

Goodwin Procter LLP

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Dear Investor,

[PERSONALIZE AS APPROPRIATE / INSERT INTRODUCTORY PARAGRAPH]

Indicative Terms upon Completion of an Acquisition

In line with our discussions and as detailed in the Private Placement Memorandum, this section provides a summary of key indicative terms. These terms will serve as the framework for the operating agreement that will be provided for your consideration at the time of acquisition.

Capitalization: The acquisition LLC will be capitalized with Preferred Units and Common Units. The Preferred Units and Common Units will comprise [75][70]% and [25][30]% respectively of the initially aggregate outstanding units. In addition, a management equity incentive pool equal to [up to 5]% of the LLC's common upside (such interests, "**Incentive Units**") will be established and reserved for hiring and retention of other key employees and will dilute all existing Units pro rata. The holders of Preferred Units will be entitled at all times to the economic and voting rights of unvested Common Units until such Common Units vest so as not to create a "denominator problem".

Other material terms such as the structure of the Preferred Units (single vs. dual tranche), ability to redeem, PIK interest rate on the Preferred Units and the "catch-up" mechanism on the preferred return will be determined at acquisition depending on the nature of the target company.

[After all search-stage investors have been given the opportunity to invest their full pro-rata allotment in the acquired entity, then I, with the consent of the investors representing a majority of the equity invested in the acquisition LLC up to that point, may allocate securities in an aggregate amount of up to []% of the amount of equity capital to be provided by Eligible Members in connection with the Acquisition to one or more investors who have agreed to serve on the board of the acquisition LLC. For the avoidance of doubt, in no event shall this provision reduce your right to purchase your pro-rata allotment of the total amount of securities offered by the acquisition LLC.]

Investor Liquidation Preference: Investors will receive preferred returns at a rate [between __% and __%][to be agreed upon at the time of the acquisition] until their capital (or a portion thereof, depending on the structure of the Preferred Units) plus accrued coupon payments ("**Liquidation Preference**") are paid back in full. When investors' Liquidation Preferences have been paid, vested Common Units and vested Incentive Units will participate pro rata with the Preferred Units in further distributions (the "**Pro-Rata Distributions**"). The ultimate capital structure, including whether or not we will be entitled to a "catch-up" on the investors' preferred return, will depend on the specific acquisition and related deal terms.

Common Unit Vesting¹: The Common Units initially issued to me shall initially represent an aggregate [30][25]% of the fully diluted common equivalents of the company, and shall be subject to the following vesting schedule:

- I. One third of such Common Units (or [10][8.33]% of the equity outstanding at the closing of an acquisition) shall be unrestricted (i.e., fully vested) upon the acquisition.
- II. One third of such Common Units (or [10][8.33]% of the equity outstanding at the closing of an acquisition) will be subject to time-based vesting and will vest in 48 equal monthly installments over the four-year period following the consummation of the acquisition, provided that I remain employed by the company (or a subsidiary), and provided further that if a sale of the company

¹ This language represents what we believe to be the most common formulation. We have participated in many deals that had alternative structures and are happy to discuss our experiences.

occurs prior to the fourth anniversary of the initial acquisition, all such Common Units subject to time-based vesting will automatically and immediately vest.

- III. One third of such Common Units (or [10][8.33]% of the equity outstanding at the closing of an acquisition) will be subject to performance-based vesting, and will begin vesting when investors holding Preferred Units achieve net internal rates of return (“IRR”) equal to [20]% and vest on a linear basis thereafter such that the Common Units subject to performance-based vesting will be fully vested when investors holding preferred interests achieve net IRR of [35]%. [I am open to replacing this IRR threshold with one that instead measures return on investment (ROI) or multiple of invested capital (MOIC).]
- a. Through the acquisition and active management of the company, I will target a [35]% annual return on investor capital. This targeted internal rate of return will be used to evaluate all investment opportunities.

Board of Directors: The initial board will be comprised of no more than five Directors. I will be one of the five Directors for so long as I remain in the capacity of employee of the LLC.

After acquiring the company I will receive annual compensation at a mutually agreed upon rate with the board in connection with my role. I expect to be an employee at will of the LLC and that my vesting privileges will cease upon the termination of my employment.

Tax Distributions and Allocations: Tax distributions will not reduce investors’ liquidation preference. Tax distributions will be treated as advances of distributions under the common equivalent tier of the waterfall. Allocations of income to the investors (net of tax distributions) multiplied by the effective capital gains rate determined by the board will count towards the calculation of investors’ IRR upon a liquidity event.

Miscellaneous:

- I. I intend to pursue an acquisition with substantially all of the characteristics described in the Private Placement Memorandum. Directors and officers will be indemnified by the LLC to the fullest extent permitted by the Delaware General Corporation Law.
- II. The operating agreement will contain inspection rights and investors will receive quarterly and annual financial statements as well as the annual budget and a management summary of the company’s performance.
- III. The board will be vested with the necessary authority to manage the LLC and members will have majority interest approval rights on key decisions.
- IV. Investors will have Rights of First Refusal, Drag-Along rights, and Co-Sale rights. Unit transfer restrictions will allow transfers for estate planning purposes and transfers to entities controlled by the original unit holder.

Key Next Steps

[PERSONALIZE AS APPROPRIATE]

I expect to conclude the execution of all subscription documents by [_____] and submit fully executed documents to investors shortly thereafter. My plan is to start the search process on [_____]. My primary objective remains to create long term value for my investors through an efficient and diligent search process. I look forward to working with you and thank you for your support.

Sincerely,

[_____]