

Summary of KISS Documents

Element	KISS Terms	Commentary	500 Startups Position
Versions	<u>Equity</u> : no interest, no repayment <u>Debt</u> : accrues interest , repayable at maturity	The equity version is more favorable for the company, so we'll accept that version. But other investors may prefer the debt version.	If debt: Interest = 5% Maturity = 18 months
Treatment @ Financing	Automatic conversion to preferred stock when you raise a qualifying priced round. Conversion price = lesser of cap or discount .	We don't think investors deserve any extra liquidation preference when the KISS converts, so we built in an optional feature to keep the preference to 1x.	Qualifying = \$1M of new money Cap / Discount = to be negotiated on a deal-by-deal basis
Treatment @ Acquisition	Option to either (a) convert to common stock at the cap or (b) get paid a multiple on the original investment.	Early investors should get at least a minimum return if your company is acquired prior to a priced round. We see a lot of acqui-hires with rich founder comp packages while investors get pennies on the dollar. Don't be that founder.	Multiple = 2x
Treatment @ Maturity	Option to convert to Series Seed Preferred Stock at the cap . If debt version, option for repayment.	We think the <u>Series Seed docs</u> are fair and efficient. No need to reinvent the wheel here. If no option is selected, the KISS will remain outstanding until further action.	
MFN	If you issue better securities in the future, KISS investors can convert to those terms instead.	KISS investors are generally investing in your company at a very early stage when there is still a huge amount of risk. A "most-favored nation" term provides downside protection in the event the company does a "down round" (or otherwise grants more favorable terms to other investors) in the future.	
Major Investor Rights	Major Investors get basic information and participation rights.	If we are bullish on your company and we think it fits well within our portfolio, we may want to invest again in future rounds of financing. But in order for us to make this assessment, we need access to your financial statements and cap table. We realize, however, that you may not want to provide such sensitive information to all investors, so we provided the means to set a threshold so only the larger investors get these special rights.	Major Investor = one that invests \$50k+ Participation = 1x the original KISS investment amount