

**CONVERTIBLE DEBT INVESTMENT IN COMPANY NAME
(THE “COMPANY”)
BY**

MUSKOKA COMMUNITY FUTURES DEVELOPMENT CORPORATION
 (“MUSKOKA FUTURES”)

October 1, 2021

This Term Sheet is for discussion purposes only and except for the terms in paragraphs entitled “Exclusivity”, “Confidentiality”, “Expenses” and “Governing Law”, shall not constitute a binding agreement or otherwise be deemed to be binding.

Investor: MUSKOKA FUTURES (“Investor”). The Investor will appoint a single person to lead the Investment discussions with the Company, being Muskoka Futures Executive Director (the “Representative”). The Representative shall finalize the terms of the Investment, as described herein.

Issuer: COMPANY NAME a corporation incorporated and governed pursuant to the laws of Canada / Ontario.

Investment Amount: An investment amount of \$250,000 (the “Investment”).

Objective: The Investor’s objective is for the investment to have tangible economic benefit to the District of Muskoka and will positively impact the Issuer. Therefore, the Issuer must establish ongoing operations within the District of Muskoka sufficient to have an impact satisfactory to the Investor.

The Issuer must demonstrate commitment (e.g. signed lease) to establish operations in the District of Muskoka satisfactory to the Investor prior to the advancing of funds. The Issuer will also demonstrate the founder will locate in the District of Muskoka.

Closing Date: The closing of the Investment described in this Term Sheet is targeted to close on or before April 30, 2022, or such other date as otherwise agreed in writing by the Company and the Investor (the “Closing Date”). If agreed to by the Issuer and the Investor, the Company may complete the Investment described in this Term Sheet in one or more closings (each, a “Closing”) on a rolling basis, provided that, such additional Closings occur on or prior to December 31, 2022.

Securities: Convertible Debenture (“Debenture”).

Use of Proceeds: The Company will use the proceeds of the Investment for general working capital purposes and to establish the business in Muskoka.

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DEBENTURE / DEAL TERMS

Ranking: The Debenture will be fully secured by a charge on the Company's intellectual property and tangible assets and will be subordinate only to the current and/or any future operating bank line of credit and any other permitted encumbrances approved by the Investor.

Interest: The Debenture will bear interest at the rate of 0.00% per annum.

Optional Conversion: In the event of an Acquisition (as defined below) on or before the Repayment Date, the Investor shall have the optional right to convert the Debenture, in whole or in part, into common shares in the capital of the Company (the "Common Shares") at a conversion price equal to the lower of: (i) a 20% discount to the lowest price per Common Share being paid by the acquirer in connection with an Acquisition; and (ii) the price per Common Share obtained by dividing a valuation cap of \$2,000,000 (the "Valuation Cap") by the number of shares of the Company outstanding immediately before such Acquisition (calculated on a fully diluted, as-converted basis). The Debentures shall also be convertible at the option of the Investor on the Repayment Date as further outlined below. An "Acquisition" includes (i) any liquidation, dissolution or winding up of the Company (whether voluntary or involuntary), (ii) any sale, exclusive license or other disposition of all or substantially all of the Company's assets, or (iii) any amalgamation, arrangement, merger, consolidation or other transaction in which the holders of the Company's voting securities prior to such transaction will hold less than 50% of the combined voting power of the surviving entity.

Automatic Conversion: Each Debenture shall automatically convert, in full, without any action on the part of the Investor, into the same class of securities as is issued upon completion of a Significant Financing (as defined below) (the "Financing Securities") at a conversion price equal to the lower of: (i) a 20% discount to the lowest price per Financing Security issued in such Significant Financing or payable by an investor in connection with such Significant Financing; and (ii) the price per Financing Security issued in such Significant Financing obtained by dividing the Valuation Cap by the number of shares of the Company outstanding immediately before such Significant Financing (calculated on a fully diluted, as-converted basis). A "Significant Financing" means an offering of securities completed after the Closing Date, in one or more closings and whether by issuance of debt or equity, which offering raises aggregate gross proceeds for the Company of not less than CDN\$1,000,000 (which proceeds, for greater certainty, shall exclude the amount of the Debentures issued to the Investor pursuant to the transactions contemplated by this Term Sheet).

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Repayment Date: If the Debenture is not previously converted, it will be repayable in full thirty-six (36) months from the Closing Date (the "Repayment Date"). Notwithstanding any other terms hereof, the Investor shall have the optional right to convert the Debenture on the Repayment Date into Common Shares at a conversion price per share equal to a 20% discount to fair market value of the Common Shares as of the Repayment Date as determined by the board of directors of the Company (the "Board"), and agreed upon by the Investor, in each case acting reasonably. If the Company and the Investor cannot agree on the fair market value of the Common Shares, then an independent valuator shall be retained by the Company to determine such valuation in accordance with valuation principles mutually acceptable to the Company and the Investor.

Prepayment: The Corporation does not have the right to prepay any indebtedness without the prior written consent of the Investor.

Stock Option Plan: Prior to the initial Closing Date, the Company shall adopt a Stock Option Plan and reserve for issuance upon the exercise of granted options thereunder Common Shares representing 10% of the fully diluted capitalization of the Company.

Protective Provisions: The Holder Majority must approve:

- the creation or granting of any senior or pari passu security;
- any payment of dividends, any distribution on any class of shares, or any redemption of shares;
- any alteration or amendment to the authorized or issued capital of the Company including any amendment of the articles of the Company or any changes to the stock option plan or number of options that may be granted;
- any material change in the employment of key employees;
- any material change in the business of the Company;
- any non-arm's length transaction;
- any transaction outside the ordinary course of business, including: (i) any loans, investments or guarantees other than credit to customers, (ii) establishing or acquiring any new business undertaking, (iii) any sale of the Company, (iv) any transfer, sale or disposal of technology or intellectual property of the Company, (v) any partnership or joint venture (other than joint business arrangements with arm's length third parties in the ordinary course of business) and (vi) the liquidation, dissolution or winding up of the Company;
- any unbudgeted expense in excess of \$25,000; and
- Should an opportunity for the Issuer to operate outside of the District of Muskoka arise at any time after Closing, the Issuer will not relocate without the written permission of the Investor. The Investor will not withhold permission if relocation is deemed, in the Investor's sole discretion, to be in the best interests of the Issuer.

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- Relocation outside of the District of Muskoka will require written permission from Muskoka Futures and may require the Company to repay the Investor in full. In such circumstances the Investor and Issuer agree to negotiate repayment terms. If the Company and the Investor cannot agree on the fair market value of the Common Shares at that time, then an independent valuator shall be retained by the Company to determine such valuation in accordance with valuation principles mutually acceptable to the Company and the Investor.
- other provisions which are typical of a transaction of this nature.

Representations and Warranties: Standard representations and warranties by the Company and the Investor.

Pre-emptive Rights: The Investor shall have a pre-emptive right to purchase up to its pro rata share of any equity securities, or securities convertible or exercisable for equity securities, offered by the Company at the same price and on the same terms as the Company offers such securities to other potential investors, subject to typical excluded issuances, such as in respect of options granted pursuant to any stock option plan of the Company.

Information Rights: The Company shall provide to the Investor (i) annual financial statements prepared accurately and timely by a qualified accountant or CFO within 90 days of fiscal year end, (ii) quarterly management reports and quarterly financial statements compared with budget within 30 days of quarter end, (iii) an annual budget, as approved by the Board, and operating plan at least 30 days before the start of each fiscal year; and (iv) any other financial information, reports and updates as the Investors may reasonable request from time to time.

Board Composition: The Investor retains the right to appoint one director to the Board.

Observer Rights: The Investor retains the right to be an observer, to attend all Board meetings in a non-voting capacity, and be provided with all notifications, information and minutes relating thereto as is provided to each director in the same form and in the same manner.

GENERAL TERMS

Closing Conditions: The Investor shall only proceed with the transactions contemplated in this Term Sheet subject to the following conditions precedent being met to the Investor's satisfaction:

- Satisfactory completion of financial, technical, commercial, operational and legal due diligence by the Investor, including a review of the Company's articles, by-laws and shareholders' agreement. The Investor reserves the right to engage a third-party provider to complete due diligence on its behalf.

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- The approval of the Company's shareholders and Board, as required by law or by the Company's current shareholder agreement or otherwise, including, without limitation, the waiver of any pre-emptive rights;
- Execution and/or delivery of the following documents and agreements:
 - Subscription Agreement;
 - Debenture;
 - Intercreditor Agreement;
 - Share capitalization table on a fully diluted basis, as of and including all investments up to and including the Closing Date;
 - Certificate of status/compliance for the Company;
 - Employment agreements, non-disclosure agreements and intellectual property assignments;
 - Key Person Insurance on Founder(s)
 - Officer's certificate attaching the Company's articles, by-laws, authorizing Board and shareholder resolutions; and
 - No material adverse change in the Company.

Publicity: After the Closing Date, the Investor and the Company shall be permitted reasonable publicity with regards to this transaction. No public disclosure shall be made without the prior approval of the other party, which approval shall not be unreasonably withheld.

Exclusivity: The Company and its representatives agree that until the earliest of (a) the Closing Date, (b) the formal termination of negotiation by both the Investor and the Company, and (c) 120 days, it will not initiate, solicit, encourage, discuss, negotiate, or accept any offers regarding (i) the sale of equity securities or any securities convertible into equity in the Company, or (ii) an Acquisition, without prior approval of the Investor.

Confidentiality: The Company agrees to keep the existence of and the terms and conditions of this Term Sheet strictly confidential, except as it may be disclosed to bona fide potential investors.

Expenses: The reasonable legal fees (including disbursements and taxes) of the Investor shall be paid by the Company at Closing.

Governing Law: The binding provisions of this Term Sheet shall be governed by the laws of the Province of Ontario and the federal laws applicable therein.

Binding Provisions: Notwithstanding anything to the contrary in this Term Sheet, the foregoing provisions relating to Exclusivity, Confidentiality, Expenses and Governing Law shall be binding on the parties hereto and shall survive any termination of this Term Sheet. Other than the foregoing, this Term Sheet does not constitute a binding or enforceable agreement, express or implied, or an offer, which could become binding if accepted.