

**Novuson Surgical, Inc.**  
**Convertible Note Offering Term Sheet**

This term sheet summarizes the principal terms pursuant to which Novuson Surgical, Inc., a Washington corporation (the “**Company**”), will raise up to \$2,000,000 or more through the issuance of convertible promissory notes (the “**Notes**”) to a limited number of “accredited” investors (each, a “**Purchaser**”, and collectively, the “**Purchasers**”). The Company will make available to each investor all information the investor reasonably requests so that the investor can familiarize him/her/itself with the Company’s business. This term sheet is for discussion purposes only and is not intended to be construed as a binding agreement and the specific terms of each convertible note shall be negotiated between the Company and each applicable Purchaser. The parties do not intend to be bound until they enter into definitive agreements regarding the subject matter of this term sheet. To the extent that these terms are inconsistent with the definitive agreements, the terms of the definitive agreements will control.

Company:	Novuson Surgical, Inc., a Washington corporation.
Principal:	The Company may issue one or more Notes, each with a principal amount equal to the dollar amount the Company receives from the Purchaser of such Note.
Interest Rate:	The principal balance of the Notes will bear interest at a simple rate of ten percent (10%) per annum. Interest will accrue and be payable upon maturity.
Conversion:	<p>The principal and unpaid accrued interest on each Note will convert as follows:</p> <p>(i) Unless otherwise agreed to by the Company and an applicable Purchaser, the principal and unpaid accrued interest on each Note will mandatorily convert into the next round of equity securities issued by the Company in an equity financing closing before the Maturity Date in which the Company raises at least \$3,000,000 (inclusive of amounts raised through the Notes) (a “<b>Qualified Financing</b>”). In such mandatory conversion, the Notes will convert at a pre-money valuation equal to the lesser of (i) 80% of the pre-money valuation of such offering, or (ii) \$13,000,000.</p> <p style="margin-left: 40px;">X = Series B Pre-money Valuation  CN = Convertible Note Principal  I = Convertible Note Interest  Y= QF Raise = ((CN + I) + Series B Equity Investment)  Z=Post-Money Shares (Assume Fully Diluted = 50,000,000)</p> <p style="margin-left: 40px;">Price per share = (0.8X + Y)/Z or (13,000,000 + Y)/Z , whichever is less</p> <p>(ii) The principal and unpaid accrued interest on each Note will convert at any individual Purchaser’s option, in any equity financing round that is not a Qualified Financing. In such optional conversion, the Notes will convert at the pre-money valuation of such offering.</p> <p>(iii) The principal and unpaid accrued interest on each Note will convert at any individual Purchaser’s option, on or after the Maturity Date while such Note remains outstanding, into shares of the Company’s common stock at the then fair market value of the Company’s common shares, as determined by the Company’s Board of Directors in good faith.</p>
Maturity Date:	The principal and unpaid accrued interest on each Note then outstanding will be due and payable upon demand by the applicable Purchaser on or after the date (the “ <b>Maturity Date</b> ”) that is one (1) year following the date of the issuance of such Note, unless the Company or its shareholders participate in a transaction prior to such date in which all of the stock or all or

	substantially all of the assets are sold, in which case each Note then outstanding will be due and payable upon the consummation of such transaction.
Minimum Investment:	\$50,000 (waivable at the Company's discretion).
Use of Proceeds:	The proceeds of the offering will be immediately available to the Company for general working capital purposes.
Size of the Offering;	\$2,000,000. The Company reserves the right to raise a greater or lesser amount in its sole discretion.
Terms of the Offering:	The Company reserves the right to negotiate the specific terms of each Note with each Purchaser, such that the Notes may have different terms from one another.
Suitability:	An investment in the Notes is available to "accredited investors" who can bear the substantial risks involved and are willing to accept the lack of liquidity of their investment.
Subordination:	The Notes will be subordinated to other prior borrowings of the Company.
Closings:	There is no minimum amount required to be raised before the Company can issue Notes. The initial closing of the sale of the Notes (the " <b>Initial Closing</b> ") is expected to occur as soon as reasonably practicable. The Company may sell the Notes in one or more closings to such persons as may be approved by the Company
Note Purchase Agreement:	The Notes will be issued pursuant to a Convertible Note Purchase Agreement (the " <b>Note Purchase Agreement</b> ") to be prepared by the Company's legal counsel, Davis Wright Tremaine LLP.
Amendment:	The Note Purchase Agreement may be amended with the consent of the Company and holders of a majority in interest of the principal amount of the Notes outstanding. Each individual Note may be amended with the consent of the Company and the holder of such Note.
Prepayment:	The Company may prepay some or all of the Notes in whole or in part at any time without premium or penalty.
Restricted Securities:	The Notes are not registered securities and are not transferable without the written approval of the Company.
Expenses:	The Company and the Purchasers will each bear their own legal and other expenses with respect to the financing described in this term sheet.

THE FOREGOING SUMMARY DOES NOT PURPORT TO BE A COMPLETE SUMMARY OF THE NOTES. EACH INVESTOR SHOULD READ THE NOTE PURCHASE AGREEMENT AND FORM OF NOTE IN ITS ENTIRETY. IN ADDITION, INVESTORS SHOULD CONSULT THEIR TAX AND LEGAL ADVISORS AS TO THE IMPLICATIONS OF AN INVESTMENT IN THE NOTES.

**Confidentiality:**

This term sheet and any related discussions and correspondence are to be held in strict confidence by the Investor and may not to be disclosed by the Investor to any party (other than counsel to, and the accountants of, the parties to the extent reasonably necessary for such persons to render advice in connection with the proposed transaction) without the prior written approval of the Company.

**This non-binding signature indicates the Investor's interest in Novuson's Bridge Note Offering. The non-binding amount will be considered soft circled:**

Name: \_\_\_\_\_

Email: \_\_\_\_\_

Prospective Investment: \$ \_\_\_\_\_ (minimum \$50,000 unless agreed otherwise)

Prospective Investor Signature: \_\_\_\_\_

Date of Signature: \_\_\_\_\_

Novuson acknowledges Prospective Investor's indication of interest.

The terms in this Term Sheet are valid for thirty (30) days following the date below.

Novuson Surgical Inc.

By: \_\_\_\_\_

Stuart B Mitchell, Chief Executive Officer

Effective Date \_\_\_\_\_