



Insert Company Name

Principal Terms of a Convertible Debt Term Sheet

Excell Partners Inc.

Amount of Financing: \$____ out of \$_____

Types of Investment: Convertible Debt

Interest: **12.0%** compounded annually

Maturity: ____ **months** following the issuance of the Note, provided however, Excell Partners reserves the right to extend the Maturity Date to a date no later than 36 months after the issuance of the Note without the Company's consent.

Payment of Principal and Interest: Principal and accrued interest is due and payable in a single installment at Maturity.

Prepayment: None, without the consent of Excell Partners

Optional Conversion: For principal amount and accrued interest, at Excell's option - all conversions will include an optional stock buy-back after 2 years at 2X:

If a Follow-on raise occurs, Excell can convert:

- i) In a Single Round of A Financing, greater than \$____, at a __% discount to the round
- ii) In a Single Seed or Angel Round, at or greater than \$__, which occurs at or more than 6 months after issuance of note (assuming stock is issued) at a __% discount to the round
- iii) In a Seed or Angel Round, at or greater than \$____, which occurs within 6 months after issuance of note (assuming stock is issued) then Excell converts at a __% discount to the round

If an Exit occurs, Excell can convert:

- iv) If prior to Maturity Date a change in control or IPO is about to occur, then Excell has option to convert prior to liquidation, to convertible participating preferred stock with 1X liquidation preference or, at its election, common stock, in either event equal to __% equity in the Company, on a fully diluted basis.

If no Follow-on or Exit occurs, Excell can:



- v) Exercise its note
- vi) Convert to convertible participating preferred stock (with 2X liquidation preferences, a 2 year 2.5X stock buy-back option, and weighted average anti-dilution protection) based on a Company valuation equal to _____ at the time of conversion, on a fully diluted basis.

NY Presence:

Company must maintain a significant presence in New York State for a period of three (3) years after the date of issuance of the Note. If the Company leaves New York State within first year (other than because of an acquisition), the Transfer Fee shall be equal to 50% of the Funding Amount. The Transfer Fee shall decline by 25% each year, calculated on a pro rata basis each month.

Reporting Requirements:

- Quarterly company performance reports during the project period; annual performance reports and annual unaudited financial information for a period of 3 years from repayment or liquidation
- Completion of Excell's periodic surveys, typically conducted annually

Board Representation:

One non-voting observer until repayment of note or Liquidation Event occurs

Expenses

The Company will pay Excell for the costs associated with the legal fees and expenses related to the due diligence, negotiations and closing of this investment 1% of the investment amount, not to exceed \$2,500.

Conditions:

Successful completion of due diligence including:

- Project Plan
- Status of Patents and License Agreements
- List of Co-investors and Additional Sources of Financing
- At Least Two Contacts for Technology/Opportunity Validation
- A list of material litigation, administrative or arbitration proceedings, investigations, claims or disputes involving the company, its officers or founders.
- Copy of open purchase orders and customer contracts

Expiration:

This offer will expire on _____