Investment Agreement

THE SECURITIES DESCRIBED IN THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE. THEY ARE OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM REGISTRATION. THEY CANNOT BE RESOLD OR OTHERWISE TRANSFERRED UNLESS THEY ARE REGISTERED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THEY ARE ALSO SUBJECT TO THE TRANSFER RESTRICTIONS, RIGHT OF FIRST REFUSAL, DRAG-ALONG RIGHT, MARKET STAND-OFF AND VOTING OBLIGATIONS IN THIS AGREEMENT.

THE INVESTOR MUST BE able TO BEAR THE LOSS OF THE WHOLE INVESTMENT AND MUST EXPECT TO HOLD THE SECURITIES FOR AN INDEFINITE TIME. NO FEDERAL OR STATE SECURITIES AUTHORITY HAS APPROVED THE SECURITIES OR DECIDED WHETHER THIS AGREEMENT IS ACCURATE OR COMPLETE.

The Company gave the Investor a copy of this notice on **[Date resale notice was given: _____]**, before any sale of the securities.

1. Parties and effective date

1.1 **Date and parties.** This Investment Agreement (the "Agreement") is made on **[Effective date: _____]** (the "Effective Date") between:

(a) **[Company legal name: _____]**, a corporation incorporated in [State of incorporation: _____], whose principal office is at [Company principal office: _____] (the "Company");

(b) **[Investor legal name: _____]**, [Investor type or capacity: _____], whose principal residence or principal office is at [Investor principal residence or office: _____] (the "Investor"); and

(c) **[First Founder legal name: _____]**, whose address is [First Founder address: _____], and **[Second Founder legal name: _____]**, whose address is [Second Founder address: _____] (each a "Founder" and together the "Founders").

1.2 **Extent of Founder obligations.** The Company, the Investor and the Founders are the "Parties". Each Founder is a Party for the sections that name the Founders and for Sections 25 through 40. A Founder does not guarantee the Company's obligations. Each Founder is responsible only for that Founder's own promises and statements.

2. Recitals

2.1 **The business.** The Company carries on the business of [Company business: _____] (the "Business").

2.2 **The financing.** The Company wishes to raise money by issuing the Shares. The Investor wishes to buy the Shares for the Purchase Price. The sale is a private sale by the Company under the exemption

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stated in Section 13.

2.3 **The Founders.** The Founders own stock in the Company and will benefit from the investment. They make the limited promises in this Agreement to induce the Investor to invest.

2.4 **Agreement.** In return for the promises in this Agreement and for other valuable consideration that each Party acknowledges, the Parties agree as follows. The recitals help to interpret this Agreement but do not add to the representations in Sections 11 and 12.

3. Definitions

3.1 **Defined terms.** In this Agreement:

(a) "Affiliate" of a person means another person that controls, is controlled by or is under common control with that person.

(b) "Board" means the Company's board of directors.

(c) "Business Day" means a day other than a Saturday, a Sunday or a day on which banks in [State for business day calendar: _____] are permitted or required to close.

(d) "Charter" means the Company's certificate or articles of incorporation, as amended and in effect at Closing.

(e) "Closing" and "Closing Date" have the meanings in Section 8.

(f) "Common Stock" means the Company's common stock.

(g) "Conversion Shares" means Common Stock issued or issuable on conversion of the Shares, if the Shares are Preferred Stock.

(h) "Corporate Law" means the corporation statute of [State of incorporation: _____].

(i) "Deemed Liquidation" means (i) a merger or consolidation after which the holders of the Company's voting stock before the transaction hold less than a majority of the voting power of the surviving entity or its parent; or (ii) a sale, lease, exclusive license or other disposition of all or substantially all of the Company's assets. It does not include a bona fide equity financing whose main purpose is to raise capital, or a change of domicile.

(j) "Disclosure Schedule" means Schedule C.

(k) "Exempt Securities" means securities issued (i) under an equity incentive plan approved by the Board within the pool in Schedule A, as that pool is increased with any approval Section 17 requires; (ii) on exercise or conversion of outstanding securities under their existing terms; (iii) in a stock split or stock dividend on all shares of a class; (iv) to lenders, lessors, suppliers or strategic partners for purposes other than raising equity capital, with Board approval; (v) as consideration for a genuine acquisition approved by the Board; or (vi) in an underwritten public offering registered under the Securities Act.

(l) "Founder Stock" means all stock of the Company that a Founder holds now or acquires later, including stock acquired on exercise or conversion of another security, and that stock in the hands of a transferee that Section 20.7 binds.

(m) "Fully Diluted" means all outstanding Common Stock, all Common Stock issuable on exercise or

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conversion of outstanding securities, and all shares reserved and not yet granted under an equity incentive plan.

(n) "Fundamental Representations" means the statements in Sections 11.1 through 11.5, Section 11.14 and Section 23.

(o) "Intellectual Property" means patents, inventions, copyrights, software, trademarks, trade names, domain names, trade secrets, know-how, data rights and all similar rights, registered or unregistered.

(p) "Knowledge of the Company" means the actual knowledge of the Founders and the Company's executive officers, and the knowledge each would have after reasonable inquiry of the people who report directly to them.

(q) "Loss" means a loss, liability, damage, judgment, settlement or reasonable expense, including reasonable attorney fees.

(r) "Material Adverse Effect" means an effect that is materially adverse to the Business, assets, liabilities, financial condition or results of operations of the Company. General economic or industry conditions count only to the extent that they affect the Company disproportionately.

(s) "Preferred Stock" means preferred stock of the Company.

(t) "Purchase Price", "Price Per Share" and "Shares" have the meanings in Sections 4 and 5.

(u) "Securities" means the Shares and any Conversion Shares.

(v) "Transaction Documents" means this Agreement, the Charter and each other document delivered under this Agreement.

3.2 **Reading this Agreement.** "Including" means including without limitation. A "person" includes an individual and an entity. References to a statute or rule include its amendments. Headings are for convenience. The Schedules form part of this Agreement.

4. Investment and class of Shares

4.1 **Issue and purchase.** At Closing, the Company will issue and sell to the Investor, and the Investor will buy from the Company, **[Number of Shares: _____]** shares of the Company's **[Class or series of stock: _____]**, par value [Par value per Share: _____] per share (the "Shares"). The Shares will be newly issued by the Company and free of liens, other than restrictions under this Agreement, the Charter and securities laws.

4.2 **Rights of the Shares.** The Shares will have the rights, preferences and limits stated in the Charter. The terms agreed by the Parties are summarized in Schedule A. The Company must put each term that the Corporate Law requires to be in the Charter into the Charter, or into a resolution or designation adopted and filed under authority in the Charter, before Closing.

4.3 **Authorized stock.** Before Closing the Company will have enough authorized and unissued stock to issue every Share. If the Shares are convertible, it will reserve and keep reserved enough Common Stock to issue every Conversion Share.

4.4 **No partial issue.** The Company is not obliged to issue fewer than all the Shares, and the Investor is not obliged to buy fewer than all of them, unless both agree in writing. Neither holds the Shares, and the

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Investor is not a stockholder for the Shares, before payment and issue at Closing.

4.5 **Ownership and no partnership.** This Agreement creates an investment in stock of a corporation. It does not create a partnership, a joint venture, a loan or a right to a guaranteed return.

5. Purchase price and payment

5.1 **Price.** The price is **[Price per Share: _____]** for each Share (the "Price Per Share"), for a total of **[Total purchase price: _____]** (the "Purchase Price"). The Company states that the Board has set the form and amount of consideration and that the Price Per Share is not less than par value.

5.2 **Payment.** The Investor must pay the whole Purchase Price at Closing in U.S. dollars, in immediately available funds, by wire transfer to the account in the Company's written payment instructions. No promissory note, services, property or set-off is accepted as payment unless the Board and the Investor approve it in a signed amendment.

5.3 **Checking wire instructions.** The Company must give wire instructions at least 2 Business Days before Closing. The Investor should confirm them by calling [Person who confirms wire details: _____] at a number obtained independently of the email that sent the instructions. Changed instructions are not effective until confirmed in that way.

5.4 **Early receipt.** Money received before Closing must be kept in a separate account, must not be used by the Company and remains returnable to the Investor. If Closing does not occur by the Outside Date, the Company must return the full amount within 3 Business Days, with any interest actually earned.

5.5 **Fully paid stock.** When the Company has received the Purchase Price and issued the Shares, the Company must treat the Shares as fully paid and nonassessable. The Investor has no duty to contribute more capital.

5.6 **Late payment.** If all the Company's conditions to the Investor's obligations are met and the Investor does not pay on the Closing Date, the Company may give 5 Business Days' written notice. If payment is still not made, the Company may end this Agreement under Section 29. Unpaid Shares will not be issued.

6. Valuation and capitalization

6.1 **Pre-money valuation.** The Parties used an agreed pre-money valuation of **[Pre-money valuation: _____]**. Dividing that amount by the **[Fully Diluted shares before Closing: _____]** Fully Diluted shares immediately before Closing gives the Price Per Share. The Fully Diluted number includes the equity pool stated in Schedule A.

6.2 **Ownership after Closing.** Immediately after Closing the Shares will represent **[Investor Fully Diluted ownership after Closing: _____]** of the Company's Fully Diluted stock. The capitalization immediately before and after Closing is stated in Schedule A.

6.3 **Correction of an error.** If the capitalization immediately before Closing is found to have included more Fully Diluted shares than Schedule A states, the Company will promptly notify the Investor. The Investor may require the Company, as far as the Charter and law permit, to issue without further payment the additional Shares needed to give the percentage in Section 6.2, or to provide another remedy that the Parties agree has equal value. The Company must receive the authorizations it needs and at least the

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lawful minimum consideration for any issue. This does not limit another remedy for the error, but the Investor may not recover the same Loss twice.

6.4 **Nature of valuation.** The valuation is an agreed price for this transaction. It is not an appraisal or a promise of future value.

7. Use of proceeds

7.1 **Permitted use.** The Company will use the Purchase Price for these purposes: [Permitted use of the investment: _____]. Schedule A may contain a budget. The Company may move up to [Allowed budget movement: _____] of the Purchase Price between listed purposes with Board approval.

7.2 **Restricted use.** Without the Investor's prior written approval, the Company may not use the Purchase Price to:

(a) repay money owed to a Founder, director, officer or Affiliate of any of them;

(b) redeem or buy back stock, except unvested stock bought from a departing worker at no more than its original cost;

(c) pay a dividend, a bonus for this financing or an unusual payment to an insider;

(d) settle a claim that arose before Closing and that Schedule C does not disclose; or

(e) fund a business materially different from the Business.

7.3 **Report.** On request, but not more than once each quarter until the Purchase Price is spent, the Company will give the Investor a short written account of spending against the purposes in this Section.

7.4 **Change of plan.** If circumstances make a listed use impracticable, the Company will explain the change and propose a new use in writing. This does not excuse a statement that was untrue or misleading when made.

8. Closing and deliveries

8.1 **Time and place.** The sale of the Shares will close (the "Closing") on **[Planned Closing Date: _____]**, or on another date the Company and the Investor agree in writing, after all conditions in Sections 9 and 10 are met or lawfully waived (the "Closing Date"). Closing will take place by electronic exchange of documents and payment by wire.

8.2 **Outside Date.** If Closing has not occurred by **[Outside Date: _____]** (the "Outside Date"), either the Company or the Investor may use the termination right in Section 29.

8.3 **Company deliveries.** At or before Closing the Company must deliver to the Investor:

(a) evidence that the Charter in the agreed form was accepted for filing;

(b) a certified copy of the resolutions of the Board, and of the stockholders if their approval is required, approving the Transaction Documents, the issue of the Securities and the consideration;

(c) a recent good standing certificate from [State of incorporation: _____] and from each state where the Company must qualify to do business;

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(d) a certificate by an authorized officer that the conditions in Sections 9.1 and 9.2 are met;

(e) evidence of any director appointment or observer right in Schedule A;

(f) signed copies of the intellectual property assignments required by Section 21;

(g) an officer's written confirmation that the Schedule C delivered under Section 8.6, and any written disclosure required by Section 14.4, remain accurate and complete at Closing, or a written update, which is subject to Section 22.2;

(h) evidence that each notation and notice for Founder Stock required by Section 20.8 has been made; and

(i) immediately after payment, a stock certificate in the Investor's name signed as the Corporate Law requires, or, for uncertificated stock, evidence of the entry in the stock records and the written notice the Corporate Law requires.

8.4 **Investor deliveries.** At Closing the Investor must deliver the Purchase Price, a signed confirmation that the Schedule B delivered under Section 8.6 remains accurate and complete at Closing, or a signed update, a properly completed IRS Form W-9 or the appropriate Form W-8, and the information reasonably required to complete securities filings and identity checks.

8.5 **Order of events.** Closing deliveries are treated as made at the same time. None is complete until all are complete or the Party entitled to the missing item has waived it in writing.

8.6 **Documents due before signing.** Before the Investor signs this Agreement, the Investor must give the Company a completed and signed Schedule B, and the Company must give the Investor the completed Schedule C. The Company must give any written description that Section 14.4 requires a reasonable time before the Investor signs, so that the Investor can review it and ask questions. The Company must not accept the Investor's signature until these documents have been delivered. Deliveries under Sections 8.3(g) and 8.4 only confirm or update them and do not replace delivery before signing.

9. Conditions to the Investor's obligations

The Investor's duty to pay at Closing depends on each of these conditions. The Investor may waive a condition in writing, but not a legal requirement.

9.1 **Accuracy.** The Fundamental Representations must be true in all respects, other than an error in number that is plainly immaterial. The Company's other representations must be true in all material respects when made and at Closing. A statement limited to a date must be true at that date.

9.2 **Performance.** The Company and the Founders must have performed in all material respects the duties due before Closing.

9.3 **Approvals.** The Charter filing, Board and stockholder approvals and all third-party consents required for Closing must be complete. State notices that may be filed later are not a closing condition.

9.4 **No legal bar.** No law or order may prohibit Closing. No proceeding that could reasonably do so may be pending.

9.5 **No adverse event.** No Material Adverse Effect may have occurred since the Effective Date.

9.6 **Exemption.** The offer and sale must qualify for the exemption stated in Section 13. No undisclosed disqualifying event described in Section 14 may exist.

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9.7 **Diligence and special conditions.** The Investor must have received reasonable access to the information listed in Schedule C and answers to reasonable questions. These further conditions must be met: [Further Investor conditions: _____].

9.8 **Deliveries.** The Company must have made each delivery required by Section 8.3, other than evidence of the Shares that is delivered on payment.

10. Conditions to the Company's obligations

The Company's duty to issue the Shares at Closing depends on each of these conditions. The Company may waive a condition in writing, but not a legal requirement.

10.1 **Accuracy.** The Investor's representations in Section 12 and Schedule B must be true in all material respects when made and at Closing. The statement of accredited investor status must be true without that qualification.

10.2 **Payment and performance.** The Investor must deliver the full Purchase Price and the items in Section 8.4, and must have performed its other duties due before Closing.

10.3 **Reasonable belief.** The Company must reasonably believe that the Investor is an accredited investor and buys for its own account. The Company may ask for reasonable supporting information. If it does not receive enough information, it may delay or refuse Closing.

10.4 **No legal bar.** No law or order may prohibit the sale, and the offer and sale must be exempt from registration.

10.5 **Corporate approvals.** Each Board or stockholder approval and Charter filing needed for a valid issue must be complete. The Company must use reasonable efforts to obtain it and may not rely on this condition if its own breach caused the failure.

11. Company representations and warranties

The Company represents and warrants to the Investor, at the Effective Date and at Closing, that the following statements are true except as specifically disclosed in Schedule C:

11.1 **Organization.** The Company is duly incorporated, validly existing and in good standing in [State of incorporation: _____]. It is qualified where its business requires it, except where failure would not cause a Material Adverse Effect. It has no subsidiary unless Schedule C lists it.

11.2 **Power and authority.** The Company has power to sign and perform the Transaction Documents. All action required from the Board and stockholders is taken or will be taken before Closing. Each Transaction Document binds the Company, subject to bankruptcy and similar laws and general principles of equity.

11.3 **Capitalization.** Schedule A accurately states all authorized, issued and reserved stock, all options, warrants, convertible instruments and promises to issue stock, and each holder, immediately before and after Closing. All outstanding stock was validly issued, is fully paid and nonassessable, and was issued in compliance with securities laws. Except for the Transaction Documents, no person has a preemptive, registration, voting, redemption or similar right.

11.4 **Valid Securities.** When issued and paid for under this Agreement, the Shares will be validly issued,

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fully paid and nonassessable. Conversion Shares will have the same status when issued under the Charter. The issue will not breach a right of another person or trigger an adjustment that Schedule A does not show.

11.5 **Offering.** Assuming the statements in Section 12 and Schedule B are true, the offer, sale and issue of the Securities do not require registration under the Securities Act. Neither the Company nor anyone acting for it offered the Securities by general solicitation or general advertising.

11.6 **No conflict or consent.** The Transaction Documents do not breach the Charter, bylaws, a law, an order or a material contract. No governmental consent is needed, other than the Charter filing and securities filings that will be made on time.

11.7 **Litigation and compliance.** No claim, investigation or proceeding is pending or, to the Knowledge of the Company, threatened against the Company or a Founder in connection with the Business. The Company complies in all material respects with applicable law and holds all permits material to the Business.

11.8 **Financial information.** The financial statements listed in Schedule C fairly present, in all material respects, the Company's financial position and results at their dates and for their periods. Unaudited statements may omit notes and are subject to ordinary year-end adjustments that are not material. The Company has no material liability other than those shown, ordinary liabilities incurred since the latest balance sheet, or liabilities in Schedule C.

11.9 **Changes.** Since the latest balance sheet there has been no Material Adverse Effect, no dividend or redemption, and no material transaction outside the ordinary course.

11.10 **Property and Intellectual Property.** The Company owns or has enough rights to use the property and Intellectual Property used in the Business. To the Knowledge of the Company, the Business does not infringe or misuse another person's Intellectual Property. No person has made a written claim to the contrary. Each Founder and each worker who created material Intellectual Property for the Company has signed a present assignment of it. Use of open source software has not required the Company to disclose or license its own confidential source code.

11.11 **Contracts and insiders.** Schedule C lists each contract material to the Business, each loan and each transaction with a Founder, director, officer or close family member of one of them. The Company is not in material breach and, to the Knowledge of the Company, no counterparty is.

11.12 **Workers.** The Company has paid all material compensation due and complies in all material respects with employment, worker classification, benefits and payroll laws. To the Knowledge of the Company, no Founder is bound by a promise that prevents that Founder's work for the Company.

11.13 **Taxes, insurance and data.** The Company filed required tax returns and paid taxes due. It carries insurance reasonable for its stage. It complies in all material respects with its privacy commitments and data laws, and it knows of no data breach that required notice.

11.14 **Disqualifying events.** After reasonable factual inquiry, no disqualifying event under 17 CFR § 230.506(d)(1) applies to the Company or another covered person, except an event to which an exception in Rule 506(d) applies and that Schedule C discloses.

11.15 **Investment company.** The Company is not required to register, and after using the Purchase Price

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will not be required to register, as an investment company under the Investment Company Act of 1940.

11.16 **Anti-corruption and sanctions.** Neither the Company nor, to the Knowledge of the Company, anyone acting for it made an unlawful payment or is a person with whom a transaction is prohibited under U.S. sanctions.

11.17 **Disclosure.** The statements in the Transaction Documents and the certificates delivered under them do not contain an untrue statement of a material fact, and do not omit a material fact needed to make the statements, in the circumstances in which they were made, not misleading. Forecasts were prepared in good faith on assumptions the Company believed reasonable. They are not promises of results.

12. Investor representations

The Investor represents and warrants to the Company, at the Effective Date and at Closing:

12.1 **Authority.** The Investor has capacity and authority to sign and perform this Agreement. If it is an entity, it is validly organized and the person who signs is authorized. This Agreement binds the Investor, subject to bankruptcy and similar laws and general principles of equity.

12.2 **Own account.** The Investor buys the Securities for its own account for investment. It does not buy for another person and does not intend a distribution in violation of the Securities Act. It has no agreement to transfer any of the Securities, except to an Affiliate that Schedule B names.

12.3 **Accredited investor.** The Investor is an accredited investor as defined in 17 CFR § 230.501(a), on the basis stated in Schedule B. The answers in Schedule B are complete and accurate. The Investor was not formed to buy the Securities, unless Schedule B states that all its equity owners are accredited investors.

12.4 **Experience and risk.** Alone or with professional advisers, the Investor has enough knowledge and experience in financial and business matters to evaluate this investment. It can bear the economic risk and the loss of the whole Purchase Price. It has enough liquid assets for its other needs.

12.5 **Information.** The Investor has received this Agreement and Schedule C, had an opportunity to ask questions, and received the information it requested. These statements do not limit its right to rely on the Company's representations or a right under securities law.

12.6 **Restricted securities.** The Investor understands that the Securities are unregistered restricted securities, that no public market exists and that it may have to hold them indefinitely. The Company has no duty to register them unless a separate signed agreement creates one.

12.7 **Solicitation.** The Investor did not learn of the offer through general solicitation or general advertising. It had a relationship with, or was introduced to, the Company as stated in Schedule B.

12.8 **Residence and identity.** The Investor's principal residence or principal office is at the address in Section 1. The Investor will notify the Company of a change before Closing. If the Investor is outside the United States or is a foreign person, Schedule B states that fact.

12.9 **Lawful funds.** The funds come from lawful sources. The Investor is not a person with whom a transaction is prohibited under U.S. sanctions. It will give information reasonably needed for lawful identity and anti-money-laundering checks.

12.10 **Disqualification.** If the Investor will beneficially own 20% or more of the Company's outstanding

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voting equity, or will name a director, no disqualifying event under 17 CFR § 230.506(d)(1) applies to it. The Investor will tell the Company promptly if that changes.

12.11 **Tax and legal advice.** The Investor relies on its own advisers for legal and tax advice. It does not rely on the Company for a tax outcome. This does not limit reliance on the Company's written representations.

13. Exemption, resale restrictions and legends

13.1 **Exemption.** The Company offers and sells the Shares in reliance on section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D. The Company may sell in this offering only to persons it reasonably believes are accredited investors. The Company and its agents may not use general solicitation or general advertising. If the Company changes to another exemption, the Parties must first sign an amendment that meets that exemption.

13.2 **Written resale disclosure.** The Securities have not been registered under the Securities Act and, therefore, cannot be resold unless they are registered under the Securities Act or an exemption from registration is available. The Investor acknowledges that it received this written disclosure before sale. The Company made reasonable inquiry whether the Investor buys for itself or for another person.

13.3 **Transfer conditions.** The Investor may not transfer a Security unless (a) a registration statement covers the transfer, or an exemption applies; (b) the transferee signs the joinder in Schedule D, when Section 20.7 requires it; and (c) the transfer meets Section 20. The Company may reasonably require an opinion of counsel or other evidence for a claimed exemption. It will not require an opinion for a Rule 144 sale if the Investor gives other evidence that reasonably satisfies the Company and the transfer agent, or for a transfer without consideration to an Affiliate that gives the needed representations.

13.4 **Rule 144.** Rule 144 has conditions that the Investor must meet, including a holding period. The Company does not promise that Rule 144 will be available.

13.5 **Legend.** Each certificate, and each notice for uncertificated Securities, must conspicuously carry a legend substantially as follows:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR STATE SECURITIES LAWS. THEY CANNOT BE OFFERED, SOLD OR TRANSFERRED UNLESS THEY ARE REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THEY ARE SUBJECT TO RESTRICTIONS ON TRANSFER, A RIGHT OF FIRST REFUSAL, A DRAG-ALONG RIGHT, A MARKET STAND-OFF AND VOTING OBLIGATIONS IN AN INVESTMENT AGREEMENT DATED [Effective date: _____]. THE COMPANY WILL GIVE THE HOLDER A COPY WITHOUT CHARGE ON WRITTEN REQUEST.

13.6 **Stock records.** The Company may instruct its transfer agent not to record a transfer that breaches this Section or Section 20. For uncertificated stock, it will send each registered owner the notice that applicable law requires.

13.7 **Removal.** On request, the Company will remove the securities law part of the legend at its cost when the Securities are registered for resale and sold, or when it has reasonable evidence that the restrictions are no longer required. It will remove the contract part when the contract restrictions end.

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14. Offering compliance

14.1 **Form D.** The Company will file Form D no later than 15 calendar days after the first sale of securities in the offering, as Rule 503 measures that date. If the last day is a Saturday, Sunday or holiday, the deadline is the first business day after it. The first sale can occur before Closing, so the Company will decide the date when the first investor signs. The Company will also file any amendment required.

14.2 **State notices.** The Company will check the securities rules of the Investor's state and each other relevant state, and will make each notice filing, consent to service and fee payment when due. The Investor will promptly give information needed for a filing. The Company will pay filing fees.

14.3 **Disqualified persons.** Before the Investor signs, and again before Closing, the Company will make factual inquiry of every person covered by Rule 506(d), including itself, directors, executive officers, other officers who take part in the offering, promoters, beneficial owners of 20% or more of its voting equity, and persons paid to solicit investors. It will keep a record of the inquiry. If a disqualifying event occurs, the Company will stop the offering and tell the Investor promptly, unless an exception or waiver applies.

14.4 **Earlier events.** A reasonable time before sale, and in any event before the Investor signs as Section 8.6 requires, the Company will give the Investor a written description of each matter that would have triggered Rule 506(d)(1) disqualification but occurred before September 23, 2013. Schedule C must include it.

14.5 **No Rule 506(c) offering.** This Agreement is not prepared for general solicitation. If the Company wishes to use Rule 506(c), it must sell only to accredited investors, take reasonable steps to verify status, and change this Agreement before making an offer under that Rule.

14.6 **Other offerings.** The Company will not make another offer or sale that would be integrated with this offering and remove its exemption. It will keep a list of offerees, dates, purchasers and the basis for each purchaser's status.

14.7 **Accuracy of filings.** Each Party will correct information it gave for a filing if it becomes materially inaccurate. A Party's use of an exemption does not excuse it from antifraud law.

15. Investor information and inspection

15.1 **Financial reports.** While the Investor and its Affiliates hold at least [Share threshold for reports and basic covenants: _____] of the Shares originally bought, adjusted for splits and conversion, the Company will deliver:

(a) within [Annual report deadline in days: _____] days after each fiscal year, an annual balance sheet, income statement and cash flow statement, and any audit report obtained;

(b) within [Quarterly report deadline in days: _____] days after each of the first three fiscal quarters, unaudited quarterly financial statements and a short account of the Business;

(c) before each fiscal year, the annual budget approved by the Board; and

(d) within 10 Business Days after request, but no more than twice each year, an updated capitalization table.

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15.2 **Inspection.** On reasonable written notice, the Investor may visit the Company's offices, inspect its books and discuss the Business with its officers during business hours. The Investor may do this no more than twice each year, unless an uncured default exists. The Investor must state a proper purpose related to its investment.

15.3 **Limits.** The Company may withhold information only as reasonably needed to protect attorney-client privilege, personal data, a trade secret from a competitor, or a legal or contractual duty of confidence. It must describe the reason and offer a lawful alternative where practicable.

15.4 **Notice of events.** The Company will give prompt notice of a material lawsuit, a payment default on material debt, a material data breach or a proposed Deemed Liquidation.

15.5 **Statutory rights.** These rights add to the inspection rights of a stockholder under the Corporate Law and do not remove them. The contract rights in Sections 15.1 through 15.4 end on the closing of an underwritten initial public offering registered under the Securities Act, or on a Deemed Liquidation in which holders receive cash or listed securities.

16. Board seat or observer

16.1 **Choice in Schedule A.** Schedule A states whether the Investor has a right to designate a director, a right to appoint an observer, or neither. Sections 16.2 and 16.3 apply only as Schedule A states. The right lasts while the Investor and its Affiliates hold at least [Share threshold for board right: _____] of the Shares originally bought, adjusted for splits and conversion. The rights in this Section also end on the closing of an underwritten initial public offering registered under the Securities Act, or on a Deemed Liquidation in which holders receive cash or listed securities. The duties in Sections 16.2 and 16.3 and the voting duties in Section 16.5 end at that same time.

16.2 **Director.** If a director right applies, each Founder will vote all voting stock that Founder controls, and will act by written consent when needed, to set a Board size that permits the appointment, elect the Investor's named person, and fill a vacancy with a replacement named by the Investor. No Founder will vote to remove that person without the Investor's request, except for legal cause. The named person must be qualified and must not have a disqualifying event under Rule 506(d).

16.3 **Observer.** If an observer right applies, the observer may attend Board meetings without a vote and will receive the notices and papers given to directors at the same time. The observer must sign a confidentiality undertaking. The Company may exclude the observer or redact papers when reasonably needed for privilege, a conflict of interest or protection of trade secrets.

16.4 **Directors' duties.** A director has the duties the law imposes, whoever named that director. Nothing in this Agreement requires a director to act in breach of fiduciary duty. The Company will reimburse reasonable travel costs and give the Investor's director the same indemnity and insurance as other directors.

16.5 **Enforcement.** The Founders agree that this Section is a voting agreement among stockholders. The Investor will vote its stock to keep in office the Founders' named directors listed in Schedule A while their rights last.

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17. Protective provisions

17.1 **Approval required.** While the Investor and its Affiliates hold at least [Share threshold for approval right: _____] of the Shares originally bought, adjusted for splits and conversion, the Company may not do any of these acts without the Investor's prior written approval:

(a) amend the Charter or bylaws in a way that adversely changes the rights of the Shares;

(b) create or issue stock with rights senior to or equal with the Shares;

(c) increase the authorized number of the Shares' class or series, or increase the equity pool in Schedule A;

(d) pay a dividend or redeem stock, except as Section 7.2(b) allows or the Charter requires for the Shares;

(e) complete a Deemed Liquidation, dissolve or begin a voluntary bankruptcy;

(f) incur debt for borrowed money above [Debt limit that needs approval: _____] in total;

(g) enter a transaction with a Founder, director, officer or Affiliate, other than ordinary compensation approved by disinterested directors;

(h) make a material change to the Business; or

(i) sell, exclusively license or encumber material Intellectual Property outside the ordinary course.

17.2 **Procedure.** The Company must give a written request with enough information. If the Investor does not answer within [Investor approval period in Business Days: _____] Business Days, the Company must send a second notice that states conspicuously that approval is treated as given unless the Investor objects within 3 Business Days after receiving it. If the Investor receives that notice and does not object within that time, approval is treated as given.

17.3 **Legal limits.** The Parties intend these promises to apply to the fullest extent the Corporate Law permits. They do not override the Charter or require a breach of law or fiduciary duty. Rights that must be in the Charter are effective only when included in it. The Company acknowledges that the Purchase Price is sufficient consideration for these promises and that the Board approved that consideration.

17.4 **No control.** The Investor may act in its own interest when it gives or refuses an approval, subject to law. An approval right does not make it an agent of the Company.

17.5 **End.** The rights in this Section also end on the closing of an underwritten initial public offering registered under the Securities Act, or on a Deemed Liquidation in which holders receive cash or listed securities. A right to approve that transaction under Section 17.1 applies until it closes.

18. Pro rata rights

18.1 **Right.** Before the Company issues new equity securities, other than Exempt Securities, it must offer the Investor the right to buy its Pro Rata Share on the same price and terms offered to others. "Pro Rata Share" means the Common Stock held by or issuable to the Investor on conversion of the Shares, divided by all Fully Diluted stock immediately before the issue.

18.2 **Notice.** The Company will state the type, number, price, terms and expected date. The Investor has [Pro rata response period in days: _____] days after receipt to accept all or part in writing.

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Failure to answer ends the right for that issue only.

18.3 **Sale to others.** The Company may sell securities not bought by the Investor within [Third-party issue period in days: _____] days after that period, at no lower price and on terms not materially better for the buyer. After that time it must offer them again.

18.4 **Conditions.** The Investor must be an accredited investor at purchase, and the issue must be lawful. If the Company cannot give advance notice without harming an urgent financing, it may close first but must offer the Investor enough equivalent securities within 10 Business Days to preserve its Pro Rata Share.

18.5 **End.** This right ends on an underwritten initial public offering or a Deemed Liquidation, or when the Investor and its Affiliates hold less than [Share threshold for pro rata right: _____] of the Shares originally bought, adjusted for splits and conversion.

19. Dividends and liquidation preference

19.1 **Dividends.** The Company pays a dividend only when the Board lawfully declares it. If the Shares are Preferred Stock, the dividend right in Schedule A applies once it is in the Charter. No dividend is guaranteed.

19.2 **Liquidation preference.** If the Shares are Preferred Stock, on a liquidation, dissolution or Deemed Liquidation the Charter must give the Investor, before payment to Common Stock, the amount for each Share stated in Schedule A, or the amount payable had that Share converted to Common Stock immediately before the event, if greater. If assets are not enough, holders of the same series share them in proportion to their full preference amounts.

19.3 **Conversion and adjustment.** If Schedule A states a conversion right, the Charter must state the conversion ratio, voluntary and automatic conversion events, and adjustments for splits, combinations, dividends and lower-priced issues. The Company will not avoid those terms by a reorganization.

19.4 **Common Stock.** If the Shares are Common Stock, Sections 19.2 and 19.3 do not apply. The Shares then rank equally with other Common Stock, except for rights lawfully stated in the Charter.

19.5 **Charter controls.** This Section and Schedule A state the bargain that the Charter must reflect at Closing. If the Charter and this Agreement conflict, the Charter controls the rights of the stock. The Parties must promptly take lawful action to correct an omission.

20. Transfer, tag-along and drag-along

20.1 **Company right of first refusal.** Before the Investor transfers Securities, it must give the Company a copy of a genuine third-party offer. The Company may buy all, but not part, at the same price and terms by written notice within [Company right of first refusal in days: _____] days and must close within 30 days after that notice. Non-cash consideration will be valued in good faith at fair market value. If the Company does not exercise this right, or exercises it but does not close on time, the Investor may sell the offered Securities to the named buyer within 60 days after the Company's unused period ends, at the same price or a higher price and on terms no more favorable to the buyer. That sale is subject to Sections 13.3 and 20.7. If the sale does not close within the 60 days, or the terms become more favorable to the buyer, this Section 20.1 applies again.

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20.2 **Right on Founder stock.** Before a Founder transfers Founder Stock, the Founder must give the Company and then the Investor the same opportunity. The Company has the first [Company right of first refusal in days: _____] days. The Investor then has 10 days for stock the Company does not buy. If neither buys all the offered stock, the Founder may complete the sale to the named buyer within 60 days on the same terms, after meeting Sections 20.3 and 20.7.

20.3 **Tag-along.** If a Founder will sell stock to a third party and the right in Section 20.2 is not exercised in full, the Investor may, by notice within the same 10 days, sell in that transaction on the same terms. Its share of the sale is its Common Stock, including Conversion Shares, divided by the Common Stock held by the Investor and selling Founders. The buyer must buy the Investor's included stock or the Founder may not sell. Any liquidation preference is paid as the Charter requires.

20.4 **Drag-along.** If the Board and holders of at least [Voting power for drag-along: _____] of the voting power of the outstanding stock, counting Preferred Stock as converted to Common Stock where the Charter provides, approve a sale of at least a majority of the Company's voting power, or a Deemed Liquidation, the Investor and Founders will vote for it, sell their stock on its terms and not exercise appraisal rights to the extent the law permits that promise. Section 17.1(e) continues to apply. The duty applies only if:

(a) each holder of a class receives the same form and amount per share for that class, and proceeds follow the Charter;

(b) the holder gives representations only about authority, ownership and similar matters personal to it;

(c) except for that holder's own fraud, liability is several and does not exceed the proceeds that holder receives;

(d) no holder is bound by a noncompetition promise without separate consent; and

(e) the Investor receives 15 Business Days' notice, unless a shorter time is needed by law.

20.5 **Permitted transfers.** Sections 20.1 through 20.3 do not apply to a transfer by an individual for genuine estate planning, by law on death, or by an entity to its Affiliate, partner or member without consideration. The transferee must be lawful and must first sign Schedule D as Section 20.7 requires. A transferee on death must sign before the transfer is recorded. A Founder may pledge Founder Stock only with Investor approval, and a person that acquires it by enforcing the pledge is a transferee under Section 20.7.

20.6 **Invalid transfers and end.** A transfer in breach is not recorded, as far as the law permits. Restrictions in Sections 20.1 through 20.4, and the limit on pledges in Section 20.5, end on the closing of an underwritten initial public offering registered under the Securities Act, or on a Deemed Liquidation in which holders receive cash or listed securities. Section 20.9 survives an underwritten initial public offering and ends when the Stand-Off Period ends. Before those events, Sections 20.7 and 20.8 apply to each transfer. After an underwritten initial public offering, they continue only for Section 20.9, until the Stand-Off Period ends. After such a Deemed Liquidation, they end. Securities law limits continue.

20.7 **Joinder by every transferee.** Every transferee of Securities or Founder Stock, including a transferee under Section 20.1, 20.2, 20.3 or 20.5, must sign Schedule D and deliver it to the Company before the transfer takes effect. No Joinder is required for:

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(a) a Deemed Liquidation or a sale under Section 20.4;

(b) a sale in a public offering registered under the Securities Act;

(c) a Rule 144 sale to the public through an exchange or other established public trading market; or

(d) a transfer to the Company, or to an existing Party, which holds the acquired stock subject to this Agreement.

A transferee of Securities is bound by the Investor's duties in Sections 13, 16.5, 20 and 25 for those Securities. A transferee of Founder Stock takes it subject to Sections 16 and 20 and every other continuing duty that attaches to Founder Stock, as if the transferee were that Founder. It does not assume the Founder's personal duties in Section 21. A transfer of stock gives the transferee a contract right only as Section 33 permits. The Company must give a proposed transferee the Joinder on request.

20.8 **Notation on Founder Stock.** At or before Closing, the Company must note the restrictions in Sections 16 and 20 conspicuously on each certificate that represents Founder Stock. Each Founder must give the Company the certificates for that purpose and consents to the notation. For uncertificated Founder Stock, the Company must send each Founder the written notice that the Corporate Law requires, with the same text stated conspicuously. The Company must do the same for Founder Stock issued or transferred later. The notation or notice must read substantially as follows:

THE TRANSFER AND VOTING OF THESE SECURITIES ARE RESTRICTED BY AN INVESTMENT AGREEMENT DATED [Effective date: _____]. THE RESTRICTIONS INCLUDE RIGHTS OF FIRST REFUSAL, A TAG-ALONG RIGHT, A DRAG-ALONG RIGHT, A MARKET STAND-OFF, VOTING OBLIGATIONS AND A DUTY OF EVERY TRANSFEREE TO SIGN A JOINDER. THE COMPANY WILL GIVE THE HOLDER A COPY WITHOUT CHARGE ON WRITTEN REQUEST.

The Company will remove the notation when the restrictions end. A missing notation does not excuse a Party, or a person with actual knowledge, from these restrictions.

20.9 **Market stand-off.** This Section applies to the Company's underwritten initial public offering registered under the Securities Act (the "IPO") and to the Investor, each Founder and each transferee bound under Section 20.7 (each a "Holder").

(a) **Restriction.** If the managing underwriter requests it, a Holder may not, without that underwriter's prior written consent, sell, offer, pledge, lend, grant an option on, sell short or otherwise dispose of any stock of the Company, or any security convertible into it, or enter into a swap, hedge or other arrangement that transfers any economic effect of owning it. The restriction starts on the date of the final prospectus for the IPO and lasts for the period that the managing underwriter states, which may not exceed 180 days (the "Stand-Off Period").

(b) **Equal treatment.** The restriction binds a Holder only if all officers and directors of the Company, and all holders of at least [Holder threshold for market stand-off: _____] of the outstanding Common Stock, counting convertible stock as converted, are bound by restrictions that are at least as strict. If the Company or the underwriters waive or end the restriction for any such person, they must release every Holder in the same proportion, based on the stock each holds that is subject to the restriction. The Company must give prompt notice of a release.

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(c) **Exclusions.** The restriction does not apply to stock bought in the IPO or in the open market after it, a sale to an underwriter under the IPO underwriting agreement, the exercise or conversion of a security if the stock received remains restricted, or a transfer to an Affiliate, family member, estate planning trust, estate or heir that does not involve a disposition for value. The transferee must first agree in writing to be bound by this Section for the rest of the Stand-Off Period.

(d) **Underwriters.** The underwriters of the IPO are intended third-party beneficiaries of this Section and may enforce it as if they were Parties. On request, each Holder must sign the customary agreement of the managing underwriter that is consistent with this Section and gives effect to it.

(e) **Stop transfer.** The Company may instruct its transfer agent not to record a transfer that breaches this Section until the Stand-Off Period ends. The Company must withdraw the instruction promptly after that time.

(f) **Survival.** This Section survives the IPO for the Stand-Off Period, and binds stock received in a split, dividend, conversion or exchange. It does not require the Company to carry out an IPO.

21. Founder commitments and Intellectual Property

21.1 **Time and roles.** Each Founder will perform the role and time commitment stated in Schedule A, except during lawful leave, illness or with Board approval. Nothing here sets an employment term or changes at-will employment where that applies.

21.2 **Intellectual Property.** Each Founder now assigns to the Company all right, title and interest in Intellectual Property that the Founder created or creates for the Business or with the Company's confidential information, to the extent not already assigned. The assignment does not cover prior property listed in Schedule C or an invention that applicable law does not let the Company require the Founder to assign. Each Founder will sign papers reasonably needed to record it, at the Company's cost. A Founder grants the Company a perpetual, nonexclusive, royalty-free license to listed prior property placed in a Company product by that Founder, only as needed to use and sell that product.

21.3 **Worker agreements.** Before Closing, the Company will obtain signed confidentiality and present invention assignment agreements from each Founder and material technical worker. It will require lawful agreements from later workers with access to material technology or confidential information.

21.4 **Vesting.** If Schedule A states vesting or repurchase terms, the Founder and the Company will sign a separate stock restriction agreement that implements them before Closing. The agreement must be approved by the Board and have appropriate tax advice. If Schedule A states none, this Section adds no vesting.

21.5 **Outside work.** While working for the Company, a Founder may not take a Company opportunity or undertake work that materially conflicts with that role without Board approval. No promise in this Section is a post-employment noncompetition covenant.

21.6 **Founder statements.** Each Founder, for that Founder alone, states at Closing that the Founder owns the stock listed in Schedule A free of undisclosed liens, has power to sign, has given accurate answers about disqualifying events, and is not subject to an undisclosed agreement that prevents this Agreement's performance.

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22. Company covenants

22.1 **Until Closing.** From the Effective Date until Closing, the Company will run the Business in the ordinary course, preserve its assets and records, give reasonable diligence access, use reasonable efforts to satisfy its closing conditions, and promptly tell the Investor of an event that makes a representation untrue. It will not issue stock, take on unusual debt, pay a dividend or take an act described in Section 17.1 without Investor approval.

22.2 **Updates.** The Company may update Schedule C before Closing. An update does not cure an earlier breach unless the Investor accepts it in writing. The Investor's Closing does not waive a right under securities law.

22.3 **After Closing.** The Company will:

(a) keep its corporate existence, accurate books and required tax filings;

(b) comply in all material respects with law and contracts;

(c) keep property, general liability, cyber and directors' and officers' insurance at levels a Board acting reasonably considers suitable and reasonably available;

(d) own, maintain and protect material Intellectual Property;

(e) record stockholders and keep an accurate capitalization table; and

(f) make the filings in Section 14.

22.4 **No false statement.** The Company will not make an untrue statement of material fact, or omit a material fact needed to make its statements not misleading, in connection with the Securities.

22.5 **Exclusivity.** Until Closing or termination, the Company and the Founders will not solicit or accept a competing sale of control or a competing equity financing that would prevent Closing. They may perform legal duties and may inform the Investor of an unsolicited offer.

22.6 **Duration.** Except when a section states another time, the covenants in Section 22.3 continue while the Investor holds at least [Share threshold for reports and basic covenants: _____] of the Shares originally bought, adjusted for splits and conversion. They also end on the closing of an underwritten initial public offering registered under the Securities Act, or on a Deemed Liquidation in which holders receive cash or listed securities. This does not end a duty that applies under securities law.

23. Brokers and finders

23.1 **Brokers disclosed.** The Company states that no person is owed a broker, finder or placement fee because of its actions, except the following person and terms: [Broker and finder payments: _____]. The Investor states that its actions create no fee payable by the Company.

23.2 **Registration.** The Company will not pay transaction-based or other compensation for soliciting the Investor to a person who must be registered as a broker-dealer but is not registered or exempt. A paid solicitor must be included in the Rule 506(d) inquiry.

23.3 **Claims.** A Party whose actions gave rise to a fee claim will indemnify the other against that claim, subject to Section 28. This indemnity does not shift liability that law makes nontransferable.

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24. Taxes and small business stock

24.1 **Own taxes.** Each Party pays its own taxes and obtains its own tax advice. The Company will pay any tax imposed on the original issue of the Shares.

24.2 **Withholding.** The Company may withhold tax that law requires. It will tell the Investor before withholding when practicable, cooperate to reduce it lawfully and pay withheld money to the tax authority.

24.3 **Small business stock information.** If Schedule A states that the Shares are intended to be qualified small business stock under 26 U.S.C. § 1202, the Company states only that, to the Knowledge of the Company at Closing, it is a domestic C corporation, is not an excluded type of corporation, and its gross assets meet the applicable limit before and immediately after issue. The Company will use reasonable efforts not to redeem stock in a way that the Company knows would prevent qualification at issue.

24.4 **Cooperation.** Within 20 Business Days after a reasonable request, the Company will give the Investor factual information it has that is needed to check qualification and, if it can truthfully do so, a statement of facts. The Investor's own facts also matter.

24.5 **No tax assurance.** No Party promises a tax result. Tax requirements apply at purchase, during the holding period and at sale, and the law can change. The Company may act for sound business reasons even if the act affects this status, but will inform the Investor when practicable.

25. Confidentiality

25.1 **Duty.** A Party that receives nonpublic business, financial, technical or investment information from another Party will use it only for this Agreement or monitoring its investment, protect it with reasonable care and disclose it only to Affiliates, advisers, financing sources and prospective permitted transferees who need it and owe similar duties.

25.2 **Exceptions.** Information is not confidential to the extent that it is or becomes public without breach, was known lawfully before disclosure, came lawfully from another source or was developed independently.

25.3 **Legal disclosure.** A recipient may disclose what law requires after giving notice, when lawful, and reasonable cooperation to seek protection at the owner's cost. A Party may make required securities and tax filings.

25.4 **Protected reports.** Nothing in this Agreement prevents a person from communicating with the SEC or another government agency, reporting a possible violation, filing a charge, taking part in an investigation, receiving an award or making another disclosure protected by law. No notice to or approval from a Party is needed. **Notice of immunity under 18 U.S.C. § 1833(b):**

(a) An individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law.

(b) An individual will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or

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other proceeding, if the filing is made under seal.

(c) An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the individual's attorney and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal and does not disclose the trade secret except pursuant to court order.

25.5 **Other investments.** The Investor may invest in similar businesses and is not in breach only because it holds general knowledge, if it does not disclose or use Company confidential information. Each Party must comply with laws about trading on material nonpublic information.

25.6 **Time and return.** These duties last for [Confidentiality period in years: _____] years after the Investor ceases to hold Securities, and continue for a trade secret while it remains one. On request, a recipient will return or destroy information, but may keep copies required by law or secure automatic backups under these duties.

25.7 **Publicity.** No Party may use another Party's name in publicity without consent, except in legally required filings.

26. Survival and indemnification

26.1 **Survival.** Fundamental Representations survive for [Fundamental Representation survival: _____] after Closing. Other representations survive for [Other representation survival: _____] after Closing. Covenants survive for their stated period and, if none, until performed. A timely written claim continues until resolved. Claims for fraud survive as law permits. These contract periods do not shorten a time limit for a claim under securities law.

26.2 **Company indemnity.** Subject to Section 28, the Company will indemnify the Investor and its Affiliates, owners, directors and agents against Losses caused by breach of a representation, warranty or covenant of the Company, or by its failure to make a filing required by Section 14.

26.3 **Investor indemnity.** Subject to Section 28, the Investor will indemnify the Company against Losses caused by breach of the Investor's representations, warranties or covenants. This does not cover a Loss to the extent caused by the Company's breach of law or misconduct.

26.4 **Founder responsibility.** Subject to Section 28, each Founder, severally, will indemnify the Investor against Losses caused by breach of that Founder's own statement or covenant.

26.5 **Third-party claims.** An indemnified person must give prompt written notice, but delay excuses the indemnitor only to the extent it causes harm. The indemnitor may defend a claim for money damages with reasonably acceptable counsel after accepting responsibility. The indemnified person may take part at its own cost, or at the indemnitor's cost if counsel has a conflict or the indemnitor does not defend. No settlement may admit fault, impose nonmoney duties or lack a release without the affected person's consent.

26.6 **Reduction of Loss.** A person must take reasonable steps to mitigate a Loss. No person recovers the same Loss twice. Insurance money actually received reduces the Loss, less cost of recovery.

26.7 **Adjustment.** To the extent law allows, indemnity paid to the Investor is treated as an adjustment to the Purchase Price.

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27. Default and remedies

27.1 **Default.** A Party defaults if it does not pay money within 5 Business Days after written notice, materially breaches a duty and does not cure within [Ordinary default cure period in days: _____] days after notice, gives a materially false representation, or becomes subject to a bankruptcy proceeding that is not dismissed within 60 days if involuntary. No cure period permits an issue or transfer that law prohibits.

27.2 **Notice and cure.** Notice must identify the breach, requested cure and date. If cure takes longer but starts promptly and continues in good faith, the period extends by up to [Longest cure extension in days: _____] days, unless delay would cause serious harm.

27.3 **Remedies.** After default, a Party may seek damages, lawful specific performance, an injunction, indemnity under Section 26 and any other remedy that law allows. Before Closing, it may also terminate under Section 29.

27.4 **Equitable relief.** Breach of share issue, voting, transfer, Intellectual Property or confidentiality duties may cause harm money cannot fully repair. The affected Party may ask a court for an injunction or specific performance. The Party must prove what law requires.

27.5 **Enforcement costs.** In an action to enforce this Agreement, the court may award reasonable attorney fees and costs to the Party that substantially prevails, if law permits. This does not limit fees that a statute provides.

27.6 **Rights kept.** No cure period, election of remedy or acceptance of payment removes a right of the Investor under federal or state securities law, including a right to rescission.

28. Limitation of liability and no statutory waiver

28.1 **Threshold and cap.** The Company has no contract indemnity duty for breach of representations other than Fundamental Representations until total Losses exceed [Loss threshold for ordinary claims: _____], after which it owes Losses from the first dollar. The Company's total contract indemnity for those breaches may not exceed [Cap for ordinary Company indemnity: _____].

28.2 **Other contract claims.** A Founder's contract indemnity may not exceed the fair market value, at Closing, of that Founder's stock. The Investor's contract indemnity may not exceed the Purchase Price. No cap applies to the Company's Fundamental Representations, the duty to issue and register Shares in the stock records, return of early payment or Section 14.

28.3 **Excluded loss.** In a contract claim between the Parties, no Party is liable for punitive damages or for indirect loss that was not reasonably foreseeable, unless paid to a third party.

28.4 **Claims not limited.** No limit, survival period, exclusive remedy, release or non-reliance statement applies to fraud, willful misconduct or liability that law does not allow a Party to limit.

28.5 **No statutory waiver. Nothing in this Agreement waives, or requires any person to waive, compliance with the Securities Act of 1933, the Securities Exchange Act of 1934, their rules, state securities law, or a right or remedy that those laws do not allow a person to waive.** If any words would have that effect, those words do not apply to that right. Statutory time limits and remedies continue

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to apply.

28.6 **Insurance.** A limit does not reduce recovery from an insurer under its policy.

29. Termination

29.1 **Before Closing.** Before Closing this Agreement may end:

(a) by written agreement of the Company and the Investor;

(b) by either of them, if Closing has not occurred by the Outside Date, unless its breach was the main cause;

(c) by either of them, if a final law or order prohibits Closing;

(d) by the Investor, if the Company or a Founder materially breaches and does not cure within the shorter of [Ordinary default cure period in days: _____] days or the time to the Outside Date; or

(e) by the Company, if the Investor materially breaches and does not cure within that period, subject to Section 5.6 for payment.

29.2 **Effect.** Notice must state the ground. The Company must return all money received before Closing within 3 Business Days. No stock may remain issued for money returned. Sections 25, 26 and 28 and Sections 30 through 40 survive. Termination does not excuse an earlier breach or remove a right under securities law.

29.3 **After Closing.** No Party may end the completed sale for convenience. Continuing rights end at the times stated in this Agreement. The obligations of a Party that no longer holds stock end, other than earlier breaches, confidentiality and terms intended to survive. Rescission remains available only as law or a signed agreement allows.

30. Dispute resolution

30.1 **Business discussion.** Except for urgent court relief, a Party must give written notice of a dispute. Senior representatives must meet in person or by video within 10 Business Days and try in good faith to resolve it.

30.2 **Mediation.** If the dispute is not resolved within 20 Business Days after notice, the Parties will mediate in [Mediation city: _____] with a mutually agreed mediator. They share mediator fees equally. Any Party may start a claim after 45 days from the dispute notice.

30.3 **Court.** A dispute not resolved goes to a court under Section 31. The Parties have not agreed to arbitrate and may do so only by a signed arbitration agreement.

30.4 **Urgent relief and time limits.** A Party may ask at any time for temporary relief or file a claim needed to preserve a legal time limit. Discussion and mediation do not extend a statutory limit unless the Parties sign an effective tolling agreement.

30.5 **Government complaints.** This Section does not prevent or delay a complaint to, or communication with, a government agency.

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31. Governing law and venue

31.1 **Law.** The laws of **[Contract governing law: _____]** govern this Agreement and contract claims about it, without conflict rules that require another law. The law of the Company's state of incorporation governs its internal corporate affairs. Federal securities law and mandatory state investor law apply in any event.

31.2 **Courts.** Each Party submits to the jurisdiction of the state and federal courts located in **[Court location: _____]** and agrees that claims may be heard only there, unless law requires another court. A claim under a federal law for which federal courts have exclusive jurisdiction must be brought in federal court. Each Party waives an objection that this venue is inconvenient, as law permits.

31.3 **Service.** A Party outside [Contract governing law: _____] agrees that legal process may be served in any lawful manner and at its notice address, or through an agent it names in [Contract governing law: _____]. This does not shorten time to answer.

31.4 **Mandatory rights.** Choice of law and court does not remove a right that applicable law does not permit a Party to waive.

32. Notices

32.1 **Form.** A notice must be written and delivered by hand, national courier, certified U.S. mail or email. Notices go to the addresses in Section 1 and these emails: Company, [Company notice email: _____]; Investor, [Investor notice email: _____]; Founders, [Founder notice emails: _____].

32.2 **When effective.** A notice is effective on delivery by hand, 1 Business Day after dispatch by overnight courier, 3 Business Days after certified mailing, or when an email is sent without a bounce notice. A notice after 5:00 p.m. or on a day that is not a Business Day is effective on the next Business Day.

32.3 **Changes and legal claims.** A Party may change details by notice. A claim of default must also be sent by courier or certified mail. Email alone is not service of legal process.

33. Assignment and successors

33.1 **Restriction.** No Party may assign this Agreement without the other Parties' written consent, except that the Investor may assign its continuing rights with Securities transferred lawfully to an Affiliate, or to another transferee that receives at least [Minimum shares for rights transfer: _____] of the Shares originally bought.

33.2 **Conditions.** The transferee of Securities must sign Schedule D, be named in a prompt written notice and not be a competitor, as reasonably decided by the Board. The assignor remains liable for earlier breaches. A right personal to a named director or observer does not transfer without Company consent. A transferee of Founder Stock must sign Schedule D as Section 20.7 requires and takes that stock subject to Sections 16 and 20 and the other continuing duties that attach to it. A Founder may transfer Founder Stock under Section 20, but may not assign a right or duty that is personal to that Founder.

33.3 **Successors.** This Agreement binds and benefits successors and permitted assigns. A successor to the Company in a merger must assume continuing obligations unless the Investor receives the final proceeds

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due to its Securities.

34. Expenses

34.1 **Costs.** Each Party pays its own costs of this transaction, except that at Closing the Company will reimburse the Investor's reasonable, documented legal costs up to [Cap on reimbursed legal costs: _____]. No reimbursement is due if the Investor wrongfully fails to close.

34.2 **Filing and issue fees.** The Company pays Charter, stock issue, Form D and state securities notice fees. It may not deduct those fees from the Shares issued.

35. Amendment and waiver

35.1 **Amendment.** An amendment must be in a writing signed by the Company and the Investor. A change that adversely affects a Founder also needs that Founder's signature. A Charter change needs the approvals and filing the Corporate Law requires.

35.2 **Waiver.** A waiver must be in a signed writing and applies only to the event stated. A delay is not a waiver. No waiver may have an effect prohibited by Section 28.5.

35.3 **Equal treatment.** The Company may not pay a Founder for approval of an amendment that harms the Investor unless it offers equal treatment to the Investor.

36. Severability

36.1 **Invalid term.** If a court finds a term invalid, the rest continues. The court may replace the term with the closest lawful term only where law permits. If the invalid term removes a material part of the bargain, the Parties will negotiate a lawful replacement in good faith.

36.2 **Essential terms.** This Section does not require a Party to close if a valid issue, registration exemption or payment of the Purchase Price is not available.

37. Entire agreement

37.1 **Entire agreement.** The Transaction Documents contain the whole contract about this investment and replace earlier drafts and term sheets. A confidentiality agreement remains in effect for information covered by it, except where Section 25 gives more protection.

37.2 **No removal of fraud claims.** This Section does not bar a claim for fraud or a securities law claim based on a statement made outside this Agreement, and it does not waive reliance that law protects.

37.3 **Order.** The Charter controls stock rights. Otherwise, this Agreement controls over a certificate or summary. A Schedule controls only for its own facts and choices.

38. Further assurances and interpretation

38.1 **Further acts.** Each Party will sign further documents and take lawful actions reasonably needed to complete this Agreement.

38.2 **Joint drafting.** The Parties had an opportunity to negotiate this Agreement. No presumption applies against the Party that drafted it.

38.3 **Independent counsel.** Each Party had an opportunity to use independent legal and tax counsel.

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Company counsel represents only the Company unless a signed engagement states otherwise. This is not an acknowledgment that waives a statutory right.

38.4 **No third-party rights.** Except for indemnified persons and the underwriters that Section 20.9 names, this Agreement benefits only the Parties and permitted assigns.

39. Force majeure

39.1 **Relief.** A Party is not liable for delay caused by an event outside its reasonable control, such as disaster, war, government action or a general payment system failure, if it gives prompt notice and uses reasonable efforts to resume.

39.2 **Limits.** Lack of money, a change in markets and a breakdown within a Party's reasonable control do not excuse performance. This Section does not excuse a securities filing, payment after the payment system resumes, confidentiality or return of early money. It does not extend the Outside Date unless the Parties agree.

40. Counterparts and electronic signatures

40.1 **Counterparts.** The Parties may sign separate copies that together form one Agreement. Delivery of a signed copy by email or an electronic signature service is effective.

40.2 **Electronic signatures and records.** The Parties consent to electronic signatures and records for this transaction. A stock certificate, Charter or other document must still meet the Corporate Law and filing rules that apply to it.

40.3 **Effective time.** This Agreement binds when the Company, the Investor and each Founder named in Section 1 have signed and delivered it. A signature to amend this Agreement also meets Section 35.

Each Party signs after reading this Agreement, including the resale restrictions, and completing the Schedules that apply to it.

COMPANY: [Company legal name: _____]
Signature:
Printed name: [Company signer: _____]
Title: [Company signer title: _____]
Date signed:

INVESTOR: [Investor legal name: _____]
Signature:
Printed name: [Investor signer: _____]
Title or capacity: [Investor signer title: _____]
Date signed:

FOUNDER: [First Founder legal name: _____]
Signature:
Date signed:

FOUNDER: [Second Founder legal name: _____]
Signature:
Date signed:

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SCHEDULE A: INVESTMENT TERMS AND CAPITALIZATION TABLE

1. Company and Shares. [Company legal name: _____] will issue [Number of Shares: _____] shares of [Class or series of stock: _____] at [Price per Share: _____] per Share, for [Total purchase price: _____] in total.

2. Valuation. Agreed pre-money valuation: [Pre-money valuation: _____]. Post-money valuation at the full Purchase Price: [Post-money valuation: _____].

3. Stock type and Charter terms: [Stock type and charter terms: _____]

4. Dividend terms: [Dividend terms: _____]

5. Liquidation preference, if Preferred Stock: [Liquidation preference per Share: _____]

6. Conversion, voting and price adjustment terms, if Preferred Stock: [Conversion, voting and adjustment terms: _____]

7. Board right and directors: [Board and director terms: _____]

8. Founder roles and time: [Founder roles and time: _____]

9. Founder vesting or repurchase terms, if any: [Founder vesting terms: _____]

10. Intended status as qualified small business stock under Section 24: [Intended small business stock status: _____]

11. Budget for use of proceeds: [Use of proceeds budget: _____]

12. Capitalization table. Complete every class, option, warrant, convertible note and SAFE. A holder with more than one type of security must appear once for each type.

Authorized stock before Closing: [Authorized stock before Closing: _____]

Authorized stock after Charter filing: [Authorized stock after Charter filing: _____]

Holders and Fully Diluted shares before Closing: [Holders and shares before Closing: _____]

Reserved equity pool and promises to issue stock: [Equity pool and stock promises: _____]

Holders and Fully Diluted shares after Closing: [Holders and shares after Closing: _____]

The totals before and after Closing are correct, and the Investor holds [Investor Fully Diluted ownership after Closing: _____] after Closing on a Fully Diluted basis.

SCHEDULE B: ACCREDITED INVESTOR QUESTIONNAIRE

The Investor must complete and deliver this Schedule before signing this Agreement. The Investor must confirm or update it at Closing under Section 8.4. A false answer may cause a loss of an exemption. This Schedule does not waive a legal right.

1. Investor and relationship. Legal name: [Investor legal name: _____]. Address: [Investor

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principal residence or office: _____]. Relationship to Company and how the Investor learned of the offer: [Investor relationship and introduction: _____].

2. Basis. List every paragraph below that applies: **[Accredited investor basis letters: _____]**.

A. Net worth. The Investor is a natural person whose individual net worth, or joint net worth with a spouse or spousal equivalent, exceeds $1,000,000 at purchase. The calculation follows 17 CFR § 230.501(a)(5). It does not include a primary residence as an asset, and it includes home-secured debt to the extent that Rule requires.

B. Income. The Investor is a natural person with individual income above $200,000 in each of the two most recent years, or joint income with a spouse or spousal equivalent above $300,000 in each of those years, and reasonably expects the same level in the current year.

C. Company insider. The Investor is a director, executive officer or general partner of the Company.

D. Entity assets. The Investor is an entity type listed in 17 CFR § 230.501(a)(3), was not formed for the specific purpose of acquiring the Securities, and has total assets above $5,000,000.

E. Entity owners. Every equity owner of the Investor is an accredited investor. A list of owners and their bases is attached.

F. Credential. The Investor is a natural person who holds in good standing a credential that the SEC has designated under 17 CFR § 230.501(a)(10). The credential and evidence are: [Credential and evidence: _____].

G. Other basis. The Investor qualifies under this other paragraph of 17 CFR § 230.501(a) for the reason stated: [Other accredited basis: _____].

3. Supporting information. Documents supplied or information reviewed: [Documents reviewed for investor status: _____]. The Company must keep it confidential and use it only to check the exemption and meet legal duties.

4. Other required facts. Foreign person status, named Affiliate, purchase for another person and 20% voting ownership, if any: [Other Investor facts: _____].

5. Certification. The Investor certifies that its answers are complete and true, that it buys for its own account except as disclosed, and that it will notify the Company before Closing of a change. If no paragraph above applies, the Company must not close this offering with the Investor on this form.

Investor: [Investor legal name: _____]
Signature:
Printed name and title: [Investor signer: _____], [Investor signer title: _____]
Date signed:

SCHEDULE C: DISCLOSURE SCHEDULE AND RISK FACTORS

The Company must complete this Schedule and give it to the Investor before the Investor signs the Agreement. It must give any description in item 7 a reasonable time before the Investor signs. At Closing it must confirm or update this Schedule under Section 8.3(g).

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A disclosure applies to the section named and to another section only if its relevance is reasonably clear. A heading does not excuse an incomplete statement. If there are no exceptions, state "None" for that item.

1. Company representations. Exceptions to Section 11 by subsection: [Exceptions to Company representations: _____]

2. Financial statements and due diligence documents provided: [Financial and diligence documents: _____]

3. Material contracts, debt and insider transactions: [Contracts, debt and insider transactions: _____]

4. Intellectual Property, prior Founder property and open source software: [IP, prior property and open source: _____]

5. Litigation, data events, worker matters and other claims: [Claims, data and worker disclosures: _____]

6. Disqualification. Covered persons checked, date of inquiry, events and applicable exceptions: [Bad actor inquiry and results: _____]

7. Matters before September 23, 2013 that Rule 506(e) requires the Company to describe: [Earlier bad actor matters: _____]

8. Risk factors. The Company gives these factors, with facts specific to it. They do not excuse a false statement.

(a) **Loss of investment.** The Business may fail, and the Investor may lose the whole Purchase Price.

(b) **Limited history and cash.** Company history, current cash, planned spending and need for another financing: [History, cash and funding risk: _____]

(c) **No market and control.** The Securities have no public market. Founders may control stockholder votes, and transfer is restricted.

(d) **Dilution.** Later stock, options or convertible securities may reduce the Investor's ownership or economic return. Pro rata rights do not prevent every dilution.

(e) **Senior claims.** Creditors are paid before stockholders. A senior class may receive proceeds first. A liquidation preference does not guarantee payment.

(f) **Business facts.** Dependence on customers, suppliers, key people, technology, regulation and competition: [Business risk facts: _____]

(g) **Legal and financial facts.** Known disputes, debt, contingent liabilities and compliance risks: [Legal and financial risk facts: _____]

(h) **Taxes.** Tax law may change, and no result, including qualified small business stock treatment, is assured.

9. Company certification. An authorized officer certifies that this Schedule was prepared with reasonable inquiry and, to that officer's knowledge, is not materially misleading when read with Section 11.

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For the Company: [Company signer: _____], [Company signer title: _____]
Signature:
Date signed:

SCHEDULE D: JOINDER BY TRANSFEREE

This Joinder supplements the Investment Agreement dated [Effective date: _____] among [Company legal name: _____], [Investor legal name: _____] and the Founders.

1. The transferee named below has received a copy of the Agreement and Schedule C or has had the information it requested. It acquires the Securities or Founder Stock stated below (the "Transferred Stock") from the named holder.

2. The transferee agrees to the resale, legend, right of first refusal, drag-along, market stand-off, voting, confidentiality and other continuing obligations that applied to the holder's Transferred Stock. If the Transferred Stock is Securities, the transferee is bound by the Investor's duties stated in Section 20.7. If it is Founder Stock, the transferee takes it subject to Sections 16 and 20, including the Investor's right of first refusal and tag-along right, and to the other continuing duties that attach to Founder Stock. The underwriters of the IPO may rely on the transferee's promise in Section 20.9. The transferee receives only rights that the Agreement permits the holder to transfer.

3. The transferee makes the applicable statements in Section 12, for the Transferred Stock and adapted to a purchase from the holder, as of the transfer date. It has legal capacity and acquires for its own account, unless it states another lawful basis in an attached writing.

4. The transferee understands the Transferred Stock is unregistered and resale is restricted. Nothing here waives a right that securities law protects.

Transferee: [Transferee legal name: _____]**Address and email:** [Transferee address and email: _____]**Transferred Stock and transferor:** [Transferred Stock and transferor: _____]
Signature:
Printed name and title:
Date signed:

Accepted by the Company: [Company legal name: _____]
Signature:
Printed name and title:
Date signed:

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