***NEWCO, LLC***

**TERM SHEET**

**$1,000,000 SERIES SEED PREFERRED STOCK**

The followingis a summary of the principal terms of an offering of Series Seed Preferred Stock (“Series Seed Preferred”) of Newco, LLC, an Arizona LLC (the “Company”), which, prior to closing will have converted to a Delaware "C" corporation. Certain investors are considering the purchase of shares of Series Seed Preferred on the terms described below (the “Transaction”). Each of such persons is an accredited investor (as that term is defined in Rule 501 of Securities and Exchange Commission Regulation D). The person signing this Term Sheet below is the representative of such persons.

This Term Sheet is non-binding (except only for the paragraph titled "Termination; Exclusivity" which shall be legally binding) and is intended solely as a summary of the terms that are currently proposed by the parties to assist them in the negotiation and preparation of definitive agreements. Either party may, at any time prior to execution of such definitive agreement, propose different terms from those summarized herein or unilaterally terminate all negotiations pursuant to this Term Sheet without any liability whatsoever to the other party.

Issuer: Newco, Inc., which shall have converted from *Newco, LLC* into a Delaware "C" corporation prior to Closing (the “Company”).

Investors: Accredited investors (“Investors”).

Amount of Financing: A minimum of *$500,000* (“Minimum Amount”) and a maximum of *$1,000,000* (“Maximum Amount”). All subscription proceeds will be held by a third-party acceptable to the parties and will be released to the Company upon successfully meeting the Minimum Amount.

Type of Security: Series Seed Preferred Stock (the “Series Seed Preferred”).

Price: The Original Purchase Price (the “Original Purchase Price”) will be equivalent to and represent a fully diluted post-money valuation of *$4,000,000* (including the Option Pool).

Option Pool: The Company shall establish an option plan, with the initial option pool representing 15.0% of the total capitalization pre funding. Grants from the 15.0% Option Pool will be distributed solely at the discretion of the Board of Directors. Options will have an exercise price at least equal to fair market value of the option units, as determined by the Board of Directors at the time of grant.

Resulting Capitalization: The post-financing capital structure of the Company is as set forth on Exhibit A (Newco Capitalization Table).

Closing: It is expected that the Closing will occur as soon as reasonably practicable following the sale of at least the Minimum Amount, subject to satisfaction of closing conditions described below.

Board of Directors: The size of the Company’s Board of Directors (the “Board”) shall be set at five (5) members.

As soon as practical subsequent to Closing and at each annual meeting of the shareholders for the election of directors, (i) the holders of the outstanding Series Seed Preferred, voting as a separate class, shall be entitled to elect one (1) member (the “Series Seed Director”) of the Company’s Board; (ii) the holders of outstanding Common Stock, voting as a separate class, shall be entitled to elect two (2) members of the Board (the “Common Director”); and (iii) all Preferred and Common stockholders voting together unanimously shall be entitled to elect two (2) members of the Board, both of whom shall be outside, and independent of the Company, its management, or the shareholders.

The Series Seed Director shall be entitled, but not required, to observe or serve on any committee of the Board, including without limitation the Compensation Committee and the Audit Committee, if any.

TERMS OF SERIES SEED PREFERRED STOCK

Liquidation Preference: In the event of any liquidation or winding up of the Company, the holders of the Series Seed Preferred shall be entitled to receive in preference to the holders of the Common Stock a per share amount equal to the Original Purchase Price plus any accrued but unpaid dividends (the “Liquidation Preference”). After the payment of the Liquidation Preference to the holders of the Series Seed Preferred, the remaining assets shall be distributed to all holders of Common Stock.

A merger, acquisition or sale or other disposition of substantially all of the assets of the Company in which the stockholders of the Company do not own a majority of the outstanding shares of the surviving corporation shall be deemed to be a liquidation (a “Change of Control”).

Automatic Conversion: The Series Seed Preferred shall automatically convert into Common Stock, at the then applicable conversion price upon: (i) the affirmative vote or written consent of the holders of a majority of the outstanding Series Seed voting as a single class (“Preferred Consent”) or (ii) the closing of a firmly underwritten public offering of shares of Common Stock of the Company for a total offering of at least $30,000,000 (a “Qualifying IPO”).

Voluntary Conversion: Each holder of the Series Seed Preferred shall have the right to convert his Units, at any time, into Common Stock. The initial conversion rate shall be 1:1, subject to anti-dilution and other customary adjustments.

Antidilution: The initial Conversion Price of the Series Seed Preferred will be equivalent to and represent a fully diluted post-money valuation of *$4,000,000*. The Conversion Price will be subject to a broad based weighted average adjustment (based on all outstanding units of Series Seed Preferred and Common Stock, as the case may be, and outstanding options and warrants to purchase capital stock of the Company) in the event that the Company issues additional equity securities (other than shares issued pursuant to outstanding and reserved employee options and other customary exclusions including options for directors, consultants, and advisors) at a purchase price less than the applicable conversion price. The conversion price will also be subject to proportional adjustment for stock splits, unit or stock dividends, recapitalizations and the like.

Protective Provisions: Preferred consent shall be required for any action which (i) alters or changes the rights, preferences or privileges of the Series Seed Preferred, (ii) increases or decreases the authorized number of shares of Common Stock, Preferred Stock or any series thereof, (iii) creates (by merger, reclassification or otherwise) any new class or series of shares having rights, preferences or privileges senior to the Series Seed Preferred, (iv) results in liquidation, dissolution, winding up, or a Change of Control of the Company, (v) otherwise amends the Certificate of Incorporation or Bylaws in a manner adverse to the rights, privileges, preferences or interests of the holders of Series Seed Preferred, or (vi) results in any merger, acquisition or sale (or exclusive license) of all or substantially all assets of the Company.

Dividends: The holders of Series Seed Preferred also shall be entitled to participate pro rata in any dividends paid on the Common Stock, as the case may be, on an as-if-converted basis.

ADDITIONAL INVESTOR RIGHTS

Information Rights: Notwithstanding anything to the contrary and for as long as Investors hold securities in the Company, no later than 90 days after the close of each fiscal year, the Company will deliver to Investors unaudited statements for such fiscal year (or audited statements if available) and no later than 30 days following the close of each of the first three (3) fiscal quarters, the Company will deliver unaudited financial statements for such quarter. The Board of Directors shall approve a budget for each fiscal year. All financial statements will include a comparison to the approved budget for the financial period in question. In addition, each report will be accompanied by a dashboard of information in a form to be determined by the Investors. Each such Investor shall also be entitled to standard inspection and visitation rights subject to reasonable notice and confidentiality obligations.

Registration Rights: The holders of Series Seed Preferred shall be entitled to "piggy-back" registration rights on all registrations of the Company (other than registrations on Forms S-4 or S-8)subject to the right, however, of the Company and its underwriters to reduce the number of shares proposed to be registered pro rata in view of market conditions.

Participation Rights: Investors shall have the right, in the event the Company proposes to offer equity securities to any person (other than securities issued to employees, contractors, directors, advisors, or consultants pursuant to board approved plans and other customary exclusions), to purchase a pro rata portion of such securities based on the number of shares then held by the Investors relative to the total outstanding shares (on a fully diluted Common Stock, as the case may be, equivalent basis including all Common Stock, warrants and employee options for common Common Stock granted).

Drag Along: The Company, Investors and each holder of the outstanding Common Stock, as the case may be will enter into a Voting Agreement which will provide that each holder will vote his shares in favor of any Change of Control transaction that has been approved by (a) the Board and (b) the holders of a majority of the outstanding Series Seed Preferred Shares in the event that a Change of Control has been proposed at a valuation of less than $30,000,000, and (c) holders of a majority of the Common Stock and Series Seed Preferred, voting together as a single class, , subject to customary conditions.

Purchase Agreement: The investment shall be made pursuant to a Stock Purchase Agreement acceptable to the Company and the Investors, which agreement shall contain, among other things, appropriate representations and warranties of the Company and the Investors.

Voting Rights: On all other matters requiring a vote by any Investor, holders of Series Seed Preferred shall vote together with holders of Common on an as converted basis and not as a separate class.

FOUNDER AND EMPLOYEE MATTERS

Founder Vesting: Common Stock held by each management member as of the final closing date will be made subject to vesting over the 36 months beginning as of that final closing date, on the following schedule: (a) 40% shall vest immediately; (b) 30% shall vest on the first anniversary thereof; and (c) 1.25% shall vest per month thereafter. The unvested stock will be subject to accelerated vesting on a "double trigger" basis under certain circumstances, such as Change of Control. In the event that a holder of Common Stock voluntarily resigns his or her position with the Company or such holder is terminated for cause, such holder shall forfeit his or her unvested shares. In addition, the Company will have the option to purchase such holder’s vested Common Stock at a price equal to the fair market value for the Common Stock as determined by the Board of Directors. In the event that a holder of unvested Common Stock shall be terminated by the Company without cause, the Company will have the option to purchase such holder’s vested and unvested Common Stock at a price equal to the fair market value for the Common Stock as determined by the Board of Directors. In the event that a holder of unvested Common Stock shall be terminated by the Company without cause, shall retain all vested shares plus 3.75% of his or her unvested shares. [i.e. equal to 3 months severance]

OTHER MATTERS

Invention Assignment The Company shall warrant that each Founder, officer, board member, consultant, and employee of the Company has signed a proprietary information and inventions agreement prior to the Closing and that it will obtain from each future employee, officer, board member, and consultant such agreements.

Insurance

and Indemnification: Prior to closing, the Company shall provide evidence of (a) a director and officer liability insurance policy in an appropriate amount; (b) indemnification agreements with directors that will indemnify board members to the broadest extent permitted by applicable law; (c) a key man life insurance policy on [the founders]in the amount of $1,000,000 each (unless it is determined by the board that the cost is unreasonable and then the policy can be for a lesser amount). The beneficiary of each policy will be the Company, with the intention of initially redeeming the outstanding Series Seed Preferred.

Reimbursement of Fees: At Closing, the Company will pay or reimburse the Investors’ aggregate legal fees and expenses in the transaction in an amount not to exceed $10,000.

Termination; Exclusivity: This Term Sheet shall expire at 12:00 pm, Mountain Standard Time, on *[date]* unless extended by the Company. By signing this Term Sheet, the Company agrees on behalf of itself and its affiliated third parties not to directly or indirectly initiate or discuss or accept any proposals regarding the sale or other disposition of debt or equity securities of the Company other than consistent with securing other investors that have been mutually agreed to by the Company for a period of 30 days from the date of the Company’s signature below. This paragraph is legally binding on the Company and its affiliated parties.

Conditions precedent: The investment will be subject to conversion to a Delaware "C" corporation and customary conditions, including but not limited to:

* Completion of due diligence to the satisfaction of the Investors;
* Each current and former employee or consultant of the Company entering into a proprietary information and invention assignment agreement on terms reasonably satisfactory to the Investors;
* Negotiation and execution of definitive agreements customary in transactions of this nature; and
* The absence of material adverse changes with respect to the Company.