

**MEMORANDUM OF TERMS  
FOR  
PRIVATE PLACEMENT  
OF  
SERIES B PREFERRED STOCK  
OF  
ADFIN SOLUTIONS, INC.**

The intent of this document is to describe, for negotiation purposes only, some key terms of the proposed agreement between [ ] (the “**Investor**”) and AdFin Solutions, Inc. (the “**Company**”). This document is not intended to be a binding agreement between the Investor and the Company with respect to the subject matter hereof, except for the paragraph captioned “Confidentiality” immediately below. A binding agreement will not occur unless and until all necessary Investor and Company approvals have been obtained and the parties have negotiated, approved, executed and delivered the appropriate definitive agreements.

**Confidentiality**

The terms and conditions described in this Memorandum of Terms including its existence shall be confidential information and shall not be disclosed to any third party, other than the existing stockholders of the Company. All non-public information regarding the Company (whether technical or otherwise) made available or disclosed by the Company to Investor or its agents shall be deemed “**Confidential Information**” hereunder. Investor shall not, without the prior written consent of the Company, disclose to any third party or use any Confidential Information for any purpose other than evaluating or consummating the investment contemplated hereunder.

**Terms of Series B Financing**

<b>Pre-Money Valuation</b>	\$25,000,000 on a fully-diluted basis.
<b>Amount of Financing:</b>	\$10,000,000
<b>Security:</b>	Series B Preferred Stock (“ <b>Series B Preferred</b> ”).
<b>Closing:</b>	[ ], 2013
<b>Use of Proceeds:</b>	General working capital

### **Rights, Privileges and Preferences of Series A Preferred**

Dividend Rights:

The Series B Preferred shall be entitled to an annual per share dividend equal to 8% of the Purchase Price, payable whenever funds are legally available and when, as and if declared by the Board of Directors (the "**Board**"). The dividends shall not be cumulative. The Series B dividend payments shall be on a pari passu basis with the Company's Series A Preferred Stock (the "**Series A Preferred**") and together with the Series B Preferred, the "**Preferred Stock**"). After payment of the preferential dividend to the holders of the Preferred Stock, any further dividends shall be paid pro rata to the holders of the Common Stock and Preferred Stock on an as-converted basis. The terms of the Series A Preferred shall be modified to change the cumulative dividend accruing on the Series A Preferred to a non-cumulative dividend.

Liquidation Preference:

In the event of any liquidation, dissolution or winding up of the Company, the holders of the Series B Preferred shall be entitled to receive, on a pari passu basis with the holders of the Series A Preferred and prior to any distribution to the holders of the Common Stock, an amount equal to 1x the per share purchase price of the Series B Preferred (the “**Purchase Price**”) plus all declared but unpaid dividends thereon. After the full preference amount on all outstanding shares of Preferred Stock has been paid, any remaining funds and assets of the Company legally available for distribution to stockholders shall be distributed pro rata among the holders of the Common Stock. If the Company has insufficient assets to permit payment of the preference amount in full to all holders of Preferred Stock, then the assets of the Company shall be distributed ratably to the holders of the Preferred Stock in proportion to the preference amount each such holder would otherwise be entitled to receive.

A merger or consolidation of the Company in which its stockholders do not retain a majority of the voting power in the surviving corporation, or the sale of all or substantially all the Company’s assets, shall each be deemed to be a liquidation, dissolution or winding up of the Company (such transaction, a “**Deemed Liquidation Event**”).

Conversion Rights:

The holders of the Series B Preferred shall have the right to convert their Preferred Stock into shares of Common Stock at any time. The total number of shares of Common Stock into which the Series B Preferred may be converted initially will be 1-1. The conversion price will be subject to adjustment to reflect stock dividends, stock splits and similar events and as provided in “Antidilution Provisions” below.

Automatic Conversion:

The Preferred Stock shall automatically be converted into Common Stock, at the then applicable conversion rate, (i) immediately prior to the closing of, and conditioned upon the closing of, the first underwritten public offering of shares of Common Stock of the Company with gross proceeds to the Company in excess of \$15 million (the “**Qualified Public Offering**”), or (ii) on the date specified by the holders of at least [a majority]<sup>1</sup> of the then outstanding shares of Preferred Stock.

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<sup>1</sup> Required Preferred Stockholder Majority to be finally determined after confirming participation in the Series B Round.

**Antidilution Provisions:** The conversion price of the Series B Preferred shall be subject to adjustment on a broad-based weighted average basis for issuances at a purchase price less than the then-effective conversion price with customary carve-outs, as currently set forth in the Company's Certificate of Incorporation, on a basis consistent with the Series A Preferred.

**Redemption Rights:** Unless prohibited by Delaware law governing distributions to stockholders, the Series B Preferred shall be redeemable at the option of holders of at a majority of the Series B Preferred commencing any time after 12/31/19<sup>2</sup> at a price equal to the Purchase Price plus all declared but unpaid dividends. The redemption of the Series B Preferred shall be made on a pari passu basis with the Series A Preferred.

**Voting Rights:** Each share of Series B Preferred shall carry a number of votes equal to the number of shares of Common Stock then issuable upon its conversion into Common Stock. The Series B Preferred shall generally vote together with the Common Stock and not as a separate series or class, except as provided by law or as provided in "Protective Provisions" below.

**Board Representation:** The size of the Board will be expanded from 5 to 6. For as long as Investor is a holder of Series B Preferred, Investor shall be entitled to appoint one representative to the Board. Investor shall become a member of the Board upon the initial closing and shall enter into the Company's standard form indemnification agreement.

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<sup>2</sup> This is the same date as the Series A Preferred is first redeemable

**Protective Provisions:**

Consent of the holders of at least [a majority]<sup>3</sup> of the outstanding Preferred Stock, voting together as a single class on an as-converted basis shall be required for:

(i) any amendment or waiver of the Company's Certificate of Incorporation or Bylaws adverse to the Preferred Stock; (ii) any increase or decrease in the number of authorized shares of the Company; (iii) any action that authorizes, creates or issues shares of any class of stock having preferences superior to or on parity with the Preferred Stock; (iv) any action that reclassifies any outstanding shares of Preferred Stock; (v) any dissolution, liquidation or winding-up of the Company or any Deemed Liquidation Event; (vi) any purchase or redemption or paying any dividend on any capital stock prior to the Preferred Stock, other than stock repurchased from former employees or consultants in connection with the cessation of their employment/services, at the lower of fair market value or cost; (vii) creating or authorizing the creation of any debt security (other than trade payables in the ordinary course of business) if the Company's aggregate indebtedness would exceed \$1,000,000; (viii) guaranteeing any indebtedness of a third party except for trade accounts of the Company or any subsidiary entered into in the ordinary course of business; (ix) making any loan or advance to any person except advances to employees and similar expenditures in the ordinary course of business or as approved by the Board; (x) increasing or decreasing the size of the Board; or (xi) any agreement to do any of the foregoing.

The Series A Preferred's existing series protective provisions will be eliminated.

**Stock Purchase Agreement:**

The purchase of shares of Series B Preferred shall be made pursuant to a Stock Purchase Agreement reasonably acceptable to the Company and the Investor, which agreement shall contain, among other things, customary representations and warranties of the Company and the Investors, covenants of the Company reflecting the provisions set forth herein, and appropriate conditions of closing, and will be substantially similar to the Company's Series A Preferred Stock Purchase Agreement.

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<sup>3</sup> Requisite majority/TBD

**Terms of Investors' Rights Agreement:**

The Company, the holders of the Series A Preferred, the holders of the Series B Preferred, and Jonathan Leitersdorf (the "Founder") in his capacity as a common stock holder shall enter into an Amended and Restated Investors' Rights Agreement which shall contain, among other things, customary registration rights, financial information and inspection rights, a right of first offer to maintain pro rata ownership in future financings (subject to customary carve-outs), and a customary 180-day post-IPO lock up, all substantially in the form of the Company's current Investors' Rights Agreement.

**Drag Along:**

Holders of Preferred Stock and the Founder and all current and future holders of greater than 1% of Common Stock (assuming conversion of Preferred Stock and whether then held or subject to the exercise of options) shall be required to vote their shares in favor of a Deemed Liquidation Event which is approved by the Board, the requisite majority of the holders of Preferred Stock and a majority of the holders of the Company's capital stock.

**Closing Conditions:**

Standard conditions to Closing, which shall include, among other things, satisfactory completion of financial and legal due diligence, qualification of the shares under applicable Blue Sky laws, and the filing of a Certificate of Incorporation establishing the rights and preferences of the Series B Preferred.

**Expenses:**

Contingent upon the Closing, the Company will reimburse Investor for all reasonable legal fees and expenses (not to exceed \$15,000) incurred by it related to the transactions contemplated hereby.

**INVESTOR:**

[\_\_\_\_\_]

**COMPANY:**

**ADFIN SOLUTIONS, INC.**

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

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

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

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

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

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

**SIGNATURE PAGE TO THE ADFIN SOLUTIONS, INC.  
SERIES B TERM SHEET**