

NEW MOON CLOTHING, INC.
TERM SHEET
OFFERING OF CONVERTIBLE NOTES
UNDER REGULATION CROWDFUNDING

The following is intended to be only a summary of some of the key terms of the offering. The summary is qualified in its entirety by the terms of agreements between the investor and the company concerning the purchase of the convertible notes (the “Notes”) and any shares of preferred stock issued thereunder.

Interest:

The Notes will bear interest at the rate of 5% per annum, compounded annually. Interest on the Notes will be paid by adding such interest to the outstanding principal of each Note, and no cash interest payments are anticipated before maturity. Accrued and unpaid interest may be converted into equity at the time of conversion as described below under “Conversion.”

Maturity:

Unless a Note is previously converted or repaid, all principal, together with accrued and unpaid interest under the Note, is due and payable on December 31, 2023 (the “Maturity Date”). At Payor’s option, all accrued but unpaid interest outstanding on the Maturity Date may be paid to Holder in cash or converted into preferred equity securities.

Prepayment:

None of the Notes may be prepaid without the prior written consent of holders of the Notes that hold a majority of the aggregate outstanding principal amount of the Notes. The company has the right to prepay accrued interest at any time during the term of the Note.

Conversion:

In the event the company consummates, prior to the Maturity Date, an equity financing pursuant to which it sells preferred stock with an aggregate sales price of not less than \$300,000, excluding any and all indebtedness that is converted into preferred stock (*e.g.*, the Notes), and with the principal purpose of raising capital (a “Qualified Financing”), then the investor shall have the right to convert all principal, together with all accrued and unpaid interest under the investor’s Note, into the preferred stock at any time prior to the Maturity Date. The conversion price will be a price per share equal to 90% of the price per share paid by the other purchasers of the preferred stock sold in the Qualified Financing.

At any time prior to a Qualified Financing, so long as the company does not anticipate that a Qualified Financing will be consummated within the succeeding 90-day period, the company shall have the option to convert all principal, together with all accrued and unpaid interest under any Note, into a class of preferred stock with substantially the same terms as those described in the Appendix below.

Liquidity events:

Upon a change of control, the holder shall have the right, but not the obligation, to apply all unpaid principal and interest, in part or in whole, to the acquisition of the most senior series of preferred equity securities (meaning the series that gives priority dividend and liquidation rights over all other preferred series of securities) of the surviving entity outstanding or, if no such preferred equity securities are outstanding, non-preferred equity securities of the surviving entity outstanding, at a 5% discount.

Amendments:

Any provision of the Notes may be amended, modified or supplemented, and waivers of any provision of the Notes may be given, if the company and the holders of a majority of the outstanding principal amount of the Notes consent to the amendment or waiver. In addition, any such amendment, modification, supplement may be made, or waiver given, with respect to a particular Note by the company and the holder of the Note, as long as it would not materially or adversely affect the holders of the other Notes or disproportionately advantage the holder of the relevant Note.

Appendix – Preferred Stock Terms

Securities Offered:	Preferred Stock
Purchase Price:	\$1 per share (“Original Issue Price”) based on a pre-money valuation of \$2,888,886.
Preferred Dividends:	<p>Preferred Shareholders will be entitled to receive annual non-cumulative dividends, when, as, and if declared by the Board, out of any funds and assets of the company legally available therefor.</p> <p>In any year, unless each Preferred Shareholder receives a dividend of at least six percent (6%) of the Original Issue Price (as adjusted for any future stock dividends, combinations, splits, recapitalizations, and the like) (the “Base Preferred Dividend”), no dividend shall be paid or declared on any Common Stock.</p> <p><u>Additional Preferred Dividends</u></p> <p>In any year in which the Preferred Shareholders receive the Base Preferred Dividend and the Common Shareholders receive a per share dividend equal to that received by the Preferred Shareholders, Preferred Shareholders shall fully participate in any additional dividends paid to the Common Shareholders on a per share basis (for example, if the Common Shareholders receive an additional dividend of five cents per share, the Preferred Shareholders shall also receive an additional dividend of five cents per share).</p>

<p>Redemption by Shareholder:</p>	<p>Following the second anniversary of his or her investment, a Preferred Shareholder may request redemption of his or her stock. If the Preferred Shareholder requests a redemption in the third year of investment, the Board has the discretion to pay 70 percent of the Original Issue Price. In the fourth year, the Board has the discretion to pay 80 percent of the Original Issue Price. In the fifth year, the Board has the discretion to pay 90 percent of the Original Issue Price. Thereafter, the redemption price shall be equal to the Original Issue Price.</p> <p>If the company determines that a requested redemption may impair the company's ability to operate effectively, the Board may limit, postpone, or refuse the redemption. Redemptions may be paid in the form of cash or promissory notes.</p>
<p>Redemption by company:</p>	<p>The company reserves the right to redeem any or all, or any portion of, Preferred Stock at any time. The Redemption Price, in the case of a redemption elected by the company, shall be equal to the Original Issue Price.</p> <p>Notwithstanding the foregoing, the company shall not exercise its redemption right within 90 days of the sale of the company.</p>

<p>Liquidation preference (in the case of dissolution or sale):</p>	<p>After repayment of indebtedness and allowance for any reserves which are reasonably necessary for contingent or unforeseen liabilities or obligations of the company, liquidation proceeds shall be paid as follows:</p> <ul style="list-style-type: none"> · first, to the holders of Preferred Stock, in an amount per share equal to the Original Issue Price (subject to adjustment for any stock split or combination or other similar event) plus the amount of any declared but unpaid dividends thereon; · second, to the holders of Common Stock, in an amount per share equal to the Original Issue Price for the Preferred Stock (subject to adjustment for any stock split or combination or other similar event and certain dilutive issuances) plus the amount of any declared but unpaid dividends thereon; and · third, to the holders of Preferred Stock and Common Stock, pro rata on an as-converted to Common Stock basis. <p>Any merger or consolidation involving the company (unless stockholders of the company own a majority of the voting power of the surviving or acquiring entity) or any sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the company will be considered a liquidation triggering payment of the foregoing amounts.</p>
<p>Conversion:</p>	<p>Shares of Preferred Stock will be convertible into shares of Common Stock only if (a) requested by the holder of such shares of Preferred Stock and (b) approved in writing by the company in its sole discretion.</p> <p>The conversion ratio shall initially be 1:1. The conversion ratio shall be appropriately adjusted in the case of any stock split or combination or other similar event. In addition, subject to customary exceptions, the conversion ratio shall be adjusted, on a broad-based weighted average basis, if the company issues additional securities at a purchase price less than the then-current conversion price.</p>

Voting rights:

The Preferred Shareholders shall have no voting rights.