**[INSERT ISSUER NAME]**

**financing tERM SHEET**

This term sheet (the “**Term** **Sheet**”) summarizes the principal terms of a proposed investment (the “**Financing**”) in [**INSERT NAME OF ISSUER]** (the “**Issuer**”).

This Term Sheet is for discussion purposes only and, except for the terms in the section entitled “Confidentiality”, is not intended to be binding or to create or evidence a binding obligation or agreement, nor is it intended to represent an “offering memorandum” for purposes of applicable securities legislation.

All dollar amounts ($) referred to herein are in Canadian dollars unless otherwise indicated.

**Issuer: ⚫**

**Investors:** Investors must beeligible toinvest in the Issuer under applicable securities laws, including family members, close personal friends and business associates, and “accredited investor”, as such term is defined in National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators (the “**Investors**”).

**Use of Proceeds: [INSERT DESCRIPTION OF USE TO WHICH PROCEEDS OF FINANCING WILL BE PUT: “The Financing will support the continued development and commercialization and marketing of the** **Issuer and for general working capital purposes.]**

**Securities:** **[INSERT TYPE OF SECURITIES TO BE OFFERED: *Convertible Debentures/Class A Preferred Shares*]** (the “**Offered Securities**”).

**Amount of the Financing:** Up to $**[⚫]** CDN.

**Number of Securities:** Up to **⚫** Offered Securities at $**⚫** per security.

**Valuation:** Pricing is based on a $**[⚫]** CDNpre-money valuation of the Issuer. The fully-diluted, pre-financing capitalization of the Issuer, inclusive of all options, warrants and convertible securities, is set out in the attached Exhibit “A”.

**Target Closing:** On or prior to **⚫**, or as otherwise agreed to by the Issuer (the “**Closing** **Date**”). Based on the expressions of interests from several investors, the Issuer proposes to complete the Financing on a rolling closing basis until the target amount is achieved.

**Rights of First Offer:** **[Each Investor who purchases Offered Securities will have a right of first offer, subject to certain limitations, to purchase its pro rata portion of any new equity securities offered by the Issuer, subject to standard exclusions. The right of first offer will terminate immediately prior to the earlier to occur of: (i) the Issuer’s initial public offering; (ii) a change of control. The right expires for any Investor who does not exercise this right at each opportunity.]**

**Shareholders Agreement:** As a condition precedent to the proposed transaction, the Issuer and the Investors shall enter into a shareholder agreement (the “**Shareholder Agreement**”) which shall contain customary provisions for transactions of this nature, including board composition, such restrictive covenants which shall require special approval of the shareholders, pre-emptive rights and rights of first refusal on the transfer of shares.

**Confidentiality:** The Investors, and the Issuer on its own behalf and on behalf of its representatives, employees and agents, agree to keep confidential the contents of this Term Sheet and the discussions and negotiations related thereto unless otherwise agreed by the parties, subject to the right of each Investor to disclose such information to their directors, officers and employees, as well as their external legal and financial advisors.

**Subscriptions:** The Financing shall be made pursuant to subscription agreements containing customary terms and conditions. Subscriptions may be accepted by the Issuer up to the Closing Date, and with allocations as determined by the Issuer in its discretion.

**Fees & Expenses: [The Investors and the Issuer will each cover their own costs and expenses associated with the Financing.]**

**Closing Conditions**: Closing of the Financing shall be subject to the following conditions: (i) each of the Investors shall have completed and executed a subscription agreement in form and substance acceptable to the Issuer and the Investors; (ii) completion of such due diligence as may be required by the Investors; (iii) no material adverse change in the Issuer’s business prospects shall have occurred between the signing of the Term Sheet and the Closing; and (iv) execution of the Shareholders’ Agreement, as set forth above.

|  |  |
| --- | --- |
| **Governing Law** | This Term Sheet and all documentation contemplated herein shall be governed by the law of the Province of [**⚫]** and the federal laws of Canada applicable therein. The parties hereto shall attorn to the exclusive jurisdiction of the [**⚫]** courts. |

**Counterparts:** The undersigned acknowledge and agree that this Term Sheet may be executed in counterparts and by facsimile transmission or electronic delivery in portable document format (“.pdf”) or tagged image file format (“.tif”), each of which shall be equally effective as delivery of a manually executed counterpart hereof, but all of which together shall constitute one and the same instrument.

**Non-Binding Term Sheet:** Except for the terms and provisions of this section and the section entitled “Confidentiality” above, this Term Sheet  is not an enforceable agreement between the Issuer and the Investors, but is merely a statement of intent to proceed and no contract will arise as to the subject matter hereof unless and until final legal documentation is negotiated, approved, executed and delivered by the parties.

{**Remainder of this page was intentionally left blank, signatures on following page**}

**[SIGNATURE PAGE OF TERM SHEET]**

If the foregoing is acceptable, please indicate your acceptance by executing the duplicate copy of this Term Sheet in the space provided below to confirm your interest and by then scanning and returning and electronic version of it to the undersigned at **[\*]**.

|  |
| --- |
| **[INSERT NAME OF ISSUER]** |
| Per: |  |
|  | **[\*]** |
|  | I have authority to bind the Issuer. |
|  |  |

**Agreed to and accepted this \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_ 20\*\*.**

Full Name of Investor (Please Print):

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Contact Information For Investor:

Telephone:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Email:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

EXHIBIT A
PRE FINANCINNG CAPITALIZATION TABLE

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Shareholder Name** | **Number of Common Shares[[1]](#footnote-1)** | **Options** | **Preferred Shares** | **Fully Diluted Shares** | **Pro-forma Fully Diluted Ownership %** |
| Name Founder 1 | - | - | - | - | - |
| Name Founder 2 | - | - | - | - | - |
| **Subtotal –****Current Holdings** | - | - | - | - | - |
| Investors[[2]](#footnote-2) | - | - | - | - | - |
| [**Option pool**]  | - | - | - | - | - |
| **Total – Proforma****Holdings** | - | - | - | - | - |

1. Enter names and number of common shares already issued to founders and any other shareholders [↑](#footnote-ref-1)
2. Equal to the estimated amount of investment for all Preferred Investors divided by the agreed price per share. [↑](#footnote-ref-2)