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| THIS TERM SHEET SUMMARIZES THE PRINCIPAL TERMS OF THE PROPOSED FINANCING OF RARESHARE, INC. (THE “***COMPANY***”). THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY. THERE IS NO OBLIGATION ON THE PART OF ANY NEGOTIATING PARTY UNTIL A DEFINITIVE NOTE PURCHASE AGREEMENT IS SIGNED BY ALL PARTIES. THIS TERM SHEET DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR AN OFFER TO PURCHASE SECURITIES. |

MEMORANDUM OF TERMS FOR  
CONVERTIBLE NOTES

June 2015

This memorandum summarizes the major terms of a private placement of convertible notes of **\_\_\_\_\_\_\_\_, Inc.** (the “***Company***”), a corporation formed under the laws of the State of Delaware.

**Proposed Private Placement**

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|  | **Amount of Investment:** | $1,500,000 |
|  | **Investors:** | Accredited Investors |
|  | **Type of Security:** | Convertible Note |
|  | **Interest Rate:** | 3% per annum |
|  | **Maturity Date:** | Two years from the date of issuance. |
|  | **Payment Terms:** | All principal and interest shall be payable only at the Maturity Date. Without the consent of the Investor, there shall be no right on the part of the Company to prepay the Notes, in whole or in part. |
|  | **Note Purchase Agreement:** | The Note will be purchased by the Investor pursuant to a note purchase agreement (the “***Note Purchase Agreement***”). |
|  | **Multiple Closings:** | The Company intends to sell up to $1,500,000 of Convertible Notes. The Note Purchase Agreement shall be the same Note Purchase Agreement for each sale, with a separate Note issued thereunder to each Investor. All sales of Notes under the Note Purchase Agreement shall be completed within 120 days of the first closing. Within a reasonable time after the sale of the last Note or by the 30th day from the first closing, the Company shall provide each Investor with a set of materials relating to the private placement, including a conformed set of documents (including the Note Purchase Agreement). |
|  | **Capitalization:** | The capitalization of the Company is as set forth on the table in Attachment 1 hereto. |
|  | **Next Financing:** | As used in this Term Sheet, “***Next Financing***” means the next transaction (or series of transactions) in which the Company sells and issues shares of the capital stock and/or other equity securities of the Company, including, but not limited to, derivative securities (e.g., options, warrants, etc.) and other securities convertible at a fixed price into equity securities of the Company; *provided*, *however*, in no event shall the sale or issuance of any Excluded Securities (as defined below) qualify as the Next Financing. |
|  | **Next Financing Securities:** | As used in this Term Sheet, “***Next Financing Securities***” means the securities sold and issued in the Next Financing, including a Qualified Financing. |
|  | **Qualified Financing:** | As used in this Term Sheet, “***Qualified Financing***” means the Next Financing in which the Company raises an aggregate amount equal to or greater than $[2,000,000] in proceeds (not including the proceeds of this Note, all other Notes and any other indebtedness or other obligations of the Company outstanding or conversion thereof or any proceeds from equity incentives issued to employees, consultants, directors, advisors or other service providers). |
|  | **Excluded Securities:** | As used in this Term Sheet, “***Excluded Securities***” means shares of the capital stock, or other equity securities of the Company, including, but not limited to, derivative securities (e.g., options, warrants, etc.) and other securities convertible at a fixed price into equity securities of the Company issued or issuable (i) to officers, directors or employees of, or consultants to, the Company pursuant to option or purchase plans or agreements on terms approved by the board of directors of the Company (the “***Board***”); (ii) in connection with equipment leasing, real estate, bank financing or a similar transaction approved by the Board; (iii) in connection with strategic alliances, licensing transactions or other partnering arrangements approved by the Board; and (iv) as a dividend on common or preferred stock of the Company. |
|  | **Conversion Price:** | As used in this Term Sheet, the term “***Conversion Price***” means the purchase price per share for the Next Financing Securities sold and issued by the Company in such Next Financing multiplied by 0.80, subject to Section 16 below. |
|  | **Conversion:** |  |
|  |  | As used in this Term Sheet, the term “***Outstanding Amount***” means, as of any applicable date and as applied to any Note, the then-outstanding principal and interest due under such Note. |
|  | **Conversion Upon A Qualified Financing:** | Upon the closing of the Qualified Financing prior to repayment or conversion of Notes, the Outstanding Amount under the Notes shall be automatically converted into a number of shares of Next Financing Securities at the Conversion Price. |
|  | **Conversion Upon A Non-Qualified Financing:** | Upon the closing of the Next Financing that is not a Qualified Financing prior to repayment or conversion of the Outstanding Amount under the Notes, the Investor of each Note may, at the sole option of such Investor, convert such Outstanding Amount into shares of the Next Financing Securities; provided, however, that in the event that any single holder of Notes with an aggregate principal amount of at least $[500,000] (the “***Major Investor***”) elects, or any group of holders of Notes with an aggregate principal amount of at least $[500,000] (the “***Major Investors***”) elect, to convert the Outstanding Amounts under the Notes held by such Major Investor or Major Investors into shares of the Next Financing Securities, the Outstanding Amounts of all Notes issued pursuant to the Note Purchase Agreement shall be automatically converted into a number of shares of the Next Financing Securities of the Company. |
|  | **Amount of Conversion Securities:** | The number of shares of the Next Financing Securities into which the Outstanding Amount under this Note shall be converted shall be equal to the quotient obtained by dividing (A) the Outstanding Amount on the date of such conversion, by (B) the Conversion Price. In the event that a combination of equity securities, derivative securities and/or other convertible securities are issued in the Next Financing, then the Note holder shall receive a combination of such various classes and series of securities proportionate to the amounts that would be issued to an investor in the Next Financing in exchange for an investment equal to the Outstanding Amount under this Note. |
|  | **Conversion Upon Change of Control:** | Immediately prior to the closing of a Change of Control that occurs prior to repayment in full or conversion of the Outstanding Amount, the Investor may, at its sole option, either (A) demand payment of any unpaid principal amount on the Note and any accrued but unpaid interest due upon closing of a Change of Control, or (B) if no such demand is made by the Investor within ten (10) days after written notice of such Change of Control from the Company to the Investor, then the Outstanding Amount shall automatically be converted into a number of shares of the Next Financing Securities using the Conversion Price. |
|  |  | As used in this Term Sheet, “***Change of Control***” means (i) a sale of all or substantially all of the Company’s assets, (ii) any merger, consolidation, or other business combination transaction of the Company with or into another corporation, entity, or person, other than a transaction in which the holders of at least a majority of the shares of voting capital stock of the Company outstanding immediately prior to such transaction continue to hold (either by such shares remaining outstanding or by their being converted into shares of voting capital stock of the surviving entity) a majority of the total voting power represented by the units of voting capital stock of the Company (or the respective surviving entity) outstanding immediately after such transaction, or (iii) the direct or indirect acquisition (including by way of a tender or exchange offer) by any person, or persons acting as a group, of beneficial ownership or a right to acquire beneficial ownership of shares representing a majority of the voting power of the then outstanding shares of capital stock of the Company. |
|  | **Conversion Cap:** | Notwithstanding any other provision herein to the contrary, upon any conversion either (a) in connection with a Next Financing referenced above with a pre-money valuation in excess of $7,000,000, or (b) a Change of Control that values the Company in excess of $7,000,000 million, the Conversion Price shall be adjusted so that the number of shares issued upon conversion shall be equal to the greater of:  (a) the amount obtained by dividing (A) the aggregate Outstanding Amount on the date of such conversion, by (B) the product of (1) the purchase price per share for each Next Financing Security or Change of Control and (2) the Discount Rate, and  (b) the amount obtained by dividing (A) the aggregate Outstanding Amount on the date of such conversion, by (B) the quotient of (1) $7,000,000 divided by (2) the number of Fully-Diluted Shares.  Notwithstanding any other provision herein to the contrary, upon any conversion (other than in connection with a Qualified Financing or Change of Control referenced above), and in the event that the Investors determine to convert the Notes at maturity or in any other event where the Investors desire to convert without a Next Financing, the parties agree that the valuation used for purposes of converting the Notes shall be no greater than a valuation where $[1,000,000] of Notes would convert into [14.28]% of the Company, on a fully-diluted, as converted basis. |
|  |  | For purposes of this provision, the term “***Fully-Diluted Shares***” means the sum of (i) all shares of Common Stock issued and outstanding immediately prior to the closing of the Next Financing or Change of Control, and (ii) the shares of Common Stock issuable upon exercise of all stock options granted but not exercised or reserved for future grant immediately prior to such closing. For purposes of clarity, “***Fully-Diluted Shares***” shall not include (A) shares of Preferred Stock sold and issued in the Next Financing or on the date of conversion to the holders of the Notes, (B) shares of Common Stock issuable upon conversion of such Preferred Stock, and (C) the Notes. |
|  | **Events of Default:** | The occurrence of any one or more of the following events (whether such occurrence shall be voluntary or involuntary or occur or be effected by operation of law or otherwise) shall constitute an “***Event of Default***” hereunder:   * 1. if the Company is in breach of the Note Purchase Agreement or any covenant under the Note;   2. if the Company fails to pay the entire amount of the principal and interest on the Note when due;   3. if any order, judgment, or decree is entered adjudicating the Company bankrupt or insolvent; or   4. if the Company makes an assignment for the benefit of creditors or petitions or applies to any tribunal for the appointment of a trustee or receiver or commences any proceeding under any bankruptcy, reorganization, insolvency, dissolution or liquidation law of any jurisdiction. |
|  | **Representations:** | Both the Company and the Investors shall make customary representations and warranties in the Note Purchase Agreement. |
|  | **Company Covenants:** | From the date of the Note Purchase Agreement until the full and complete repayment or conversion of the Outstanding Amount under the Notes, the Company shall not, without the prior written consent of at least a majority in interest of the Notes:   * 1. declare or issue dividends or distributions on any of the Company’s capital stock;   2. redeem, purchase or otherwise acquire (or pay into or set funds aside for a sinking fund for such purpose) any securities; provided, however, that this restriction shall not apply to (i) the repurchase of units of common stock from employees, officers, directors, consultants or other persons performing services for the Company or any subsidiary pursuant to agreements under which the Company has the option to repurchase such shares at no greater than cost upon the occurrence of certain events, such as the termination of employment, or (ii) the exercise of any right of first refusal;   3. approve or cause the dissolution, voluntary bankruptcy or liquidation of the Company;   4. guarantee the indebtedness or other obligations of any person or entity;   5. settle any material claim, suit, action, case or proceeding filed against the Company;   6. directly or indirectly acquire or own any entity, or make any investment in any entity;   7. make or permit any payment on any debt of the Company, other than in the ordinary course of business or other than trade payables nor amend any provision in any document relating to such debt in a manner adverse to the Investors;   8. enter into or agree to enter into any contract, arrangement or understanding with respect to which the Company borrows funds secured by assets of the Company; or   9. effect a Change in Control if (i) the Investor elects to be paid and (ii) the Investor is not entitled to receive at the closing of a Change of Control full repayment of the Outstanding Amount under his or her Note. |
|  | **Pari Passu:** | The payment of all or any portion of the outstanding principal amount of and all interest on any Note shall be pari passu in right of payment and in all other respects to the other Notes being issued by the Company as described in the Note Purchase Agreement. |
|  | **Governing Law:** | The Notes and the Note Purchase Agreement shall be governed by and construed under the laws of the State of California as applied to agreements among California residents entered into and to be performed entirely within California, without reference to any principles or laws thereof that would result in the application of the law of any other jurisdiction. |
|  | **Amendment and Waiver** | Any term of the Note Purchase Agreement and the Notes (except as otherwise expressly provided in the Notes) may be amended and the observance of any term of the Note Purchase Agreement and the Notes (except as otherwise expressly provided in the Notes) may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the holders of at least a majority in interest of the Notes. Any amendment or waiver effected in accordance with this provision shall be binding upon each holder of Notes at the time outstanding, each future holder of such securities, and the Company. |

[*Signature Page Follows*]

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| If the terms of this memorandum are acceptable, please so indicate by signing below and returning.  Executed as of this \_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_, 2015. | |
| **INVESTOR** | **Company X, INC.** |
|  |  |
|  | By: |
| Name: | Name: |
| Title: | Title: |
| **INVESTOR** |  |
|  |  |
|  |  |
| Name: |  |
| Title: |  |

**Attachment 1**

**Capitalization**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Common Stock** | **Class Percentage** | **Founders’ Preferred Stock** | **Class Percentage** | **Total Outstanding** | **Fully-Diluted Percentage Ownership** |
| Founders | 6,360,000 | 70.667% | 1,000,000 | 100.000% | 7,360,000 | 73.600% |
| Early Founders | 640,000 | 7.111% |  |  | 640,000 | 6.400% |
| Common Stock Reserved for Employee Equity Incentives: |  |  |  |  |  |  |
| [Granted] |  |  |  |  |  |  |
| Reserved for Grant | 2,000,000 | 22.222% |  |  | 2,000,000 | 20.000% |
|  | 9,000,000 | 100.000% | 1,000,000 | 100.00% | 10,000,000 | 100.00% |