

KARMA LABS, INC.

MEMORANDUM OF TERMS FOR CONVERTIBLE PROMISSORY NOTES

This Memorandum of Terms represents only the current thinking of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement, except as expressly set forth herein. This Memorandum 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:*** Karma Labs, Inc., a Delaware corporation (the “**Company**”).
- Securities:*** Convertible Promissory Notes (“**Convertible Notes**”).
- Amount of the Offering:*** Up to a maximum \$1,750,000 of new investment.
- Offering Period*** The offering of the Convertible Notes will remain open until June 10, 2016 (the “**Offering End Date**”).
- Interest Rate:*** 6% per annum payable upon the Maturity Date, unless earlier converted as described below.
- Maturity Date:*** The 3rd anniversary of the date of issuance of the Convertible Notes.
- Prepayment:*** Prepayment of principal, together with accrued interest, may not be made without Lender’s written consent.
- Next Equity Financing:*** Company Equity Securities, as defined in the Convertible Notes, financing of at least \$1,000,000 (excluding the aggregate amount of debt securities converted into Equity Securities upon conversion of the Note).
- Discount Conversion Price:*** Lower of (i) a \$8,000,000 valuation cap (obtained by dividing \$8,000,000 by the Company’s fully diluted capitalization) (the “**Maximum Conversion Price**”); and (ii) 80% of the price per share paid by the other purchasers in a Next Equity Financing.
- Automatic Conversion:*** In the event the Company consummates a Next Equity Financing prior to the Maturity Date, all principal and accrued unpaid interest under each Convertible Note (the “**Total Loan Amount**”) shall automatically convert into shares of the Equity Securities sold in the Next Equity Financing at the Discount Conversion Price. The total

number of Equity Securities issuable upon such conversion shall be determined by calculating the lower of (A) the loan amount divided by the product of 80% and the price paid per share for Equity Securities by the investors in the Next Equity Financing or (B) the quotient resulting from dividing Eight million dollars (\$8,000,000.00) by the number of shares of outstanding common stock of the Company immediately prior to the closing of the Next Equity Financing (assuming conversion of all securities convertible into common stock, exercise of all outstanding options and warrants to purchase common stock and including the shares reserved or authorized for issuance under the Company's existing stock option plan but excluding, for this purpose, the conversion contemplated in the Next Equity Financing).

Amendments; Governing Law: The terms and conditions of the Convertible Notes may be amended or waived with written consent of the Company and the Lender. Investment documents will be governed by California law.