[NEWCO, INC.]

SUMMARY OF PROPOSED TERMS FOR CONVERTIBLE PROMISSORY NOTE (BRIDGE) FINANCING

The following is a summary of the basic terms and conditions of a proposed convertible promissory note financing of **[**Newco, Inc.**]**, a **[**Delaware**]** corporation (the "***Company***"). This term sheet is for discussion purposes only and is not binding on Company or the Investors (as defined below), nor is Company or any of the Investors obligated to consummate the convertible promissory note financing until a definitive convertible note purchase agreement has been agreed to and executed by Company and the Investors.

Financing Amount:	Up to $__________[1] in aggregate principal amount of convertible promissory notes (the "***Notes***").
Closings:	The Company may close the sale of the Notes in one or more closings with one or more purchasers of the Notes acceptable to the Company (the "***Investors***").
Definitive Agreement:	The Notes will be issued and sold pursuant to a convertible note purchase agreement prepared by the Company's legal counsel and will contain customary representations and warranties of the Company and the Investors (the "***Note Purchase Agreement***").
Maturity Date:	Principal and unpaid accrued interest on the Notes will be due and payable _____[2] months from the date of the Note Purchase Agreement (the "***Maturity Date***").
Interest:	Simple interest will accrue on an annual basis at the rate of _____%[3] per annum based on a 365 day year.
Conversion to Equity:	Automatic Conversion in a Qualified Financing. If the Company issues equity securities ("***Equity Securities***") in a transaction or series of related transactions resulting in aggregate gross proceeds to the Company of at least $__________[4], including conversion of the Notes and any

[1] Insert anticipated amount of money that the Company intends to raise through the financing described in this term sheet.

[2] The typical term of a Note issued in a bridge financing is 6 – 12 months.

[3] The typical interest rate for a Note issued in a bridge financing is 7-12%. Please check with counsel to confirm that the actual interest rate used is sufficiently high to avoid imputed interest income to the Company.

[4] This paragraph describes an equity financing that will result in the automatic conversion of the Notes into equity. Because the conversion is automatic (as opposed to occurring at the Investors' election) the Investors will want to

(footnote continued on following page)

other indebtedness (a "***Qualified Financing***"), then the Notes, and any accrued but unpaid interest thereon, will automatically convert into the equity securities issued pursuant to the Qualified Financing at a conversion price equal to [the lesser of (i)][5] ____%[6] of the per share price paid by the purchasers of such equity securities in the Qualified Financing [or (ii) the price equal to the quotient of $__________[7] divided by the aggregate number of outstanding shares of the Company's Common Stock as of immediately prior to the initial closing of the Qualified Financing (assuming full conversion or exercise of all convertible and exercisable securities then outstanding other than the Notes)].

Voluntary Conversion at the Maturity Date. If the Notes have not been previously converted pursuant to a Qualified Financing, then, effective upon the Maturity Date, the Requisite Holders (as defined below) may elect to convert each of the Notes into shares of the Company's Common Stock at a conversion price equal to the quotient of $__________[8] divided by the aggregate number of outstanding shares of the Company's Common Stock as of

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see a dollar value here that represents a "real" round of equity financing. For a typical pre-institutional-funding company, a real round of equity financing would raise $500,000-$1,000,000, but the number that represents a "real" round of equity financing will obviously vary from company to company.

[5] Sometimes Investors are concerned that notwithstanding that discounted conversion price provided for in this paragraph, the effective pre-money valuation in the Qualified Financing will still be too high given the risks involved when the Investors made their bridge investment. This optional language allows the Investors to "cap" the effective pre-money valuation at which the Notes would convert in a Qualified Financing at some pre-agreed amount. As a point of reference, most investors do not insist on this optional language, so we would not necessarily recommend offering it up unless specifically requested.

[6] Part of what incentivizes Investors to participate in a bridge financing is that their Notes will convert into Equity Securities at a discount to the purchase price paid by investors in a later Qualified Financing. The typical range of discounts that we see is 10-30%. As a general rule, the shorter the term of the Notes and the less risky the investment, the lower the expected discount. Finally, please be sure to use the correct number here. If, for example, the intent is to provide for a 10% discount to the purchase price paid by the investors in the Qualified Financing, then you would insert 90% into this blank (not 10%).

[7] See fn. 5.

[8] This is a pre-agreed pre-money valuation of the Company used for purposes of calculating the number of shares of the Company's Common Stock to be issued to the Investors if the Notes are converted into equity outside the context of a Qualified Financing. We would typically expect to see this valuation set anywhere from 10-50% lower than the pre-money valuation that the Company anticipates for the Qualified Financing. For example, if, at the time of the bridge financing, the Company anticipates closing a Qualified Financing that would value the Company at $2,000,000, then the value range we would expect to see inserted here would typically be between $1,000,000 and $1,800,000. As with the conversion discount described in fn. 6, as a general rule, the shorter the term of the Notes and the less risky the investment, the lower the expected discount.

the Maturity Date (assuming full conversion or exercise of all convertible and exercisable securities then outstanding other than the Notes). Any election to convert the Notes pursuant to this paragraph will be made in writing and delivered to the Company at least five days prior to the Maturity Date.

[Sale of the Company:[9]	If a Qualified Financing has not occurred and the Company elects to consummate a sale of the Company prior to the Maturity Date, then notwithstanding any provision of the Notes to the contrary (i) the Company will give the Investors at least five days prior written notice of the anticipated closing date of such sale of the Company and (ii) the Company will pay the holder of each Note an aggregate amount equal to _____[10] times the aggregate amount of principal and interest then outstanding under such Note in full satisfaction of the Company's obligations under such Note.]
Pre-Payment:	The principal and accrued interest may not be prepaid unless approved in writing by Investors holding Notes whose aggregate principal amount represents a majority of the outstanding principal amount of all then-outstanding Notes (the "***Requisite Holders***").
Amendment and Waiver:	The Note Purchase Agreement and the Notes may be amended, or any term thereof waived, upon the written consent of the Company and the Requisite Holders.
No Security Interest:	The Notes will be a general unsecured obligation of the Company.
Fees and Expenses:	Each Investor will bear its own fees and expenses incurred in the transactions contemplated by this term sheet.

[9] If the Company is sold prior to the Maturity Date, the Investors will want the Notes repaid at the closing of the sale. Furthermore, given the risks involved with lending the Company money in the bridge financing, the Investors will want more a nominal interest rate of return in the sale. This optional paragraph gives the Investors the ability to get equity-like "upside" in a sale of the Company by requiring the Company to repay a multiple of the principal and interest actually outstanding under the notes at the time of the sale.

[10] When this provision is employed, we typically see a range of multipliers from 1.5X – 3X.