

PRIVILEGED AND CONFIDENTIAL

ABC, INC.

Non-binding Summary of Proposed Financing Terms
January 1, 2002

- Total Investment: Up to \$X
- Security: Contract Rights which automatically convert into (i) securities comparable to those purchased in a “Qualified Financing,” or (ii) if no Qualified Financing occurs, common stock.
- Conversion Rules: The Contract Rights will convert automatically, based upon the dollar amount paid for the Contract Rights:
- (i) upon the closing of an equity financing by the Company of \$A million or more, excluding amounts represented by the Contract Rights (a “Qualified Financing”), into securities with the same rights, priorities and privileges (including related contractual rights) as are purchased in the Qualified Financing, *except* that the price per share shall be the lesser of (A) 70% of the price per share purchased in the Qualified Financing (and related liquidation preferences, initial conversion ratios, etc. shall be adjusted accordingly)*, or (B) the price per share (equitably adjusted to take into account any initial conversion ratio other than 1:1) determined by dividing \$B million by the number of shares of common stock outstanding immediately prior to the Qualified Financing, assuming conversion and/or exercise of all outstanding rights to acquire stock (including any convertible debt but not including the Contract Rights) and of a 15% stock option pool; provided, that if the Qualified Financing occurs in more than one closing, the price per share shall be deemed to be the weighted average price per share across all closings occurring prior to and including the closing necessary to reach the threshold amount of a Qualified Financing; or
 - (ii) if not previously converted, on the earlier of fourteen months following the initial closing of the sale and purchase of Contract Rights or a sale of the Company, into Common Stock of the Company based upon a \$C million pre-money valuation, determined on a fully-diluted basis assuming conversion and/or exercise of all outstanding rights to acquire stock (including any convertible debt but not including the Contract Rights).
- Board Seat The Investors shall be entitled to appoint one member to the Company’s Board of Directors.
- Pre-emptive Rights: The Investors may purchase an aggregate of up to 20% of any future round of financing.
- Investors: All Investors are Accredited Investors.

Documentation: Transaction documents will be prepared by Investors' counsel. This Non-binding Summary of Financing Terms is not intended to be a binding agreement, but only a reflection of our current negotiations.

Offering Expenses: On closing, the Company shall pay all transaction costs of the Investors up to a maximum of \$Z thousand.

* To illustrate the calculation under subsection (i)(A), if the price per share in the Qualified Financing is \$100 per share, shares would be sold to the Launchpad investors for \$70.00 per share.

LAUNCHPAD VENTURE GROUP LLC

ABC, INC.

By: _____

By: _____