TERMS FOR PRIVATE PLACEMENT OF SEED SERIES PREFERRED STOCK OF
[GREAT\_COMPANY], INC.

September 15, 2014

The following is a summary of the principal terms with respect to the proposed Seed Series Preferred Stock financing of \_[GREAT\_COMPANY]\_\_\_\_, Inc., a [Delaware] corporation (the “Company”).  Except for the sections entitled “Expenses”, “No Shop/Confidentiality” [and “Special Terms”] such summary of terms does not constitute a legally binding obligation.  Any other legally binding obligation will only be made pursuant to definitive agreements to be negotiated and executed by the parties.

*Offering Terms*

Securities to Issue:

* Shares of Seed Series Preferred Stock of the Company (the “Series Seed”).

Aggregate Proceeds:

* Minimum of $500,000 and maximum of $1,000,000 in aggregate.

Lead Investors:

* Members of HBS Alumni Angels, who will invest a minimum of $250,000.

Price Per Share:

* $ \_\_\_\_\_\_\_ (the “Original Issue Price”), based on a pre-money valuation of $3.25 million, calculated based upon the capitalization of the Company as set forth in Exhibit A and an available post-closing option pool of 15% after  receipt of maximum Aggregate Proceeds.

Dividends:

* Annual 6% accruing cumulative dividend payable when as and if declared, and upon (a) a Redemption or (b) a Liquidation (including a Deemed Liquidation Event) of the Company in which the holders of Series Seed receive less than 5 times the Original Issue Price per share (the “Cap”). For any other dividends or distributions, participation with Common Stock on an as-converted basis.

Liquidation Preference:

* Two times the Original Issue Price plus any accrued and unpaid dividends thereon (subject to the “Cap”) plus any other declared but unpaid dividends on each share of Series Seed, balance of proceeds paid to Common. A merger, consolidation, reorganization, sale or exclusive license of all or substantially all of the assets or similar transaction in one or a series of related transactions will be treated as a liquidation (a “Deemed Liquidation Event”).

Conversion:

* Convertible into one share of Common (subject to proportional adjustments for stock splits, stock dividends and the like, and Full Ratchet anti-dilution protection if securities are sold for capital raising purposes at less than 75% of the valuation in this round within the first 2 years after the round) at any time at the option of the holder.

Voting Rights:

* Votes together with the Common Stock on all matters on an as‑converted basis.  Approval of a majority of the Series Seed required to (i) adversely change rights of the Series Seed; (ii) change the authorized number of shares; (iii) authorize a new series of Preferred Stock having rights senior to or on parity with the Series Seed; (iv) create or authorize the creation of any debt security if the Company’s aggregate indebtedness would exceed 50% of the aggregate proceeds of the Series Seed; (v) redeem or repurchase any shares (other than pursuant to the Company’s right of repurchase at original cost); (vi) declare or pay any dividend; (vii) increase in the option pool reserve within two years following the closing; (viii) change the number of directors; or (ix) liquidate or dissolve, including any change of control or Deemed Liquidation Event.

Documentation:

* Documents will be based on Seed Series Preferred Stock documents published at http:/gust.com/SeriesSeed which will be generated/drafted by Company counsel.

Financial Information:

* All Investors will receive annual financial statements and narrative update reports from management. Investors who have invested at least $25,000 (“Major Investors”) will receive (i) monthly financial and narrative update reports from management; (ii) thirty days prior to the end of each fiscal year, a comprehensive operating budget forecasting the Company’s revenues, expenses, and a 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, certified by the CEO or CFO, as applicable. Any Major Investor will have customary inspection rights.  A management rights letter will be provided to any Investor that requires such a letter. All communications with Investors shall be conducted through Company’s secure investor relations deal room on the Gust platform, which Company shall be responsible for maintaining with current, complete and accurate information.

Participation Right:

* Major Investors will have the right to participate on a pro rata basis in subsequent issuances of equity securities. In addition, should any Major Investor elect not to purchase its full pro rata portion, the remaining Major Investors shall have the right to purchase such remaining shares.

Redemption Right:

* The Series Seed shall be redeemable from funds legally available for distribution at the option of the holders of a majority of the outstanding Series Seed commencing any time after the seventh anniversary of the Closing at a price equal to the Original Purchase Price plus all accrued but unpaid dividends and any other declared and unpaid dividends thereon. Redemption shall occur in three equal annual portions.

Board of Directors:

* Two directors elected by holders of a majority of Common stock, one elected by holders of a majority of Series Seed. Series Seed Director approval required for (i) incurring indebtedness for borrowed money prior to the Company being cash flow positive, (ii) selling, transferring, licensing, pledging or encumbering technology or intellectual property, other than licenses granted in the ordinary course of business, (iii) entering into any material transaction with any founder, officer, director or key employee of the Company or any affiliate or family member of any of the foregoing, (iv) hiring, firing or materially changing the compensation of founders or executive officers, (v) changing the principal business of the Company or (vi) entering into any Deemed Liquidation Event that would result in the holders of Series Seed Series receiving less than 5 times their Original Purchase Price.

Expenses:

* Company to reimburse Investors a flat fee of $10,000 for review of transaction documentation by Investors’ counsel, plus background check expenses of $250 for each founder and each person or entity owning 20% or more of the Company’s outstanding equity as fully diluted. If, in the sole discretion of Investors, legal due diligence is required, Company shall reimburse cost of Investors’ counsel for up to $5,000 in additional expenses for such diligence. Company shall be responsible for the expense of Company’s Gust investor relations deal room up to $1,500 per year.

Future Rights:

* The Series Seed will be given the same contractual rights (such as registration rights, information rights, rights of first refusal and tag along rights) as the first series of Preferred Stock sold to investors on terms similar to or consistent with NVCA or other standard documents customary for venture capital investments by institutional investors.

Founder Matters:

* Each founder shall have four years vesting beginning as of the Closing, with 25% vesting on the first anniversary of the Closing and the remainder vesting monthly over the following 36 months. Full acceleration upon “Double Trigger.” Each Founder shall have assigned all relevant IP to the Company prior to closing and shall have entered into a non-disclosure, non-competition and non-solicitation agreement (to the fullest extent permitted by applicable law), with such non-competition and non-solicitation covenants to be applicable during the term of his or her employment by the Company and for one year after the termination thereof. Founders shall be subject to an agreement with the Company pursuant to which the Company shall have a right of first refusal with respect to any proposed transfer of capital stock of the Company at the price offered.

No Shop / Confidentiality:

* 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 and the founders will not disclose the terms of this Term Sheet to any person other than officers, members of the Board of Directors and the Company’s accountants and attorneys and other potential Investors acceptable to the Investors, without the written consent of the Investors

Special Terms:

[Deal specific comments/conditions inserted here. Otherwise “None”.]

Company: [GREAT\_COMPANY], INC.

Name:

Title:

Date:

FOR THE INVESTORS:

Name:

Title:

Date: