

**TERMS FOR  
PREFERRED SHARE FINANCING OF**  
[Name of Company]  
(the “Company”)  
[\_\_\_\_], 2015

The following is a summary of the principal terms of the proposed preferred share financing of the Company. Except for the section entitled “Binding Terms,” this summary of terms does not constitute a legally binding obligation. Any other legally binding obligations will only be made pursuant to definitive agreements to be negotiated and executed by the parties. This summary of terms expires on [\_\_\_\_], 2015 if not accepted by the Company before that date. All currency references are to Canadian dollars.

Securities to be Issued: Preferred Shares of the Company (the “**Preferred Shares**”)

Total Amount of Offering: \$[\_\_\_\_\_]

Investors: The following investors, all of whom are “accredited investors” under National Instrument 45-106 (the “**Investors**”):

| <u>Investor Name</u> | <u>Subscription Amount</u> |
|----------------------|----------------------------|
| [____]               | \$[____]                   |

Price Per Share: Price per share of \$[\_\_\_\_] (the “**Original Issue Price**”), representing a post-money valuation of \$[\_\_\_\_].

Capitalization: Attached as Exhibit “A” is a capitalization table showing the Company’s capital structure following the investment.

Dividends: The holders of the Preferred Shares will be entitled to participate *pro rata* in any dividends paid on the common shares of the Company (the “**Common Shares**”) on an as-converted basis. Dividends are payable only if, as and when declared by the Board of Directors.

Liquidation Preference: On any liquidation or winding up of the Company, the holders of Preferred Shares will receive in preference to the holders of the Common Shares a per share amount equal to the greater of: (i) the Original Issue Price plus any declared but unpaid dividends, or (ii) the amount such holder would have received had the Preferred Shares been converted into Common Shares immediately prior to the liquidation or winding up (the “**Liquidation Preference**”). After the payment of the Liquidation Preference to the holders of the Preferred Shares, the remaining assets of the Company shall be distributed to the holders of the Common Shares on a *pro rata* basis. A consolidation, amalgamation, plan of arrangement, merger, acquisition, sale of voting control or sale of all or substantially all of the assets of the Company in which the shareholders of the Company do not own a majority of the outstanding shares of the surviving corporation will be deemed to be a liquidation or winding up for purposes of the Liquidation Preference.

Conversion: Each Preferred Share will be convertible into one Common Share (subject to proportional adjustments for share splits, share dividends and the like) at any time at the option of the holder.

Voting Rights: The Preferred Shares will vote together with the Common Shares on all matters on an as-converted basis and separately as set out below and as required by law. Approval of holders of a majority of the Preferred Shares required to (i) amend the articles or by-laws of the Company, (ii) adversely change rights of the Preferred Shares; (iii) authorize a new class or series of equity securities having rights senior to or on parity with the Preferred Shares; (iv) redeem or repurchase any shares; (v) declare or pay any dividend; (vi) change the number of directors; or (vii) liquidate or wind up, including any change of control.

Financial Information: The Investors will receive standard information and inspection rights, including to quarterly and annual financial statements within a reasonable timeframe.

Pre-emptive Rights: The Investors will have the *pro rata* right to subscribe for any future issuances of equity securities of the Company, with standard exceptions.

Tag-Along Rights: Investors will have co-sale/tag-along rights with respect to sales of shares by a majority of the founders of the Company (the “**Founders**”). These rights will not apply to transfers within the Founder group or transfers to permitted transferees.

Board of Directors: Two directors will be elected by holders of a majority of Common Shares and one director will be elected by holders of a majority of Preferred Shares.

Future Rights: The Preferred Shares will be given the benefit of any additional rights provided by the Company to holders of the next class or series of Preferred Shares to be issued by the Company, including registration rights, dividend preferences, anti-dilution protection, and rights of first refusal.

Founder Matters Each founder will have four years vesting beginning [\_\_\_\_\_]. Each Founder will have assigned all relevant IP to the Company prior to closing.

Representations and Warranties: The subscription agreement with contain customary representations and warranties of the Company, including in respect of corporate organization, capitalization, authorization, valid issuance of shares, litigation, intellectual property, compliance with laws and other instruments, material contracts, and liabilities.

Conditions to Closing: Closing will be subject to customary closing conditions, including satisfactory completion of due diligence, finalization of definitive documentation and receipt of all required approvals.

Binding Terms: For a period of thirty days from the date of this term sheet, the Company agrees not to solicit offers from other parties for any financing. Without the consent of the Investors, the Company will not disclose these terms to anyone other than officers, directors, key service providers, and other potential investors in this financing.

COMPANY:

INVESTORS:

\_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

\_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Date: \_\_\_\_\_

**EXHIBIT "A"**  
**POST-CLOSING**  
**CAPITALIZATION TABLE**

|                   | Number of Shares | Fully-diluted Ownership<br>Percentage | Class     |
|-------------------|------------------|---------------------------------------|-----------|
| Founders          |                  |                                       | Common    |
| Stock Option Plan |                  |                                       | Common    |
| Investors         |                  |                                       | Preferred |
| [Other]           |                  |                                       | [ ]       |
|                   |                  | 100%                                  |           |