COMPANY NAME

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 Company Name, a corporation incorporated under the [provincial laws of Ontario or the federal laws of Canada] (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 the 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 with respect to their ability to purchase the Notes subject to available prospectus exemptions in Ontario (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

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[1] Insert 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 4-12%. Please check with counsel to confirm that the actual interest rate used is high enough to avoid imputed interest income and low enough not to be usury.

$________[4], including conversion of the Notes and any 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[5] (i) ___%[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 shares 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 on or prior to the Maturity Date[8]. If the Notes have not been previously converted pursuant to a Qualified Financing, then, an Investor may elect by giving five days notice (the "Voluntary Conversion Date") to convert their Notes and any accrued but unpaid interest thereon, into shares of the Company's common shares at a conversion price equal to the quotient of $________[9] divided

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

[5] Sometimes Investors are concerned that notwithstanding the 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%. A general rule is 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 20% discount to the purchase price paid by the investors in the Qualified Financing, then you would insert 80% into this blank (not 20%).

[7] See footnote 5.

[8] Some Companies choose to only permit voluntary conversion on the Maturity Date and deal with a potential Sale of the Company during the term of the Notes in a manner that is different from what is outlined in body of the the term sheet. In this example, the Company is permitting Investors to convert at any time prior to the Maturity Date.

[9] 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

(footnote continued on following page)

by the aggregate number of outstanding shares of the Company's common shares as of the Voluntary Conversion 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 planned Voluntary Conversion Date or Maturity Date.

Sale of Company[10]: 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, the Company will give the Investors at least ten days prior written notice of the anticipated closing date of such sale of the Company in order that the Investors may consider and effect a Voluntary Conversion of their Notes into equity of the Company in advance of the sale transaction.

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

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(footnote continued from previous page)

of the bridge financing, the Company anticipates closing a Qualified Financing that would value the Company at $3,000,000, then the value range we would expect to see inserted here would typically be between $1,500,000 and $2,700,000. As with the conversion discount described in footnote 6, as a general rule, the shorter the term of the Notes and the less risky the investment, the lower the expected discount.

[10] If the Company is sold prior to the Maturity Date, the Investors will at a minimum 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 than to earn a nominal interest rate of return on their Notes in the sale. This optional paragraph gives the Investors the ability to get equity-like "upside" in a sale of the Company by allowing them to voluntarily convert into equity at a pre-determined valuation amount just prior to the closing the sale of the Company. Alternatively, some Investors may request that the Company repay a multiple of the principal and interest actually outstanding under the notes at the time of the sale. The alternate wording for this scenario is: 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 _____ times the aggregate amount of principal and interest then outstanding under such Note in full satisfaction of the Company's obligations under such Note. When this provision is employed, we typically see a range of multipliers from 1.5X – 3X. As a point of reference, not all investors insist on this optional language, so we would not necessarily recommend offering it up unless specifically requested.

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.

If the foregoing is acceptable, please indicate your acceptance by executing the duplicate copy of this Term Sheet in the space below and returning a copy to the Company.

Per:______________________________

Investor Name

Agreed to and accepted this ___day of ____, 2013

COMPANY NAME

Per: ____________________________