

[**Guaranty:** The Issuer's obligations will be fully and unconditionally guaranteed [on a joint and several basis] by [the founders / subsidiaries / parent corp / other guarantor].]

Mandatory Conversion: The outstanding principal and interest on the Note will convert automatically into shares of the Issuer's [COMMON OR PREFERRED STOCK] upon any of the following events:

- The Issuer accepts a third-party cash investment [in an aggregate amount of at least \$[MINIMUM 3RD PARTY INVESTMENT] in the Issuer in exchange for shares of its stock, in which case the Purchaser will receive equity of the same type and on substantially the same terms and conditions as the third-party investor or syndicate; or
- The issuer achieves annual [revenue, earnings, or other defined milestone] [calculated in accordance with GAAP / IFRS] of at least \$[MINIMUM ACHIEVEMENT], in which case the Purchaser will receive shares of the Issuer's common stock; or
- [The Issuer agrees to a change-of-control or sale of substantially all the Issuer's business and assets to a third party.]

[**Redemption:** If the Issuer agrees to a change-of-control or sale of substantially all the Issuer's business and assets to a third party, the Issuer must redeem the Note in cash [or liquid securities] at [% OF OUTSTANDING PRINCIPAL AND INTEREST]% of the outstanding principal and interest on the Note.]

Conversion Price: Upon conversion due to a third-party investment [or change-of-control], the Purchaser will receive new equity in an amount that values the Issuer's total outstanding equity pre-money at the [minimum] [weighted average] valuation offered in that round, minus [(i) __% [if the conversion occurs on or before [CONVERSION DATE (I)], (ii) __% if the conversion occurs on or before [CONVERSION DATE (II)], or (iii) __% if the conversion occurs on or before [CONVERSION DATE (III)]] (the "Discount"), and in any case not to exceed an implied pre-money valuation of \$[CAP] (the "Cap").

Upon conversion due to the Issuer's achieving a performance milestone, the Purchaser will receive new equity [in an amount that values the Issuer's total outstanding equity pre-money at \$[NEW OUTSTANDING EQUITY VALUATION] [at fair market value based on [a defined formula]] as determined by a mutually acceptable valuation agent, subject to the Discount and Cap].

Board Seat / Info Rights: The Issuer's Board of Directors will consist of [# MEMBERS] members. The Purchaser may appoint [# PURCHASER CAN APPOINT] member[s] to the Issuer's Board of Directors to represent the Purchaser's interests while the Note remains outstanding. [The Issuer will appoint [an] independent member[s] to [one] of the remaining directorships.] [Upon closing, the initial members will be [the CEO, the Purchaser representative, etc.]]