

SOUTHEASTERN ROAST AND BREWERY L.L.C.
(THE “COMPANY”)
TERM SHEET
OFFERING OF CONVERTIBLE NOTES UNDER REGULATION CROWDFUNDING
(THE “CROWD NOTES”)

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 Crowd Notes.

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

The Company will issue the Crowd Notes in exchange for amounts invested by investors in the offering. The Crowd Notes will have the following principal provisions.

Interest Rate: Annual interest rate of 3%.

Maturity Date: December 31, 2023.

Conversion: In the event the Company commences, on or before the Maturity Date, an equity financing pursuant to which it sells its preferred equity securities, (the “Preferred Equity Securities”) with the principal purpose of raising capital (a “Qualified Financing”), then the outstanding principal balance of the Crowd Notes shall automatically convert into Preferred Equity Securities. (The Preferred Equity Securities will have substantially the same terms as the Preferred Units discussed in the Appendix hereto.)

The conversion price for principal and interest will be a price equal to 95% of the price paid by the other purchasers of the Preferred Equity Securities sold in the Qualified Financing.

At the Company’s option, all accrued but unpaid interest outstanding at the time of conversion may be paid to the investor in cash or converted into equity in the same manner as principal.

If the Company does not commence a Qualified Financing or have a change of control on or before the Maturity Date, all principal shall automatically convert into the most senior series of preferred equity interests of the Company (which interests shall have substantially the same terms as those of the Preferred Units discussed in the Appendix hereto), or if the Company is not at that time authorized to issue any preferred equity interests, non-preferred equity interests of the Company, in either case at a pre-money valuation of \$6 million.

At the Company's option, all accrued but unpaid interest outstanding at the time of conversion may be paid to the investor in cash or converted into equity in the same manner as principal.

Liquidity Events:

Upon a change of control the investor 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 interests of the surviving entity outstanding or, if no such preferred equity interests are outstanding, non-preferred equity interests of the surviving entity outstanding, at a 5% discount.

Prepayment:

The Company may not prepay the principal of any Note, in whole or in part, without consent of the investor. All prepayments shall be applied first to interest and then to principal. The Company shall have the absolute right to prepay accrued interest at any time during the term of a Crowd Note.

Subordination:

The Crowd 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.

Amendment:

A Crowd Note may be amended by mutual agreement of the parties. In addition, all of the Crowd Notes may be amended with the written consent of the company and the holders of more than fifty percent (50%) of the aggregate principal balance of all of the Crowd Notes (the "Majority in Interest"); provided that no amendment or waiver which would alter or change the principal amount owing upon the Crowd Notes, or the rate of interest payable thereon, may be effective without the consent of all of the holders of the Crowd Notes. Notwithstanding the proviso in the previous sentence requiring unanimity to make a change to the principal amount owing or the interest rate, the remaining conversion provisions set forth in the Crowd Notes may be amended or waived by the Majority in Interest. Any amendment or waiver of any such term or condition hereof that is duly approved by the Majority in Interest shall be binding on all holders of the Crowd Notes.

Security:

The Crowd Notes are unsecured.

Appendix

Securities Offered:	Preferred units
Preferred Distributions:	<p>Holder of preferred units (“Preferred Members”) will be entitled to receive annual non-cumulative distributions, when, as, and if declared by the Manager, out of any funds and assets of the Company legally available therefor.</p> <p>In any year, unless each Preferred Member receives a distribution of at least five percent (5%) of the Original Issue Price (the “Base Preferred Distribution”), no distribution shall be paid to holders of non-preferred equity interests.</p> <p>The “Original Issue Price” for a unit shall mean the price for which such unit was purchased.</p> <p><u>Additional Preferred Distribution</u></p> <p>In any year in which the Preferred Members receive the Base Preferred Distribution and holders of non-preferred equity interests receive a distribution equal to that received by the Preferred Members, Preferred Members shall fully participate in any additional distributions paid to holders of non-preferred equity interests on a per unit basis (for example, if holders of non-preferred equity interests receive an additional distribution of five cents per unit, the Preferred Members shall also receive an additional distribution of five cents per unit).</p>
Redemption:	<p>The Company reserves the right to redeem any or all, or any portion of, preferred units at any time. The Redemption Price, in the case of a redemption elected by the Company, shall be equal to the greater of (a) the difference between (i) two times the Original Issue Price and (ii) the aggregate amount of distributions paid to the Preferred Member as of such time and (b) the sum of (i) the Original Issue Price and (ii) the amount of any distributions due to the Preferred Member but unpaid.</p> <p>Following the second anniversary of the issuance his or her investment, a Preferred Member may request redemption of his or her units at a price equal to (a) if such request is made prior to the third anniversary of the Preferred Member’s investment, 70 percent of the Original Issue Price; (b) if such request is made after the third but prior to the fourth anniversary of the Preferred Member’s investment, 80 percent of the Original Issue Price; (c) if such request is made after the fourth but prior to the fifth anniversary of the Preferred Member’s investment, 90 percent of the Original Issue Price; and (d) if such request is made after the fifth anniversary of the Preferred Member’s investment, 100 percent of the Original Issue Price.</p> <p>If the Manager determines that a requested redemption may impair the Company’s ability to operate effectively, the Manager may limit,</p>

	postpone, or refuse the redemption. Redemptions may be paid in the form of cash or promissory notes.
Liquidation preference (in the case of dissolution or sale):	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: First, to Preferred Members up to a maximum of each such member's Original Issue Price; Second, to the Founding Member.
Voting rights:	Preferred units are nonvoting.

If the company converts into another form of entity through merger or statutory conversion, the company shall modify the terms in the above Appendix at the company's discretion so that such terms are compatible with the company's new form.