

ABC, INC.
NON-BINDING TERM SHEET
_____, 200_.

Investment	\$ _____ to \$ _____ from an investor group led by [name of leader] (the "Investors").
Security	Series A Convertible Participating Preferred Stock
Pre-Money Valuation	\$ _____
Warrants [optional]	Investors will have the right to purchase an equal amount in Preferred Equity [or common equity] at \$0.01 per share, exercisable on or after _____, 200_ unless, prior to such date, the Company shall have: (i) [goal to be met to cancel warrants] [and/or], (ii) [goal to be met to cancel warrants], in which case they are cancelled.
Dividend	__% per annum accrued but not immediately paid [target 8%]
Closing	As soon as practicable
Use of Proceeds	Expenditures will be restricted to the purposes set forth in the Company's business plan, and will not be used to repay any indebtedness or deferred salaries. [Other restrictions can be inserted here.]
Redemption (Put) Right	After the fourth year, the investors can require the company to repurchase their shares at full fair market value, or twice the purchase price, plus unpaid dividends, whichever is greater.
Liquidation Preference	2X preference plus pro rata participation with common stock
Anti-Dilution Protection	Full ratchet
Incentive Stock Option Plan	15% of fully diluted common shares will be allotted prior to this transaction
Board of Directors	2 designated by current owners, 2 by Series A investors, 1 outside. Board will have Compensation and Audit committees.
Expenses	Legal, accounting, due diligence and out-of-pocket expenses incurred by the Investors shall be paid by the Company
Contingencies	Prior to closing, standard contingencies must be met, including, but not limited to, items such as execution of definitive agreements, completion of due diligence, and execution of employment agreements [list other special items to be resolved]
Confidentiality	Terms contained in this document shall not be disclosed by the Company to any third party except those in a confidential relationship with the Company