

**THE FOLLOWING IS AN EXAMPLE OF A TYPICAL TERM SHEET USED IN RELATION TO A CONVERTIBLE PROMISSORY NOTE TRANSACTION. FIRSTLY, IT SHOULD BE NOTED THAT WHILE A TERM SHEET SUCH AS THAT BELOW IS USEFUL IN HELPING TO ORGANIZE THE ISSUES THAT SHOULD BE ADDRESSED IN A FINAL CONVERTIBLE PROMISSORY NOTE AGREEMENT AND UNDERLYING NOTE, THERE IS NO LEGAL REQUIREMENT THAT A TERM SHEET BE USED AT ALL IN NEGOTIATING THE FINAL NOTE AGREEMENT AND UNDERLYING NOTE. IN FACT, CARE SHOULD BE TAKEN TO AVOID EXCESSIVE NEGOTIATION AROUND THE TERM SHEET – THE TERM SHEET IS MERELY A TOOL TO FACILITATE MORE EFFICIENT COMPLETION OF THE NOTE AND AGREEMENT AND UNDERLYING NOTE, AND EXCESSIVE NEGOTIATION OF A TERM SHEET IS QUITE OFTEN A WASTE OF TIME AND MONEY.**

**FOR EASE OF READING, REFERENCES ARE MADE HERE AND BELOW USING THE SIMPLE TERM “NOTE” – BUT IN ALL INSTANCES, THE TERM REFERS TO A CONVERTIBLE PROMISSORY NOTE.**

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**CONVERTIBLE PROMISSORY NOTE TERM SHEET**

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This term sheet is provided by \_\_\_\_\_ (the “*Company*”) on a confidential basis to qualified, prospective investors (prospectively, each an “*Investor*”). It is qualified in its entirety by the Convertible Note Purchase Agreement and form of Convertible Promissory Note. This term sheet does not create a legally binding obligation on any person or entity.

<b>Issuer:</b>	<b>[ENTER THE NAME OF THE PARTY WHO WILL ISSUE THE NOTE IN EXCHANGE FOR RECEIPT OF THE LOAN MONIES, REFERRED TO AS THE “ISSUER.”]</b>  _____
<b>Location:</b>	<b>[ENTER THE LOCATION OF THE HEADQUARTERS OF THE ISSUER.]</b>  _____
<b>Type of Entity:</b>	<b>[INDICATE THE TYPE OF BUSINESS ENTITY AND STATE OF ORGANIZATION OF THE ISSUER.]</b>  _____ S corporation

<b>Security:</b>	<p><b>[INDICATES WHAT THE INVESTOR IS BEING ISSUED IN CONSIDERATION OF ITS INVESTMENT.]</b></p> <p>Convertible Promissory Note (each a “<i>Note</i>” and together the “<i>Notes</i>”)</p>
<b>Total Financing:</b>	<p><b>[THIS IS THE TOTAL AMOUNT TO BE RAISED FROM ALL INVESTORS.]</b></p> <p>Up to \$_____ in principal amount of Notes.</p>
<b>Valuation:</b>	<p><b>[THIS IS THE VALUE OF 100% OF THE COMPANY.]</b></p> <p>The principal amount of the Notes shall be converted to equity based on a valuation of \$_____.</p>
<b>Use of Proceeds:</b>	<p><b>[THIS IS A GENERAL DESCRIPTION OF FOR WHAT THE INVESTMENT FUNDS WILL BE USED.]</b></p> <p>The Company shall use the net proceeds from this offering for _____.</p>
<b>Interest:</b>	<p><b>[THIS IS THE AMOUNT OF INTEREST (CALCULATED AS A PERCENTAGE OF THE PRINCIPAL) THAT WILL ACCRUE ON AN ANNUAL BASIS.]</b></p> <p>_____ % per annum simple interest (365 day basis)</p>
<b>Maturity Date:</b>	<p><b>[THIS IS THE LENGTH OF TIME FROM THE DATE OF ISSUANCE OF THE NOTE THAT THE NOTE WILL COME TO MATURITY.]</b></p> <p>_____ month(s) from issuance date of Note.</p>
<b>No Prepayment:</b>	<p><b>[THE COMPANY MAY NOT PAY OFF THE NOTE (OR ANY PORTION OF THE NOTE) WITHOUT WRITTEN CONSENT OF THE INVESTOR.]</b></p> <p>The Company may not pre-pay the Notes in whole or in part without the consent of the Investors.</p>