

**Sample Equity Term Sheet – C-Corp [note: for LLC, shares need to be changed to units, references to certificate and bylaws changed to operating agreement and a mandatory tax distribution provision needs to be added]**

Investment	Up to \$A million, with an initial closing of at least \$B.
Security	Shares of Series A Participating Preferred Equity
Pre-Money Valuation	\$ C million, inclusive of the option pool described below.
Dividend	The holders of the Preferred will be entitled to receive dividends at the rate of ___ percent (D %) of the Original Purchase Price to be accumulated and paid at a liquidity event, on conversion or on redemption.
Closing	date, 2013
Use of Proceeds	Per the business plan
Redemption (Put) Right	After the fifth year, the investors can require the company to repurchase their units at full fair market value, or the purchase price plus unpaid dividends, whichever is greater.
Conversion Rights	The Preferred will be convertible into Common on a 1 to 1 basis subject to the anti-dilution adjustments set forth below.
Liquidation Preference	In the event of any liquidation, dissolution or winding up of the Company, the holders of Preferred will be entitled to receive in preference to the holders of Common an amount ("Liquidation Preference") equal to the Original Purchase Price plus any dividends accrued on the Preferred but not paid and then to share with the holders of the Common in the remaining assets on an as-if-converted basis.
Pre-emptive Investment Right	In the event that future investment is required to enable the Company to achieve its business objective, the investors in Series A Participating Preferred Equity have the right to invest at a level that maintains their current percentage of ownership.
Anti-Dilution Protection	The conversion price of the Preferred will be subject to adjustment (i) for stock dividends, stock splits, or similar events, and (ii) on a weighted average basis to prevent dilution in the event that the Company issues additional shares at a purchase price less than the applicable conversion price. No adjustment to the conversion price will occur for any issuance of additional shares at a purchase price in excess of the current conversion price. Conversion prices will not be adjusted because of (a) conversion of Preferred Stock, (b) the issuance and sale of, or the grant of options to purchase, shares of Common pursuant to the Company's employee stock purchase or option plans (the "Reserved Employee Shares"), or (c) options or stock issued to equipment lessors and bank lenders.

Equity Incentive Plan	An equity incentive plan consisting of 10% of the post-closing shares will be established at the initial closing.
Voting Right	The holders of Preferred will vote with the common on an as-converted basis.
Protective Provisions	The holders of Preferred will have a separate class vote on significant corporate transactions ( <i>e.g.</i> , amendment of certificate or bylaws, issuance of new equity, acquisitions, sale of the Company and dissolution).
Information Rights	The Company will prepare and submit to holders of Preferred quarterly unaudited financial statements (including income statements, balance sheets, and cash flow statements) no later than 45 days after the close of each quarter and annual unaudited financial statements no later than 120 days after the end of each year. All financial statements shall include comparisons to corresponding periods in prior years.
Right of First Refusal / Co-Sale Right	The holders of Preferred will have a right of first refusal and a right of co-sale on transfers proposed by the Founders.
Board of Directors	The Board of Directors shall consist of five members; the CEO and one additional common representative, two preferred representatives, and one independent director mutually acceptable to the Common and Preferred.
Expenses	Legal, accounting, due diligence and out-of-pocket expenses incurred by the Lead Investor shall be paid by the Company from the proceeds (not to exceed \$10,000).