



FORM OF THE PROPOSED TERM SHEET

This nonbinding Convertible Note Term Sheet (the "Term Sheet") is dated as of [____], 20__ and summarizes the principal terms of the proposed sale and issuance by [____] ("Company"), of a convertible promissory note. This Term Sheet is for discussion purposes only and does not constitute an offer to sell or purchase, or the solicitation of an offer to sell or purchase, securities. There is no obligation on the part of any negotiating party until definitive documents are signed by all parties.

Amount of Offering

- Offering Amount: Up to \$20,000 from the Economic Development Authority of Western Nevada (EDAWN).

Terms of Convertible Promissory Note (the "Note")

- Interest: The principal amount of the Note will accrue simple interest at a rate of 3% per annum.
- Maturity: Principal and accrued interest on the Note will be due and payable upon demand on or after [____], 2019 (the "Maturity Date") or upon an Event of Default or Change of Control (each as defined in the final documentation).
- Conversion: If Company consummates, prior to the Maturity Date, an equity financing pursuant to which it sells shares of its preferred stock (the "Qualified Securities") with an aggregate sales price of not less than \$1 million, excluding any and all convertible bridge notes that are converted into preferred stock (including the Note), and with the principal purpose of raising capital (a "Qualified Financing"), then the Note will automatically convert all principal and accrued interest under the Note into the Qualified Securities at a 20% discount to the price and on the same other terms as the other investors that purchase Qualified Securities in the Qualified Financing.
- Prepayment: The Notes may be prepaid at any time from one year after the date of this document, provided that the Company repays both principal and accrued interest in full.
- Security Interest. The Notes will be unsecured.
- Corporate Transaction. If (i) Company enters into an agreement pertaining to (a) a sale, lease or other disposition of all or substantially all of its assets or (b) a consolidation or merger of Company with or into any other corporation or other entity or person, or any other corporate reorganization, in which Company's stockholders immediately prior to such consolidation, merger or reorganization own less than 50% of the voting power of the surviving entity immediately after such consolidation, merger or reorganization (each such event being referred to herein as a "Corporate Transaction"), and (ii) the Notes have not been paid in full or converted as provided above, then, holder may, at its sole discretion, demand payment of 1.25x the outstanding principal amount of the Notes plus all accrued interest in full at the closing of the Corporate Transaction.



- Negative Covenants. While the Notes are outstanding, Company will not (i) incur any additional debt, except for trade debt, without EDawn's consent, which consent will not be unreasonably withheld or delayed; (ii) pay any cash dividends; (iii) make any cash distributions on its equity; (iv) repurchase any equity; or (v) pay any deferred compensation.

Documentation and Expenses

- Documentation: The Company confirms that it has sought its own Counsel's opinion as to the terms and requirements of this term sheet.
- Expenses: All parties will bear their own expenses in connection with the transactions.

IN WITNESS WHEREOF, the Parties hereto have executed this Term Sheet as of the date written above.

SELLER:

[_____]

By:

Name:

Title: BUYER:

[_____]

By:

Name:

Title: