

## TERM SHEET

Company: [Company], a Delaware corporation.

Investor Dogwood Ventures Fund [Fund #], LP (“**Dogwood**” or “**Investor**”)

Securities: Series [Name] Preferred Stock of the Company (“**Series [Name]**”).

Investment Amounts: \$ [Investment Amount] million from (“**Investor**”)  
\$ [Other Investor Amount] million from other investors

Convertible notes and safes (“**Convertibles**”) convert on their terms into a shadow series of preferred stock (together with the Series [Name], the “**Preferred Stock**”).

Valuation: \$ [Pre-Money Valuation] million **pre-money** valuation

Option Pool Available employee option pool equal to [Option Pool %] % of the post-Closing fully-diluted capitalization. All employee options to vest as follows: 25% after one year, with remaining vesting monthly over next 36 months]

Liquidation Preference: 1x non-participating preference. A sale of all or substantially all of the Company’s assets, or a merger (collectively, a “**Company Sale**”), will be treated as a liquidation.

Conversion to Common Stock: At holder’s option and automatically on (i) IPO or (ii) approval of a majority of Preferred Stock (on an as-converted basis) (the “**Preferred Majority**”). Conversion ratio initially 1-to-1, subject to standard adjustments.

Founder Vesting: One year of credit at closing and monthly vesting thereafter for 3 years.

Voting Rights &  
Protective  
Provisions:

Approval of the Preferred Majority shares required to (i) change rights, preferences or privileges of the Preferred Stock; (ii) change the authorized number of shares of Preferred Stock or Common Stock; (iii) create securities senior or pari passu to the existing Preferred Stock; (iv) redeem or repurchase any shares (except for purchases at cost upon termination of services or exercises of contractual rights of first refusal); (v) declare or pay any dividend; (vi) change the authorized number of directors; (vii) liquidate or dissolve, including a Company Sale; (viii) guarantee, create or authorize the creation of any debt security, if the aggregate indebtedness of the Company and its subsidiaries for borrowed money following such action would exceed \$50,000, excluding equipment leases, bank lines of credit and trade payables incurred in the ordinary course of business; or (ix) approve any amendment to the Company's operating agreement, bylaws, or Articles of Organization. Otherwise votes with Common Stock on an as-converted basis.

Board Approval

The following actions shall be required to be approved by the Board, including the affirmative vote of the Dogwood Director:

(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; (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; (v) enter into or be a party to any transaction with any director, officer or employee of the Company or any "associate" (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such person; (vi) hire, fire, or change the compensation of the Founders or any other executive officer, including approving any option grants (except increases in compensation not to exceed 5%); (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 the ordinary course of business; (ix) enter into any corporate strategic relationship involving the payment contribution or assignment by the Company or to the Company of assets greater than \$50,000; (x) any matter related to option pool grants and option vesting schedules; or (y) increase the size of the option pool.

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| Drag-Along:             | Founders, investors and 1% stockholders required to vote for a Company Sale or change in control approved by (i) the Board, (ii) the Preferred Majority and (iii) a majority of Common Stock [(excluding shares of Common Stock issuable or issued upon conversion of the Preferred Stock)] (the “ <b>Common Majority</b> ”), subject to standard exceptions.                                                                                                                                                                                                                                                                                                                                                                                                                |
| Other Rights & Matters: | The Preferred Stock will have standard broad-based weighted average anti-dilution rights, first refusal and co-sale rights over founder stock transfers, registration rights, pro rata rights and information rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Expenses                | Company pays Lead Investor’s legal fees, capped at \$30,000-\$40,000, depending on the complexity of the investment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Board of Directors:     | <p>Dogwood designates one Board Director if setting the terms of the Series <span style="border: 1px solid black; padding: 0 2px;">Name</span>. Common Majority designates two Board Directors. Dogwood designates one Board Observer if not setting the terms of the Series <span style="border: 1px solid black; padding: 0 2px;">Name</span>.</p> <p>The Company will bind D&amp;O insurance with a carrier and in an amount satisfactory to the Board (including the Dogwood Director). The Company will also enter into Indemnification Agreements with all members of the Board in a form reasonably acceptable to the Lead Investor.</p> <p>The Company will obtain key-man insurance on the founder (in the amount of \$1,000,000) within 30 days after Closing.</p> |
| No Shop:                | For 30 days, the Company will not solicit, encourage or accept any offers for the acquisition of Company capital stock (other than equity compensation for service providers), or of all or any substantial portion of Company assets. The No Shop period will automatically extend by one week increments, without written consent, as long as both parties are making good faith efforts to consummate the Transaction.                                                                                                                                                                                                                                                                                                                                                    |

The “No Shop” is legally binding between the parties. Everything else in this term sheet is non-binding and only intended to be a summary of the proposed terms of this financing.

**Company**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Dogwood Ventures**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_