



## Term Sheet - Debt Convertible into Shares

This document is not legally binding and only offered to accredited investors.

Date [Insert Month/Year]

### Why?

The reason for this document is to set out the basic terms for a loan to our company which *may* be converted into shares.

### Amount

We [Insert Company Name] want to raise **unsecured** debt by issuing up to [Insert \$ value] of convertible promissory notes in one or more separate transactions. You have indicated that you wish to lend [Insert \$ Amount].

### Use of Funding

We want to use the funds for [Insert Description of Use of Funds].

### Interest on the Debt

Interest shall accumulate at [Insert Rate %] per year.

### Repayment Deadline

The original money lent and additional interest shall be due and payable by [Insert Date].

### Prepayment

The original money and accumulated interest cannot be repaid early by you, unless a majority of you and your fellow lenders agree in writing.



### ***Automatic Conversion into Equity***

If we raise money by issuing shares in one or more transaction of at least [Insert \$ Amount], the original money and accumulated interest ***automatically*** converts into equity at a price which is the ***lower*** of ***either*** [Insert Amount %] of the price paid for the equity, ***or*** the price per share equal to [Insert price per share] divided by all our common stock shares prior to the converting equity raise, being a valuation cap.

### ***Optional Conversion into Equity***

If we have not raised the equity ***or*** not yet reached the repayment deadline, you can opt to convert your original debt and accumulated interest into [Insert type of stock - Common/Preferred] at the price of the valuation cap.

### **Sale of the Company**

If we sell the majority of and/or merge the company prior to the repayment deadline, and have not raised equity, then ***you*** have ***the option*** of ***either*** receiving in USD your original amount and accumulated interest multiplied by [Insert Multiplier Figure] ***or*** in the form of [Insert type of shares - Common/Preferred] at the price of the valuation cap.

### **Financial Information**

As an investor we would like to provide you with financial updates in the form of [Insert Time Period] [Insert Type of Report].

### **Board of Directors**

You and the majority of your fellow lenders may appoint a single director to the Board while the total debt remains unpaid.

### **Expenses**

We are each responsible for our own expenses.



## Acceptance

If you understand and agree with the document please sign below.

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Lender

[Insert Name]