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**[*Name of Company*], INC.**

**TERM SHEET**

**FOR CONVERTIBLE NOTE FINANCING**

**[*Month*] [*Year*]**

This Term Sheet sets forth the principal terms proposed for the sale and issuance of Convertible Promissory Notes of [*Name of Company*], Inc., a Delaware corporation (the “Company”). No legally binding obligations will be created by this Term Sheet until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest or issue any promissory note, and is conditioned on the completion of due diligence, legal review and documentation that is satisfactory to the Investors. This Term Sheet shall be governed in all respects by the laws of the State of Delaware.

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| --- | --- |
| **Offering Terms** |  |
| *Type of Security:* | Convertible Promissory Notes, bearing interest at a simple interest rate of [\_\_] % (the “Notes”). |
| *Amount of Financing:* | $[\_\_\_\_\_\_\_\_\_\_\_\_] |
| *Closing:*  *Minimum Investment:* | A first closing will be held on or before [*Date, e.g., January 1, 2019*]or such other date that the Company and the investor(s) participating in such closing (each a “Note Holder”) mutually decide upon (the “Initial Closing”). Additional closings may be held up to 90 days after the Initial Closing at the option of the Company.  $[\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_] |
| *Terms of Conversion:* | Mandatory Conversion: The Notes and any accrued interest will be converted into the Company’s next issued series of preferred stock (the “Preferred Shares”) resulting in new money of not less than $[\_\_\_\_\_\_\_\_\_\_\_\_\_] (the “Preferred Financing”) at a discount to the per-share price of such Preferred Shares of [\_\_\_]% (the “Conversion Price”).  Voluntary Conversion: The Notes and any accrued interest shall be convertible, at the option of the Note Holder, immediately prior to the [\_\_\_]-month anniversary of the Initial Closing (the “Maturity Date”), into shares of Common Stock at a conversion price equivalent to a pre-money valuation of $[\_\_\_\_\_\_\_\_\_\_\_\_\_]. |
| *Term of Payment:* | If the Note Holder has not elected a Voluntary Conversion, then all outstanding principal and accrued interest under the Note is due and payable to each Note Holder on the Maturity Date. |
| *Payment:* | The Notes may be prepaid only upon prior written approval of the holders of a majority-in-interest of the outstanding principal amount of the Notes (“Majority Holders”). Any prepayment must be made in connection with the prepayment of all Notes issued under the Note Purchase Agreement, as amended. |
| *Change of Control:* | If an acquisition or similar change of control transaction occurs prior to the Preferred Financing or the Maturity Date, then upon the closing of such transaction, the Notes will, at the election of the Majority Holders, become   1. payable upon demand as of the closing of such transaction; or 2. redeemable for a payment equal to the amount each Note Holder would have received had the Note converted immediately prior to the transaction to   i) Preferred Stock (if a Preferred Financing is pending at the time of the transaction) or,   ii) if no Preferred Financing is pending, to Common Stock at a price per share equivalent to a fully diluted pre-money valuation of $[\_\_\_\_\_\_\_\_\_\_\_\_\_], to be paid in the same form of consideration (e.g., a mix of cash and stock) received by other equity holders in the transaction. |
| *Documentation:* | The transaction will be documented by counsel to the Company with the documents containing the provisions described above and consisting of the following:   * Note Purchase Agreement * Convertible Promissory Note(s) * Investor Questionnaire |
| *Note Purchase Agreement:* | The Notes will be issued pursuant to a definitive Note Purchase Agreement containing customary covenants, representations and warranties of the Company. |
| *Expiration Date:* | This offer will expire on [*Date of expiration*], unless extended in writing by the Company. |
| *Expenses:* | The Company and the Note Holders will each bear their own legal and other expenses with respect to the transactions contemplated herein. |