

THE SECURITIES REPRESENTED HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “1933 ACT”), OR THE SECURITIES LAWS OF ANY STATE, AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED OR HYPOTHECATED UNLESS PURSUANT TO SEC RULE 144 OR UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE 1933 ACT AND THE SECURITIES LAWS OF ANY STATE COVERING SUCH SECURITIES OR THE COMPANY RECEIVES AN OPINION OF COUNSEL FOR THE HOLDER OF THE SECURITIES REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH SALE, TRANSFER, ASSIGNMENT OR HYPOTHECATION IS EXEMPT FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS.

THE TRANSFER OF THIS NOTE AND THE SHARES ISSUABLE UPON CONVERSION HEREOF ARE SUBJECT TO THE PROVISIONS OF THIS NOTE AND THE RELATED NOTE PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THIS NOTE, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE ISSUER. SUCH PROVISIONS ARE BINDING UPON ANY TRANSFEREES.

HYPERSCIENCES, INC.

CONVERTIBLE PROMISSORY NOTE

Principal: \$ _____ (USD)

Date of Note: _____
Spokane, Washington

HYPERSCIENCES, INC., a Washington corporation (the “**Company**”), promises to pay to the undersigned holder or its permitted assigns (the “**Holder**”), or order, in lawful money of the United States of America, the outstanding Principal together with accrued and unpaid interest thereon as set forth below.

This Convertible Promissory Note (this “**Note**”) is issued pursuant to a related Note Purchase Agreement between the Company and the Holder (the “**Note Purchase Agreement**”). “**Notes**” means all outstanding convertible promissory notes issued by the Company pursuant to the Note Purchase Agreement.

1. TERMS.

1.1 Payments. All payments of principal and interest shall be in lawful money of the United States of America and all payments shall be applied first to accrued and unpaid interest and thereafter to principal.

1.2 Maturity. Unless earlier converted pursuant to Section 2, the outstanding Principal balance of this Note, together with accrued and unpaid interest thereon (the “**Total Note Balance**”) shall be due and payable on the twenty-four (24) month anniversary of the date of this Note (the “**Maturity Date**”).

1.3 Interest Rate. The outstanding Principal amount of this Note shall bear simple interest at the rate of ten percent (10%) per annum until paid in full. Interest shall be calculated on the basis of a 365-day year for the actual number of days elapsed and shall be due and payable on the Maturity Date.

2. CONVERSION.

2.1 **Automatic Conversion.** A “**Conversion Event**” means a “**Qualified Financing**”; “**IPO**”; “**Sale of the Company**”; or “**Non-Qualified Conversion**” as defined below:

2.1.1 **Qualified Financing.** In the event the Company issues and sells shares of its capital stock to one or more investors in a Qualified Financing (as defined below) prior to payment in full of the Total Note Balance, then upon the Closing (as defined below) of the Qualified Financing the Total Note Balance shall automatically convert in whole, without any further action on the part of the Holder or the Company, into the same class and series of capital stock of the Company as the capital stock being issued to the investors in the Qualified Financing at a price per share equal to the lesser of (i) seventy-five percent (75%) of the lowest per-share price paid by the other purchasers of stock in the Qualified Financing; or (ii) the price equal to the quotient of One Hundred and Fifty Million Dollars (\$150,000,000) (the “**Valuation Cap**”) divided by the Fully Diluted Shares (as defined below). Such conversion shall otherwise be on and subject to the same terms and conditions as the investors in the Qualified Financing (except for such differences as may be applicable to the lead investor(s) in the Qualified Financing); provided, however, that the Company may elect to issue capital stock to the Holder that is identical to the capital stock issued to the investors in the Qualified Financing except that the capital stock issued to the Holder shall have an “original issue price” equal to the price per share price applicable to the issuance of capital stock to the Holder. “**Qualified Financing**” means an equity financing of the Company in one transaction or a series of related transactions resulting in gross proceeds to the Company of at least Five Million Dollars (\$5,000,000.00) in the form of cash or cancellation of indebtedness (excluding the conversion of the Notes and other outstanding convertible debt). “**Fully Diluted Shares**” means the total number of shares of capital stock of the Company then outstanding, calculated on an as-converted basis (including all issued stock, whether common or preferred, and all options, warrants or other rights outstanding or reserved for future issuance) immediately prior to the relevant Conversion Event.

2.1.2 **Initial Public Offering.** Upon the Closing of a firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of common stock of the Company for the account of the Company (an “**IPO**”), the Total Note Balance shall automatically convert in whole, without further action by the Holder hereof, into fully paid and nonassessable shares of common stock at a price per share equal to the lesser of (i) seventy-five percent (75%) of the per share price of the common stock in the IPO; or (ii) the Valuation Cap divided by the Fully Diluted Shares. The conversion shall be deemed to have occurred as of the date of such Closing. As a condition precedent (which may be waived by the Company) to conversion of this Note as provided for in this Subsection 2.1.2, the Holder of this Note will be required to execute such agreements and other documents prepared in connection with the IPO as are customary and executed by other purchasers of common stock in the IPO.

2.1.3 Sale of the Company. In the event the Company consummates a Sale of the Company (as defined below) prior to the conversion or repayment in full of this Note, at the Closing of such Sale of the Company, in lieu of the principal and interest that would otherwise be payable on the Maturity Date, the Total Note Balance shall automatically convert in whole, without further action by the Holder hereof, into fully paid and nonassessable shares of capital stock at a price per share equal to the lesser of (i) seventy-five percent (75%) of the per share price of the capital stock at the time of Closing; or (ii) the Valuation Cap divided by the Fully Diluted Shares. “**Sale of the Company**” shall mean: (i) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, other than any such consolidation, merger or reorganization in which the shareholders of the Company immediately prior to such consolidation, merger or reorganization, continue to hold at least a majority of the voting power of the surviving entity in substantially the same proportions (or, if the surviving entity is a wholly-owned subsidiary, its parent) immediately after such consolidation, merger or reorganization; (ii) any transaction or series of related transactions to which the Company is a party in which in excess of fifty percent (50%) of the Company’s voting power is transferred; provided, however, that a Sale of the Company shall not include any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof; or (iii) a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company.

2.1.4 Non-Qualified Conversion. Following the Maturity Date, in the event a Conversion Event has not yet occurred, then upon delivery of the written election of the Majority Holders (as defined below) to the Company, the outstanding Total Note Balance shall automatically convert in whole, without any further action on the part of the Holder or the Company, into common stock of the Company at a price per share that is determined by dividing a pre-money valuation of the Company of One-Hundred and Five Million Dollars (\$105,000,000) by the total number of issued and outstanding shares of the Company’s capital stock plus all such shares issuable assuming conversion of all outstanding options and warrants of the Company (a “**Non-Qualified Conversion**”). Such Non-Qualified Conversion shall be deemed to occur at the close of business on the date immediately preceding the delivery of the written notice of election to convert, without regard to whether Holder has then delivered to the Company this Note (or documentation regarding a Note that has been lost or destroyed). “**Majority Holders**” means the holders of a majority of the outstanding aggregate principal amount of the Notes.

2.2 Closing. “**Closing**” shall mean the closing of a Conversion Event. In the case of a Qualified Financing which occurs in multiple closings, the Closing shall be the first closing at which the minimum gross proceeds are received by the Company.

2.3 Conversion Effects. As of the Closing, this Note shall be cancelled, discharged and deemed paid in full, and shall thereafter represent solely a right of the Holder to receive a certificate for the shares of capital stock of the Company issuable upon conversion.

2.4 Conversion Mechanics. At the Closing and as a condition precedent to the receipt of the capital stock issuable to the Holder upon conversion, the Holder: (i) shall tender this Note to the Company at its principal offices, or such other place as the Company may direct, together with an acknowledgment in form and substance satisfactory to the Company that this Note has been cancelled and extinguished by conversion thereof in the Conversion Event; and (ii) shall execute and deliver all transaction documents that the investors are executing and delivering in the Conversion Event, and any further agreements generally applicable to holders of such class of capital stock (including without limitation any market stand-off or transfer restrictions). At its expense, the Company shall issue to the Holder a certificate for the shares of capital stock issuable upon conversion. No fractional shares shall be issued upon conversion and instead the number of shares to be issued shall be rounded up or down to the nearest whole number.

2.5 Interest Accrual. If a Sale of the Company is consummated, all interest on the Note shall be deemed to have stopped accruing ten (10) days prior to signing the definitive agreement for Sale of the Company.

3. DEFAULT.

3.1 Default. The occurrence and continuance of any of the following shall constitute an “Event of Default” under this Note if:

3.1.1 The Company fails to pay any principal amount or any accrued interest due under this Note on the date the same is due and payable, and such failure shall remain unremedied for a period of ten (10) days after the Company receives notice of such failure from the Majority Holders;

3.1.2 The Company defaults in the performance of any material covenant under this Note, and such failure shall remain unremedied for a period of thirty (30) days after the Company receives written notice of such default signed by the Majority Holders;

3.1.1 The Company files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law or any other law for the relief of, or relating to, debtors, now or hereafter in effect, or makes any assignment for the benefit of creditors or takes any corporate action in furtherance of any of the foregoing; or

3.1.2 An involuntary petition is filed against the Company under any bankruptcy statute now or hereafter in effect, or a custodian, receiver, trustee, assignee for the benefit of creditors or other similar official is appointed to take possession, custody or control of any property of the Company, and such petition or appointment is not dismissed or discharged within ninety (90) days.

3.2 Remedies. Upon the occurrence and during the continuance of any Event of Default, the Majority Holders may, by written vote: (i) declare, by written notice to the Company the Total Note Balance immediately due and payable; and (ii) exercise any other rights and remedies available to it under this Note or at law or in equity. Any and all remedies conferred upon the Holder under this Note or at law or in equity shall, subject to the express provisions of this Note, be deemed cumulative with and nonexclusive of any other remedy conferred hereby or by law, and the Holder shall not be precluded in the exercise of any one remedy from the exercise of any other remedy.

4. STATUS OF NOTE.

4.1 No Rights as a Shareholder. This Note shall not entitle the Holder to: (i) any voting, dividend, distribution or other rights as a shareholder of the Company unless and until this Note may be converted; or (ii) any other rights of any kind except as expressly stated in this Note.

4.2 No Liability of Shareholders, Officers or Directors. The Holder: (i) acknowledges that the capitalization of the Company is minimal and/or the Company currently has negative net worth; (ii) acknowledges that this Note is solely a corporate obligation of the Company and in no event shall any shareholders, officers or directors of the Company be liable for any amounts owing under this Note; and (iii) expressly waives any and all claims of any kind against the shareholders, officers and directors of the Company, including, without limitation, any claims which might arise on account of such minimal capitalization and/or negative net worth.

4.3 Subordinate Debt. The indebtedness under this Note shall be subordinate in right of payment to the prior payment in full of any indebtedness of the Company to banks, insurance companies and other institutions regularly engaged in the business of lending money.

5. **MISCELLANEOUS.**

5.1 **Waiver.** The Company hereby waives demand, notice, presentment, protest and notice of dishonor.

5.2 **Transfer Restrictions.** In addition to any other restrictions on transfer contained in this Note or the Note Purchase Agreement, the Holder may not transfer this Note, the capital stock issuable upon conversion or any interest herein or therein to any person or entity that the Company reasonably believes to be a competitor, customer or supplier or that the Company reasonably believes could be otherwise detrimental to the Company or a noteholder or shareholder, without the prior written consent of the Company.

5.3 **Transfer Documentation.** Any permitted transfer of this Note may be made only by surrender of the original Note for registration of transfer, duly endorsed or accompanied by a separate written instrument of transfer reasonably satisfactory to the Company; provided that the transferee must also agree to be bound by the terms and conditions of this Note and the Note Purchase Agreement.

5.4 **Notices.** All notices and other communications given or made pursuant to this Note or the Note Purchase Agreement shall be in writing and shall be given and deemed effective as set forth in the Note Purchase Agreement.

5.5 **Governing Law; Entire Agreement; Successors and Assigns.** This Note: (i) shall be governed by the laws of the State of Delaware, without regard to principles of conflicts of laws; (ii) together with the Note, sets forth the entire agreement of the Holder and the Company with respect to the subject matter hereof, and supersedes any other oral or written agreements or understandings with respect to the subject matter hereof and thereof; and (iii) shall inure to the benefit of, and be binding upon the Company and the Holder and their respective permitted heirs, legal representatives, successors, and assignees, and nothing in this Note, express or implied, is intended to confer upon any party other than the parties hereto or their respective permitted successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Note, except as expressly provided in this Note.

5.6 **Amendments and Waivers.** Any provision of this Note may be amended and the observance of any term of this Note may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the Majority Holders, in which case it shall be binding upon the Holder.

5.7 **Delays or Omissions.** No delay or omission to exercise any right, power or remedy accruing to any party under this Note, upon any breach or default of any other party under this Note, shall impair any such right, power or remedy of such non-breaching or non-defaulting party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Note, or any waiver on the part of any party of any provisions or conditions of this Note, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Note or by law or otherwise afforded to any party, shall be cumulative and not alternative.

5.8 **Severability.** In case any one or more of the provisions contained in this Note is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Note, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

5.9 Usury. In the event that any interest paid on this Note is deemed to be in excess of the legal maximum rate, then that portion of the interest payment in excess of the legal maximum amount shall be deemed to be a payment of principal and applied against the outstanding principal amount of this Note.

5.10 Dispute Resolution. The parties: (i) hereby agree that the jurisdiction and venue of the federal and state courts located in Spokane, Washington, shall be the exclusive jurisdiction and venue for the purpose of any suit, action or other proceeding arising out of or based upon this Note or the Note Purchase Agreement; and (ii) hereby irrevocably and unconditionally submit to the jurisdiction and venue of such courts, agree not to commence any suit, action or other proceeding arising out of or based upon this Note or the Note Purchase Agreement except in such courts, and waive and agree not to assert any objection to such jurisdiction or venue.

5.11 Counterparts. This Note and any other documents delivered in connection herewith may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile or electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

(Signature page follows)

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and delivered of the date first written above.

“Company”

HYPERSCIENCES, INC.

By_____

Mark Russell, President & CEO

ACCEPTED AND AGREED:

“Holder”

[Holder Name]

Signature:

Address:
