



TERM SHEET

Warrant Purchase

This term sheet summarizes the principal terms with respect to a potential transaction between _____ (the "Company") and _____ ("Strategic Partner").

This Term Sheet is a statement of the present material intentions of the parties, and except that the Company agrees to negotiate in good faith towards conclusion of the transactions referred to below and except as set forth under the headings "Confidentiality," "No Other Agreements," and "Due Diligence" below as to which the parties intend to be legally bound, no legally binding agreement or obligation of any party are covered by this Term Sheet. A binding commitment with respect to the transactions (other than as set forth under the headings "Confidentiality," "No Other Agreements," and "Due Diligence" below) will result only upon the execution of definitive agreements, if any. No oral modifications to this principle shall be valid.

The Company and Strategic Partner are discussing a transaction on the following terms:

Warrant:

The Company will issue a Warrant containing the following terms to Strategic Partner:

- (a) Warrant to purchase shares of Series __ Preferred Stock.
- (b) Exercisable in whole or in part at any time and from time to time for [_____] years.
- (c) The Warrants, if fully exercised, will represent a number of shares equal to ___% of the Company's outstanding capitalization (on a fully diluted basis) post exercise.
- (d) The exercise price will be equal to \$_____ (the last round price of the Company's Series __ Preferred Stock).
- (e) Strategic Partner will also be entitled, at its discretion, to purchase up to \$_____ of the Company's fully registered freely tradable common stock at the IPO price when the Company goes public, less the underwriter's discount.
- (f) Method of exercise includes net issuance rights
- (g) Customary adjustments of the warrant price and number of shares subject to the warrant for stock splits, stock dividends, recapitalizations and the like.
- (h) Warrants may be transferred by Strategic Partner in conformity with applicable securities laws.
- (i) Registration rights comparable to those applicable to the existing Preferred will apply to the common stock obtained upon conversion of the Preferred Stock issuable upon exercise of the warrants.

(j) The parties will not treat the Warrant or the shares as being granted or issued as property transferred in connection with the performance of services or otherwise as compensation for services rendered.

The Warrant Purchase Agreement: The issuance of the Warrant will be made pursuant to a Warrant Purchase Agreement that will contain, among other things, at least the types of representations and warranties of the Company and covenants of the Company that are comparable to those that were contained in the Stock Purchase Agreement entered into by the Company in connection with the sale of its recent round of financing, with such changes as are negotiated between the parties.

Registration Rights: Strategic Partner will have piggyback rights for any shares acquired plus be able to participate in demand registrations with other investors.

Right of First Refusal: In the event that the Company offers equity securities (other than Reserved Employee Shares, or upon conversion of outstanding Preferred, or upon exercise of outstanding options or warrants, or in connection with an acquisition or in a public offering), Strategic Partner shall have a right of first refusal to purchase the same percentage of such offering as such holder is entitled to via the Warrants. This right will terminate upon the Company's initial public offering.

Conditions of Closing: The closing will be conditioned upon:

- (1) Completion of due diligence to the satisfaction of Strategic Partner and approval of its Board of Directors.
- (2) Execution by the Company of a Warrant Purchase Agreement and related agreements satisfactory to Strategic Partner.
- (3) Compliance by the Company with applicable securities laws.
- (4) Opinion of counsel to the Company rendered to Strategic Partner in form and substance satisfactory to Strategic Partner.
- (5) Execution of strategic alliance, license agreement or marketing agreement in form satisfactory to Strategic Partner.
- (6) Such other conditions as are customary for transactions of this type.

Expenses: The Company will pay a fixed amount of Strategic Partner's legal fees equal to \$_____, together with out of pocket expenses incurred by counsel to _____, payable by wire transfer at the closing.

Closing: The closing of the transaction, if all conditions are met, is expected to occur on or before [_____].