

**Sollievo Pharmaceuticals, Inc.**

**CONVERTIBLE PROMISSORY NOTE FINANCING**

**PROPOSED TERM SHEET**

**February 1, 2023**

THIS NONBINDING MEMORANDUM (“TERM SHEET”) SUMMARIZES THE PRINCIPAL TERMS OF THE PROPOSED SALE AND ISSUANCE OF CONVERTIBLE PROMISSORY NOTES TO PERSONS OR ENTITIES THAT CONSTITUTE “ACCREDITED INVESTORS” FOR PURPOSES OF APPLICABLE STATE AND FEDERAL SECURITIES LAWS. EXCEPT AS NOTED BELOW, THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY; THERE IS NO OBLIGATION ON THE PART OF ANY NEGOTIATING PARTY TO ENTER INTO A TRANSACTION WITH OR ON BEHALF OF THE ISSUER UNTIL DEFINITIVE DOCUMENTS ARE SIGNED BY ALL PARTIES. THIS TERM SHEET DOES NOT CONSTITUTE EITHER AN OFFER TO SELL OR AN OFFER TO PURCHASE SECURITIES.

**Proposed Terms**

- Issuer:** Sollievo Pharmaceuticals, Inc., a California corporation (the “*Company*”).
- Securities:** Unsecured promissory notes (the “*Notes*”) convertible into shares of the equity security issued in the Company’s Qualified Equity Financing (defined below).
- Financing Amount:** Up to \$3,250,000 (the “*Financing*”). Minimum investment amount is \$500,000
- Closings:** The initial Closing (the “*Closing*”) for an estimated amount of \$1,500,000 is expected to occur on or before June 1, 2023, the Company may thereafter issue additional Notes until the entire Financing has been subscribed.
- Documentation:** The documentation for the Financing (the “*Documentation*”) may include a purchase agreement (the “*Purchase Agreement*”) among the Company and the purchasers of the Notes (the “*Purchasers*”), which would contain representation and warranties customary to transactions of this type. The documentation shall also include the Notes, which shall be an exhibit to the Purchase Agreement. The Documentation may be amended or any provision hereof waived with the consent of the Company and the holders of a majority of the outstanding principal amount of all Notes, and such amendment or waiver shall be binding on all Purchasers.
- Purchase Price:** The Notes will be purchased at 100% of their face value.
- Interest Rate:** The Notes will accrue interest at 8% per annum.
- Maturity Date:** All principal and interest will become due and payable 36 months from the Closing (the “*Maturity Date*”) or immediately in the event of default, or unless converted in connection with a Qualified Equity Financing (defined below). The Notes may be prepaid.
- Qualified Equity Financing:** A “*Qualified Equity Financing*” shall mean the Company’s next financing (or series of related financings, if in multiple tranches) in which the Company sells equity securities senior to its common stock in liquidation preference and dividends and obtains net proceeds of at least \$2,000,000, excluding the aggregate principal amount of the Notes.

- Automatic Conversion:** Upon the closing of a Qualified Equity Financing on or before the Maturity Date, the principal amount of the Notes and any accrued and unpaid interest will automatically convert into the number of shares of the equity securities issued in the Qualified Equity Financing, obtained by dividing the principal amount of the Notes plus any accrued and unpaid interest by 80% of the price per share of the equity securities issued in the Qualified Equity Financing.
- Change of Control:** If the Notes have not been previously repaid or converted, they shall be repaid upon the consummation of a Change in Control, in an amount equal to 130% of the outstanding principal amount of the Notes. Any accrued and unpaid interest on the Notes will be paid upon a Change in Control. A “*Change of Control*” shall mean (a) the sale, conveyance, or disposal of all or substantially all of the Company’s assets, or, (b) the acquisition of the Company by merger, consolidation, or otherwise with any other corporation (other than a wholly-owned subsidiary corporation).
- Events of Default:** Standard events of default, include bankruptcy, insolvency, or approval of a complete plan of liquidation. In an event of default, the principal plus any accrued and unpaid interest under the Notes will be accelerated.
- Investor Qualifications:** All Purchasers shall be “accredited Investors” as defined in Regulation D promulgated under the Securities Act of 1933, as amended, and shall execute an investor questionnaire if so requested by the Company prior to purchasing any Note.
- Pari Passu:** All of the Notes issuable pursuant to the Purchase Agreement will rank *pari passu*.
- Subordination:** The Notes will be subordinated in right of payment to all current and future indebtedness of the Company.
- Legal Fees and Costs:** Company counsel will prepare the Documentation. Each party will pay its own legal and administrative costs of the Financing.

For further information or to purchase the notes contact:

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