

Form:

Venture Capital Bridge Note

Explanation:

This is a form of convertible promissory from a venture capitalist to a company. It allows for a short term loan pending completion of an equity round of financing. The accrued interest and principal on the note will convert into the purchase of stock in the equity financing.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AND HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO, OR IN CONNECTION WITH, THE SALE OR DISTRIBUTION THEREOF. NO SUCH SALE OR DISTRIBUTION MAY BE EFFECTED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL IN A FORM SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933.

CONVERTIBLE PROMISSORY NOTE

[Principal Amount]

[Date]

[City], [State]

For value received, _____, a [State] corporation (the “Company”), promises to pay to _____ (the “Holder”), the principal sum of _____ Dollars (\$_____). Interest shall accrue from the date of this Note on the unpaid principal amount at a rate equal to _____ % per annum, compounded annually. This Note is subject to the following terms and conditions.

1. **Maturity.** Subject to Section 2, principal and any accrued but unpaid interest under this Note shall be due and payable upon demand by the Holder at any time after _____ (the “Maturity Date”). Notwithstanding the foregoing, the entire unpaid principal sum of this Note, together with accrued and unpaid interest thereon, shall become immediately due and payable upon the insolvency of the Company, the commission of any act of bankruptcy by the Company, the execution by the Company of a general assignment for the benefit of creditors, the filing by or against the Company of a petition in bankruptcy or any petition for relief under the federal bankruptcy act or the continuation of such petition without dismissal for a period of 90 days or more, or the appointment of a receiver or trustee to take possession of the property or assets of the Company.

2. **Conversion.**

(a) **Investment by the Holder.** The entire principal amount of and accrued interest on this Note shall be converted into shares of the Company’s equity securities (the “Equity Securities”) issued and sold at the close of the Company’s next equity financing in a single transaction or a series of related transactions yielding gross proceeds to the Company of at least \$_____ in the aggregate the conversion of the Notes with a fully diluted pre-money valuation of the Company being at least \$_____ (the “Next Equity Financing”). The number of shares of Equity Securities to be issued upon such conversion shall be equal to the quotient obtained by dividing (i) the entire principal amount of this Note plus accrued interest by (ii) the price per share of the Equity Securities, rounded to the nearest whole share, and the issuance of such shares upon such conversion shall be upon the terms and subject to the conditions applicable to the Next Equity Financing; provided however, that the Holder shall be entitled to a [20%] discount from the pre-money valuation of the Next Equity Financing. If the Next Equity Financing does not occur with [12] months hereof, the Holder shall have the option to convert this

Note into the Company's [Common Stock],[Series A Preferred Stock], at an exercise price of \$ ____ per share.

(b) **Mechanics and Effect of Conversion.** No fractional shares of the Company's capital stock will be issued upon conversion of this Note. In lieu of any fractional share to which the Holder would otherwise be entitled, the Company will pay to the Holder in cash the amount of the unconverted principal and interest balance of this Note that would otherwise be converted into such fractional share. Upon conversion of this Note pursuant to this Section 2, the Holder shall surrender this Note, duly endorsed, at the principal offices of the Company or any transfer agent of the Company. At its expense, the Company will, as soon as practicable thereafter, issue and deliver to such Holder, at such principal office, a certificate or certificates for the number of shares to which such Holder is entitled upon such conversion, together with any other securities and property to which the Holder is entitled upon such conversion under the terms of this Note, including a check payable to the Holder for any cash amounts payable as described herein. Upon conversion of this Note, the Company will be forever released from all of its obligations and liabilities under this Note with regard to that portion of the principal amount and accrued interest being converted including without limitation the obligation to pay such portion of the principal amount and accrued interest.

3. **Payment; Prepayment.** All payments shall be made in lawful money of the United States of America at such place as the Holder hereof may from time to time designate in writing to the Company. Payment shall be credited first to the accrued interest then due and payable and the remainder applied to principal. Prepayment of this Note may be made at any time upon at least ten (10) days prior notice to the Holder; provided that the prepayment is not intended to avoid a pending conversion of this Note pursuant to Section 2(a).

4. **Transfer; Successors and Assigns.** The terms and conditions of this Note shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Subject to the preceding sentence, this Note may be transferred only upon surrender of the original Note for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company, and in compliance with any applicable laws. Thereupon, a new note for the same principal amount and interest will be issued to, and registered in the name of, the transferee. Interest and principal are payable only to the registered holder of this Note.

5. **Governing Law.** This Note and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of [State], without giving effect to principles of conflicts of law.

6. **Notices.** Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient upon receipt, when delivered personally or by courier, overnight delivery service or confirmed facsimile, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, if such notice is addressed to the party to be notified at such party's address or facsimile number as set forth below or as subsequently modified by written notice.

7. **Amendments and Waivers.** Any term of this Note may be amended only with the written consent of the Company and the Holder. Any amendment or waiver effected in accordance with this Section 7 shall be binding upon the Company, each Holder and each transferee of any Note.

8. **Stockholders, Officers and Directors Not Liable.** In no event shall any stockholder, officer or director of the Company be liable for any amounts due or payable pursuant to this Note.

9. **Counterparts.** This Note may be executed in any number of counterparts, each of which will be deemed to be an original and all of which together will constitute a single agreement.\

10. **Attorneys Fees.** If action is instituted to collect on this Note, the Company promises to pay all costs and expenses, including reasonable attorney's fees, incurred in connection with such action.

11. **Loss of Note.** Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Note or any Note exchanged for it, and indemnity satisfactory to the Company (in case of loss, theft or destruction) or surrender and cancellation of such Note (in the case of mutilation), the Company will make and deliver in lieu of such Note a new Note of like tenor.

12. **Miscellaneous.** This Note contains the entire agreement and understanding of the parties with respect to its subject matter and supersedes any prior or contemporaneous written or oral representations, discussions, proposals, understandings and the like respecting the subject matter hereof. The headings and captions of this Note are provided for convenience only and are intended to have no effect in construing or interpreting this Note. The language in all parts of this Note shall in all cases be construed according to its fair meaning and not strictly for or against any party, and any rule that ambiguities shall be construed against the drafter of a document shall not be applicable with respect to this Note. If for any reason any provision or portion of this Note is found to be unenforceable, that provision or portion of the Note will be enforced to the maximum extent possible so as to affect the intent of the parties, and the remainder of this Note will continue in full force and effect. Failure of either party to insist on strict performance of any of the terms and conditions herein shall not be deemed a waiver of any rights or remedies that either party shall have and shall not be deemed a waiver of any subsequent default of the terms and conditions hereof.

COMPANY:

[COMPANY NAME]

By: _____

Name: _____
(print)

Title: _____

Address: **[COMPANY ADDRESS]**

AGREED TO AND ACCEPTED:

[HOLDER]

By: _____

Name: _____
(print)

Title: _____

Address: _____
