What is Convertible Debt?

Convertible debt is a loan with the intention that at some point down the road, the debt will convert into stock in the company. The loan is typically converted to equity at a specific milestone, often at a later funding round. In order to compensate early investors for the risk of investing in an early round, convertible debt will often have additional clauses, such as caps or discounts.

Our offering has a 5% interest rate, a 20% conversion discount, and maturity of 5 years or a subsequent $5 million raise, whichever happens first.

Upon maturity, investors in this round will either be repaid with cash (+ 5% interest), or converted to equity. If converted, investors in this round receive the outstanding balance of the loan + 5% interest in equity, with a 20% discount on that equity.

The idea behind this is that those who invest earlier in the company are taking on greater risk, and therefore should be able to buy in at a lower share price than the next round of investors.

This document is intended to explain our offer in layman's terms. For the complete legal terms of our offer, please review the Convertible Promissory Note and the Note Purchase Agreement. Additional information about Convertible Debt can be found on TechCrunch and numerous other sites online.