Entrepreneurial Capital

[COMPANY NAME]
Term Sheet for Class A Units

Company	[ ], a [State] limited liability corporation (the "Company")
Target	[Name of acquisition target or description of assets being purchased] (the "Target")
Anticipated Closing Date	[ ]
Manager	[Searcher's name] (the "Manager")
Manager Salary	The Manager will be a full-time employee of the acquired business with a starting salary of $[ ] per year ("Salary")
Capitalization	The Company's securities consist of: ● Class A Units: Membership units issued to investors ● Class B Units: Membership units issued to Manager
Offering Size	$[ ]
Price Per Unit	$1.00
Minimum Investment Size	$[ ]
Preferred Return	[ ]% annual preferred return, which can be paid in cash or allowed to accrue, at the discretion of the Manager. Compounded annually.
General Distributions / Step-Up	Priority of distributions: ● First, 100% to Class A Unit holders until they receive all accrued and unpaid preferred return ● Second, 100% to Class A Unit holders until initial capital contribution is returned ● Third, remaining distributions will be made as follows: [ ]% to Class A Unit holders, and [ ]% to Class B Unit holders (as implied by Step-Up of [ ]x, calculated as equity capital as a percentage of purchase price multiplied by the Step-Up)
Tax Distributions	Distributions for tax liability related to Company profits must be made to investors assuming a tax rate of [ ]%, on a best-efforts basis, and taking into account any aggregate loss from prior taxable periods. Tax distributions will not count toward a return of capital or the preferred

	return to Class A Unit holders
Transfer Restrictions	Manager must approve Class A Unit transfers except those made to family members, a trust for family members or limited partners.
Information Rights	Quarterly financials including commentary and a calculation of net cash flow for each quarter. Timely provision of tax reports including, but not limited to, Schedule K-1, Form 1099-DIV and/or any other applicable tax forms required to file tax returns without extension. Read-only access to QuickBooks or other accounting system and business bank account(s).
Drag-Along Right	The Manager will have the right to require holders of Class A Units to sell and/or to vote their Class A Units in favor of a sale of the Company, provided that the transaction is a sale of membership interests to an arms-length buyer, the Manager is selling not less than 75% of their Class B Units in the sale, and either (a) the process is fully marketed by a qualified business brokerage (or investment bank); or (b) the sale price equates to a multiple of the last 12 months' adjusted EBITDA that is not less than 2.0 multiple turns higher than the underwritten acquisition multiple of adjusted EBITDA. No Class A Member shall be required to participate in any Drag-Along Sale unless the consideration payable in connection with such transaction equals or exceeds an amount sufficient to provide each Class A Member with proceeds at least equal to the Class A Member's capital contribution multiplied by the Step Up.
Tag-Along Right	If the Manager proposes to sell all or any portion of its Class B Units to a purchaser other than an affiliate or family member, the holders of Class A Units will have the right to require such purchaser to purchase its pro rata share of Units, counted as if a single class. Notwithstanding the foregoing, if the sale would result in the purchaser owning more than a 33% economic interest in the Company, then the transaction will require the affirmative vote of the majority-in-interest of Class A Unit holders
Preemptive Rights	Class A Unit holders have approval rights and a right of first refusal on newly issued units

Put Right	Class A Unit holders have the right to sell their Class A Units to the Company at fair market value, on a best-efforts basis, as determined by an independent third-party, exercisable after the later of the release of the SBA guarantee and 7 years have elapsed
Confidentiality	Investors may not disclose proprietary information received by the Company
Voting Matters	Without the approval of a majority-in-interest of the Class A Unit holders, the Company will not have the authority to: ● Make changes to the operating agreement or certificate of formation ● Issue units, or securities convertible thereto (existing or new class), including "phantom equity," management incentive pools of similar structures ● Redeem or repurchase units except as otherwise provided below ● Compensate the Manager in excess of their Salary ● Declare bankruptcy, dissolve, wind up, or liquidating the company ● Incur debt or pledge assets greater than $100,000 ● Engage in related party transactions ● Purchase a business or assets for consideration greater than $500,000 ● Enter a business outside the one described in the operating agreement ● Modify the Company's tax classification ● Allow the Manager to transfer their own Class A Units or Class B Units ● Pledge or grant a lien on any assets or guarantee, assume, endorse, or otherwise become responsible for the obligations of any other person ● Enter into or effect any transaction or series of related transactions involving the initial public offering, sale, lease, license, exchange, or other disposition of assets by the Company ● Create a subsidiary entity, or taking any other action, intended to engage in the above actions without allowing Class A Unit holders to vote on the matter
Life Insurance	The Company shall obtain and maintain a key person life insurance

	policy on the Manager in an amount sufficient to satisfy all SBA lender requirements and, in addition, in an amount equal to the total Class A Member capital contributions. The policy shall be owned by the Company and structured, subject to SBA lender priority and collateral assignment, so that any proceeds remaining after satisfaction of all lender obligations are used to return Investors' unreturned invested capital.
Manager Efforts	The Manager shall devote substantially all of their professional time and attention to the business and affairs of the Company and its subsidiaries. Any acquisition of a business or assets in the Company's line of business, or otherwise complementary to the Company's operations, shall be pursued by the Company or one of its subsidiaries, and not by the Manager or any affiliate thereof outside of the Company structure, unless approved in writing by the holders of a majority of the Class A Units.