

Sample Series A Term Sheet

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*[Company]

Series A Convertible Preferred Stock Term Sheet

The following outlines the terms of a proposed investment in *[], a Delaware corporation (the "Corporation"), by certain investors (the "Investors").

Total Investment	Up to *[\$] total investment to be made at closing.
Closing Date	On or before *[], unless extended in the Corporation's sole discretion.
Instrument	The investment shall be Series A Convertible Preferred Stock with liquidation preferences (the "Shares").
Stock Price	Price per share of *[\$] based upon a *[\$] pre-money valuation including an unallocated stock option pool of *[] shares of Common Stock.
Conversion; Anti-Dilution	<p><u>Conversion Ratio.</u> Initially 1 for 1, adjusted for splits, stock dividends consolidation, merger, and other non-cash dilutive events as if the Investors' interest were a Common Stock equity interest.</p> <p><u>Automatic Conversion.</u> At IPO.</p> <p><u>Anti-Dilution.</u> The conversion ratio of the Shares will be proportionally adjusted in the event of a stock split or stock dividend with respect to the shares of Common Stock. The conversion rights will likewise be subject to adjustment in the event of a reclassification or other recapitalization of the Common Stock, or any merger or disposition of all or substantially all of the Corporation's assets, so that the holders of the Shares will be entitled to receive upon conversion what they would have received if the Shares had been converted to Common Stock prior to such an event.</p>

Dividends	Payable when and if declared by the Board of Directors. No dividends will be paid on the Common Stock unless equivalent dividends are paid on the Stock.
Voting and Approval Rights	Share for share with the Common Stock, as though converted; class voting rights as provided by law. The following actions will require the consent of holders of a majority of the Shares: (i) merger or sale of all or substantially all of the assets of the Corporation, (ii) liquidation or dissolution of the Corporation, (iii) any charter or bylaw amendment or any action that would materially and adversely alter the Shares' rights or any action that would change the authorized number of the Shares, (iv) declaration or payment of any dividend or distribution, or (v) authorize any capital reorganization or reclassification of the Shares.
Liquidation Preference	In the event of a liquidation, dissolution or winding up of the Corporation, the holders of the Shares shall be entitled to receive an amount equal to the initial sales price per share plus all accrued but unpaid dividends thereon. Any assets remaining after such preferential distribution shall be distributed on a per share pro rata basis to the holders of the shares of Common Stock. If, in any subsequent financing round, the Corporation issues a series of participating Preferred Stock, the Shares will also be given participation rights, which may, in the discretion of the Board of Directors, be on a <i>pari passu</i> basis with or inferior to the participation rights of such participating Preferred Stock.
Invention, Non-Disclosure and Non-Competition Agreements	All key employees and consultants shall have executed Invention, Non-Disclosure and Non-Competition Agreements.
Right of First Refusal With Respect to the Shares	The Shares will be subject to transfer restrictions in the Bylaws of the Corporation which provide a right of first refusal to the Corporation with respect to the transfer of the Shares.
Reports	The Investors are entitled to the following reports (unless specifically waived):
Narrative	Quarterly, within 30 days after quarter-end, the President will provide the Investors with a brief report (1-2 pages) describing important operational activities during the prior quarter and indicating whether the Corporation is, or is not, in compliance with this and other major agreements, and discussing variances from budget.

Annual Review and
Compliance Reports

Yearly, at the option of the Investors, within 90 days after year-end, the Corporation will provide the Investors with an audit from the Corporation's auditors and a statement from the chief financial officer (or upon request of Investors, the Corporation's auditors) regarding compliance with the terms of any financing agreements.

Right of Inspection

The Investors shall have the right to inspect books and records, contracts, and agreements during normal business hours.

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