



SHM CONTROLS EQUITY FINANCING TERM SHEET JAN 2019

- The Issuer:** SHM Controls Inc. (the “**Issuer**”) is a Canadian controlled private corporation. It was incorporated under the British Columbia *Business Corporations Act* on January 29, 2015.
- The Business:** The Issuer is in the business of designing and selling a low-cost proprietary “smart” boiler controller for buildings that reduces natural gas consumption for heating. The Issuer’s technology employs a brand-new method for controlling boilers, hot water tanks, pumps and valves in buildings, provides complete remote control over the building’s heating system and sends email/text alerts on emergencies.
- The Offering:** The Issuer is offering to issue up to 1,538,462 preferred shares of the Issuer at a purchase price of USD \$0.325 per share (the “**Offering**”) for aggregate proceeds of up to USD \$500,000. The Offering attributes to the Issuer a pre-money valuation of approximately USD \$5,511,166 on a fully diluted basis.
- Capital Structure:** The authorized capital of the Issuer currently consists of an unlimited number of common shares, of which 10,933,333 are issued and outstanding and an unlimited number of preferred shares, of which 1,405,244 are issued and outstanding, and 4,618,858 outstanding warrants and options. The common shares are participating and voting. The preferred shares are also voting, but enjoy preferential liquidation and dividend rights over the common shares.
- If the Offering is fully subscribed, the Issuer’s issued and outstanding shares will consist of 10,933,333 common shares and 2,943,706 preferred shares, representing a post-money valuation of approximately USD \$6,011,166 on a fully diluted basis.
- Minimum Investment:** The minimum investment that may be made by an investor (the “**Investor**”) is USD \$25,000.

Qualified Investors: This Issuer is a “private issuer” under applicable Canadian securities laws and the Offering is being carried out under the “private issuer” exemptions (the “**Exemptions**”) from the registration and prospectus requirements of the applicable Canadian securities laws, including the “accredited investor” exemption within the meaning of National Instrument 45-106.

Each Investor must represent and warrant to the Issuer that they meet the requirements of at least one of the Exemptions. In addition, each US Investor must represent and warrant to the Issuer that they meet the “accredited investor” requirements under US federal and state securities laws.

Documentation: Each Investor must enter a Subscription Agreement with the Issuer to purchase the Shares, as well as execute an Investor Certificate in which the Investor certifies that the Investor is a Qualified Investor as described above. Shortly after the closing of the Offering, the Investor will receive a copy of a share certificate to evidence the Investor’s investment in the Issuer.

Use of Proceeds: The proceeds from the Offering will be used for general working capital.

Liquidity of Investment: The investment in the Issuer is extremely illiquid. The sale, transfer or other disposition of the shares is subject to there being available to the Investor exemptions from the registration and prospectus requirements of all applicable securities laws. There is no published market for the shares and none is expected to develop in the near to intermediate term.

Closing Date: March 31, 2019, subject to extension at the discretion of the Issuer.

Contact Information
Oded Malky, CEO & Director
Tel: 1.604.802.9742
Email: oded@SHMcontrols.com
Date: January 17, 2019

Authorized Capital of SHM Controls Inc. (the “Issuer”)

The authorized capital of the Issuer currently consists of an unlimited number of common shares without par value, of which 10,933,333 are issued and outstanding and an unlimited number of preferred shares, of which none are issued. The common shares are participating and voting, while the preferred shares enjoy the following rights:

- at all meetings of the shareholders of the Issuer the holders of the preferred shares are entitled to one vote for each preferred share held;
- dividends may be paid on the preferred shares and common shares out of profits or surpluses available for distribution, except dividends must be paid on the preferred shares before any payment of dividends on the common shares;
- dividends must not be paid on the common and preferred shares if to do so would reduce the value of the net assets of the Issuer to less than the aggregate redemption amount of the preferred shares, where “**redemption amount**” means US \$0.325; and
- in the event of liquidation, dissolution or winding-up of the Issuer, whether voluntary or involuntary, or upon distribution of the assets of the Issuer among its shareholders to wind-up its affairs or upon a reduction or return of its capital the holders of the following classes of shares are entitled to receive the following amounts in the following order of priority:

Class of Shares	Priority	Entitlement
Preferred	1	Redemption amount of the preferred shares, then all remaining profits and assets of the Issuer shared <i>pro rata</i> with the common shareholders
Common	2	After payment of the redemption amount of the preferred shares to the preferred shareholders, all remaining profits and assets of the Issuer shared <i>pro rata</i> with the preferred shareholders,