

**LIFE SCIENCE ANGEL INVESTORS VIII, L.L.C.**

**Summary of Principal Terms**

Series A Preferred Stock of \_\_\_\_\_ (the "Company")

**The following sets forth the principal terms of a proposed Series A financing of the Company:**

- Security: Series A Preferred Stock
- Amount: The total amount to be raised in this round of financing will be up to \$\_\_\_\_\_ [, including conversion of all principal and interest under outstanding promissory notes].
- Purchase Price: \$\_\_\_\_\_ per share, representing a \$\_\_\_\_\_ fully-diluted pre-money valuation, including the option pool
- Number of Shares: \_\_\_\_\_
- Option Pool: There shall be an option pool representing 15% of the company's fully-diluted capitalization on a post-financing basis.
- Capitalization: Attached on Exhibit A is the capitalization of the Company on a pro forma basis after raising up to \$\_\_\_\_\_ and giving effect to the issuance of shares of Series A Preferred Stock by the Company.
- Closing Date: This Series A Preferred Stock financing close on or about \_\_\_\_\_, after completion of due diligence and definitive agreements (the "Closing").

**PRINCIPAL TERMS OF SERIES A PREFERRED STOCK**

- Dividends: The holders of Series A Preferred Stock will be entitled to receive a non-cumulative dividend pari passu with any dividend on Common Stock at the rate of 8% of the per share purchase price of Series A Preferred Stock, respectively, per annum when, as, and if declared by the Company's board of directors. The Series A Preferred will participate in any additional dividends on the Common Stock on an as converted basis.
- Liquidation Preference: In the event of any liquidation or winding up of the Company, each holder of shares of Series A Preferred Stock will be entitled to receive an amount equal to the original issuance price per share plus all declared but unpaid dividends on such shares prior to distributions made to holders of Common Stock or any other junior equity security (the "Preferential Amount"). In the event the assets of the Company are insufficient to pay the full Preferential Amounts to all holders of Series A Preferred Stock, the assets of the Company shall be distributed ratably among such holders in proportion to the product of the liquidation preference for each such share and the number of shares owned by such holder.
- After payment of the Preferential Amount to the holders of Series A Preferred Stock, the holders of Common Stock will be entitled to receive ratably the remaining assets or property of the Company.

A merger (other than a merger into a wholly-owned subsidiary), corporate reorganization, or any other transaction in which all or substantially all of the assets of the Company are sold or the holders of the outstanding shares of the Company's securities do not hold a majority of the outstanding securities of the entity immediately after such merger, corporate reorganization, or asset sale will be deemed a liquidation for the purposes of the Series A Preferred Stock.

Conversion: The holders of Series A Preferred Stock shall have the right to convert Series A Preferred Stock, at the option of the holder, at any time into Common Stock of the Company.

Conversion Price: The initial conversion prices of the Series A Preferred Stock will be an amount equal to the original issuance price per share.

Automatic Conversion: The Series A Preferred Stock will be automatically converted into Common Stock, at the then applicable rate, upon (i) the closing of a firm commitment underwritten public offering of shares of the Company's Common Stock at a price per share not less than five times (5x) the original purchase price of the Series A Preferred per share (as may be adjusted to reflect subsequent stock dividends, stock splits or recapitalizations) and for a total gross offering proceeds of not less than \$20,000,000 or (ii) approval of the holders of at least a majority of the Series A Preferred Stock.

Conversion Price Adjustments: Subject to customary exceptions, including issuances of shares reserved for the option pool as specified herein (the "Pool"), the conversion price of Series A Preferred Stock will be subject to adjustment to prevent dilution, on a broad-based weighted average basis, in the event that the Company issues additional shares of Common Stock, convertible securities or warrants or grants stock options or issued other Common Stock equivalents at a purchase price less than the applicable conversion price. In the event of any stock splits, stock dividends or combinations, proportionate adjustment will be made to the conversion price of the Series A Preferred Stock.

Voting Rights: Each share of Preferred Stock will carry one vote per share of Common Stock then issuable upon its conversion. The Preferred 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.

Protective Provisions: Consent of the holders of at least a majority of the Series A Preferred Stock shall be required for any action which (i) results in the sale of all or substantially all of the Company's assets, property or business, (ii) amends or repeals (by merger, consolidation or otherwise) any provision of, or add (by merger, consolidation or otherwise) any provision to, the Company's Certificate of Incorporation or Bylaws to adversely affect the Series A Preferred Stock in any manner, (iii) creates (by reclassification or otherwise) any new class or series of shares having rights, preferences, or privileges senior to or on parity with the Series A Preferred Stock with respect to voting, dividends or redemptions or upon liquidation, (iv) creates any notes or other obligations convertible into, exchangeable for or having option rights to purchase shares of stock with any preference or priority as to dividends or assets superior to or on a parity with that of the Series A Preferred Stock, (v) reclassifies any class or series of capital stock into shares with a preference or priority as to dividends or assets superior to or on a parity with that of the Series A Preferred; (vi) increases the authorized number of shares of Preferred Stock, (vii) pays or declares any dividends on any junior equity securities (other than in Common Stock of the Company), or (viii) would result in the taxation of the holders of the Preferred Stock under Section 305 of the Internal Revenue Code.

Registration Rights

Commencing five (5) years after the date of closing, the holders of Preferred Stock (or Common Stock issued or issuable upon conversion of the Preferred Stock (together, the “Registrable Securities”) will have the right to demand two registrations. Such registration demand must be made by at least a majority of the then outstanding shares of the Registrable Securities. Holders of at least \$150,000 worth of Registrable Securities (“Major Investor”) will also have rights to an unlimited number of piggyback registrations. In addition, if available, all holders will be entitled to two (2) registrations per year on Form S-3, provided that such registered offering is not less than \$1,000,000. The Company will bear registration expenses (exclusive of underwriting discounts and commissions) of all demand and piggyback registrations and registrations on Form S-3. The registration rights may be transferred to (i) a transferee or assignee of all of an investor’s Registrable Securities, (ii) to another holder of Registrable Securities who already possesses the Company’s registration rights, (iii) to a transferee or assignee acquiring at least 10% of the Company’s securities outstanding at the time of such transfer or assignment, or (iv) to an affiliated limited partnership, a limited partner, general partner or other affiliate of an investor. Registration Rights will terminate on the fifth anniversary of the closing of a firmly underwritten public offering of shares of Company’s Common Stock which results in the conversion of the Preferred Stock into Common Stock in accordance with the Company’s charter documents in effect at the time of the offering (a “Qualifying Public Offering”).

Right of First Offer:

Subject to customary exceptions, including issuances of shares reserved for the Pool, prior to a Qualifying Public Offering, each Major Investor will have a right of first offer to purchase its respective pro rata share of new securities offered by the Company.

Right of First Refusal  
And Co-Sale

If any key common stockholder wishes to sell any of its holdings, the Company will have a right of first refusal to purchase such shares. If the Company declines to purchase all of the shares, the Major Investors will have a pro rata right to purchase any or all of the shares under the same terms or to join in the sale.

Information Rights:

Each Major Investor will receive annual financial statements. In addition, so long as an investor (or a venture capital fund affiliated with such investor) or its assignee or transferee remains a Major Investor, the Company will provide to such investor quarterly unaudited financial statements and an annual, comprehensive operating budget forecasting the Company’s revenues, expenses and cash position on a month-to-month basis for the upcoming fiscal year at least 30 days prior to the close of each fiscal year. This information rights shall terminate upon the Company’s initial public offering.

Purchase Agreement:

The investment shall be made pursuant to a stock purchase agreement reasonably acceptable to the Company and the investors, which agreement shall contain, among other things, appropriate representations and warranties of the Company, covenants of the Company reflecting the provisions set forth herein and appropriate conditions of closing including an opinion of counsel for the Company.

Board

The Company's Board of Directors shall consist of five (5) directors and shall include two (2) representatives who shall be nominated by the holders of a majority of the Common Stock, two (2) representatives who shall be nominated by the holders of a majority of the Series A Preferred Stock, one of which shall be designated by Life Science Angel Investors VIII, L.L.C. ("LSA"), and one (1) mutual representative chosen by the other directors. In the event that it does not have a representative on the Board of Directors, LSA will be entitled to board observer rights and will be entitled to have a representative participate as an observer at all board meetings and to receive copies of all materials distributed to the Board.

Confidentiality

The Company will not disclose or discuss the terms of this Summary of Principal Terms with any person other than key officers, members of the Board of Directors of the Company or the Company's accountants or attorneys.

*[Remainder of Page Intentionally Left Blank]*

This Summary of Principal Terms is only a statement of our present intentions and is not a binding contract, commitment or agreement, with the exception of the Confidentiality provisions above. This Summary of Principal Terms shall be superseded in full by any definitive agreement the parties may enter into with respect to an investment in the Company. If the parties do not enter into an agreement with respect to an investment in the Company, the Confidentiality provisions shall remain in full force and effect and be enforceable by specific performance.

ACKNOWLEDGED AND AGREED:

THE COMPANY

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

LIFE SCIENCE ANGEL INVESTORS VIII, L.L.C.

By: Life Science Angels, Inc., Manager

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**Exhibit A**  
Capitalization Table