



# Commonwealth Capital

*Capitalizing Start-Up and Early Stage Companies—Exclusively, Since 1998*

April 16<sup>th</sup>, 2019

NewCo. Inc.  
123 Prosperity Blvd.  
Suite 357  
Chicago, IL 77777

NewCo Mgmt. Team,

Thank you for the opportunity to participate in the capitalization of NewCo. Inc.

Please remember, there are literally an unlimited number of ways to structure and execute a capitalization plan. Our goal is to find a balance between the cost of capital and the probability of capital attainment, while enabling your company's founders and management team to maintain the vast majority of equity ownership and voting control throughout the company's life cycle. We believe we have come to a workable solution for your Company's capitalization needs. This document ("Engagement Letter") highlights the proposed solution, structure, strategy, approach, and timing. Please also find, as an addition to this Engagement Letter, a Corporate Finance Term Sheet for execution.

We believe to accomplish the capitalization goals for NewCo. Inc., the company, its founders and the new shareholders may be served best by a scaled one tranche approach with a minimum \$10,000,000 development capital round of preferred equity, supplemented with traditional bank debt, if necessary. For instance, once \$5,000,000 to \$10,000,000 is raised, the company could elect to supplement the balance of \$10,000,000 of development capital with traditional bank debt, most likely SBA guaranteed.

For illustrative purposes we've summarized below. This may entail using the Series -A- preferred equity exclusively, and providing discounts from the par value of \$100.00 per share or unit for the earliest purchase and for volume or large purchases of the preferred equity. It also may entail offering board seats for volume purchases, at management's sole discretion. The suggested process highlighted below may be modified as we move forward; as we expect to gain substantial insight into the current status of your Company and its future outlook as we proceed.

1. **DEVELOPMENT ROUND STRUCTURE:** Below is a suggest solution for your organization's capitalization initiative and securities offering.
  - a. **Entity.** Use NewCo. Inc. as the corporation to serve as the entity for further capitalization and operations.
  - b. **Capitalization. \$10,000,000 Total.** For the first round of equity capital, we suggest an amount of \$10,000,000 as a first tranche for the implementation of the



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- business proposal as indicated. Debt may be introduced as an element if appropriate.
- c. **Securities.** The second round can be accomplished through the issuance of 100,000 units of Series -A- Convertible Participating Callable Preferred Equity at a price of \$100.00 per share/unit.<sup>1</sup> Once engaged, we'll be able to further ascertain the needs for NewCo. Inc. growth and risks, the initial amount may be increased. For the initial first round, we suggest that the preferred equity contain the following features:<sup>2</sup>
- i. **Security:** First or at least a forward lien security on 100% of the Company's assets—100% of the current liabilities and long term debt, if any, to be eliminated with the proceeds;
  - ii. **Stated Quarterly Dividend:** 6% to 9%\* stated cumulative quarterly dividend;
  - iii. **Conversion Rights:** conversion privilege into an aggregate of 5% to 25%\* of the company's common voting-class equity (fully diluted) until the call protection date—after which the conversion option expires.
  - iv. **Participating Annual Dividend:** 5% to 25%\* aggregate participation of net income to be distributed in the form of an annual participating cumulative dividend;
  - v. **Callable:** “Call” protection date of 12/31/2023 provides your Company the right, but not the obligation, to “call” or purchase up to 100% of the preferred equity at a slight premium, normally 10%, at any time after the call protection date. The company may call in whole or in part, immediately or over time with a call schedule. If not immediately called or scheduled to call, you may call again, as stated above, at any time after the call date, normally with a 30 day notification of call, prior to exercise of that right.
2. **Strategy**—we suggest the steps below.
- a. **Produce a Regulation D Rule 506(c) Title II Securities Offering.** Use that document to raise the **Convertible Note or Series -A- \$2,000,000 and Series -A- \$10,000,000** through a Regulation D Rule 506(b) or 506(c) Title II Securities Offering.
  - b. Once the Regulation D Rule 506(c) Title II document is completed, your Company will be able to legally solicit investors using the general media to raise **\$10,000,000** in equity capital—over a 12-month period. **The ability to advertise the securities is critical for attracting individual, as well as institutional investors.**
  - c. **Utilize technology for efficiency and effectiveness.**

<sup>1</sup> Subject to early entry & volume discounts to create initial demand.

<sup>2</sup> \*NOTE: The final capital amounts, number of tranches, early entry & volume discounts, various attributes and percentages to the features of the preferred equity will be determined, at your sole discretion, once the GAAP compliant pro forma financial projections are completed by us, once engaged.



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- i. **Sell Securities through Multimedia.** The multimedia securities offering presentation serves two (2) purposes. First, it is built for full compliance under Regulation D Rule 506(c) as 100% of the multimedia presentation’s content is borne from the legally reviewed securities offering document. The multimedia securities offering presentation provides one contained and consistent message to investors, furthering the deflection of any potential future litigation. Secondly, this highly effective multimedia presentation will “tell the story and reveal the vision” to create excitement and entice your Management Team’s personal and professional investor contacts, as well as newly attracted investors, to invest in your Mgmt. Co.’s preferred equity securities.
  - ii. **Create a Secured Securities Offering Portal™.** This Portal also serves two (2) purposes. First, it enables your Mgmt. Co. to pull investors to your securities offering documents and multimedia presentation, in compliance with federal and state(s) securities laws, rules, and regulations, in a secure environment—thereby protecting the privacy for all parties. The Portal houses both the multimedia presentation and the securities offering document, thereby providing one contained and consistent message to investors, furthering the deflection of any potential future litigation. Secondly, this Portal tracks and provides the critical audit trail for the securities offering document distribution. There is no longer a need for the cumbersome distribution and tracking of securities offering documents, manually.
  - iii. **Create a Secured Employment Portal™.** This enables your Company to efficiently and effectively build an “in-house” finance dept., starting with the hiring of a Vice President of Finance or CFO from the securities industry to assist you in *all* of your capital raising efforts. If elected to do so, we will assist your firm with creating the job description; crafting the employment advertisement design and placement; screening all candidates with a cursory due diligence; as well as, adding provisions to the employment agreement to further protect your Company.
  - iv. **ESOP Compensation Plan & Budgeting.** Commonwealth will provide advice on and produce vesting tables to be used internally and included in the Portfolio Company’s securities offering documents in order to attract the necessary management talent to the Portfolio Company.
- d. **Utilize Coaching on the Solicitation and Sales of Securities.** We will provide you and your Management Team with basic sales and compliance training with regards to selling securities.
  - e. **Attend Capital Conferences.** If and when appropriate, we will sponsor your Company at one of our [Members Only Capital Conferences](#), with the purpose of assisting you in engaging one or more broker-dealers to sell your Company’s securities.



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3. **Approach:** Although slight modifications as to the structure, strategy, approach and timing as we move through the process may occur, we do not anticipate any further material changes associated with the process as disclosed herein.
4. **Timing:** Production Start Times vary according to the Option chosen below. After the Start Time it normally takes 30 to 45 days to implement the above items included above in Structures and Strategies and up to 6 months to raise the capital, thereafter. However, capital can often be used as soon as it is acquired. Once engaged, we will provide a comprehensive Timelines and Capital Budgets Excel®<sup>3</sup> worksheet to plan the effort.
5. **Our Part:** Your company has been chosen to be added as one of our VC Fund portfolio companies. Our primary contribution to your success is to make sure your company raises enough capital to further its operational success without you or your founders' relinquishing too much of your company, too early, for too little. The successful results will be the attainment of substantial amounts of investment capital in one or more tranches while the founders' maintain the vast majority of equity ownership and voting control throughout the company's life cycle.

Our primary mission is to create quality deal flow for the investor community, while enabling the entrepreneur to maintain the vast majority of equity interest and voting control. This requires the creation of an internal finance dept. within your firm staffed with competent individuals to carry-forward the tasks you assign, with our direction. Fortunately, the creation of an internal finance dept. is a self-funding exercise. And done correctly, it will be the most valuable dept. within your firm, making your company one of the more powerful companies in your industry. Imagine being the company that can easily raise substantial amounts of capital without the need for a financial institution.

No investor we know of will invest in a Start-Up or Early Stage Company *until and unless* the risk of the investment has been mitigated to the highest degree possible. We are willing to invest our time and expertise to mitigate your company's operational, financial and regulatory risk. This will enable your firm to create an optimal capitalization plan, hybrid securities, *with marketable deal structures*, to raise substantial amounts of capital, in compliance with federal and state(s) securities laws. Being accepted as a portfolio company into the VC Fund—Commonwealth Capital Income Fund-I, you can easily showcase your firm's securities offering(s) to broker dealers, our co-investors, as well as other investors in the U.S. and around the world.

Think of us as the architectural engineers of a skyscraper for architecting quality deal flow for investors and eventually Wall St. or Corp. America. We don't build the building, like a broker dealer raises capital; we set the design so they know what

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<sup>3</sup> Excel is a registered Trademark of Microsoft Corporation.



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they're bidding on. We can help your finance dept. sell the deal to broker dealers or directly to investors.

You do have a choice on how we are engaged. If engaged under Options I or II below, we work with you to create an internal Finance Department that serves as the catalyst to enable your firm to sell securities, to raise substantial amounts of capital, in compliance with federal and state(s) securities laws. With our guidance, you will staff and operate the internal Finance Department according to your overall plan as illustrated within the newly created securities offering document(s). We do recoup our investment costs, but only after you've experienced success. However, according to federal and state(s) securities laws, we are not allowed to receive compensation for the direct or indirect sales of securities, hence we do not sell securities under any circumstances.

## ENGAGEMENT OPTIONS

**By going through any one of the first (3) out of (4) Options listed below, your company's securities can be added to our COMMONWEALTH CAPITAL INCOME FUND-I, where broker dealers, as well as our co-investors will review your company's securities offering, to make independent decisions on their level of financial commitment.**

**OPTION I.** This option has the most risk and return for us. As indicated within our Corporate Finance Term Sheet under OPTION I, we receive the amount of shares or units of the preferred equity to be issued in the proposed round of financing, as indicated below. We receive a minimum number of shares or units in preferred equity, upfront with a \$0.01 cost per unit, as per the schedule below. In addition, we recoup our out-of-pocket production investment over time and only if certain successes are realized. For your further protection, the Claw-back provision provides that eighty percent (80%) of the preferred equity shares or units will be relinquished if you do not succeed in raising at least half of the desired amount of capital. Upon exercising the Claw-back provision, the Call Protection on the remaining twenty percent ends, enabling your firm to buy back all or part of our shares or units at the Call price. The Start Time of 5-6 weeks is because we must fit your production within the production time-frames of companies that have chosen Option II, as they are served as a first priority. **This Option qualifies your company for inclusion in our Commonwealth Capital Income Fund-I.**

**OPTION II.** This option has moderate risk and return for us, due to the retainer. You can reduce the minimum preferred equity to be relinquished to us in the proposed round of financing, as indicated below. We receive a minimum number of shares or units in preferred equity, upfront with a \$0.01 cost per unit, as per the schedule below. For your further protection, the Claw-back provision provides that eighty percent (80%) of the preferred equity shares or units will be relinquished if you do not succeed in raising at least half of the desired amount of capital. Upon exercising the Claw-back provision, the



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Call Protection on the remaining twenty percent of the shares or units ends, enabling your firm to buy back all or part of our shares or units at the Call price. By reducing our return (the amount of preferred equity we receive) you also reduce our risk. **This Option qualifies your company for inclusion in our Commonwealth Capital Income Fund-I.**

**IMPORTANT:** Our sole and exclusive source of capital for our full service is through SEC registered Broker Dealers, as it serves us as the one degree of separation from regulatory compliance. In other words, we only make portfolio company introductions to broker dealers. However, our portfolio companies are welcome to introduce themselves to our other co-investors; Platinum Accredited Investors, Platinum Corp. Investors and Platinum Broker Dealers within the Capital Access Portal.

## **AVAILABLE ONLINE WITHIN COMMONWEALTH CAPITAL'S CORPORATE ENGINEERING CONSERVATORY™**

**OPTION III.** The next least expensive way to engage in the process of raising capital for your company is to engage the overall corporate engineering and capital raising process within our Corporate Engineering Conservatory.™ Toward the end of creating your securities offering document, with a marketable deal structure, in our Corporate Engineering Conservatory™ you'll be given a choice to OPT-IN or OPT-OUT out of the qualifying process for inclusion in our Commonwealth Capital Income Fund-I. If you OPT-OUT you continue the process without inclusion. If you OPT-IN, you agree to provide us with due diligence and document clean-up fees in cash and preferred equity, as indicated below. This process involves the same corporate engineering principles and protocols as defined within this Engagement Letter. This option will save you up to 80% of the preferred equity and cash outlay, as proposed. However, you will need to do 80% of the work. **This Option may qualify your company for inclusion in our Commonwealth Capital Income Fund-I.**

**OPTION IV.** By far the least expensive way to engage in the process of raising capital for your company is to engage the overall corporate engineering and capital raising process within our Corporate Engineering Conservatory.™ Toward the end of creating your securities offering document, with a marketable deal structure, in our Corporate Engineering Conservatory™ if you OPT-OUT you continue on without inclusion in our Commonwealth Capital Income Fund-I. This process involves the same corporate engineering principles and protocols as defined within this Engagement Letter. This option will save you up to 100% of the preferred equity and 99% of the cash outlay, as proposed. However, you will need to do 100% of the work. **This Option DOES NOT qualify your company for inclusion in our Commonwealth Capital Income Fund-I.**

*NOTE: The retainer may be booked on your balance sheet as a loan to be paid back with the use of proceeds from the sale of securities.*



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## ENGAGEMENT OPTIONS – SUMMARY OF TERMS

OPTION	OPERATING COMPANIES - SINGLE TRANCH				\$10,000,000	Est. Production Start Time	Est. Production Completion Time	Est. TOTAL TIME TO MARKET
	PRE-Production Cash Outlay	POST-Production Cash Outlay	TOTAL CASH OUTLAY	PRE-Production Preferred Equity Outlay	GRAND TOTAL			
I	\$0	\$250,000	\$250,000	\$1,000,000	\$1,250,000	8 Weeks	8 Weeks	4 Months
II	\$50,000	\$50,000	\$100,000	\$300,000	\$400,000	1 Week	7 Weeks	2 Months
III	\$498/Mo.	\$20,000	\$20,000+\$498/Mo.	\$100,000	\$120,000+\$498/Mo.	Today	12 Weeks	3 Months
IV	\$498/Mo.	\$498/Mo.	\$498/Mo.	\$0	\$498/Mo.	Today	16 Weeks	4 Months

We know this is a lot of information to digest. We hope this serves as an acceptable basis for engagement. If so, please contact your Commonwealth Capital Managing Director to schedule the first of two video conference calls. To make the first video conference call as productive as possible, please list any and all questions, concerns or other requests to us in writing by uploading the document into the form field entitled “Any Other Documentation” in the “Upload Documents” are within your Company Portal, at least 5 business days prior to the first video conference call.

Alternatively, you may print off, initial each page and sign & date the last page to execute the attached Corporate Finance Term Sheet. Then, simply scan and email back to your Commonwealth Capital Managing Director or fax to (312) 253-4484. Upon receipt and acceptance we will reciprocate.

Respectfully Yours,  
Investment Policy Committee

PS: Please be sure to visit the [Unsolicited Testimonials & References](#) section of our website, as well as our [A+ Rated Accredited Member of the Better Business Bureau](#).

*Due to portfolio company privacy protection and private exemptions from securities registration we can only show you an example of what we control. \*Sample work product is available at:*

[www.FrictionFreeCapitalism.com](http://www.FrictionFreeCapitalism.com)

Password: **SSince1998S**

**COMMONWEALTH CAPITAL INCOME FUND-I, LLC**  
**CORPORATE FINANCE TERM SHEET**

This Corporate Finance Term Sheet “Agreement” of this \_\_\_ day of \_\_\_\_\_, 20\_\_ by and between \_\_\_\_\_ (the “Portfolio Company”) located at: \_\_\_\_\_ and COMMONWEALTH CAPITAL, LLC representing COMMONWEALTH CAPITAL INCOME FUND-I, LLC (“Commonwealth” and or “CCIF-I”) located at: 30 South Wacker Dr., 22<sup>nd</sup> Floor, Chicago, IL 60606, collectively known as the “Parties” and each singularly as the “Party.”

**THIS AGREEMENT IS VOID IF NOT PROPERLY EXECUTED BY BOTH PARTIES WITHIN THIRTY (30) DAYS FROM THE AGREEMENT DATE LISTED ABOVE.**

**PRELIMINARY STATEMENTS**

**WHEREAS**, Commonwealth has a background creating marketable deal structures for securities offerings, multi-media securities sales presentations, secured web portals, and guidance for capitalizing start-up, early and later stage companies through the issuance of securities in compliance with federal and state laws, rule and regulations and is willing to provide such services to the Portfolio Company and Portfolio Company desires to have such services provided by Commonwealth. **Commonwealth is not a law firm or a broker dealer and will not provide legal advice or broker-dealer services. All services are for client firm’s legal counsel review. Commonwealth does not receive any direct or indirect remuneration, commissions, fees or points from any source of capital, including SEC registered & FINRA Member broker dealers or from any issuer based on capital raised or obtained.**

**NOW, THEREFORE**, in consideration of the foregoing and the covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, agree as follows:

**STATEMENT OF AGREEMENT**

**1. DESCRIPTION OF SERVICES:**

- (i) **Production of GAAP Compliant Pro Forma Financial Projections:** CCIF-I will produce 5-year pro forma financial projections based on the Portfolio Company’s financial assumptions to be included within the Regulation D 504/Title III, 506(b) or 506(c)/Title II Private Placement Memorandum (“PPM”). These projections include pro forma income statements; company and stock valuation; securities pricing; pro forma cash flow statements; pro forma consolidated statement of operations; pro forma balance sheets; IRR calculation; and sources and uses statement produced in compliance with Generally Accepted Accounting Principles. The production of said pro forma financial statements is for Portfolio Company

customization and further completion by Portfolio Company with the assistance of Commonwealth.

- (ii) **Company Valuation, Securities Creation & Pricing:** Commonwealth will provide advice on the Portfolio Company's valuation, securities pricing and formulation of the capitalization mix and deal structure for the Portfolio Company. The Production of said deal structuring and securities creation is for Portfolio Company customization and further completion by the Portfolio Company with the assistance of Commonwealth.
- (iii) **ESOP Compensation Plan & Budgeting.** Commonwealth will collect information and data, from the Portfolio Company, deemed necessary for Portfolio Company's production of an ESOP Compensation Plan and provide budgeting based on vesting schedules as determined by Portfolio Company. Commonwealth will provide advice on and produce vesting tables to be used internally and included in the Portfolio Company's securities offering documents in order to attract the necessary management talent to the Portfolio Company. Commonwealth does not provide ESOP Compensation documents or plan administration. ESOP Plan services are to be handled by 3<sup>rd</sup> party administrators.
- (iv) **Production of Regulation D 504/Title III, 506(b) or 506(c)/Title II:** Commonwealth will collect information from the Portfolio Company of data deemed necessary for Portfolio Company's production of a non-registered securities offering document (PPM or Offering Circular) to qualify for claiming an exemption from federal and state registration under Regulation D 504/Title III, 506(b) or 506(c)/Title II as appropriate. Any cost associated with the selection and creation of the securities offering documents and other materials under Regulation D 504/Title III, 506(b) or 506(c)/Title II outside the Secured Securities Offering Portal, rests exclusively with the Portfolio Company.
- (v) **Production of Multi-Media Securities Sales Presentation™:** Commonwealth will produce a multi-media securities sales presentation for Portfolio Company. The delivery of the multi-media presentation shall be in the form of a multi-media video presentation located on a Secured Securities Offering Portal. The Production of said multi-media is for Portfolio Company customization and further completion with the assistance of Commonwealth. Portfolio Company is responsible for the multi-media securities sales presentation's compliance with applicable laws and Commonwealth agrees to cooperate with all reasonable requests of Portfolio Company to ensure that all content of the multi-media securities sales presentation is in legal compliance at the time of delivery of the multi-media securities sales presentation to the Portfolio Company.
- (vi) **Production of Secured Securities Offering Portal™:** Commonwealth will create a Secured Securities Offering Portal™ to be linked to Portfolio Company's website (if existing, or will create a basic website for Portfolio Company if necessary) to enable prospective investors to view Portfolio Company's securities offering documents and multi-media securities sales presentation. Commonwealth shall design the secured securities offering portal to track PPM distribution; however, Portfolio Company, as the issuer, shall always have legal responsibility to track and maintain evidence of the distribution of all of its securities offering documentation.

The Production of the secured securities offering portal is for Portfolio Company customization and further completion with the assistance of Commonwealth.

- (vii) **Production of Secured Employment Portal™ for Hiring a CFO:** Commonwealth shall assist Portfolio Company in the employment of a qualified candidate for the position of Chief Financial Officer or Vice President of Corp. Finance, who is to assist Portfolio Company in the creation of an internal finance dept. for the specific purpose of capitalizing the Portfolio Company and maintaining continued investor relations and securities compliance. This includes the establishment of a Secured Employment Portal™ to conduct the screening process of candidates. This effort includes, but is not necessarily limited to, advisement on employment advertisement placement, job position description and design, as well as, suggestions provided to Portfolio Company's legal counsel for provisions in an employment agreement. The Secured Employment Portal™ to be produced to post job description enabling the receipt of resumes from candidates through a secured tracking system, ensuring viable candidates. Commonwealth shall assign a Managing Director to assist in the due diligence and screening of said candidates, however, the ultimate responsibility for and cost associated with the advertising, promoting, interviewing and hiring said candidates rests exclusively with the Portfolio Company. The Production of said Portal is for Portfolio Company customization and further completion with the assistance of Commonwealth.
- (viii) **Sponsorship at Capital Conferences:** When and only if appropriate as determined by Commonwealth, Commonwealth shall sponsor Portfolio Company and attend one (1) capital conference with the sole purpose of assisting Portfolio Company in engaging a selling agreement with one or more FINRA Member Broker Dealers. Additional conferences may be attended, but will be subject to Additional Fees.
- (ix) **Training in Securities Sales and Compliance.** Commonwealth will provide basic sales and compliance training and guidance to Portfolio Company in regards to selling its securities. Sales and compliance training will consist of 10 hours (1 hour each week for 10 weeks) of training conducted online. Sales and compliance training will not include assistance in filling out or drafting securities offering documents or Filing Form D Notice of Sales.
- (x) **Training in Crowdfunding Marketing Coordination and Compliance.** Basic marketing coordination and crowdfunding compliance oversight in relation to the SEC and NASAA published rules concerning general solicitation using the crowdfunding model to solicit and sell debt or equity securities, if necessary.

**Total Service Fee:** (See Fee Schedule: Section 6(1)).

2. **PERFORMANCE OF SERVICES.** Commonwealth shall determine the manner in which all services to be provided herein are to be performed and the specific hours to be worked by Commonwealth. The copyrights on all documentation provided in connection with this Agreement shall be the sole and exclusive property of Commonwealth, until Commonwealth receives all fees owed to it by the Portfolio Company pursuant to this Agreement. Once all fees are received by Commonwealth, the copyrights shall then be

automatically transferred to the Portfolio Company. The fees contained herein are only for services as outlined in Section 1(a).

3. **LIMITATIONS.** Portfolio Company understands and agrees that: Commonwealth is not a broker/dealer and does not engage in the solicitation or sales of securities; Commonwealth does not represent any investor, and Commonwealth is not a law firm and does not issue legal advice or prepare forms that may affect Portfolio Company's property rights. When appropriate, Commonwealth may refer the Portfolio Company to broker dealers who may have an interest in selling the Portfolio Company's securities to their investor bases. Although, Commonwealth does not solicit or sell securities, Commonwealth may counsel or educate Portfolio Company regarding business matters such as the investment banking or capital raising process, or investment marketplace matters. Portfolio Company's securities solicitation or sales activities shall be conducted by the Portfolio Company (and/or its broker dealer(s)) in full compliance with state and federal securities laws. It is the Portfolio Company's complete and exclusive responsibility for hiring competent legal counsel and complying with document preparation, delivery and tracking requirements, as well as its compliance with all applicable laws. Commonwealth does not warrant or guarantee, expressly or impliedly, the success of any capital raising effort. In addition, all CCIF-I-produced materials shall be delivered to Portfolio Company in digital format, and it is the responsibility of the Portfolio Company to accept such materials in a digital format. Payments made as per this Agreement are for services as defined within the Description of Service Section 1 of this Agreement only.
  
4. **RESPONSIBILITIES OF THE PORTFOLIO COMPANY.** In addition to other responsibilities as defined within this Agreement, it is the Portfolio Company's sole responsibility to comply with federal and state(s) securities laws, rules and regulations. It is also the Portfolio Company's sole responsibility to provide Commonwealth with correct information concerning the business plan text (in MS Word format); financial assumptions and basic revenue, cost of goods sold or services delivered, general and administrative costs and other information needed to keep within GAAP compliance, to produce the securities offering document draft(s), as well as the collateral material needed to produce the multi-media presentation video, as well as, cooperation to link a Secured Securities Offering Portal to Portfolio Company's website. The representations made within the securities offering documents are the sole responsibility and representation of the Portfolio Company. Portfolio Company shall bear 100% of the costs related to employment advertisement and promotion, as well as, securities advertising and promotion. Commonwealth must be supplied with the information concerning the sales of securities, when and as the subscription agreements and funds are received. This is to be effectuated by faxing the subscription agreements to Commonwealth at (312) 253-4484 or scanning and emailing the subscription agreements to: [admin@commonwealthcapital.com](mailto:admin@commonwealthcapital.com)
  
5. **TIME TABLE.** The timing of services shall be determined by and between the Parties. Each Party shall cooperate fully, and on a best efforts basis, in order to satisfy the time

table established and agreed by the Parties. A failure of a Party to adhere to an agreed production timetable shall not be deemed a breach of the Agreement.

6. **FEES.** Other than for the Transaction Fees as defined at the end of this Section 6, the Portfolio Company shall make payment of the fees to Commonwealth as identified by the services initialed for in Sub-Section 1 corresponding to payment in the appropriate subsection(s) below.

**Section 6 - § (1)**

**(1) Development Capital: Regulation D 504/Title III, 506(b) or 506(c)/Title II**

**PRE-DOCUMENT DELIVERY.**

- a.) **OPTION I \_\_\_\_\_ initials: Installment Retainer of \$50,000 IS WAIVED.**
- b.) **Or OPTION II \_\_\_\_\_ initials: Installment Retainer of \$50,000 IS REQUIRED** with this Agreement, duly executed, and with a current copy of the Portfolio Company's business plan delivered electronically in digital format prior to the engagement of such services.
- i. Upon receipt of above, Commonwealth shall produce a first draft of 5-year pro forma financial projections and notes to pro formas based on the Portfolio Company's financial assumptions and deliver to Portfolio Company, electronically and in digital format for review, comment and revision.
  - ii. Portfolio Company shall send revisions of the 5-year pro forma financial projections and notes to pro formas to Commonwealth electronically in digital format as instructed by Commonwealth.
  - iii. Once the revisions of the 5-year pro forma financial projections are received from the Portfolio Company, Commonwealth shall produce a second draft of 5-year pro forma financial projections and notes to pro forma statements and send back to the Client for further and final revision.
  - iv. Once the revisions of the 5-year pro forma financial projections are received from the Portfolio Company, Commonwealth shall produce a third and final draft of 5-year pro forma financial projections and notes to pro forma statements and send back to the Client for further and final revision. Any other changes to the pro forma statements that lead to the production of more drafts shall incur a charge of \$1,500 per pro forma financial projections draft working of a non-refundable \$4,500 retainer regardless of the Option chosen above.
  - v. During the pro forma financial projections production period, Commonwealth shall provide Portfolio Company with a securities offering document template to fill out, by converting portions of its business plan into that template, as instructed.
  - vi. Upon receipt of the Final pro forma financial projections and the completed securities offering document template, Commonwealth shall then produce and deliver the first draft of the securities offering document to Portfolio Company electronically in digital format for review, comment, and revision.

- vii. Once the first draft of the securities offering document has been edited by Portfolio Company, Portfolio Company shall complete and deliver electronically in digital format the securities offering document to Commonwealth, for production of the second draft, within a reasonable period based on the amount of and detail to revisions made by the Portfolio Company.
- viii. Upon receipt of the edited first draft securities offering document template, by Portfolio Company, Commonwealth shall then produce and deliver the second draft of the securities offering document to Portfolio Company electronically in digital format for review, comment, and revision.
- ix. Once the second draft of the securities offering document has been edited by Portfolio Company, Portfolio Company shall complete and deliver electronically in digital format the securities offering document to Commonwealth, for production of the third and final draft, within a reasonable period based on the amount of and detail to revisions made by the Portfolio Company. Any other changes to the securities offering document that leads to the production of more drafts shall incur a charge of \$1,500 per securities offering document draft working of a non-refundable \$4,500 retainer regardless of the Option chosen above.
- x. Once the third and final draft of securities offering document production portion has been completed to the satisfaction of the Portfolio Company and Portfolio Company has had it reviewed and edited by legal counsel, for complete finalization, Commonwealth shall produce the multi-media securities sales materials to comply with federal and state(s) laws, rules, and regulations. Legal fees for the Regulation D process are borne by the Portfolio Company in addition to the fees herein. The other Services as defined in Section 1(a) shall commence as quickly as possible with the timing and procedural protocol determined by Commonwealth.

c.) **OPTION I** \_\_\_\_\_ **initials: Equity:** 12,500 shares or units of the total preferred equity to be issued during this stage of the preferred-equity offering. Portfolio Company is to produce certificates or legal evidence of preferred equity ownership and deliver to Commonwealth within 30 business days of the signing date as defined within this agreement. A cost basis of \$0.01 per preferred share / membership unit shall be billed to and paid by Commonwealth to establish a cost basis in said preferred member units or shares. **Or OPTION II** \_\_\_\_\_ **initials: Equity:** 7,500 shares or units of the total preferred equity to be issued during this stage of the preferred-equity offering. Portfolio Company is to register and deliver to Commonwealth within 30 business days of the signing date as defined within this agreement. A cost basis of \$0.01 per preferred share / membership unit shall be billed to and paid by Commonwealth to establish a cost basis in said preferred member units or shares.

**Claw-Back Clause.** For either Option above, eighty percent (80%) of the preferred equity will be relinquished back to the PORTFOLIO COMPANY if PORTFOLIO COMPANY does not succeed in raising at least half of the desired amount of capital sought and during the offering period within the securities offering document, subject to

Section 9: TERM/TERMINATION clause. To exercise the claw-back provision, PORTFOLIO COMPANY shall voluntarily terminate the effort and notify Commonwealth in writing of its exercise of the claw-back provision. If the claw-back provision is exercised, the Call protection on the preferred equity issued to Commonwealth shall end, enabling PORTFOLIO COMPANY to buy back the preferred equity issued to Commonwealth at original stated call premium of \$110.00 per share or unit.

**Sell-Through Clause.** For either Option above, Commonwealth may sell up to 50% of the preferred equity received from this agreement by exercising this Sell Through provision. To exercise the Sell Through provision, Commonwealth shall notify PORTFOLIO COMPANY in writing of its exercise of the Sell Through clause option within 10 days prior to securities offering date the exercise of the Sell Through clause to provide proper disclosure within the securities offering document(s). Once exercised, Commonwealth shall be due and is to receive ten percent (10%) of the proceeds of the securities offering to pay for the shares or units being sold through this option at the same price as being offered to investors. Once paid for, Commonwealth shall relinquish the appropriate number of shares or units accordingly until the total amount of the shares or units, through this Sell Through clause option, have been sold through to investors. This option expires at the dated date (start) of the securities offering.

**POST-DOCUMENT DELIVERY (Second Installment Fee)**

- c. **OPTION I: \$250,000 or**
- d. **OPTION II: \$50,000**

**Audit Fees: not necessary.**

**Legal Fees: not included.**

**Second Installment Fee**

Commonwealth shall be paid a Second Installment Fee for the production of the services rendered herein. "Second Installment Fee," for purposes of this Agreement, shall mean fees to cover the additional cost of the services provided herein (financed by COMMONWEALTH) due as a result of the Portfolio Company's successful financing efforts as stated within this Agreement. The Second Installment Fee is contingent upon reaching a minimum amount of capital raised for **Section 6- § (1) (for every \$100,000 that is raised, \$25,000 will be due and payable until the balance is paid)** through a successful capital raising event, or series of events, or otherwise, such as; Portfolio Company receives funds from other sources (e.g. loans from commercial bank(s)), equity from another financial institution, such as; venture capital or private equity firms; the Portfolio Company generates sufficient revenue from the re-structuring of its financial operations, which negates the need for any additional funding – securities related or not; early voluntary termination of the offering by the Portfolio Company; the Portfolio Company inadvertently terminates due to simply stopping, abandoning or postponing the capitalization effort for at least 30 days; or the Portfolio Company terminates due to bankruptcy. Second installment Fees are not based as a percentage of proceeds from the

sale of securities and if the minimum capital is not raised or if the Portfolio Company has not terminated this Agreement, the Second Installment fee is a non-recourse contingent fee.

**Section 6 - § (2): Transaction Fees: (NOT FOR ANY SECURITIES OFFERINGS)**

In the event that Commonwealth introduces a capital source to the Portfolio Company, such as, but not necessarily limited to, a commercial bank, an import/export or merchant bank, or any other capital source and that source provides short or long-term capital to the Portfolio Company, as long as the transaction does not constitute an offering of securities or broker dealer services, Commonwealth shall be entitled to a Transaction Fee. If the capital source invests funds or other consideration, (which include cash, services or other valuable assets or consideration), in the Portfolio Company within 3 years of the date of the introduction, Commonwealth shall receive Transaction Fees from the Portfolio Company. Such funds shall be due within 3 calendar days, by wire transfer, on all consideration received from the capital source by the Portfolio Company. This provision shall continue for a five year period beginning with the date of the first installment of funds from the capital source, based on the following sliding scale: **(NOT FOR ANY SECURITIES OFFERINGS)**.

2% of the first amounts up to \$10,000,000  
1% of subsequent amounts from \$10,000,001 on up.

**Section 6 - § (3): Expenses**

Client shall reimburse all reasonable and pre-approved out-of-pocket expenses incurred on behalf of Commonwealth in connection with Client's project as mutually agreed upon by the parties. Expenses may include travel and administrative expenses incurred during the engagement, escrow fees and any other fees associated with the execution of this Agreement.

7. **NON-CIRCUMVENT AND NON-DISCLOSURE.** WHEREAS, the Parties hereto contemplate entering into or participating in one business transaction herewith and/or hereafter during the term of this Agreement (hereafter individually and/or collectively referred to as "the subject business") and the Parties mutually recognize that, in the transaction of such business each may learn from the other (including associates) the identity, address and/or telephone numbers of clients, agents, brokers, buyers, sellers, financiers, investors, consultants, experts, and/or bank accounts, transaction codes, all other capital sources, participating investment and commercial banks and/or entities (hereafter referred to as "confidential information"), which the other Party has acquired through years of investment in time, expense and effort. Such confidential information shall remain the sole property of the contributing Party.

For and in consideration of the mutual promises, assertions, and covenants set forth herein, the Parties agree to abide by the following terms and conditions (except as such disclosure or other activity is required by law, is used or disclosed in any court or

administrative proceeding after such Party sought a protective order for such disclosure, or if such information is or becomes publicly and generally available through no fault of the Party). The Parties agree to take all reasonable action to ensure the confidentiality of the other Party's business and the other Party's confidential information.

All confidential sources and information disclosed by one Party to the other, or about or as a result of this Agreement, is valuable property and shall be and remain the exclusive property of the Party who is the source of the information. The Parties will maintain complete confidentiality regarding each other's business sources and/or their affiliates, as well as confidential information, as well as the nature and manner and forms of the other Party's business dealings, unless the other Party provides, in its sole discretion, an express written agreement providing otherwise.

The Parties will not, in any way or manner, solicit or accept business from sources or their affiliates that are made available by the other Party to this Agreement, at any time or in any manner, without the express written permission of the Party who made available said sources, in its sole discretion, an express written agreement providing otherwise.

The Parties will not, in any way whatsoever, circumvent or attempt to circumvent each other, or any of the sources/contacts involved in any of the transactions the Parties are desirous of entering into, and assure one another that no source/contact shall be circumvented. Neither Party (including the associates, agents, affiliates and/or representatives of such party) will attempt, directly or indirectly, to contact the other Party's transaction banks or other capital sources on matters relating to the subject business or contract or negotiate with a confidential source or make any use of the confidential information of the other Party, except with the expressed written consent of such other Party.

Any violation of these covenants shall be deemed as an attempt to circumvent such other Party, and the Party violating this covenant shall be liable for damages in favor of the circumvented Party and/or an injunction and/or other equitable remedies. The Party seeking an injunction and/or other applicable remedy need not post any security or bond when pursuing such remedy and the other Party shall waive any right thereof.

Each Party agrees with the other that upon any breach of this Agreement, the Party in default will pay to the other Party: (A) the non-circumvention damages, if applicable, plus (B) all loss and/or damage sustained by the non-defaulting Party by reason of such breach, plus (C) all expenses incurred in enforcing any legal, equitable, and/or other remedy and/or right(s), based upon of arising out of this Agreement, plus (D) a reasonable sum for attorney's expenses and attorney's fees.

- 8. REASONABLE RESTRAINT.** The Parties hereby acknowledge that the restrictions contained in Section 7 hereof are reasonable restraints upon them, and further acknowledge that any breach of those provisions could have a substantial detrimental effect upon the non-violating Party, the amount of which will be impossible to ascertain,

and for that reason, the Parties agree that, in addition to any other remedy available to the non-violating Party under law for violation of this Agreement, that Party shall be entitled to an injunction from any Court of competent jurisdiction restraining any violation of any said covenant.

9. **TERM/TERMINATION.** The term of this Agreement shall commence upon the date first above written, and continue until terminated by either Party upon the giving of 5 business-days prior written notice to the other Party hereto. For purposes of this section, voluntary termination shall mean termination by the will, desire and or act of the terminating party or lack of action, including stopping, abandoning or postponing the capitalization effort for more than 30 days. Conversely, involuntary termination shall mean termination by the other party or by the decree of any governmental regulatory authority or court of competent jurisdiction. Involuntary termination may include, but not necessarily be limited to: outright sale, bankruptcy, asset seizure by a court order or regulatory authority.

This Agreement shall not terminate upon services completed by Commonwealth or by full payment by the Portfolio Company for the services as defined under Section 1, subsections, 1(a), required by this Agreement, unless otherwise voluntarily or involuntarily terminated by either party.

- I. If this Agreement is voluntarily terminated by Commonwealth, the initial cash retainer, if any, shall be non-refundable and the balance of the Second Installment Fee shall be forfeited by Commonwealth. Upon voluntarily termination by Commonwealth, the preferred equity issued to Commonwealth by Portfolio Company as part of this agreement, will be forfeited and relinquished back to Portfolio Company.
- II. If this Agreement is involuntarily terminated by Commonwealth, for any reason or for no reason; the initial cash retainer, if any, shall be non-refundable and the balance of the Second Installment Fee shall be forfeited by Commonwealth. Upon involuntarily termination by Commonwealth, the preferred equity issued to Commonwealth by Portfolio Company as part of this agreement, will be forfeited and relinquished back to Portfolio Company.
- III. If this Agreement is voluntarily terminated by Portfolio Company, for any reason or for no reason; any balance of the retainer shall be non-refundable and the balance of the Second Installment Fee and any other earned fee amount(s) shall be immediately due and payable to Commonwealth. Upon voluntarily termination by the Portfolio Company, the preferred equity issued to Commonwealth by Portfolio Company as part of this agreement, will be maintained by Commonwealth, and no longer subject to the claw-back provision.
- IV. If this Agreement is involuntarily terminated by Portfolio Company, for any reason or for no reason; any balance of the retainer shall be non-refundable and the balance of the Second Installment Fee and any other earned fee amount(s) shall be immediately due and payable to Commonwealth. Upon involuntarily termination by the Portfolio Company, the preferred equity issued to Commonwealth by Portfolio

Company as part of this agreement, will be maintained by Commonwealth, and no longer subject to the claw-back provision.

10. **MUTUAL INDEMNIFICATION.** The Parties agree to indemnify and hold harmless the Parties' officers, directors, managing directors, independent contractors, employees, attorneys, and agents, and associates and affiliates of the Parties, from and against any and all claims, losses, expenses, fees, actions, damages, awards, judgments, costs, etc., including, but not limited to, attorney's fees and costs - at the trial and all appellate levels, that result, in whole or in part, from any and all acts, failures to act, omissions, and/or misrepresentations, made by the violating Party, including, but not limited to, those by or of the Parties' officers, directors, managing directors, independent contractors, employees, attorneys, and agents, and associates and affiliates. However, in no event will a Party be made liable for the negligence or negligent acts of the other Party.
11. **NOTICES.** All notices and demands required or permitted under this Agreement shall be in writing and shall be deemed delivered when delivered in person or registered United States mail, return receipt requested, addressed as defined in the introductory portion of this Agreement. Such address may be changed from time to time by either Party by providing written notice to the other in the manner set forth above.
12. **AMENDMENT.** This Agreement may be modified or amended with the expressed and written consent of both Parties.
13. **SEVERABILITY.** If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed and enforced as so limited.
14. **WAIVER OF CONTRACTUAL RIGHT.** The failure of either Party to enforce any provision of this Agreement shall not be a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with every provision of this Agreement, including, but not limited to, such provision.
15. **APPLICABLE LAW.** This Agreement is made in, and shall be exclusively governed by the laws of the State of Illinois (and applicable U.S. federal law) without regard to their choice of law principles. Venue for any arbitration or litigation brought in connection with this Agreement shall reside exclusively in Cook County, Illinois and both Parties hereby agree that such forum is convenient and waive any right to assert that the forum is not convenient.
16. **BINDING AUTHORITY.** Both signing individuals represent and warrant that they have full authority of their respective organizations to enter into this Agreement.

17. **ENTIRE AGREEMENT.** This Agreement contains the entire agreement of the Parties with respect to its subject matter. This Agreement merges any and all prior and contemporaneous oral or written agreements and/or statements made by one Party to the other, and thus shall be considered the full and final binding agreement with respect to its subject matter. The Parties have not relied upon any representation or warranty not expressly contained within this Agreement.

IN WITNESS WHEREOF, this Agreement is entered into by the following Parties.

(PORTFOLIO COMPANY)

By: \_\_\_\_\_ Date \_\_\_\_\_  
(Signature) (Print Name & Title of Executive)

COMMONWEALTH CAPITAL INCOME FUND - I, LLC.

\_\_\_\_\_ Date \_\_\_\_\_  
By: Timothy D. Hogan, CEO of COMMONWEALTH CAPITAL, LLC