

Convertible Note Equity Investment Agreement

This Convertible Note Equity Investment Agreement ("**Agreement**") is entered into as of [Date] by and between:

Company	<u>[Company Name]</u> , a <u>[State & Type of Entity]</u> , with principal office at <u>[Address]</u>
Investor	<u>[Investor Name]</u> , residing at <u>[Address]</u>

1. Principal Investment

Investor agrees to loan the Company the principal sum of **\$[Amount]** on the terms and subject to the conditions set forth in this Agreement and the attached Convertible Promissory Note ("**Note**").

2. Interest Rate

The outstanding principal balance of the Note shall accrue interest at an annual rate of [Interest Rate]%, compounded annually.

3. Maturity Date

The Note and all accrued, unpaid interest shall be due and payable on [Maturity Date] ("**Maturity**"), unless converted into Equity before such date as set forth below.

4. Conversion to Equity

- Automatic Conversion:** Upon the closing of an equity financing in which the Company raises at least [\$Threshold Amount], the outstanding principal and interest shall automatically convert into the same class of shares issued at such financing.
- Conversion Price:** The conversion price shall be the lesser of:
 - (a) [Discount]% discount to the price per share paid by new investors in the financing, or
 - (b) price per share based on a [\$Valuation Cap] valuation cap.

5. Repayment

If the Note is not converted prior to Maturity, the Company shall repay the outstanding principal and accrued interest in full at Maturity.

6. Events of Default

- If the Company defaults in payment or other obligations, the Investor may declare the Note and interest immediately due and payable.

7. Miscellaneous

- This Agreement is governed by the laws of [State].
- All amendments must be in writing and signed by both parties.
- This is the entire agreement between the parties on this subject.

Company:

Name: [Authorized Signatory]

Title: [Title]

Investor:

Name: [Investor Name]

Important Notes

- This document is a sample and should be reviewed by legal counsel before use.
- Convertible notes do not grant equity until conversion events occur.
- The terms on discount, valuation cap, and triggers for conversion are crucial for both founders and investors.
- Repayment of principal and interest is only required if conversion does not take place.
- This instrument may affect future fundraising and company control.