



CommonAngelsTM
Uncommon Expertise

Member Handbook

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Welcome to CommonAngels

Who are we?

Founded in 1998 and named after Boston's historic public meeting grounds, CommonAngels is a member-driven angel investment organization, comprised of over 65 former CEOs and founders of high-tech companies as well as other leaders in the Massachusetts technology and business community.

What do we do?

We invest, as individuals, in young high-tech companies with breakthrough products or services. In addition to providing capital, we share our expertise, provide mentoring, and facilitate connections to the broader marketplace. To date, CommonAngels has provided over \$34 million in early stage funding to more than 30 companies. Another \$100 million of funding was provided to these companies by CommonAngels co-investors.

What is our goal?

To help entrepreneurs build successful companies and thereby achieve excellent returns on our invested capital.

What are our investment criteria?

We invest in passionate entrepreneurs with CEO capabilities. These teams have a defined scalable product or service with innovative technology to serve a significant market profitably. Other criteria include the following:

Fit:	Must be in a sector within the expertise of CommonAngels members
People:	Passionate entrepreneur with CEO capabilities
Stage:	Beta, working prototype, go-to-market
Sectors:	Innovative information technology such as software, telephony, semiconductors, RFID, medical devices not requiring clinical trials
Location:	Boston Area
Capital:	Series A financing of \$500K-\$5M; total capital <\$20M

Membership

CommonAngels' membership is mainly comprised of successful, former CEOs and other highly experienced executives and investors in technology-based companies. We are a member-driven organization, with volunteers from the membership leading the due diligence efforts on prospective investments.

Benefits

- Access to high quality opportunities to earn venture returns.
- Opportunities to make personal decisions on whether to invest directly in any particular early-stage technology-based business.
- Networking, collegiality, and fun with a peer group of successful entrepreneurs who are similarly interested in angel investing.
- Saving time and reducing risk through the CommonAngels due diligence, investment, and monitoring processes.
- Staying current on new ideas, technologies, and markets by interacting with entrepreneurs seeking capital and with CommonAngels members who possess extensive and varied business experience.
- Giving back to the community by mentoring entrepreneurs and helping young companies grow.
- Use of CommonAngels offices and conference room.

Becoming a member

The process for obtaining membership is as follows:

- **Sponsorship** – Prospective members must be nominated for membership by an existing member.
- **Meeting Attendance** – Prospective members are encouraged to attend several meetings as a guest before pursuing a formal application for membership. Visits should be coordinated with the Managing Directors.
- **Application** – Formal applications for membership should be coordinated with the Managing Directors and applicants will be asked to provide a biographical summary.
- **Review** – At least one member of the CommonAngels board of Directors meets with the applicant to discuss shared goals and interests. The board as a whole reviews and approves applications for membership.
- **Formalization** – New members must be accredited investors and accordingly, need to complete an accredited investor questionnaire (see Appendix A) and pay their annual dues.

Responsibilities

While members are free to make their own investment decisions, active membership requires participating in the investment process and contributing to the group.

- Attend at least 75% of the regularly scheduled meetings each year.
- Averaged over a two year period, invest \$50,000 to \$100,000 per year.
- Participate on a diligence team once per year.
- Timely payment of membership dues, currently \$3,500 per year.
- Full disclosure of any relationship with a company being considered for funding by CommonAngels

Leaves of absence

Leaves of absence may be extended to members who anticipate being unavailable to participate for an extended period of time. Membership may be renewed voluntarily anytime within a year. Reactivation of membership after an absence for more than 12 months requires review by the board of Directors.

Withdrawal or termination of membership

Members may withdraw voluntarily from the group at any time by coordinating with the Managing Directors. The CommonAngels board periodically reviews the attendance and participation of all members and reserves the right to terminate memberships based on its sole discretion in special situations.

Membership dues

Annual membership fees cover the cost of meetings and other overhead expenses associated with the investment process and are set by the board of Directors.

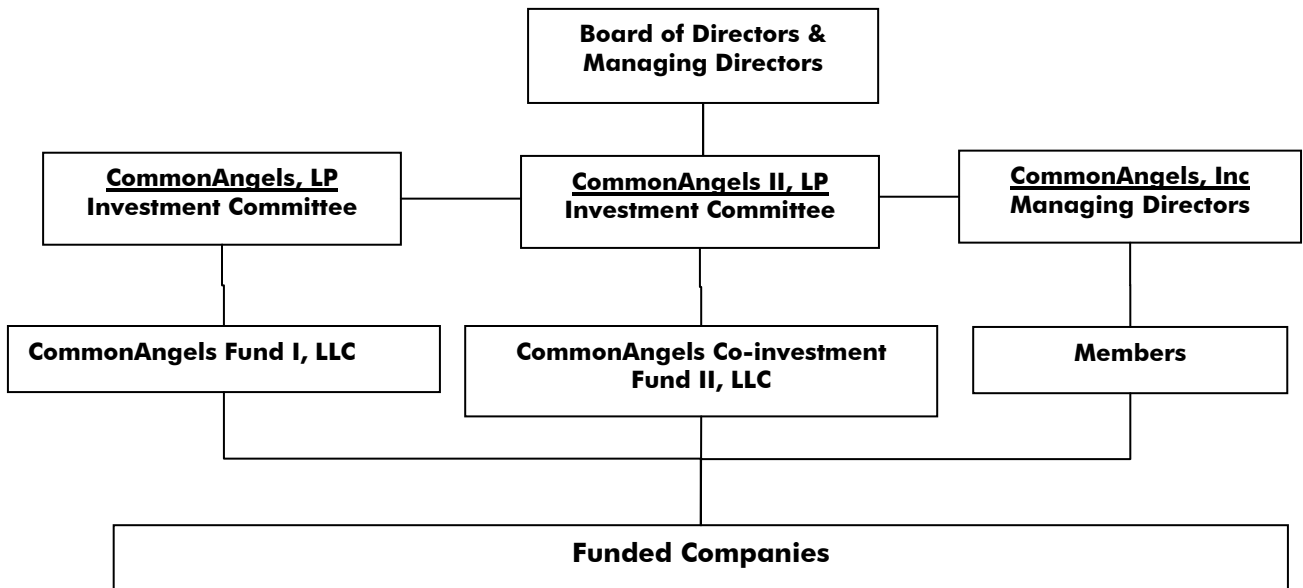
Conflicts of interest

Because the nature of our investment process relies on trust, members must take steps to avoid potential conflicts of interest. In the case of any questions around this area, disclosure is the best policy. Members are expected to notify the Managing Directors, particularly concerning existing equity investments, paid consulting engagements, or other formal or semi-formal relationships with prospective CommonAngels investments prior to due diligence. Additionally, competitive relationships or situations where access to proprietary information would advantage a member or an affiliated party should be disclosed to the Managing Directors. Further disclosure to CommonAngels members may be appropriate prior to closing a round of financing.

Disputes

If a dispute should arise among members or between one or more members and a company funded by CommonAngels, the Managing Directors are the principal arbiters between the parties. If necessary, the board of Directors will also review the situation and recommend an appropriate path to resolution.

Organization



CommonAngels, Inc.

CommonAngels Inc. (a Delaware Corporation) provides management services to both investment Funds (CommonAngels Fund I and CommonAngels Co-investment Fund II) and approximately 65 private investors who are members of CommonAngels. It consists of:

- **Board of Directors.** Members of the Board serve on a rotating basis for two-year terms (staggered for overlap) and are typically drawn from the active CommonAngels membership (but could include outside members). Directors oversee daily operations and administrative policies such as budget, personnel, membership dues and other fees.
- **Managing Directors** are responsible for all CommonAngels-related daily operations and investment process. The Managing Directors are also the organization's principal spokespersons and coordinators of partnerships and other formal relations.
- **Employees** include a full-time office manager, and part-time MBA students.

CommonAngels LP and CommonAngels II LP

These partnerships are special members of the two investment funds (CommonAngels Fund I, LLC and CommonAngels Co-investment Fund II, LLC) and are responsible for the investment decisions of the Funds. The Investment Committee of both partnerships is comprised of the Managing Directors and the Board of Directors of CommonAngels, Inc.

CommonAngels Fund I, LLC and CommonAngels Co-investment Fund II

Overview

These Funds allow members of CommonAngels and outside investors to aggregate funds and invest along side of the CommonAngels members' investments. The Funds invest in both initial and follow-on rounds proportional to CommonAngels members' investments. As a result, the Funds receive the benefit of the CommonAngels' collective investment experience and expertise in aiding companies while remaining distinct, separate entities.

CommonAngels Fund I was established in 2000 while CommonAngels Co-investment Fund II was established in 2005.

Investment strategy

The investment strategy for both Funds is:

- To co-invest in initial rounds where the company has attracted at least \$250,000 from 5 or more members. A Fund will invest 25% of what the members invested (e.g., \$400,000 investment from members results in a Fund investing \$100,000).
- In second and higher rounds of financing (which may include both companies where the Fund has invested in the first round and those where it has not), the Funds may invest up to 50% of the total CommonAngels-affiliated share of that round by maintaining its pro-rata share and/or by investing in place of the pro-rata share of CommonAngels members who decline to participate up to their full pro-rata share. This strategy allows the Funds to measure their participation against the collective judgment and investment action of the CommonAngels members. It also allows greater ability for CommonAngels to meet the growing capital needs of successful CommonAngels-funded companies.
- The Investment Committee has the authority to alter the Fund's investment strategy in particular cases.
- At this stage, CommonAngels Fund I is not making any new investments.

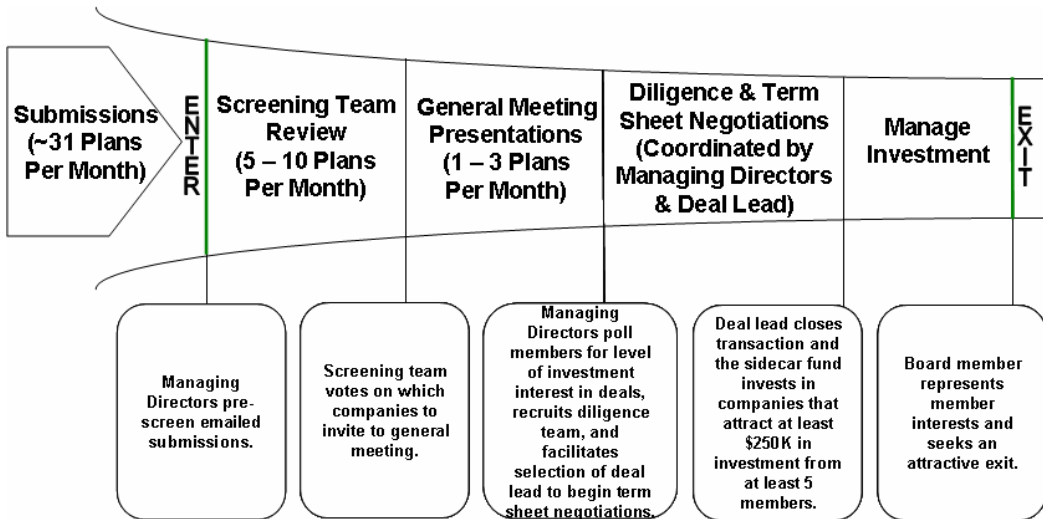
Investment Process

CommonAngels seeks to be the first substantial investment in a new company. We carefully select firms that have excellent potential and will benefit from the group’s expertise and assistance. Our investment process can be summarized as follows:

- **Attract** potential investments through relationships among and within current and emerging leaders in New England’s technology sectors.
- **Assess** technological breakthroughs and emerging leaders through CommonAngels collective wisdom and experience.
- **Assist** companies through human capital to enhance return on investment.
- **Participate** actively through company’s boards of Directors and as advisors.

Our investment criteria focus on working with innovative early stage technology-based companies from concept to cash flow positive located in New England, preferably in the Boston metro area. Our initial combined investment as a group typically is \$500,000-\$1.5 million in Series A preferred stock. We may syndicate initial investments with other individual investors, angel groups or venture capital firms and prefer that this initial round takes the funded company to cash-flow break even.

Our investment process is outlined below.



Business plan submissions

The CommonAngels investment process begins when a company submits their business plan executive summary to the Managing Directors. Referrals from members are always appreciated and receive special attention and constructive feedback, regardless of the ultimate investment decision. The elapsed time from first contact with CommonAngels by a prospective investee company until the time of CommonAngels’ decision to “invest or not invest” should be no more than 90 days.

Pre-screening

The Managing Directors pre-screens submissions and identify the five to ten companies believed most likely to fit with the members' overall interests, capabilities and goals. This subset of companies is invited to present to the CommonAngels Screening Team.

Screening Team review

The CommonAngels Screening Team is comprised of a subset of members covering a diversity of functional disciplines. The Screening Team hears presentations from five to ten companies whose business plans have made it through the pre-screening process. The goal of these meetings is to select the two to three companies that would likely receive the most favorable response from the overall membership. These selected companies are invited to present at the full group's monthly general meeting.

General meetings

General meetings are held over breakfast on the third Tuesday of each month. A typical agenda will include presentations from two to three companies whose plans have made it through the screening process and a presentation from a guest speaker on a topic of interest to the membership. After hearing presentations from the invited companies, the Managing Directors will poll members to determine their level of interest in investing in each company (see member feedback form in Appendix B).

For companies worthy of more extensive due diligence, the Managing Directors will recruit a CommonAngels member willing to be the CommonAngels "Lead" for that effort. (The "Lead" champions the deal, helps coordinate diligence, coordinates term sheet negotiations with the Managing Directors, and most likely takes a board seat after investment.) At least two, preferably more, additional members who have expressed an interest in investing are recruited to participate on the Diligence Team. For companies unable to attract sufficient interest, the Managing Directors will notify them that CommonAngels will not be able to invest.

Due diligence

If there is sufficient member interest at the General Meeting in making an investment, the Diligence Team will begin the due diligence process, which should be concluded in 30 days or less. (See Appendix D for an example diligence template).

At the appropriate point in the due diligence process, a term sheet may be provided and negotiated with the company, contingent on a specified level of member interest (see Appendix C for an example). Sometimes the CommonAngels Managing Directors and Deal Lead will work with investment partners to build a strong syndicate.

Team Construction

Serving on at least one due diligence team each year is expected of members. The due diligence team should include four members: three volunteers plus one person who will be drafted by the Managing Directors to serve as a "Devil's Advocate." The Devil's Advocate should take a contrarian view of the investment opportunity, highlighting major risk factors specific to this deal.

Diligence Topics

The diligence process should focus on the investment merits of the opportunity. Consideration should be given to issues such as:

- The character and abilities of the company's leadership team
- Size and growth of the market
- Whether the product or service is unique and serving a genuine need
- Capital efficient business model with high sustainable gross margins
- Competitive barriers

- Attractive exit opportunities and ability to generate early stage investment returns

The diligence team might also consider outlining an alternative business plan for the company, "Plan B". For example, Plan B is one that would need to be implemented if revenues fall short by 50% or so. Having a Plan B can bring focus to the weak links discovered in the due diligence process as well as help guide the board when the going gets tough. The diligence team may also reach the conclusion not to pursue an investment.

Diligence Reporting

Due diligence updates should be sent out weekly to the whole membership and process results should be accessible to all members at all times so that they can see the detailed information behind the scenes on a timely basis. The diligence team should actively seek input, contacts, and additional important information from other CommonAngels members. The final due diligence report should also include statements by the individual diligence team members as to the likelihood of a company's ultimate success or failure. **Due diligence team members are not to make any formal or specific investment recommendations.** This final report to the membership should be complete 45 days after company's presentation to general membership.

Investment monitoring

After closing the deal, at least one CommonAngels member will typically join the board of Directors of the company and a Managing Director will take an observer role.

Syndication partners

When appropriate, CommonAngels will syndicate deals with institutional venture capital firms. On a case by case basis, we will also syndicates deals to similar individuals in the New England technology community in order to bring their expertise into a deal.

Directors and advisor incentives

Since the capital available to investee companies is typically limited, it is not expected that CommonAngels members would receive any cash compensation. Investee companies are encouraged to provide Directors and advisors incentives in the form of non-qualified stock options. Typical ranges of equity compensation for Directors and advisors in a Series A round of financing are as follows: 0.5%-1.0% for members of the board of Directors and 0.25%-0.5% for members of the board of advisors.

Appendix A – Accredited Investor Certification

The purpose of this Questionnaire is to determine whether you meet the standards imposed by Section 4(2) of, or Rules 501 and 506 under, the Securities Act of 1933, as amended (the “Securities Act”) and those standards imposed by and promulgated under Section 3(c)(1) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). This offering has not been, and will not be, registered under the Securities Act and the securities involved in this offering are being sold in reliance upon an exemption from the registration requirements thereof.

Your answers will be kept strictly confidential, except to the extent disclosure may be required under any federal or state laws. However, each person who agrees to invest via CommonAngels hereby agrees that CommonAngels may present this Questionnaire or a copy hereof to its attorneys or such other parties as it, in its sole discretion, deems appropriate to assure itself that the proposed offer and sale of the membership interests (the “Interests”) in the Company will not result in a violation of the registration provisions of the Securities Act, of any other federal securities law or of the securities or “blue sky” laws of any state.

PART I. GENERAL INFORMATION

A. Employment and Business Information

TO BE COMPLETED BY INVESTORS WHO ARE NATURAL PERSONS AND BY THE PERSON(S) MAKING THE INVESTMENT DECISION ON BEHALF OF AN ENTITY.

1. Name: _____
Home Address: _____
Telephone: _____ Home Fax: _____
Occupation: _____
Business (Name): _____ Telephone: _____
Address: _____
Date of Birth: _____ U.S. Citizen: Yes No
Social Security or Taxpayer Identification No.: _____
Communications should be sent to (check one):
Business Address Home Address
Type of Investor:
 Individual Tenants-in-Common Joint Tenants

If the Investor is either a tenant-in-common or a joint tenant, the information required by Parts I.A., II, and III must be furnished by each joint tenant or tenant-in-common on separate pages that are signed and dated on behalf of each joint tenant or tenant-in-common. Alternatively, each such joint tenant or tenant-in-common may complete and execute a separate copy of this Questionnaire.

B. Entity Information

TO BE COMPLETED ONLY BY INSTITUTIONAL OR ENTITY INVESTORS SUCH AS CORPORATIONS, PARTNERSHIPS AND TRUSTS

- Name of Entity: _____
Type of Entity: _____
Jurisdiction of Incorporation or Formation: _____
Business Address: _____
Telephone Number: _____ Taxpayer I.D. No: _____

Nature of Business: _____

Was the investor created for the specific purpose of investing in the securities offered through CommonAngels? Yes No

If the investor is a partnership, do its individual partners have the right to make a decision whether or not to participate in the proposed investment in the securities? Yes No

If the answer to either of the two preceding questions is “Yes,” the information required by Parts I.B., II, and III must be furnished with respect to each owner of any equity interest in the entity (or each grantor of a trust, if applicable) on separate pages that are signed and dated on behalf of each such owner or grantor. Alternatively, each such owner or grantor may complete and execute a separate copy of this Questionnaire.

PART II: ACCREDITED INVESTOR QUALIFICATION STANDARDS

The financial information and representations in this Part II are required to be provided to CommonAngels for the undersigned entity or natural person(s) to qualify to purchase securities as an “Accredited Investor” under Regulation D. Please answer “yes” or “no” as appropriate for each representation below. **ONCE YOU HAVE ANSWERED “YES” TO AT LEAST ONE REPRESENTATION BELOW, PLEASE PROCEED DIRECTLY TO PART III.**

1. Net Worth Standards for Natural Person

The undersigned represents and warrants that his or her individual net worth¹, or net worth with spouse, exceeds \$1,000,000. Yes No

2. Annual Income Standard for Natural Person

(a) Individual Income. The undersigned represents and warrants that his or her individual income (exclusive of income of his or her spouse) in each of the two most recent years was in excess of \$200,000 and the undersigned reasonably anticipates such individual income to be in excess of \$200,000 for the current year. Yes No

(b) Joint Income. The undersigned represents and warrants that his or her joint income together with his or her spouse in each of the two most recent years was in excess of \$300,000 and the undersigned reasonably anticipates such joint income to be in excess of \$300,000 for the current year. Yes No

3. Institutional Investors

(a) The undersigned represents and warrants that it is an organization described in Section 501(c)(3) of the Internal Revenue Code (tax exempt organization), a corporation, a Massachusetts or similar business trust, or partnership, not formed for the specific purpose acquiring the securities, having total assets in excess of \$5,000,000. Yes No

¹ “Net worth” means the excess of total assets at fair market value, including home and personal property, over total liabilities.

- (b) The undersigned represents and warrants that it is a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person having such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks entailed in the purchase of securities. Yes No
- (c) The undersigned represents and warrants that it is a bank as defined in Section 3(a)(2) of the Act, or a savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, whether acting in its individual or fiduciary capacity. Yes No
- (d) The undersigned represents and warrants that it is a broker-dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Act. Yes No
- (e) The undersigned represents and warrants that it is an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act. Yes No
- (f) The undersigned represents and warrants that it is a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958. Yes No
- (g) Employee Benefit Plans. The undersigned represents and warrants that it is:
- (i) an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 (“ERISA”) having total assets in excess of \$5,000,000. Yes No
- (ii) an employee benefit plan within the meaning of ERISA, whose investment decision is made by a plan fiduciary (as defined in Section 3(21) of ERISA), which is either a bank, a savings and loan association, insurance company, or a registered investment advisor. Yes No
- (iii) a self-directed employee benefit plan whose investment decisions are made solely by persons who are “Accredited Investors” under Regulation D. Yes No

4. Certain Qualified Non-Institutional Entities

- (a) The undersigned represents and warrants that it is a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940. Yes No
- (b) The undersigned represents and warrants that it is an entity, whether corporation, partnership, unincorporated association, or a trust, and that each owner of any equity interest in that entity, or grantor of the trust, satisfies the net worth or income

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qualifications of either paragraph 1 or 2 or one of the qualified organizations described in paragraph 3(a), (b), (c) or (d), above.

Yes No

Any such an entity may be newly-formed for the purpose of purchasing the securities.

In support of this representation, each such owner or grantor must complete and execute a separate copy of this Questionnaire.

PART III: REPRESENTATIONS

5. The undersigned represents that:

- (a) The undersigned's investment in the securities exceeds/ does not exceed 10% of the undersigned's net worth or joint net worth with the undersigned's spouse.
- (b) The information contained herein is complete and accurate and may be relied upon by the CommonAngels in determining my/our qualification as a purchaser of the securities.
- (c) The undersigned will notify CommonAngels immediately of any adverse material change in any such information occurring prior to the acceptance of such investor's subscription by CommonAngels.

Date

INDIVIDUAL INVESTOR:

Name of Investor (*Print or Type*)

Signature of Investor

INSTITUTIONAL OR ENTITY INVESTOR:

Name of Entity (*Print or Type*)

By: _____
Signature of Authorized Officer

Name and Title of Authorized Officer
(*Print or Type*)

IF TENANTS-IN-COMMON OR JOINT TENANTS

Name of Investor (*Print or Type*)

Signature of Investor

Appendix B – Member Feedback Form

Evaluation Sheet

Date

[Company]

1. Your level of investment interest

Overall Investment Potential:

1 2 3 4 5 6 7 8 9 10

Are you interested in investing?

YES

NO

POSSIBLY (please comment)

How much?

\$ _____

Comments and/or key issues for due diligence:

3. Assistance 2. Evaluation of the investment opportunity

Positive factors:

Negative factors:

How I can Help:

Diligence team

Contacts/introductions

Appendix C – Sample Term Sheet

SUMMARY TERMS FOR SERIES A PREFERRED STOCK

This term sheet summarizes the terms proposed for an investment by CommonAngels, a group of investors (the “Investors”), in _____, a Delaware corporation (the “Company”).

TYPE OF SECURITY	Series A Convertible Redeemable Preferred Stock.
AMOUNT OF INVESTMENT AND PRE-MONEY VALUATION	Up to \$___million investment at a \$___million pre-money valuation, fully diluted, the total number of pre-money shares to include an unallocated employee pool of at least 20% of the total, in addition to founders’ shares, outstanding warrants and options.
DIVIDENDS	Non-cumulative dividends as declared. Series A Preferred Stock to participate in all dividends declared on an “as converted” basis. No dividends payable on Common Stock or any other Class of Preferred without payment of similar and all accrued dividends to the Series A Preferred Stock.
LIQUIDATION PREFERENCE	Liquidation preference equal to price paid per share plus accrued dividends. Any remaining proceeds to be shared pro rata among stockholders, including Investors. Merger, consolidation or similar event treated as liquidation at option of Investors.
CONVERSION	Series A Preferred Stock converted on a one-for-one basis into Common Stock unless conversion rate is subject to anti-dilution adjustment. Mandatory conversion of Series A Preferred Stock on closing of underwritten public offering at an initial price to the public at a valuation of at least \$50,000,000 and gross proceeds to the Company of at least \$15,000,000.
ANTI-DILUTION	Weighted average to any lower price in any subsequent round of financing.
VOTING RIGHTS	Equal to common equivalent shares.
BOARD OF DIRECTORS	The Board of Directors shall initially consist of five directors: (i) the CEO; (ii) one additional non-employee selected by management; (iii & iv) two individuals designated by the holders of the Series A Preferred Stock (the “Series A Directors”); and (v) one individual knowledgeable in the industry who is not otherwise affiliated with the Company who is approved by the three directors described in clauses (ii)-(iv). CommonAngels also shall have an observer seat, initially Chris Sheehan.

REDEMPTION	Required offer of redemption in equal installments between years 5 and 7 at an effective compound rate of return of 10% per annum plus accrued but unpaid dividends. Series A to have voting rights to elect majority of Directors and 18% cumulative dividend if failure to redeem.
INFORMATION RIGHTS	<ol style="list-style-type: none">1) Audited annual financial reports to Investors within 120 days of the end of the fiscal year.2) Monthly unaudited financial statement and updates on progress and accomplishments against targets in past and next period to Investors within 30 days.3) Annual budgets will be supplied to the board of directors at least 30 days prior to the beginning of each fiscal year for approval.4) Customary inspection rights.
REGISTRATION RIGHTS	<ol style="list-style-type: none">1) Two demand registrations.2) Unlimited piggyback registration rights.3) Unlimited rights for investors to register on Form S-3 at Company expense.4) All expenses of investors for registrations (other than underwriting discounts and commissions) to be at Company expense.5) Registration rights will be transferable.
RIGHT OF FIRST REFUSAL ON SALES BY THE COMPANY	Investors will have a right to maintain their pro rata interest in the Company on a fully diluted basis in any subsequent offering of securities other than a public offering.
FOLLOW-ALONG RIGHTS	Investors will have the right to sell a proportional part of their holdings if management sells before initial public offering.
RIGHT OF FIRST REFUSAL ON SALES AND CO-SALE RIGHTS	The Company will have a right of first refusal to purchase a proportional part of shares offered for sale by founders ("Founders"), management of the Company or other shareholders, if a shareholder wishes to sell stock before an initial public offering. If Investors so choose, Investors shall have the right to sell a proportional part of their holdings along with Founders or other shareholders before an initial public offering.
DRAG ALONG RIGHTS	All Founders, management of the Company and significant common stockholders will agree to sell a proportionate part

of their ownership in the Company if the holders of a majority of the Preferred Stock sell a portion or all of their interest, provided that the result of such a transaction results in a Change in Control. For purposes of these Drag Along Rights, the term "Change in Control" shall mean any sale, exchange, conveyance or other disposition of securities of the Company in which more than 50% of the voting power of the Company is transferred.

NEGATIVE COVENANTS

Consent of holders of two-thirds of Series A Preferred Stock required for major events, including merger, dissolution, sale of substantially all assets, dividends on common stock, and amendments to certificate of incorporation and by-laws.

NON-COMPETITION AGREEMENTS

In addition to standard confidentiality/developments agreements, key employees to execute agreements not to compete with the Company or solicit employees of the Company or its subsidiaries, directly or indirectly, for two years after termination of employment.

VESTING

Stock and options issued to employees, directors and consultants would be subject to vesting/repurchase over 4 years, with 25% vesting after one year and the remaining 75% vesting ratably each year thereafter. At least 75% of each Founder's shares would be subject to 3 years of vesting.

COSTS OF COUNSEL

Fees of counsel to the investors, estimated at \$25,000, and their reasonable expenses will be borne by the Company. Series A documents to be drafted by Foley Hoag.

PURCHASE AGREEMENT:

This investment will be made pursuant to a definitive purchase agreement and related documents which will contain customary representations, warranties, covenants and indemnities, which are mutually acceptable. Binding obligations will be created only by the definitive purchase agreement.

CONDITIONS TO INVESTMENT:

Satisfactory due-diligence by Investors, and standard disclosure schedules, representations and warranties by the company.

The parties have signed this Summary of Terms as a reflection of their understanding of the principal terms of an investment on this _____. The parties shall have no obligations with respect to this investment or this Summary of Terms until definitive agreements have been prepared and executed by each party. This Summary of Terms expires on _____, Eastern time, unless extended upon mutual agreement between the Company and the Investors.

FOR THE INVESTORS

FOR THE COMPANY

Appendix D – Due Diligence Template

<company name>

CommonAngels Due Diligence Summary

Prepared by <due diligence team names>

I. Executive Summary

II. Team Analysis

- Management team's resumes
- Current board of Directors
- Current board of advisors
- Professional services
- Reference checks
- Comments on their ability to support this venture
- Willingness to accept outside guidance, direction and changes

III. Product/Service Evaluation

- Description
- Strengths, weaknesses
- Benchmark against nearest competitor
- Complimentary goods, inputs

IV. Market Analysis

- Size, scope
 - Estimated by company
 - Analysis/critique
- Key customers
 - Interviews with current ones
 - Important future clients and steps to acquire
- Pricing
- Revenue model
- Selling strategy

V. Competition

- Current (include stage, market share, funding and strategic outlook)
 - Direct
 - Indirect (including substitutes)
- Future
 - Direct
 - Indirect (including substitutes)

VI. Operational Critique

- Company structure
 - Form and locale of incorporation, if any
 - Current shareholders, amount invested
 - Existing securities, classes of stock, restrictions
- Organizational structure
 - Current positions filled
 - Additional personnel needed and strategy to acquire them
 - External partners, suppliers and complimentary organizations
- Production
 - Process of providing good or service
 - Operational analysis

VII. Financial Evaluation

- Pro forma financial statements (from company)
- Planned use of CommonAngels' funds
- Key assumptions and variables
- Follow-on funding requirements
- Exit possibilities
- Timetable for fundraising and potential exit

VIII. Overall timelines

- Critical deadlines/timing
 - Internal (e.g., product, recruiting, financial)
 - External (e.g., market, seasonal sell cycle)
- Overall schedule, key milestones

IX. Critical Risks & Problems

- For the venture
 - Team
 - Market
 - Product/Service
 - Financial
- For CommonAngels
 - Company
 - Financial

X. Next Steps

- CommonAngels assistance
- Board seats
- Potential synergies with other companies
- Strategic partners

Conclusion