

UConn INNOVATION FUND, LLC

Summary of Investment Terms

UConn Innovation Fund

This Term Sheet summarizes the principal terms of investment. No legally binding obligations will be created until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest and is conditioned on the completion of due diligence, legal review, and documentation that is satisfactory to UConn Innovation Fund.

Issuer: XXX, xxx. (the “**Company**”)

Principal Amount: Up to \$100,000 (the “**Loan Amount**”) from the UConn Innovation Fund (“**UIF**” or the “**Fund**”) to be disbursed per Attachment A.

Form of Investment: Un-secured Convertible Promissory Notes (the “**Notes**”).

Final Maturity: Unless earlier converted, redeemed or accelerated as provided below, the Notes will be payable on demand of UIF at any time on or after the date that is twenty four (24) months after the initial closing of this transaction (the “**Closing**”). Prepayment will require UIF’s approval except in the cases of prepayment upon conversion, the sale of the Company, required redemption or acceleration of the Notes.

Use of Proceeds: Proceeds from the Notes shall be used for development of products, hiring staff, and working capital but in no event to repay any indebtedness, other than payables in the ordinary course of business. Part of the investment closing process, the Company will submit for UIF’s approval a Use of Proceeds Schedule outlining expenses by category. The investment amount will be released in two equal tranches at UIF’s discretion, based on an agreed milestone schedule.

Interest Rate: Eight percent (**8%**) per annum compounded annually. Interest will accrue and be payable when the principal is repaid. Interest will be calculated on the basis of a year of 365 days and actual days elapsed.

Optional Conversion of Notes: In the event there occurs an equity financing, all of the principal amount of and any accrued interest on the Notes may convert, at the sole option of UIF, into shares of the equity security issued by the Company in such financing transaction, at a price equal to the product of (x) the lowest price per share of such equity security paid by the investors at the closing of such financing and (y) the seventy-five percent (75%). The securities issued upon conversion of the

Notes shall have rights and preferences no less favorable in the aggregate than those of the securities granted to any other investors in the financing.

At or after such time as the Company has raised an aggregate of \$100,000 exclusive of the Notes, UIF shall also have the option, exercised at its sole discretion, to convert all Notes on the same basis upon the closing of any debt financing of the Company in which the Company issues convertible debt.

**Sale of
the Company:**

Upon a Sale of the Company (as defined below), UIF shall be paid in full satisfaction of the Notes two (2) times the outstanding principal balance and accrued and unpaid interest on all Notes if not previously paid or converted as described herein.

A “**Sale of the Company**” shall mean:

- Acquisition of more than 50% voting or equity interest in the Company (through merger, sale of stock or otherwise) by any third party or parties, other than in an other bona fide, arms’ length equity financing, or
- Disposition of substantially all of the assets or business of the Company or any major part of its assets or business (whether by sale, exclusive license (other than as part of a bona fide, arms’ length discovery, development and/or commercialization agreement) or otherwise) to a third party.

Default Rate:

In the event of default, so long as such default continues uncured, interest shall accrue at an annual rate of fifteen percent (**15%**). Customary events of default under the Notes include, without limitation:

- Default in payment of the principal and interest when due. Subject to ten (10) business days cure after written notice by Required Holders.
- The execution of the Company of a general assignment for the benefit of creditors.
- The filing by or against the Company of any petition in bankruptcy which petition is not discharged within a period of sixty (60) days or more.
- The appointment of a receiver or trustee to take possession of all or substantially all of the property and assets of the Company.
- Breach by the Company of its material representation, warranties or covenants set forth in any definitive agreement executed and delivered by the parties.
- Other typical breaches for indebtedness.

Board of Directors;

Observation Rights: As long as UIF has any promissory notes (including the Notes), capital stock, or warrants of the Company, (a) a Board of Directors (or an equivalent managing body) shall be established and (b) UIF will be entitled to have a non-voting observer attend meetings of such Board of Directors.

Protective**Provisions:**

For so long as one or more of the Notes are outstanding, UIF consent shall be required for the following:

- Loans exceeding \$50,000 individually or in the aggregate,

Amendments/**Waivers:**

Any amendments to or waivers under the Notes or any other transaction documents may be made by written agreement of the Company and UIF.

Connecticut**Presence Benefit:**

As long as UIF has any promissory notes (including the Notes), capital stock, or warrants of the Company, the Company shall maintain a Connecticut Presence. “**Connecticut Presence**” shall mean (a) maintaining the Company’s principal place of business in the State of Connecticut, (b) basing a majority of its non-sales employees and those of its subsidiaries in the State of Connecticut. Collectively, (a) and (b) define a “Connecticut Presence.”

Information**Rights:**

Quarterly Financial Statements: Within 45 days after the end of each quarter, the Company will provide UIF with balance sheets, cash flow, and income statements.

Budgets: At least 30 days prior to fiscal year-end, the Company will provide UIF with a Board approved budget for the then-upcoming fiscal year.

Annual Audit: The Company will provide UIF with audited financials if and when such are available.

**Representations,
And Covenants:**

Usual and customary representations, warranties, and covenants regarding maintenance of corporate existence, payment of taxes, mergers, disposition and acquisition of assets, maintenance of appropriate insurance, etc.

Participation**Rights:**

UIF shall have the transferrable right to invest in 6% of the additional debt or equity securities proposed to be sold by the Company, other than (i) shares reserved for issuance under the Company’s incentive compensation or stock option plans, or (ii)

shares of stock of the Company issued, pursuant to the approval of a majority of the members of the Board, in acquisitions or joint ventures, or to consultants, vendors, lenders, equipment lessors, independent members of the Board, or customers.

Legal Fees and Expenses

Fixed fee for counsel and other transaction related services to the UIF of \$2,500 will be borne by the Company.

Documentation:

All documentation prepared in connection with the transaction shall be satisfactory in form and substance to UIF and its counsel. The terms hereof shall not bind any party until definitive documents have been executed and delivered.

Other:

This financing is subject to UIF and the Company entering into mutually acceptable definitive documents.

Expiration:

This Term Sheet expires on _____, 20__ if not accepted by the Company by that date.

EXECUTED

UConn INNOVATION FUND, LLC

By: _____
Name:
Title:

AGREED AND ACCEPTED BY:

[COMPANY]

By: _____
Name: _____
Title: _____
Date: _____

Attachment A

Loan Disbursement

Tranche	Milestone	Advance
First	Signature and delivery of Note and other definitive documents and closing deliverables.	50% of Loan Amount
Second	Upon _____, and provided that an Event of Default under the Note has occurred and is continuing	50% of Loan Amount