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VC/[COMPANY NAME]

SERIES [A] PREFERRED STOCK FINANCING

[AVAILABLE OPTIONS]

TERM SHEET

November 21, 2000

The intent of this document is to describe, for negotiation purposes only, some key terms of the proposed agreement between VC Corporation (“VC”) and [COMPANY NAME] (the “Company”). This document is not intended to be a binding agreement between VC and the Company with respect to the subject matter hereof, except for the paragraph immediately below regarding confidentiality. A binding agreement will not occur unless and until all necessary corporate approvals have been obtained and the parties have negotiated, approved, executed and delivered the appropriate definitive agreements. Until execution and delivery of such definitive agreements, both parties shall have the absolute right to terminate all negotiations for any reason without liability therefore.

Confidentiality

The terms and conditions described in this Term Sheet including its existence shall be confidential information and shall not be disclosed to any third party. If either party determines that it is required by law to disclose information regarding this Term Sheet or to file this Term Sheet with the SEC, it shall, a reasonable time before making any such disclosure or filing, consult with the other party regarding such disclosure or filing and seek confidential treatment for such portions of the disclosure or filing as may be requested by the other party.

Amount of Financing: \$ _____

Type of Security: [SHARES #] shares of Series [A] Preferred Stock (“Series [A] Preferred”), initially convertible into an equal number of shares of Common Stock.

Purchase Price: \$[SHARE PRICE] per share (the “Purchase Price”).

Closing: Approximately _____, 200_.

**Rights and
Preferences of Series
[A] Preferred:**

Dividend Rights: The Series [A] Preferred would be entitled to an annual per

share dividend equal to ___% of the Purchase Price, payable when and if declared by the Board of Directors (the "Board"). The dividends would be cumulative and would be paid prior to payment of any dividend with respect to the Common. After payment of the preferential dividend to the holders of the Series [A] Preferred [and any other series of Preferred Stock], any further dividends would be paid pro rata in the holders of the Series [A] Preferred, [the other series of Preferred Stock] and the Common Stock on an as-converted basis. The Series [A] Preferred also would be entitled to receive any non-cash dividends declared by the Board on an as-converted basis.

Liquidation Preference:

In the event of any liquidation, dissolution or winding up of the Company, the holders of the Series [A] Preferred would be entitled to receive, prior to any distribution to the holders of the Common Stock [or any other series of Preferred Stock], an amount equal to the Purchase Price plus all declared but unpaid dividends thereon (the "Preference Amount"). After the full liquidation preference on all outstanding shares of Series [A] Preferred [and other series of Preferred Stock] had been paid, any remaining funds and assets of the Company legally available for distribution to shareholders would be distributed pro rata among the holders of the Series [A] Preferred[, other series of Preferred Stock] and the Common Stock on an as-converted basis. If the Company had insufficient assets to permit payment of the Preference Amount in full to all Series [A] Preferred shareholders, then the assets of the Company would be distributed ratably to the holders of the Series [A] Preferred in proportion to the Preference Amount each such holder would otherwise be entitled to receive.

A merger or consolidation of the Company in which its shareholders did not retain a majority of the voting power in the surviving corporation, or a sale of all or substantially all the Company's assets, would each be deemed to be a liquidation, dissolution or winding up of the Company.

Redemption:

Subject to any legal restrictions on the Company's redemption of shares, beginning on **[REDEMPTION RIGHT START DATE]** the holders of a majority of the then outstanding Series [A] Preferred may require the Company to redeem all of the outstanding Series [A] Preferred. The redemption price for each share of Series [A] Preferred would be [XXX%] of the Purchase Price plus all declared but unpaid dividends thereon to the

date of redemption (the "Redemption Price"). The Redemption Price would be proportionally adjusted for stock splits, stock dividends, etc. If on the redemption date, the number of shares of Series [A] Preferred that may then be legally redeemed by the Company is less than the number of such shares to be redeemed, then the shares to be redeemed but that may not be legally redeemed would be carried forward and redeemed as soon as the Company had legally available funds therefor.

Sample Preview