ANNOTATED TERM SHEET

SERIES A PRFERRED STOCK FINANCING
OF
LATTAMATTIC, INC.

Note To Reader:
This Term Sheet is annotated to provide comment and links to posts on AllenLatta.com that relate to specific provisions of this Term Sheet. This Term Sheet is meant for instructional use only.

Investing in startup companies is extremely risky, and often results in a loss on investment, including a total loss of investment. Consult your attorney and other financial, accounting and tax advisors before negotiating or making any venture capital investment.

This Term Sheet is based upon the Enhanced Model Term Sheet v2.0 prepared by the National Venture Capital Association, but I have modified the NVCA Term Sheet for the fact scenario found below. I have also omitted the more technical tax and legal provisions to keep the term sheet more readable. The NVCA's model documents can be found here: https://nvca.org/model-legal-documents/.

Scenario:
Lattamattic, Inc. is a start-up company that was founded by two UCLA Engineering graduates, Jane Miller and Joe Smith, who are developing an advanced enterprise security suite to deter ransomware, brute-force and other cyberattacks on enterprise IT systems. Joe and Jane founded the company with $5,000 each, purchasing 5,000,000 shares of common stock each at $0.001 each. They later raised money from friends and family, raising $100,000 from each of Bob Anderson and Mary Williams, who invested at a $2.0 million pre-money valuation and a $2.2 million post-money valuation. [For more on pre-money (aka pre-$) and post-money (aka post-$) valuation, see the post "Pre-Money and Post-Money Valuation." After the friends and family round, the capitalization table (aka "cap table") is:

Founders	Common Stock	% Ownership
Jane Miller	5,000,000	45.45%
Joe Smith	5,000,000	45.45%
Bob Anderson	500,000	4.55%
Mary Williams	500,000	4.55%
TOTAL	11,000,000	100.0%

For more on cap tables, see the post "Capitalization Tables, AKA Cap Tables: An Overview for Investors."

After developing a working beta version, Lattamattic was able to convince several large enterprises to demo their software. These enterprises were very impressed with the software. With this feedback, Jane and Joe decided to approach venture capital firms to raise money so they could continue to build out the product and officially start marketing the product.

AdVenture Capital has offered to invest $4 million in Series A preferred stock at a $40 million post-$ valuation, giving them 10% of the company, but as part of the deal they want the company to establish a stock option plan for 15% of the post-$ capitalization. After the Series A financing, the cap table would look like this:

Post-Series A Cap Table

Founders	Common Stock	Series A Preferred Stock	Fully Diluted	% Fully Diluted
Jane Miller	5,000,000		5,000,000	34.09%
Joe Smith	5,000,000		5,000,000	34.09%
Bob Anderson	500,000		500,000	3.41%
Mary Williams	500,000		500,000	3.41%
AdVenture Capital		1,466,667	1,466,667	10.00%
Option Pool (Authorized)	2,200,000		2,200,000	15.00%
TOTAL	13,200,000	1,466,667	14,666,667	100.00%

AdVenture Capital has provided Lattamattic with the following term sheet.

TERM SHEET

SERIES A PRFERRED STOCK FINANCING
OF
LATTAMATTIC, INC.

JULY 1, 2021

This Term Sheet summarizes the principal terms of the Series A Preferred Stock Financing of Lattamattic, Inc., a Delaware corporation (the "**Company**"). In consideration of the time and expense devoted and to be devoted by the Investors with respect to this investment, the No Shop/Confidentiality provisions of this Term Sheet shall be binding obligations of the Company whether or not the financing is consummated. No other legally binding obligations will be created until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest, and is conditioned on the completion of the conditions to closing set forth below.

Notes:

- Term sheets are meant to be non-binding indications of interest, except for two provisions:
  - No-Shop provisions provide that once the Company signs the term sheet, the Company won't have any discussions with other potential investors.
  - Confidentiality provisions protect the company from the investor disclosing the confidential information they obtain from the Company.

Offering Terms		**Notes**
Security:	Series A Preferred Stock (the "**Series A Preferred**").	• The two types of stock are common stock and preferred stock. Common stock is basic ownership, while preferred stock has rights that common stock doesn't. Professional venture

Offering Terms		Notes
		capital investors generally purchase preferred stock. • See the post "LP Corner: Understanding the "Equity" of Private Equity (or, An Introduction to Common Stock and Preferred Stock)" for more on common stock and preferred stock.
Closing Date:	As soon as practicable following the Company's acceptance of this Term Sheet and satisfaction of the conditions to closing (the "**Closing**").	• A "closing" occurs for a transaction when all documents have been signed, all conditions have been met, and payment is made. • Because the term sheet is meant to be non-binding, the closing can only occur if certain conditions are met.
Conditions to Closing:	Standard conditions to Closing, including, among other things, satisfactory completion of financial and legal due diligence, qualification of the shares under applicable Blue Sky laws, the filing of a Certificate of Incorporation establishing the rights and preferences of the Series A Preferred.	• "Conditions to Closing" are the items that have to be completed in order for the transaction to close. • The term "qualification of the shares under applicable Blue Sky laws" refers to making sure that the issuance of the Series A Preferred complies with the securities laws of each state. • Many of the terms of the Series A Preferred will be included in the company's certificate of incorporation, which are filed with the Secretary of State or similar agency of the state where the company is incorporated.

Offering Terms		Notes
Investors:	AdVenture Capital: 1,466,667 shares (10.0% fully-diluted), $4,000,000.	• This is taken from the Cap Table in the Introduction above. • If there are more investors, they will be listed here or in an Exhibit. • Often the company will seek to raise additional capital from other investors after the initial closing has occurred. If this is the case the term sheet may include language such as "[as well as other investors for a period of six (6) months after the Closing."]
Amount Raised:	$4,000,000.	• If the company has issued SAFEs or Convertible Notes, these will convert at the Closing into Series A Preferred, and the Term Sheet will have language such as "including $[_____] from the conversion of SAFEs/principal and interest on bridge notes." • SAFEs. See the post "Simple Agreement for Future Equity (aka SAFE): An Overview for Investors" for more. • Convertible Notes. See the post "Convertible Notes: An Overview" for more.
Pre-Money Valuation:	The price per share of the Series A Preferred (the "**Original Purchase Price**") shall be the price determined on the basis of a fully-diluted pre-money valuation of $30 million (which pre-money valuation shall include an unallocated and uncommitted employee option pool representing 15% of the fully-diluted post-	• See the post "Pre-Money and Post-Money Valuation for a deep dive on pre- and post-money valuation. • The reference to the option pool being included in the pre-money valuation means that the existing pre-Series A

Offering Terms		Notes
	money capitalization) and a fully-diluted post-money valuation of $40 million.	stockholders are diluted but that AdVenture Capital is not diluted by the addition of the stock option pool. • See the post "Private Company Stock Option Plans: An Overview for Investors" for more on stock option plans.
	CHARTER	• "Charter" refers to the Certificate of Incorporation for the Company (known as "Articles of Incorporation" in California. • The Charter is like the constitution for the company. It lists the rights, privileges and preferences of the stockholders. • Other customary documents in a venture capital preferred stock financing are the Stock Purchase Agreement, Investor Rights Agreement, Right of First Refusal Agreement and a Voting Agreement.
Dividends:	Dividends will be paid on the Series A Preferred on an as-converted basis when, as, and if paid on the Common Stock.	• There are several options for dividends, but this is the most common. • See the post "Venture Capital Financings: Understanding Dividends" for a detailed discussion of the different dividend provisions.

Offering Terms		Notes
Liquidation Preference:	In the event of any liquidation, dissolution or winding up of the Company, the proceeds shall be paid as follows: First pay one times the Original Purchase Price plus accrued and unpaid dividends on each share of Series A Preferred (or, if greater, the amount that the Series A Preferred would receive on an as-converted basis). The balance of any proceeds shall be distributed pro rata to holders of Common Stock. A merger or consolidation (other than one in which stockholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company will be treated as a liquidation event (a "**Deemed Liquidation Event**"), thereby triggering payment of the liquidation preferences described above unless the holders of a majority of the Series A Preferred elect otherwise (the "**Requisite Holders**").	• A Liquidation preference is the priority of payments in the event the company is sold or shuts down. • There are many different options for liquidation preferences, but this is a common one. • A merger or sale of the company is treated as a liquidation. • See the post "Venture Capital Financings: Understanding the Liquidation Preference" for more on this topic.
Voting Rights:	The Series A Preferred shall vote together with the Common Stock on an as-converted basis, and not as a separate class, except (i) so long as 1,000,000 of the shares of Series A Preferred issued in the transaction are outstanding, the Series A Preferred as a separate class shall be entitled to elect one member of the Board of Directors (a "Preferred Director"), (ii) as required by law, and (iii) as provided in "Protective Provisions" below.	• The main voting right is to allow the Series A investors to elect their own representative to the Company's board of directors. • See the post "Venture Capital Financings: Board and Board Observer Rights" for more on this.
Protective Provisions:	So long as 1,000,000 shares of Series A Preferred issued in the transaction are outstanding, in addition to any other vote or approval required under the Company's Charter or Bylaws, the Company will not, without the written consent of the Requisite	• Protective provisions require the company to obtain the approval of the Series A investors before certain actions can be taken, such as changing the rights of the Series A investors, changing

Offering Terms		Notes
	Holders, either directly or by amendment, merger, consolidation, recapitalization, reclassification, or otherwise: (i) liquidate, dissolve or wind-up the affairs of the Company or effect any Deemed Liquidation Event; (ii) amend, alter, or repeal any provision of the Charter or Bylaws; (iii) create or authorize the creation of or issue any other security convertible into or exercisable for any equity security unless the same ranks junior to the Series A Preferred with respect to its rights, preferences and privileges, or increase the authorized number of shares of Series A Preferred; (iv) sell, issue, sponsor, create or distribute any digital tokens, cryptocurrency or other blockchain-based assets without approval of the Board of Directors, including the Investor Directors; (v) purchase or redeem or pay any dividend on any capital stock prior to the Series A Preferred, other than stock repurchased at cost from former employees and consultants in connection with the cessation of their service; or (vi) adopt, amend, terminate or repeal any equity (or equity-linked) compensation plan or amend or waive any of the terms of any option or other grant pursuant to any such plan; (vii) create or authorize the creation of any debt security; (viii) create or hold capital stock in any subsidiary that is not wholly-owned, or dispose of any subsidiary stock or all or substantially all of any subsidiary assets; or (ix) increase or decrease the authorized number of directors constituting the Board of Directors or change the number of votes entitled to be cast by any director or directors on any matter.	the number of directors on the board of directors, issuing dividends, and so on. These are often heavily negotiated. • See the post "Venture Capital Financings: Protective Provisions" for a detailed discussion.
Optional Conversion:	The Series A Preferred initially converts 1:1 to Common Stock at any time at option of holder, subject to adjustments for stock	• A key feature of preferred stock issued in venture capital financings is that the

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	dividends, splits, combinations and similar events and as described below under "Anti-dilution Provisions."	holder can convert the Series A stock into common stock at any time. • See the post "Convertible Preferred Stock: Understanding the Conversion Feature" for a detailed discussion of optional and mandatory conversion.
Anti-dilution Provisions:	In the event that the Company issues additional securities at a purchase price less than the current Series A Preferred conversion price, such conversion price shall be adjusted in accordance with the following formula: $CP_2 = CP_1 * (A+B) / (A+C)$ Where: CP_2 = Series A Conversion Price in effect immediately after new issue CP_1 = Series A Conversion Price in effect immediately prior to new issue A = Number of shares of Common Stock deemed to be outstanding immediately prior to new issue (includes all shares of outstanding common stock, all shares of outstanding preferred stock on an as-converted basis, and all outstanding options on an as-exercised basis; and does not include any convertible securities converting into this round of financing) B = Aggregate consideration received by the Company with respect to the new issue divided by CP_1 C = Number of shares of stock issued in the subject transaction	• Anti-dilution provisions are key protections to investors in the event the company later has a "down round" -- issuing stock at a price less than was issued in the Series A round. • Anti-dilution provisions are very complex and there are different types of protections: ratchet, weighted average, and none. This provision is a weighted-average provision, which is the most common type of anti-dilution protection. • Certain issuances of stock, warrant and options are excluded from anti-dilution adjustment because they are usually small amounts, and are for important purposes, such as issuing stock options to employees. • For a detailed discussion of dilution and anti-dilution protection, see the posts "Dilution Part One: Understanding Ownership Dilution," "Dilution Part Two: Value Dilution" and "Anti-Dilution Protection: An Overview."

Offering Terms		Notes
	The foregoing shall be subject to customary exceptions, including, without limitation, the following: (i) securities issuable upon conversion of any of the Series A Preferred, or as a dividend or distribution on the Series A Preferred; (ii) securities issued upon the conversion of any debenture, warrant, option, or other convertible security; (iii) Common Stock issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock; (iv) shares of Common Stock (or options to purchase such shares of Common Stock) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Company's Board of Directors including at least one Preferred Director, and other customary exceptions.	
Mandatory Conversion:	Each share of Series A Preferred will automatically be converted into Common Stock at the then applicable conversion rate in the event of the closing of a firm commitment underwritten public offering (subject to adjustments for stock dividends, splits, combinations and similar events) and gross proceeds to the Company of not less than $10 million (a "**QPO**"), or (ii) upon the written consent of the Requisite Holders.	• Mandatory conversion means that the Series A preferred stock converts to common automatically upon certain events, primarily a company's initial public offering. • See the post "Convertible Preferred Stock: Understanding the Conversion Feature" for a detailed discussion of optional and mandatory conversion. • For more on initial public offerings, see the posts "IPO 101: An Overview of the Initial Public Offering Process."
Pay-to-Play:	Unless the Requisite Holders elect otherwise, on any subsequent down round all holders of Series A Preferred Stock are required to purchase their pro rata share of the securities set aside by the Board of Directors for purchase by such holders. All of the shares	• A "pay-to-play" provision requires an investor to invest in a dilutive financing round (a "down round") in order to obtain anti-dilution protection. For

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	of Series A Preferred of any holder failing to do so will automatically convert to Common Stock and lose corresponding preferred stock rights, such as the right to a Board seat if applicable.	more on pay-to-play provisions, see the post: "Anti-Dilution Protection: An Overview."
Redemption Rights:	The Series A Preferred shall not be redeemable.	• Redemption rights enable the investor to require the company to repurchase (or "redeem") the investor's stock if certain conditions are met. • Redemption rights are very rare in early-stage venture capital financings. • See the post "Venture Capital Financings: Redemption Provisions" for more on redemption.
	STOCK PURCHASE AGREEMENT	• The Stock Purchase Agreement is the document that provides for the purchase and sale of the Series A Preferred.
Representations and Warranties:	Standard representations and warranties by the Company customary for its size and industry.	• Representations and warranties (known as "reps and warranties") are statements made by the company about the status of its business, operations, finances, and legal and tax matters. If the statements prove to be untrue, the investors may be able to "unwind" the transaction or obtain damages from the company in a legal action.
Counsel and Expenses:	Company counsel to draft applicable documents. Company to pay all legal and administrative costs of the financing at Closing,	• It is customary for the company to pay for the legal fees of one counsel for the

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	including (subject to the Closing) reasonable fees (not to exceed $25,000) and expenses of Investor counsel.	investors (the attorneys of the "lead investor"), with some cap on the amount to be paid.
	INVESTORS' RIGHTS AGREEMENT	• The Investor Rights Agreement covers a variety of matters important to the investors, including registration rights, information rights, pre-emptive rights and board-related matters.
Registration Rights:		• In the United States, stock is either registered or unregistered. When a privately-held startup issues shares, these shares are unregistered. When the company registers shares with the Securities and Exchange Commission for sale to the public, the shares become registered. The company's first registration of shares for sale to the public is an initial public offering. • Registration rights apply when the company is going public (via its initial public offering) or after it is public, and provide investors with rights to participate in public offerings by the company or to force the company to hold a public offering of the shares held by the investors. • For more on initial public offerings, see the posts "IPO 101: An Overview of the Initial Public Offering Process."

Offering Terms		Notes
		• See the posts "Venture Capital Financings: Registration Rights Part 1" and "Venture Capital Financings: Registration Rights Part 2" for a detailed discussion of registration rights.
Registrable Securities:	All shares of Common Stock issuable upon conversion of the Series A Preferred and any other Common Stock held by the Investors will be deemed "**Registrable Securities**."	• "Registrable Securities" are shares held by investors that have registration rights. Note that not all holders of the company's stock will have contractual registration rights.
Demand Registration:	Upon earliest of (i) five (5) years after the Closing; or (ii) six (6) months following an initial public offering ("**IPO**"), persons holding 30% of the Registrable Securities may request one (consummated) registration by the Company of their shares. The aggregate offering price for such registration may not be less than $15 million. A registration will count for this purpose only if (i) all Registrable Securities requested to be registered are registered, and (ii) it is closed, or withdrawn at the request of the Investors (other than as a result of a material adverse change to the Company).	• Demand registration rights enable the investors to force the company to register the investor's shares for sale to the public. This is accomplished by filing an S-1 Registration Statement with the SEC. • For more on S-1 Registration Statements, see the post "Venture Capital Financings: Registration Rights Part 1" • For more on S-1 demand registrations, see the post "Venture Capital Financings: Registration Rights Part 2."
Registration on Form S-3:	The holders of at least 30% of the Registrable Securities will have the right to require the Company to register on Form S-3, if available for use by the Company, Registrable Securities for an aggregate offering price of at least $5 million. There will be no limit on the aggregate number of such Form S-3 registrations,	• If the company is already public, then it may be eligible for a simplified process to register shares for public sale, which is accomplished by filing an S-3 registration statement with the SEC.

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	provided that there are no more than two (2) per twelve (12) month period.	• Form S-3 registration rights on enable the investors to force the company to register the investor's shares for sale to the public. • For more on S-3 Registration Statements, see the post "Venture Capital Financings: Registration Rights Part 1." • For more on S-3 Demand Registrations, see the post "Venture Capital Financings: Registration Rights Part 2."
Piggyback Registration:	The holders of Registrable Securities will be entitled to "piggyback" registration rights on all registration statements of the Company, subject to the right, however, of the Company and its underwriters to reduce the number of shares proposed to be registered to a minimum of 20% on a pro rata basis and to complete reduction on an IPO at the underwriter's discretion. In all events, the shares to be registered by holders of Registrable Securities will be reduced only after all other stockholders' shares are reduced.	• Piggyback registration refers to the right of an investor holding unregistered shares to participate in a registered offering initiated by the company. • For more, see the posts "Venture Capital Financings: Registration Rights Part 1" and "Venture Capital Financings: Registration Rights Part 2."
Expenses:	The registration expenses (exclusive of stock transfer taxes, underwriting discounts and commissions) will be borne by the Company. The Company will also pay the reasonable fees and expenses, not to exceed $20,000 per registration, of one special counsel to represent all the participating stockholders.	• It is customary for the Company to pay the legal fees of the investors who participate in a registration.
Lock-up:	Investors shall agree in connection with the IPO, if requested by the managing underwriter, not to sell or transfer any shares of Common Stock of the Company held immediately before the effective date of the IPO for a period of up to 180 days following	• In an initial public offering (IPO) on a US exchange (such as NYSE or NASDAQ), it is common for the underwriters (the investment banks leading the deal), to

Offering Terms		Notes
	the IPO (provided all directors and officers of the Company and 5% stockholders agree to the same lock-up).	require most of the company's shareholders to wait for a period of time, usually 180 days, after the date of the IPO before they can sell their shares on the public market. This is done to prevent a flood of stock being traded on the market soon after the IPO which could increase stock price volatility and could drive the price down.
Termination:	Upon the earlier of (1) a Deemed Liquidation Event, (2) after the IPO, when the Investor and its Rule 144 affiliates holds less than 1% of the Company's stock and all shares of an Investor are eligible to be sold without restriction under Rule 144, or (3) the third anniversary of the IPO**.** No future registration rights may be granted without consent of the holders of a majority of the Registrable Securities unless subordinate to the Investor's rights.	• A "Deemed Liquidation Event" was defined above, but is essentially a merger or sale of the company, or a shutting down of the company. In the context of registration rights, it means a merger or sale of the company. • Rule 144 is a rule established by the SEC to allow holders of unregistered stock to sell their stock in the public market without having to go through the registration process, if certain conditions are met, such as holding the stock for a certain period of time. Once Rule 144 is available to the investors, they don't need registration rights any more. • After a company has been public for a few years, investors will have had ample opportunity to sell their shares in a public offering, either via a registration statement or via Rule 144 (or certain other rules).

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Management Rights:	A Management Rights letter from the Company, in a form reasonably acceptable to the Investors, will be delivered prior to Closing to each Investor that requires one.	• A Management Rights Letter provides an investor with the right to participate in the management of the company. This letter is required by law for certain investors, usually pension plans.
Information Rights:	Any Major Investor (who is not a competitor) will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to such Major Investor (i) annual, quarterly, [and monthly] financial statements, and other information as determined by the Board of Directors; (ii) thirty days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses, and cash position on a month-to-month basis for the upcoming fiscal year; and (iii) promptly following the end of each quarter an up-to-date capitalization table. A "Major Investor" means any Investor who purchases at least $500,000 of Series A Preferred.	• Information rights are important rights granted to the investors to be able to visit the company, speak with management, and obtain financial statements and reports from the company. • It is customary for companies to provide quarterly, internally-prepared, unaudited monthly and quarterly financials, annual audited financials, an annual operating budget and quarterly cap tables. • Companies sometimes limit this information to "Major Investors" which are investor that have purchased a minimum amount of Series A stock.
Right to Participate Pro Rata in Future Rounds:	All Major Investors shall have a pro rata right, based on their percentage equity ownership in the Company (assuming the conversion of all outstanding Preferred Stock into Common Stock and the exercise of all options outstanding under the Company's stock plans), to participate in subsequent issuances of equity securities of the Company (excluding those issuances listed at the end of the "Anti-dilution Provisions" section of this Term Sheet and shares issued in an IPO). In addition, should any Major Investor choose not to purchase its full pro rata share, the	• This right to participate in future stock issuances by the company is also known as a "right of first offer" or a "pre-emptive right." • Companies sometimes limit this information to "Major Investors" as a way to reward Major Investors for their investment and also because managing

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	remaining Major Investors shall have the right to purchase the remaining pro rata shares.	these rights to participate in future rounds is difficult and time-consuming. • It is customary for the Company to exclude certain issuances of stock, warrants, options and other securities from this provision, such as stock option grants.
Matters Requiring Preferred Director Approval:	So long as the holders of Series A Preferred are entitled to elect a Director, the Company will not, without Board approval, which approval must include the affirmative vote of each of the then-seated Preferred Directors: (i) make any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company; (ii) make any loan or advance to any person, including, any employee or director, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan approved by the Board of Directors; (iii) guarantee any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business; (iv) make any investment inconsistent with any investment policy approved by the Board of Directors; (v) incur any aggregate indebtedness in excess of $50,000 that is not already included in a Board-approved budget, other than trade credit incurred in the ordinary course of business; (vi) hire, fire, or change the compensation of the executive officers, including approving any option grants; (vii) change the principal business of the Company, enter new lines of business, or exit the current line of business; (viii) sell, assign, license, pledge or encumber material technology or intellectual property, other than licenses granted in	• This is a form of "proactive provision" and requires the approval of the director appointed by the investors for the company to be able to take certain actions. • The idea is to provide investor oversight for certain actions which are not in the company's ordinary course of business. • See the post "Venture Capital Financings: Protective Provisions" for more.

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	the ordinary course of business; or (ix) enter into any corporate strategic relationship involving the payment contribution or assignment by the Company or to the Company of assets greater than $100,000.	
Non-Competition Agreements:	Founders and key employees will enter into a one-year non-competition agreement in a form reasonably acceptable to the Investors.	• The idea of having founders and key employees sign non-competes is to protect the company's intellectual property, trade secrets, computer code, etc. • Note that non-compete agreements signed by employees are not typically enforceable in California, which as a matter of public policy supports free movement of employees.
Non-Disclosure, Non-Solicitation and Developments Agreement:	Each current, future and former founder, employee and consultant will enter into a non-disclosure, non-solicitation and proprietary rights assignment agreement in a form reasonably acceptable to the Investors.	• Similar to non-compete agreements, the non-disclosure, non-solicitation and proprietary rights assignment agreement is meant to protect the company. • The non-disclosure provisions try to protect the company's intellectual property; the non-solicitation provisions prevent a departing founder, employee or consultant from raiding the company's customers or employees, and the proprietary rights assignment provisions provide that all intellectual property relating to the comapny developed by a founder, employee or

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		consultant is the property of the company.
Board Matters:	Each Board Committee shall include at least one Preferred Director. Company to reimburse nonemployee directors for reasonable out-of-pocket expenses incurred in connection with attending Board meeting. The Company will bind D&O insurance with a carrier and in an amount satisfactory to the Board of Directors. Company to enter into Indemnification Agreement with each] Preferred Director with provisions benefitting their affiliated funds in form acceptable to such director. In the event the Company merges with another entity and is not the surviving entity, or transfers all of its assets, proper provisions shall be made so that successors of the Company assume the Company's obligations with respect to indemnification of Directors.	• Corporate governance is an important consideration for investors. In addition to board and observer rights, many investors want to participate in committee meetings, particularly audit (which covers accounting, finance and tax matters) and nominating (which covers employment matters). • Reimbursing the investor's appointed director for expenses is customary. • Obtaining Directors & Officers insurance to protect directors and officers from third party claims (such as securities violations) is also customary. • Indemnification agreements are also customary. These agreements provide that the Company will reimburse directors for any expenses and liabilities from any claims. Indemnification agreements provide broader coverage than a D&O policy. • For more on board rights, see the post "Venture Capital Financings: Board and Board Observer Rights."
Employee Stock Options:	All future employee options to vest as follows: 25% after one year, with remaining vesting monthly over next 36 months.	• Some investors want to make sure the company has a standard vesting schedule for options.

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		• For more on stock options and vesting, see the post "Private Company Stock Option Plans: An Overview for Investors."
RIGHT OF FIRST REFUSAL/CO-SALE AGREEMENT		• The Right of First Refusal / Co-Sale Agreement deals with situations where an existing stockholder wants to sell its stock.

Right of First Refusal/ Right of Co-Sale (Take-Me-Along):	Company first and Investors second will have a right of first refusal with respect to any shares of capital stock of the Company proposed to be transferred by current and future employees holding 1% or more of Company Common Stock (assuming conversion of Preferred Stock and whether then held or subject to the exercise of options), with a right of oversubscription for Investors of shares unsubscribed by the other Investors. Before any such person may sell Common Stock, he will give the Investors an opportunity to participate in such sale on a basis proportionate to the amount of securities held by the seller and those held by the participating Investors.	• A "right of first refusal" or "ROFR" (pronounced "roafer") provides that if a stockholder (here limited to employees) wants to sell some or all of their shares, the company and other investors with a right to purchase those shares before they are sold to a third party.
		  ○ See the post "Rights of First Refusal: An Overview" for more on this.
		• A "Co-Sale Right" also known as "tag-along" or "take-me-along" rights, are rights obtained in venture capital and other preferred stock financings so that if a stockholder sells all or some of their shares in the company, the holders of the co-sale rights can participate in that sale.
		  ○ See the post "Venture Capital Financings: Co-Sale Rights."

Offering Terms		Notes
	VOTING AGREEMENT	• A Voting Agreement commits holders of the company's stock to vote for certain actions, such as electing a representative of the investors to the board of directors.
Board of Directors:	At the Closing, the Board of Directors shall consist of five (5) members comprised of (i) Betty Smith as the representative designated by AdVenture Capital, as the lead Investor, (ii) Bill Jones as the representative designated by the Common Stockholders, (iii) the person then serving as the Chief Executive Officer of the Company, and (v) two (2) persons who are not employed by the Company and who are mutually acceptable to the other directors.	• It is common for the lead investor in a preferred stock financing to obtain the right to appoint a representative to the company's board of directors. • For more on board rights, see the post "Venture Capital Financings: Board and Board Observer Rights."
Drag Along:	Holders of Preferred Stock and all current and future holders of greater than 1% of Common Stock (assuming conversion of Preferred Stock and whether then held or subject to the exercise of options) shall be required to enter into an agreement with the Investors that provides that such stockholders will vote their shares in favor of a Deemed Liquidation Event or transaction in which 50% or more of the voting power of the Company is transferred and which is approved by the Board of Directors, the Requisite Holders and holders of a majority of the shares of Common Stock then held by employees of the Company (collectively with the Requisite Holders, the "**Electing Holders**"), so long as the liability of each stockholder in such transaction is several (and not joint) and does not exceed the stockholder's pro rata portion of any claim and the consideration to be paid to the stockholders in such transaction will be allocated as if the consideration were the proceeds to be distributed to the	• Drag-Along rights are agreements where stockholders agree to vote in favor of a sale of the company if the board of directors, the Series A investors and by employees holding common stock all vote in favor of the merger. • The reason for this is legal. If the acquirer is buying stock and less than 90% of the stock vote in favor of the sale of the company, then the dissenting stockholders may have legal rights that will complicate the transaction. The goal of Drag-Along provisions is to facilitate the sale of the company. • See the post "Venture Capital Financings: Drag-Along Rights" for more on this topic.

Offering Terms		Notes
	Company's stockholders in a liquidation under the Company's then-current Charter, subject to customary limitations.	
	OTHER MATTERS	
No-Shop/Confidentiality:	The Company and the Investors agree to work in good faith expeditiously towards the Closing. The Company and the founders agree that they will not, for a period of 60 days from the date these terms are accepted, take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Investors relating to the sale or issuance, of any of the capital stock of the Company and shall notify the Investors promptly of any inquiries by any third parties in regards to the foregoing. The Company will not disclose the terms of this Term Sheet to any person other than employees, stockholders, members of the Board of Directors and the Company's accountants and attorneys and other potential Investors acceptable to AdVenture Capital, as lead Investor, without the written consent of the Investors (which shall not be unreasonably withheld, conditioned or delayed).	• A "no-shop" clause prohibits the company from soliciting term sheets from other venture capital investors for some period of time, usually 45 to 90 days. This locks in the deal for the lead investor so they can focus on due diligence without worrying about other bids. • The confidentiality provisions are complimentary to the no-shop provision, so that the term sheet will remain confidential and not be used by the company to solicit term sheets from other investors.
Expiration:	This Term Sheet expires on July 31, 2021 if not accepted by the Company by that date.	• Term sheets are non-binding except for the No-Shop and Confidentiality clauses. Once the term sheet is signed by the company, those provisions become binding. • The deadline for accepting a term sheet is to create momentum for the transaction and so the investors won't spend time and money on due diligence if there isn't a term sheet in place.