank account. As a private individual you assume the rights and obligations arising from this loan agreement and are personally liable to STI Foundation for the loan. In doing so, you affirm your personal interest in promoting your innovation.

In the loan agreement with STI Foundation, as a private individual you pledge to invest the entire STI Foundation loan in your company and to use it for the agreed technological innovation. You can use the loan as equity or borrowed capital. If you opt for the borrowed capital option, you require a second agreement stipulating the relationship between yourself as lender and the company as borrower (Agreement 2 in the diagram). Insofar as it is possible and expedient, this loan agreement should include the same provisions as the loan agreement between yourself and STI Foundation. STI Foundation will be happy to assist you in drafting Agreement 2.

Diagram: Contractual interdependencies of the parties



Agreement 1: Loan agreement between STI Foundation and private individual ('personal loan')

Agreement 2: Agreement between private individual and company

Loans to start-ups are practically always deemed as risk capital in financial terms. If the envisaged success of your project does not materialise, as a private individual you continue to be liable for the STI loan and must repay it. On the one hand, it is therefore recommended that you always clearly describe your situation to STI Foundation and draw attention to any delays and problems at an early stage. On the other, it is important that you always make a clear distinction between yourself as a private individual and the company (Agreement 2).

If, as entrepreneur and lender, you wish to grant your company subordination in the event of over-indebtedness, this must be set out in writing. In the case of insolvency proceedings you then waive your claim to repayment from the company until the claims of other creditors are repaid in full (see [www.rangruecktritt.ch](http://www.rangruecktritt.ch) for more details on this subject in German). However, please also note that subordination only affects Agreement 2 between yourself and the company, i.e. as borrower you continue to be personally liable to STI Foundation on the basis of Agreement 1.