

**TERM SHEET**  
**FOR REVENUE SHARE PROMISSORY NOTE OFFERING**  
**OF**  
**BLUE HERON CATERING, INC.**

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The parties do not intend to be bound until they enter into definitive agreements regarding the subject matter of this term sheet.

The promissory notes offered in this offering (the “Notes”) will have the following principal provisions:

**Interest Rate:** Because this is a revenue-based loan, the interest rate cannot be determined at this time. However, under no circumstances shall the total interest paid be less than the Applicable Federal Rate.

**When Paid in Full:** Outstanding principal and accrued interest on the Note will be considered paid in full when the company has paid the investor the “Repayment Amount,” defined as the original investment amount multiplied by 1.5.

**Payments:** Beginning January 15, 2021, and on that date each year thereafter until the Note is paid in full, the company shall make annual payments to each investor as follows:

(amount invested divided by \$50,000) x 0.5% of the company’s Gross Margin for the previous fiscal year (defined below)

“Gross Margin” means all of the company’s sales proceeds less cost of goods. For purposes of calculating Gross Margin, the company’s accountant shall calculate total revenue on a cash basis at the end of each fiscal year in accordance with the company’s standard accounting practices.

Under no circumstances shall payments to the investor exceed what is allowed under California law governing usury.

**Prepayment:** The company may pay off any or all of the Notes in their entirety at any time by paying one, some, or all of the investors any unpaid part of the amounts owed to them under the Notes. The company may make partial prepayments, provided that all partial prepayments shall be made pro rata among all of the investors based on their loan amounts under the Notes.

**Investor Information Rights:** The company will deliver to the investors unaudited annual financial statements no later than 90 days following the close of the fiscal year.

**Security:** The Notes will be unsecured obligations of the company.

**Subordination:** The Notes shall be subordinated to all indebtedness of the company to banks, commercial finance lenders, insurance companies, leasing and equipment financing institutions, and/or other institutions regularly engaged in the business of lending money.

**Assignment:** A Note may be assigned by either party so long as such assignment complies with all applicable laws and regulations.