

**Term Sheet
for
Series A Preferred Stock Financing
of
[COMPANY]**

June 1, 1999

General Terms of Offering

Issuer: [COMPANY], (the "Company").

Amount of Financing: [\$5million] in two Tranches;

Tranche I: [\$2 million].
Tranche II: [\$3 million].

Type of Security: Series A Preferred Stock (the "Series A Stock"), initially convertible on a 1:1 basis into shares of the Company's Common Stock (the "Common Stock").

Price: Tranche I: [\$] per share, based on a post-investment valuation of [\$17 million], representing [11.8%] of the Company on a fully-diluted basis.

Tranche II: [\$] per share, based on a post-investment valuation of [\$22.5 million], representing [13.3%] of the Company on a fully-diluted basis (total of [23.5%] for both Tranches).

Capitalization and Stock Options Reserve: Capitalization tables showing the Company's capital structure immediately following this investment [to be provided]. [The Company presently has reserved [] shares of common stock, representing [] of the post investment outstanding capital stock, for future option Grants to employees, consultants and directors (the "Options")].

Use of Proceeds: Tranche I:
i) Doubling of Denver capacity
ii) Opening and staffing of N.Y. office
iii) Web design and development of [COMPANY]
iv) Corporate marketing/development of [COMPANY]

Tranche II:
[To be determined.]

Closing Date (the "Closing"): Tranche I: [], or promptly thereafter.

Tranche II: [120 days] following the closing of Tranche I, provided that the average monthly revenue for the prior three months exceeds [\$625,000]. Revenue shall be calculated according to U.S. GAAP.

Terms of Series A Preferred Stock

Liquidation Preference:	In the event of any liquidation or winding up of the Company, the holders of the Series A Stock shall be entitled to receive out of the assets legally available therefore in preference and prior to the holders of the Common Stock, an amount based on the original Purchase Price together with all cumulated dividends on such Series A Stock (the "Liquidation Preference"). After the payment of the Liquidation Preference to the holders of the Series A Stock, the remaining assets, shall be distributed ratably to the holders of both the Common Stock and the Series A Stock on an as-converted basis. For purposes of this section, unless stockholders of the Company are holders of more than 50% of the voting equity securities of the surviving company, each of the following will be deemed a liquidation: (i) any sale of all or substantially all of the assets of the Company and (ii) any merger or consolidation as a result of which the per share value of the Series A Stock following such merger or consolidation, plus any consideration paid to the holders of such Series A Stock, is less than the per share Liquidation Preference.
Dividends:	The Series A Stock will be entitled to dividends of [10%] of the Original Purchase Price per annum in preference and prior to dividends on the Common Stock, and thereafter pro rata with the Common Stock on a fully converted basis when, as and if declared by the Board of Directors out of the funds legally available therefore, Dividends are cumulative, whether or not declared.
Conversion:	The holders of the Series A Stock shall have the right to convert the Series A Stock, at any time, into shares of Common Stock. The initial conversion rate shall be 1:1, subject to adjustment as provided below. The Company shall at all times reserve and keep available, out of its authorized but unissued Common Stock, the full number of shares of common Stock deliverable upon conversion of the Series A Stock.
Mandatory Conversion:	The Series A Stock shall automatically convert into Common Stock, at the then applicable conversion price, (i) in the event that the holders of more than [%] of the outstanding Series A Stock consent to such conversion or (ii) upon the closing of a "firm commitments" underwritten public offering of shares of Common Stock resulting in proceeds to the Company of not less than [\$] million (prior to the deduction of underwriters commissions and expenses) and at a per share price of not less than [\$] per share (an "Initial Public Offering").
Anti-dilution Protection:	The conversion price of the Series A Stock will be subject to adjustment for dilutive issuances that are not included in the exemptions below, pursuant to a weighted average formula where the base consists of the shares actually outstanding plus the shares represented by the Options. The conversion price of the Series A Stock will also be subject to proportional adjustment for stock splits, stock dividends, recapitalizations and the like. Exemptions to such adjustments include: (i) common stock issued or issuable upon conversion of the Series A Stock; (ii) securities issued pursuant to equity incentive plans of the Company, to the extent any such issuances are from the option pool established from time to time by unanimous consent of the Board; (iii) shares of Common Stock issued pursuant to the exercise of options, warrants or convertible securities outstanding as of the date of the offering as specified on the capitalization

tables; (iv) shares of Common Stock or other securities, or warrants, rights, options or other convertible securities, issued as consideration in connection with a merger, consolidation, acquisition or similar business combination with any entity not affiliated with the Company or its officers, directors or principal shareholders, if the particular transaction is determined by the Company and its stockholders to be in the Company's and the stockholders' best interests and is approved in good faith by the unanimous consent of the Board; (v) shares of Common Stock or other securities, or warrants: rights, options or other convertible securities, issued pursuant to any financing by equipment leasing arrangement or debt financing from a bank or similar financial institution, up to a maximum of such financing of [\$]; and (vi) shares of Common Stock or other securities, or warrants, rights, options or other convertible securities, issued in connection with corporate partnerships, strategic alliances, or other strategic transactions involving the Company and other entities (other than entities affiliated with the Company or its officers, directors or principal shareholders), if the particular transaction is determined by the Company to be in the Company's and the stockholders' best interests and is approved in good faith by unanimous consent of the Board.

Voting Rights:

The Series A Stock will vote together with the Common Stock and not as a separate class except as specifically provided herein or as otherwise required by law. Each share of Series A Stock shall have a number of votes equal to the number of shares of Common Stock then issuable upon conversion of such share of Series A Stock.

Board of Directors:

The size of the Company's Board of Directors shall be as set by the Board, but shall not be less than [], nor more than [] members. The holders of the Series A Stock, voting as a separate class, shall be entitled to elect two members (with at least one of such members to be a representative of []) of the Company's Board of Directors if the size of the Board is [], or three members if the size is greater than []. The holders of the Common Stock, voting as a separate class, shall be entitled to elect the remaining members of the Company's Board of Directors.

Board Observer Rights:

Customary board observer rights shall be extended to a representative of the designee of a majority of Series A holders. Among other things, such designee and its representative shall respect and comply with all reasonable requests to be excluded from meetings or portions of meetings in which privileged information is discussed or where ordinary fiduciary responsibilities associated with actual board members would not apply to the observer, such as certain discussions concerning companies in which designee has an interest, etc.

Protective Provisions:

So long as at least [%] of the aggregate issuances of shares of Series A Stock remain outstanding, consent of the holders of more than [%] of the Series A Stock shall be required for any action which (i) adversely alters or changes the rights, preferences or privileges of the Series A Stock, (ii) increases the authorized number of shares of Series A Stock, (iii) effects a recapitalization or the like of the Company, (iv) establishes a class of stock senior to or pari passu with the Series A Stock, or (v) any acquisition of the Company by merger or consolidation, or any sale of all or substantially all of the assets of the Company.

Information Rights:

So long as an investor continues to hold any shares of Series A Stock (or Common Stock issued upon conversion of the Series A Stock), the Company shall deliver to the investor audited annual and unaudited quarterly financial statements. This provision shall terminate upon the Company's Initial Public Offering or the company is otherwise subject public company reporting requirements.

Registration Rights:	Demand Rights: At any time after (i) the earlier of the Company's Initial Public Offering and (ii) the fourth anniversary of the Closing, holders of more than [%] of the Registrable Securities (as defined below) may require the Company, and the Company shall use its best efforts, to effect (a) one long-form registration (provided that such registered offering is not less than [\$]) and (b) two short-form registrations (provided that such registered offerings are not less than [\$] each). The Company, acting in good faith, shall have the right to delay such registrations for one period not in excess of 180 days in any 12-month period and shall not be obligated to effect a registration (i) during the []-day period commencing with the date of the closing of the Company's Initial Public Offering or (ii) if it delivers notice to the holders of the Registrable Securities within [] days of any registration request of its intent to file a registration statement within [] days.
	Company Registration: The investors shall be entitled to "piggy back" registration rights on all registrations of the Company (other than registrations on Form S-8 and Form S-4) or on any demand registrations of any other investor subject to the right, however, of the Company and its underwriters, acting in good faith, to reduce, or fully eliminate, before reducing any shares to be offered by the Company, the number of shares proposed to be registered pro rata pursuant to a reasonable assessment of market conditions.
	Expenses: The Company shall bear registration expenses (exclusive of underwriting discounts and commissions) of all long-form and short-form registrations, and all piggyback registrations.
	Registrable Securities: Common Stock issued or issuable upon conversion of the Series A , Stock, provided that any such Common Stock shall cease to be Registrable Securities following a transfer registered under the Securities Act of 1933 or in an open-market transaction under Rule 144.
	Standoff Provision: If requested by the underwriters, no investor will sell shares of the Company's stock within [] days, following the effective date of the Company's Initial Public Offering.
Right of First Refusal:	The purchasers of Series A Stock shall be granted a right of first refusal to purchase pro rata (so as to maintain their percentage interest of equity securities of the Company), on the same terms and conditions as offered to third parties, a portion of new securities which the Company may, from time to time, propose to sell and issue (excluding shares issued to employees, consultants, officers and directors pursuant to plans or arrangements approved by the Board as provided in this Term Sheet, shares issued in connection with a merger or acquisition, shares issued in connection with splits, conversion of convertible securities, exercise of options or warrants, etc.).
Co-Sale Rights:	Customary co-sale rights for shares (common or preferred) represented by Series A Stock to be included on a pro-rata basis in any private sale of shares (common or preferred) by any Founder. As used here, "Founder" means [].
Restrictions on Sales:	Subject to the "sunset provisions" below, the Company shall have a right of first offer on transfers of Common Stock, subject to certain specified exceptions (including permitted transferees). If the Company fails to exercise such right of first offer as to any or all shares in a proposed transfer, the non-selling stockholders shall then have similar rights of first of first offer (pro-rata per each stockholder's proportionate equity interest in the Company on a fully converted basis) on such shares.

General Matters

Agreements & Provisions:	<u>Purchase Agreement:</u> The investment shall be made pursuant to a Stock Purchase Agreement, an Investor Rights Agreement and a Co-Sale Agreement, and related documentation reasonably acceptable to the Company and the investors (the "Investment Agreements and Documents"). The Investment Agreements and Documents shall contain, among other things, appropriate representations, warranties and covenants of the Company and appropriate conditions of Closing. <u>Amendments and Waivers:</u> The terms and provisions of the Investment Agreements and Documents may be amended or waived with the written consent of the Company and the holders of more than [%] percent of the Series A Stock. Registration rights provisions may be amended or waived solely with the consent of the holders of more than [%] percent of the Registrable Securities. <u>Sunset Provision:</u> Upon consummation of the Company's Initial Public Offering, the rights of first offer and information rights described above shall expire.
Condition to Purchase:	The terms outlined in this Term Sheet are subject to execution of final definitive documents.
Binding Effect:	This Term Sheet is intended only as an outline of terms, and no party will be bound until execution and delivery of definitive documents.
Public Announcements:	The Company and the investors who are investing (in the aggregate) more than [%] of the Series A Stock will mutually agree prior to any public announcement regarding the transaction contemplated by this Term Sheet.
Legal Fees and Expenses:	The Company shall bear its own legal fees and expenses in connection with the transaction, and the associated fees and expenses of the investors. The investors' fees and expenses will be monitored and estimates provided to the Company to assure that a maximum estimate of [\$] is not exceeded, unless events anticipated by this transaction become irregular.

