

VENTURE FUND L.P.

MEMORANDUM OF TERMS

FOR PRIVATE PLACEMENT OF SERIES B PREFERRED STOCK

This term sheet summarizes the principal terms of the proposed financing of the Issuer. Except for the terms set forth herein related to Confidentiality and the No Shop clause which are binding upon the parties, this term sheet is for discussion purposes only; there is no obligation on the part of any negotiating party until definitive stock purchase and related agreements are signed by the parties intended to be bound thereby. This term sheet does not constitute either an offer to sell or an offer to purchase securities.

Investment Terms

Issuer: _____ (the "**Company**").

Equity Securities to be Issued: Series B Preferred Stock (the "**Series B Stock**") of the Company.

Investors: Venture Fund L.P. ("**Fund**"), and other investors (the "**New Investors**") to be identified prior to closing and mutually agreed upon by Fund and the Company. Fund and any New Investors may be referred to collectively as the "**Investors**" and individually as an "**Investor**".

Amount of Financing: Up to \$___ Million USD, with a minimum of \$___ Million.

The financing shall be comprised of (i) \$___ Million investment from Fund and (ii) an additional \$___ Million investment by the New Investors.

Purchase Price: The original purchase price of Series B Stock represents a fully diluted pre-money valuation of \$___ Million, resulting in a purchase price of approximately \$___ per share ("**Original Purchase Price**"). Included in this valuation is an expanded Employee Stock Option Plan which will constitute approximately [8-17] % of the Post-Closing Capitalization of the Company.

Post-Closing Capitalization: See Appendix A.

Use of Proceeds: [Up to \$___ Million will be used by the Company to redeem Series A Stock, pro rata to the existing holdings of the holders of Series A Stock, on terms reasonably satisfactory to the Investors.]

[Up to \$___ Million will be used to purchase Common Stock from the Founders pro rata to their ownership of Common Stock at the Closing; if the Company is prohibited or prevented from purchasing said shares the Investors shall purchase the shares pro rata to their investment and the proceeds of the investment made available to the Company will be reduced accordingly.]

The Proceeds will be used for operating expenses and investment in plant, equipment and research and development, in accordance with the 2008 Budget approved by the Board of Directors as at the Closing.

Options:

The pool of Common Stock available in the Employee Stock Option Plan shall be expanded to constitute approximately [8-17] % of the Post-Closing Capitalization of the Company.

Warrants:

[In connection with the financing the Company will issue to the Investors warrants to purchase Common Stock [Series B Stock] equal to ___ % of the number of Series B Shares purchased by the Investor. The exercise price shall be the [FMV of the Common Stock at the date of the Closing][the Original Purchase Price]. The warrants will expire, if not exercised, on the [5 – 10] th anniversary of the Closing.]

Conditions to Closing:

The Initial Closing will occur upon the satisfaction of customary closing conditions, including but not be limited to, the following:

- (i) approval of the Financing by the current Board of Directors and stockholders of the Company;
- (ii) increase of the Company's stock option pool as specified;
- (iii) completion of legal, intellectual property, technology, financial management, partner, and customer assessments and other due diligence to the satisfaction of the Investors, in the Investors' sole discretion;
- (iv) negotiation and execution of a definitive Stock Purchase Agreement and related agreements, to the satisfaction of the Investors;
- (v) approval by the Investment Committee of Fund;
- (vi) other conditions typical and customary in transactions of this nature.

Closing:

Subject to the satisfaction of the Conditions to Closing, the closing (the

"**Closing**") shall occur on or before _____ and shall include:

- (i) Investment by Fund of \$____ Million.
- (ii) Investments by New Investors investing up to \$____ Million.

The Company and Fund may agree to extend the closing of the investment by New Investors for up to sixty (60) [ninety (90)] days.

Terms of Series B Stock

Dividends:

The holders of the Series B Stock and the holders of the Series A Preferred Stock (the "**Series A Stock**" and collectively with the Series B Stock, the "**Preferred Stock**") will be entitled to receive dividends in preference to any dividends on the Common Stock at the rate of [8 to 10] % per annum, whenever funds are legally available and when, as and if declared by the Board of Directors (the "**Board**"). The dividends shall be non-cumulative [cumulative and payable only upon a Liquidation Event as defined below or upon conversion into Common Stock]. After all the holders of Preferred Stock have received their dividend preferences, dividends may be paid to the holders of the Preferred Stock and Common Stock ratably on an as-converted to Common Stock basis. Any dividend that is otherwise deemed to be a Liquidation Event or is otherwise a disguised liquidation shall be distributed pursuant to the Liquidation Preference.

Liquidation Preference:

Upon a Liquidation Event (as defined below), the holders of Series B Stock, [in preference to] [in pari passu with] holders of the Company's Series A Stock, will be entitled to receive, [in preference to the Series A Stock holders] [Common Stock holders], an amount equal to [1 -3 times] the Original Purchase Price per share for Series B Stock, plus any declared but unpaid [accumulated but unpaid] dividends. Thereafter the holders of the Company's Series A Stock will be entitled to receive, in preference to the Common Stock holders, an amount equal to [1 - 3 times] the original purchase price per share for Series A shares, plus any declared but unpaid dividends. [Thereafter the holders of Preferred Stock shall participate with the Common Stock holders ratably on an as-converted basis in the distribution of any remaining assets][up to a cap of [X] times the investment by the holders of Series B Stock [and the holders of Series A Stock]]. [Thereafter the distribution of any remaining assets shall be made to the holders of Common Stock].

A "**Liquidation Event**" shall be defined as a single transaction or series of related transactions that result in the consummation of a merger,

acquisition, change of control, sale or exclusive licensing of all or substantially all of the assets of the Company, or other transaction in which the stockholders of the Company do not own a majority of the outstanding shares of the surviving or acquiring entity. The conversion of Preferred Stock into Common Stock shall be permitted at any time up to or simultaneous with the consummation of a Liquidation Event.

Conversion Rate: The Conversion Rate of the Series B Stock shall initially be one-to-one (1:1), and shall be determined by dividing the Original Purchase Price by the Conversion Price.

Automatic Conversion: The Series B Stock shall automatically convert into Common Stock, at the then applicable Conversion Rate, upon (i) the election of the holders of a [majority] [67%] of the outstanding shares of Series B Stock, voting as a single class, or (ii) the consummation of a firm underwritten public offering of the Company's Common Stock, but only if the aggregate proceeds exceed [_____] Million Dollars and the price per share exceeds [3 - 5] times the Series B Original Purchase Price (a "**Qualified Public Offering**").

Optional Conversion: The holders of Series B Stock may convert their Series B Stock into Common Stock at any time, at the then applicable Conversion Rate.

Series A Conversion: The terms of automatic conversion of the Series A Stock shall be amended so that the Series A Stock will automatically convert to Common Stock upon an conversion of the Series B Stock as described above, or upon the election of the holders of a majority of the outstanding shares of Series A Stock.

Anti-dilution Adjustments: The initial Conversion Price of the Series B Stock shall the Original Purchase Price.

The Conversion Price shall be subject to adjustment in the event of any stock split, stock dividend, combination or similar recapitalization or change with respect to the Company's Common Stock.

The Conversion Price of the Series B Stock shall be subject to a weighted-average anti-dilution adjustment upon issuance of equity securities, including convertible securities, at a purchase price per share less than the then-effective Conversion Price for the Series B Stock, except for the issuance of certain excluded securities described below ("**Excluded Securities**"):

(i) the issuance of up to [_____] options (or such larger number as is

approved by the Board, including the approval of all of the Preferred Directors, as defined below), to purchase Common Stock, as approved by the Board to employees, directors and consultants pursuant to the Company's Stock Option Plan and the Common Stock issued upon exercise thereof;

(ii) the issuance of up to [_____] shares of Common Stock upon the exercise of options outstanding as of the date of this Term Sheet;

(iii) issuances of stock of the Company to banks and financial institutions in connection with equipment and other financing arrangements approved by the Board, including the approval of all of the Preferred Directors;

(iv) issuances of stock of the Company pursuant to collaboration agreements, development, distribution, OEM, marketing, technology or other similar agreements, licenses or strategic partnerships approved by the Board, including the approval of all of the Preferred Directors;

(v) stock splits and stock dividends;

(vi) shares issued in connection with acquisitions approved by the Board, including the approval of all of the Preferred Directors;

(vii) shares of Common Stock issuable upon conversion of the Preferred Stock or the exercise of warrants, options, or other convertible securities outstanding at the date of the Closing;

(viii) shares of stock issued upon the conversion of the Preferred Stock;

Redemption:

The Preferred Stock shall be not be subject to redemption.

[At any time after the fifth anniversary of the Closing, upon the request of holders representing a majority of Series B Preferred outstanding, the Company shall redeem the outstanding shares of Series B Preferred ratably over three equal annual installments, beginning 45 days following the redemption request (the "Redemption Date"). The redemption price for Series B Preferred shall be equal to its Original Purchase Price plus all declared but unpaid dividends.]

[Should holders of any other series of Preferred Stock be entitled to request redemption at any time prior to or after the Redemption Date, then individual holders of Series B Preferred may request that their shares of Series B Preferred be redeemed pro rata and along with such other holders of Preferred Stock requesting redemption.]

[A majority of the holders of Series B Stock may elect, in their absolute discretion, to cause the Company to redeem the Series B Stock in their entirety at the original Purchase Price at any time following the occurrence of an Event of Default. An Event of Default will occur if:

- (i) the Company fails to make any redemption payment it is obligated to make;
- (ii) the Company breaches any of its covenants contained herein or fails to comply with the provisions of the definitive agreements for the benefit of the Investors;
- (iii) the Company's representations and warranties are untrue in any material respect as of completion of the Financing; or
- (iv) in the event of any insolvency, bankruptcy, receivership, acceleration of third party obligation, assignment of benefit of creditors, or unsatisfied judgment in excess of a specified amount with respect to the Company.

Upon default of redemption for any reason, the unpaid balance will accrue interest at a rate of 10% per annum, compounded quarterly, payable quarterly in arrears. If the default continues for more than 30 days, a majority of the holders of Series B Stock will be entitled to elect a majority of the Board.

The Series A Stock shall have no redemption rights.]

Pay to Play:

If a holder of Preferred Stock fails to participate in any future Qualified Financing, as defined below, on a pro rata basis (according to its total ownership of the Preferred Stock immediately after such financing, assuming all stockholders subject to this provision participate, or such lesser amounts as the holders of Preferred Stock may be allocated in such Qualified Financing), then such holder will lose its anti-dilution protection for all prior and future financings on all Preferred Stock that it owns and will have the Preferred Stock it owns converted to Common Stock (and lose its right of first offer to participate in future financings, rights of repurchase and co-sale, and any informational, inspection, visitation and registration rights, but retain lock-up requirements). If such holder participates in such future Qualified Financing but not to the full extent of its pro rata share, then only a percentage of its Preferred Stock will be converted to Common Stock (under the same terms as in the preceding sentence), with such percentage being equal to the percent of its pro rata contribution that it

failed to contribute.

A "Qualified Financing" is that portion of any financing by the Company that the Board (including the Preferred Directors) determines in good faith must be purchased pro rata among the stockholders of the Company subject to this provision. Such determination will be made regardless of whether the price is higher or lower than any series of Preferred Stock.

The sale of Series B pursuant to this financing shall be designated by the Board as a Qualified Financing.

Spin Out Rights:

Each holder of Preferred Stock will be offered the right to participate pro rata in any equity financings (including stock appreciation rights, phantom stock or similar rights) of any subsidiary of the Company or any entity created by or spun out from the Company. Unless otherwise approved by the Board (including the affirmative vote of the Preferred Directors), (i) the securities issued to the holders of Preferred Stock in any such spin out would have rights and preferences similar to the rights and preferences of Preferred Stock, and (ii) the organizational documents of each such new entity will contain adequate provisions to ensure such rights and preferences.

Voting Rights:

Preferred Stock and Common Stock holders shall vote together on an as-converted basis, unless otherwise provided in the Certificate of Incorporation or as required by law.

A voting agreement amongst all of the holders of Preferred Stock will be executed to ensure that the composition of the Board of Directors and other rights of the Preferred shareholders are as stated herein.

Approval of a majority of the holders of Series B Stock, voting together as a single class, is required on:

- (i) creation of a new class or series of shares having rights, preferences or privileges senior to or on parity with the outstanding Series B Stock or increase in the rights, preferences or privileges or the number of authorized shares of any class having rights, preferences or privileges senior to or on parity with the Series B Stock;
- (ii) payment or declaration of dividends on any class of stock;
- (iii) cancellation or modification of dividends on the Preferred Stock which have accrued but have not been paid;
- (iv) redemptions or repurchases of Common Stock or Preferred Stock

except for repurchases of Common Stock at the lesser of cost or fair market value upon termination of service pursuant to employment agreements or other agreements approved by the Board;

(v) consummation of any merger, consolidation, asset sale or other Liquidation Event;

(vi) any increase or decrease in the number of authorized shares of Preferred Stock or Common Stock;

(vii) any adverse change to the rights, preferences, and privileges of the Preferred Stock;

(viii) exchanges, reclassifications or cancellations of all or part of the Preferred Stock;

(ix) any amendment of the Certificate of Incorporation or Bylaws; and

(x) any increase or decrease in the size of the Board above or below ____ (__) directors.

Protective Provisions:

Except as approved by all of the Preferred Directors, so long as any shares of Preferred Stock remain outstanding consent of the holders of at least a majority of the Preferred Stock, voting as a single class, unless otherwise provided in the Certificate of Incorporation or by law, shall be required to:

(i) sell or close down any current business line of the Company;

(ii) transfer or grant an exclusive license to any material intellectual property rights held by the Company;

(iii) invest more than \$[_____] in any other company;

(iv) enter into a loan or obligation of more than \$[_____];

(v) grant a security interest over any intellectual property or material asset of the Company;

(vi) acquisition of any material asset other than in the ordinary course of business;

(vii) appoint a Chief Executive Officer, Chief Financial Officer, Chief Marketing Officer or Chief Technical Officer of the Company.

Drag Along Rights: A two-thirds (66.67%) majority of the holders of Series B Stock may require the initiation of a floatation or a sale of the entire issued share capital of the Company; or of all or substantially all of the assets of the Company, and in such circumstances all shareholders will be obliged to do all things as may be necessary and desirable to permit the floatation or sale of the Company. Shareholders will grant powers of attorney to the Company to permit the Company to implement the foregoing provisions.

Assignability: All rights granted to the holders of the Series B Stock pursuant to the Stock Purchase Agreement will be assignable to future holders of Series B Stock shares, subject to the approval of the Board of Directors which approval shall not be unreasonably withheld.

Fund shall be permitted to transfer its shares to any associated fund or partnership managed by or under common control with Fund or any general partner or limited partner of Fund.

Limitations on Transfer Rights: The Series B Stock shall be issued pursuant to Rule 506 promulgated under Regulation D of the Securities Act of 1933, as amended, and the transfer thereof shall be subject to applicable state and federal securities laws and the restrictions on transfer imposed thereon in the various agreements contemplated hereby.

Terms of Stock Purchase Agreement

Representations and Warranties: Standard representations and warranties by the Company.

Customary representations and warranties by senior management of the Company.

The consent of Fund shall be required before any claim for breach of warranty may be brought against senior management of the Company.

Terms of Investor Rights Agreement

Registration Rights: (a) Demand Rights. Beginning on the earlier of three years from the Closing or six months after the Company's initial public offering ("**IPO**"), two demand registrations for underwritten public offerings upon initiation by holders of at least 30% of outstanding Preferred Stock (or Common Stock issuable upon conversion of the Preferred Stock or any combination thereof) for aggregate proceeds in excess of \$__ Million.

(b) Piggyback Rights. The holders of Preferred Stock shall have unlimited piggyback registration rights subject to pro rata cutback at the underwriter's

discretion. Full cutback upon the IPO; 30% minimum inclusion thereafter. Investors will not be subject to cutback unless all other selling stockholders are excluded from registration.

(c) S-3 Rights. Unlimited S-3 Registrations of at least \$__ million each upon initiation by holders of 30% of the outstanding Preferred Stock (or Common Stock issuable upon conversion of the Preferred Stock or any combination thereof). No more than two S-3 Registrations in any 12-month period.

(d) Termination. Registration rights terminate (i) three (3) years after the Qualified Public Offering; or (ii) as to any shares held by an Investor, when all of such shares held by such Investor can be sold in any 90-day period under Rule 144, whichever occurs first.

(e) Expenses. The Company shall bear the registration expenses (exclusive of underwriting discounts and commissions but including the fees of one counsel for the selling shareholders) of all such demand and piggyback registrations, and for the first such S-3 registration.

(f) Transfer of Rights. The registration rights may be transferred provided that the Company is given written notice thereof and provided that the transfer a) is in connection with a transfer of all securities of the transferor, b) involves a transfer of at least 100,000 shares, or c) is to constituent partners or shareholders who agree to act through a single representative.

No future registration rights may be granted without consent of a majority of the Preferred Stock, voting together as a single class, unless subordinate to the Investors' rights.

Information Rights: For so long as an Investor (including its affiliated funds) continues to hold at least 5% of fully diluted share capital of the Company, such holder shall have the right to receive management accounts (unaudited monthly within 20 days of the month end and unaudited quarterly within 45 days of the quarter end), audited annual accounts within 90 days of the year end, and an annual Business Plan and Budget (within 30 days prior to the next fiscal year), information concerning the Board, and all other material general information concerning the Company. The Company will prepare its management and audited accounts in compliance with US GAAP.

In addition, the Company will deliver any information reasonably requested by, allow inspection of properties by, financial records by, and discuss its business and finances with, the Investors. This will include (a) information required by the Investors to comply with their own regular reporting

obligations to their investors (b) information on turnover by country that is required by the Investors to analyze future competition notification requirements and (c) information required by the Investors to determine for US tax purposes whether any member of the Company's group is a "controlled foreign corporation" or a "passive foreign investment corporation".

The obligation of the Company to furnish such information will terminate upon the earliest to occur of (i) the Company's IPO, (ii) the Company becoming subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or (iii) a merger or sale of substantially all of the assets of the Company.

No other party shall have information rights, except as required by applicable law.

Observer Rights: Each holder of 5% or more of the fully diluted equity share capital will have the right to send a non-voting observer to Board meetings. The Company will reimburse observers for their reasonable travel expenses.

Management Rights Letter: For the purpose of complying with ERISA, the Company will enter into a standard management rights agreement, in a form acceptable to the Investor.

Right of First Offer: The Investors holding at least 10% of the Preferred Stock (or the Common Stock issuable upon conversion thereof) shall have a pro rata right, but not an obligation, based on their percentage equity ownership of Common Stock (calculated on a fully diluted basis assuming full conversion and exercise of all outstanding options and other outstanding exercisable and convertible securities), to participate in subsequent financings of the Company, other than:

(i) the issuance or sale of Common Stock (or options therefore) to employees, consultants and directors, pursuant to plans or agreements approved by the Board;

(ii) consummation of a Qualified Public Offering;

(iii) the issuance of securities pursuant to the conversion or exercise of convertible or exercisable securities;

(iv) the issuance or sale of Series A Stock or Series B Stock;

(v) the issuance of securities that, with unanimous written approval of the Board, are not offered to any existing shareholder of the Company;

(vi) the issuance of securities in connection with a bona fide business acquisition by the Company, whether by merger, consolidation, sale of assets, sale or exchange of stock or otherwise;

(vii) the issuance of securities to lenders, lessors or similar financing entities or strategic partners with the approval of the Board.

The Investors shall have the right to allocate the shares among their affiliates. Any shares not subscribed for by an Investor may be reallocated pro rata among the other eligible Investors.

Terms of Voting Agreement

Board of Directors:

The Certificate of Incorporation and Bylaws will be modified to authorize ___ () directors, ___ () of whom shall be elected by the Series B Preferred Stock holders ("Series B Preferred Directors"), ___ () of whom shall be elected by the Series A Preferred Stock holders ("Series A Preferred Directors", and together with the Series B Preferred Directors the "Preferred Directors"), and ___ () of whom shall be elected by the Common Stock holders, pursuant to a Voting Agreement. Of the Directors to be elected by the Common Stock holders, one (1) shall be the then-current Chief Executive Officer of the Company, one (1) shall be an outside director nominated by a majority of the Board, not affiliated with holders of Preferred Stock, elected by the Preferred Stock holders and Common Stock holders voting as a single class on an as-converted basis, and one (1) of whom shall be an outside director elected by a majority of the Common Stock holders, subject to approval by a majority of holders of Preferred Stock.

The Company will reimburse all Directors for their out of pocket expenses incurred in connection with attendance at Board meetings and meetings of any committees of the Board.

The Company will maintain D&O coverage in form and substance satisfactory to the Investors.

The Company will enter into indemnification agreements with each of the Directors, indemnifying them to extent permitted by applicable law and standard practice.

Certain matters having a material effect on the management of or operation of the Company require the approval of a majority of the Preferred Directors. Those matters include:

- (i) except as approved by the Compensation Committee, decisions in respect the terms and condition of employment of any Officer or other member of senior management;
- (ii) the initiation, conduct or settlement of material litigation;
- (iii) the determination of the annual Business Plan and Budget and material expenditure outside the prevailing annual Business Plan and Budget;
- (iv) the entering into, variation or termination of material contracts or agreements;
- (v) any change to the Company's bankers or auditors.

Other Matters

Indemnification:

The Company will indemnify each Purchaser for any claims brought against the Purchasers by any third party (including any other stockholder of the Company) as a result of this financing.

Stock Option Plans:

The number of shares of Common Stock reserved for issuance under the Company's stock option plan (including currently issued stock options from the plan) shall be equal to approximately [8-17]% Post-Closing Capitalization.

**Management
Ownership:**

____, ____, ____, (the "**Management Team**") will hold equity and options totaling at least (____) % of the Post-Closing Capitalization.

**Employee Common
Stock Vesting:**

Unless otherwise approved by the Compensation Committee, employee Common Stock options shall vest as follows: after 12 months of employment or date of grant (as determined by the Board), 25% will vest; the remainder will vest monthly over the following 36 months.

At the discretion of the Compensation Committee, certain of the Options issued to the Management Team may be granted with provisions for accelerated vesting in the event of a Liquidation Event.

**Anti-Money
Laundering:**

For purposes of compliance with the applicable anti-money laundering regulations, as soon as practicable following signature of this term sheet, the Investors may require the Company to provide written confirmation, in standard form, of the identities of (1) the Company, (2) each existing investor (institutional or individual) and (3) each director of the Company.

Market Stand-Off: The Investors shall agree not to sell or otherwise transfer an interest in any shares of Preferred Stock or Common Stock owned or controlled by them immediately prior to the closing of the IPO for a period of up to 180 days following the IPO (provided directors and officers of the Company and 1% stockholders agree to the same lock-up). Such stockholders shall also agree to sign the underwriter's standard lock-up agreement reflecting the foregoing.

Rights of First Refusal and Co-Sale: The Company, Series B Preferred and Series A Preferred holders, the Founders and any individual or entity owning more than ten (10) percent of the Company's Common Stock will enter into a Right of First Refusal and Co-sale Agreement pursuant to which any holder who proposes to sell all or a portion of his shares to a third party, will offer the Series B Preferred and Series A Preferred Investors the right to participate in such sale on a pro rata basis or to exercise a right of first refusal on the same basis (subject to customary exclusions for up to 15% of the stock, gifts, pledges, etc.). The agreement will terminate on the earlier of an IPO or five (5) years from the close of this financing.

Restrictions on Common Stock Transfers: No transfers allowed prior to vesting except for certain estate planning and as approved by the Board.

Company right of first refusal on vested shares at then current fair market value until initial public offering.

Fund shall be permitted to transfer its shares to any associated fund or partnership managed by or under common control with Fund or any general partner or limited partner of Fund.

Incentive Compensation Plan: The Board shall approve the 2008 Incentive Compensation Plan effective as at the Closing.

IP Insurance: The Company will maintain patent litigation insurance (covering pursuit, defence and commercial agreements) on terms and to an extent agreed with the investors as suitable from time to time.

Compensation Committee: A Compensation Committee of the Board will be established as at the Closing, comprised of one (1) non-executive director, one (1) director appointed by the Preferred Directors, and one (1) external compensation advisor. The Compensation Committee will work in close relationship with the Company's Chief Executive Officer.

The Compensation Committee shall approve all stock option grants, the

implementation of the 2008 Incentive Compensation Plan, the benefit plans generally made available to officers and employees of the Company, and the specific salaries, benefits, bonuses and other compensation afforded to the Company's officers and "Highly Compensated Employees". The definition of Highly Compensated Employees shall be established as at the Closing, and may be amended from time to time by the Board of Directors, subject to approval of the Preferred Directors.

Audit Committee: The Company will establish an Audit Committee to supervise the Company's audit functions and financial controls and procedures. The Audit Committee shall be comprised exclusively of non-executive directors, including at least one director appointed by the Preferred Directors. The Audit Committee will not have any authority delegated to it by the Board and will only make recommendations to the Board.

Fees and Expenses of Financing: The Company will bear its own legal fees and expenses. In addition, the Company will pay (i) the reasonable due diligence costs and expenses, not to exceed an aggregate of \$5,000 and (ii) the legal fees and expenses of one counsel to Fund, not to exceed an aggregate of \$40,000. These fees and expenses will be paid upon Closing, as a deduction from the investment proceeds.

In the event that the Company elects not to pursue the Financing, then the Company and Investors will each be responsible solely for their respective costs and expenses, including legal fees and expenses.

Finders' Fees: The Company warrants that no finders' fees or other compensation is due to any party relating to this financing. The Company and the Investors shall indemnify each other for any finders' fees for which either party is responsible.

Confidentiality: This term sheet and any related correspondence from the Investors are to be held in strict confidence and are not to be disclosed to any party (other than Company officers, the Board and legal and financial counsel), without the prior approval of the Investors.

Confidentiality, Proprietary Information and Invention Assignment: Prior to the closing, each employee of the Company shall have entered into a standard confidentiality, proprietary information and invention assignment agreement, providing for assignment of intellectual property to the Company, assistance in obtaining patents and otherwise perfecting and protecting the Company's intellectual property rights and that continued employment with the Company shall be on an at-will basis. In addition, all key employees will be bound by non-competition and non-solicitation agreements in form satisfactory to the Investors.

No Shopping and
Exclusivity:

From the signing date hereof until 5:00 P.M. on the date 30 days following the signing of this document (the "Exclusivity Period"), the Company agrees that it will not directly or indirectly pursue, solicit or participate in the negotiations, or enter into any agreement or commitments regarding investment by any other potential equity investors in the Company or any merger or sale of all or substantially all of the assets or stock of the Company; *provided* that the Company may pursue, solicit or participate in negotiations regarding investment by any potential Investor with respect to the investment contemplated herein to be made at the subsequent Closing.

During the Exclusivity Period, the Company will promptly notify the Investors of any third party offers with respect to the foregoing events.

If at any time during the Exclusivity Period Fund elects not to pursue this financing for any reason, Fund shall promptly notify the Company and the Exclusivity Period shall immediately terminate.

Expiration:

This Summary of Proposed Terms shall expire on _____ if not executed by the Company and Fund by such date.

This Summary of Proposed Terms and Conditions is only a statement of the present intentions of the parties hereto and is not a binding contract, commitment or agreement, with the exception of Confidentiality Section which shall be binding upon the parties, and shall be superseded in full by any definitive agreement the parties may enter into with respect to an investment in the Company. If the parties do not enter into an agreement with respect to an investment in the Company, the provisions of the Confidentiality Section shall remain in full force and effect and be enforceable by specific performance.

COMPANY:

By: _____

Name: _____

Date: _____

INVESTOR:

VENTURE FUND L.P.

By: General Partner of Venture Fund L.P.

By: _____

Name: XXX, General Partner

Date: _____

Appendix A

Post-Series B Financing Capitalization