VENTURE CAPITAL

I. LIQUIDITY AND EXIT
   A. REDEMPTION AT OUTSIDE DATE VC WILL REQUIRE REDEMPTION
      MAYBE 5 TO 7 YEARS, LONGER IN LIFE SCIENCES.
      1. GET THE INVESTMENT BACK AND SOME RETURN, LIKE 8%.
      2. WHAT IF 7 YEARS DOWN THE ROAD THERE IS MONEY BEYOND 8% / 
         DOWN THE ROAD, VC'S WANT 8% OR THE EVC OR 
         THEIR INVESTMENT.
      3. CO-SALE

   B. REGISTRATION RIGHTS  GOING PUBLIC IS A TENUOUS PROCESS
      THAT INVOLVES THE FILING OF A REGISTRATION STATEMENT AND 
      SCRUTINY BY THE SEC.
      1. THE VC'S SHARES NEED TO BE REGISTERED IN ORDER FOR 
         THE VC TO SELL THE SHARES.
      2. S-1: BIG FORM. S-3: SMALLER FORM ALLOWED FOR SUBSEQUENT 
         REGISTRATION.

   C. PRE-EMPTIVE RIGHTS  RIGHT OF VC TO PARTICIPATE IN SUBSEQUENT 
      ROUNDS  VC'S KEEP SIGNIFICANT DRY POWDER ON HAND TO 
      PARTICIPATE IN SUBSEQUENT ROUNDS.
      1. PAY TO PLAN: MULTIPLE MEANINGS  IF YOU (VC) DOESN'T 
         PARTICIPATE IN NEXT ROUND, THEY LOSE THE RIGHT TO 
         DO SO.
      2. PARTICIPATE IN THE NEXT ROUND IN PROPORTION 
         TO CURRENT OWNERSHIP.

   D. INFO RIGHTS  VC'S RIGHTS TO FINANCIAL STATEMENTS.
      1. A PRIVATE COMPANY HAS NO OBLIGATION TO PROVIDE 
         INFORMATION.

   E. BOARD  VERY NEGOTIATED.
      1. BOARD FLIP  INCREASE THE SIZE OF THE BOARD SO THAT 
         THE SERIES C CONTROLS THE BOARD; OCCURS WHEN 
         SOMETHING BAD HAPPENS, SUCH AS FAILING TO REDEEM.
         a) DRASIC HAPPENS INFREQUENTLY, BUT 
            VC'S THREATEN TO USE IT.
         b) IF BAD EVENT IS CURED, THE BOARD CAN FLIP BACK.

   F. PROTECTIVE PROVISIONS  THESE ARE VC CONTROL PROVISIONS
      1. VC'S CAN BLOCK INTERESTED TRANSACTIONS AND EXIT 
         DECISIONS.

   G. FOUNDER'S EQUITY  EQUITY FOUNDERS RECEIVE PRIOR TO 
      FINANCING, VESTING SCHEDULE.

   H. CONFIDENTIALITY AND NON-COMPETES  ALL EMPLOYEES AND 
      CONSULTANTS MUST SIGN CONFIDENTIALITY, NON-DISCLOSURE 
      AND INVENTION AGREEMENTS.
      1. NON-COMPETES FOR KEY PEOPLE.
I. Term Sheets - Non Binding. But when they've signed it, it's gonna happen. No shop will be binding. Term sheets will be confidential.

Business Going Forward

I. Board Presentations - Take it seriously, provide info in advance

II. Documentation - Follow the requirements in the documents.

III. Next Round - It is never too soon to start thinking about the next round.

A. The process takes two to three quarters!

IV. Timeline

A. Understand where in the lifecycle you are and when you've met a milestone and have leverage.

Funding Sources

A. Adams Capital
B. Zero Stage