

CONFIDENTIAL
SUBORDINATED CONVERTIBLE
NOTE FINANCING

SUMMARY OF TERMS

This Summary of Terms does not constitute an offer to sell or a solicitation of an offer to buy securities in any state where the offer or sale is not permitted.

Issuer:	Know Labs, Inc., a Nevada corporation (the “Company”).
Investors:	This Offering is being made solely to investors who are “accredited investors” within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the “Act”).
Type of Security:	Subordinated convertible notes, in one or more series (the “Convertible Notes”), convertible into Common Stock of the Company (the “Common Stock”). The Convertible Notes and shares of Common Stock issuable thereunder are “restricted” securities under the Act and any document or certificate evidencing such securities shall bear a prominent legend customary for such unregistered securities.
Amount of Financing:	Up to a Maximum of \$3 million or other amount determined at the discretion of the Company.
Purchase Price:	Face value.
Use of Proceeds:	The Company will utilize proceeds received from sale of the Convertible Notes for product development, intellectual property development, marketing, operating expenses and general corporate purposes.
Term:	All principal, together with accrued and unpaid interest payable on a PIK basis, as described below, under each Convertible Note, is due and payable on the earlier of: 1) mandatory and automatic conversion of the Convertible Note into a Qualified Financing that yields gross proceeds of at least \$10 million (a “Qualified Financing”) or, 2) on the One (1) Year Anniversary of the Convertible Note (“Maturity Date”).

Interest Rate:	8% Coupon, Payment-In-Kind (“PIK”) (in shares of Common Stock based upon a conversion price of \$1.00 per share).
Mandatory Conversion on Qualified Financing:	Each Holder will be required to convert a Convertible Note into Common Stock in any Qualified Financing at a conversion price per share equal to the lower of (i) \$1.00 per share or (ii) a 25% discount to the price per share paid by investors in such Qualified Financing. This mandatory conversion shall be automatic, and the Company will provide notice to Holder at least seven (7) days prior to the closing of a Qualified Financing as to the number of shares Holder would receive based on applying the discounted pricing described above for principal and PIK shares. In conjunction with any conversion, Holder will become a party to and will execute appropriate subscription agreements for the Qualified Financing. The intent of the Qualified Financing is to raise gross proceeds to the Company of \$10 million or more.
Other Mandatory Conversion:	If the Convertible Notes have not been paid or converted prior to the Maturity Date, the outstanding Principal Amount of the Convertible Note will be automatically converted into shares of Common Stock equal to the lesser of (i) \$1.00 per share or (ii) any adjusted price resulting from the application of the “Most Favored Nations Provision” set forth below.
Warrants:	The Company will grant Warrants to investors on a 1:0.5 basis with a half-Warrant for each full share of Common Stock. The Warrants will have a five-year term and an exercise price equal to 120% of the per share conversion price of the Qualified Financing or other mandatory conversion.
Payment on Change of Control:	If prior to the Maturity Date, there is a Change of Control and the Convertible Note has not previously been converted, a Holder may elect to have the Convertible Note together with any accrued interest repaid in full at that time plus an additional 10% on the principal amount of the Convertible Note.

Most Favored Nations Provision:

If at any time or from time to time prior to February 28, 2021 (the “Anti-Dilution Period”) the Company issues any additional securities (a “New Issuance”) (including, but not limited to, any class of shares, preferred stock, warrants, rights to subscribe for shares, convertible debt or other securities convertible into any share class, referred to below collectively as “Securities”) for a consideration per share that is less, or which on conversion or exercise of the underlying security is less, than the conversion price of the Holder (as adjusted for changes resulting from any forward or reverse share splits, stock dividends and similar events) (a “Down Round Price”), the Company shall issue additional Securities to Holder at no additional cost in an amount that it would have received at the Down Round Price, rounded up to the next whole share, on a full ratchet basis at no additional consideration (“Holder’s Down Round Issuances”). In the event that a New Issuance is made at a Down Round Price and includes both equity securities and rights to acquire additional securities (whether in the form of warrants, options or other rights) (the “Rights”), then as part of any full ratchet adjustment the Company shall also include, within the Holder’s Down Round Issuances, that number of Rights which Holder would have acquired had it participated in the New Issuance.

Piggy-back Registration Rights:

If the Company files with the SEC a registration statement (other than a registration statement on Form S-8 relating to the Company’s equity incentive plans) relating to an offering for its own account under the Act of any of its equity securities, then the Company shall include in such registration statement, upon request from the Holder after notice by the Company, all the securities of the Holder, whether underlying the Convertible Notes or received as part of the PIK provisions of this Offering.

Closing:

Closing at the discretion of the Company and up to June 30, 2020, unless otherwise amended at the discretion of the Company.

Confidentiality:

The existence and terms of this Term Sheet and prospective investors shall not be disclosed to any third party without the consent of the Company, except as may be (i) reasonably required to consummate the transactions contemplated hereby (provided that any persons receiving the information agree to the confidentiality restrictions contained herein) or (ii) required by law.

Other:

This Summary of Terms is intended as an outline of certain of the material terms of the Convertible Notes and does not purport to summarize all of the conditions, covenants, representations, warranties and other provisions contained in a subscription agreement and in definitive documentation for the Convertible Notes.

Placement Agent:

Boustead Securities, LLC.

Issuer Counsel:

Horowitz + Armstrong, A Professional Law Corporation.