**Billibunk Consulting**

**Principal Terms of a Convertible Debt Term Sheet**

**Phil Morrison**

|  |  |
| --- | --- |
| **Amount of Financing:** | $20,000 as part of a $30,000 total raise. |
| **Types of Investment:** | Convertible Debt |
| **Interest:** | 5% compounded annually |
| **Maturity:** | Two years following the issuance of the Note, unless agreed upon by Phil Morrison and Billibunk Consulting. |
| **Payment of Principal and Interest:** | Principal and accrued interest is due and payable in a single installment at Maturity. |
| **Prepayment:** | Allowed before 6 months, afterwards only with the consent of Phil Morrison. |
| **Optional Conversion:** | For principal amount and accrued interest:   1. In a Round A Financing, greater than $2M, 15% discount with no maximum pre-money valuation, or 0% discount with a maximum pre-money valuation of $8M. 2. In a Seed or Angel Round, at or greater than $500K and less than $2M, which occurs at or more than 6 months after issuance of note (assuming stock is issued) then 5% discount. 3. In a Seed or Angel Round, at or greater than $250K and less than $500K, which occurs within 6 months after issuance of note (assuming stock is issued) then Phil Morrison converts equally. 4. If none of the above nor a change in control or ipo has occurred prior to Maturity Date, then with the consent of both parties, the debt may convert to convertible participating preferred stock (with 1X liquidation preference, weighted average antidilution protection) equal to 12% equity in the company, on a fully diluted basis. 5. If none of the above has occurred prior to Maturity Date, but a change in control or ipo is about to occur, then Phil Morrison has option to convert prior to liquidation, to convertible preferred stock (with 1X liquidation preference) or, at his election, common stock, in either event equal to 12% equity in the company, on a fully diluted basis. |
| **Reporting Requirements:** | Quarterly company performance reports during the project period; annual performance reports and annual unaudited financial information for a period of 2 years from repayment or liquidation. |
| **Board Representation:** | One non-voting observer until repayment of note or Round A investors hold a voting seat. |
| **Conditions:** | Successful completion of due diligence including:   1. Retaining a contract CFO |

|  |  |
| --- | --- |
| **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_**  **Charles McBinkerbocker**  **President and CEO**  **Billibunk Consulting LLC** | **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_**  **Phil Morrison** |