

To: jeevacation@gmail.com[jeevacation@gmail.com]
From: [REDACTED]
Sent: Tue 9/29/2009 12:00:49 PM
Subject: Question and Term Sheet

Good Morning!

Here is our term sheet for a \$4M equity investment in LaserSculpt. We close the first \$1M Oct 15th and then \$2M Nov 15th and \$1M Dec 15th. The show is doing excellent and growing rapidly! The only problem is that this is happening a little later than planned (as you know this is always the way it seems to go!) so I need to do my last small raise or loan. I am looking for a total of \$100k and any amount helps. This can be an equity investment or a loan.

Let me know if you are interested and can help.

LaserSculpt Inc.
Term Sheet for \$4.0 million Private Equity Investment
September 2009

1. Amount of Investment

- a. \$4,000,000 Total Commitment , 8,500,000 shares to be issued (\$0.4706/share)
 - i. \$1.0 million October 15, 2009, 2,125,000 shares Class A Preferred
 - ii. \$2.0 Million November 15, 2009, 4,250,000 shares Class A Preferred
 - iii. \$1.0 million December 15, 2009, 2,125,000 shares Class A Preferred
- b. Company shall be permitted to seek alternate financing until the Total Commitment is received. Investors in the transaction herein will be offered participation in any alternate financing or may elect to accelerate payment of Total Commitment thereby precluding need for alternate financing.

2. Form of Investment – Class A Preferred Stock

- a. **Dividend**
 - i. 100% priority on all dividends until 50% of amount of investment received
 - ii. After 50% of investment received, dividend priority equal to 2X common dividend
 - iii. Once \$4.0 million investment is received, and subject to cash reserve requirements, which shall be not less 90 days budgeted operating costs and not more than 180 days budgeted operating costs, the Company shall distribute quarterly 70% of net cash flow.
- b. **Voting** - rights shall be equivalent with common.
- c. **Liquidation** - preference over common.

- d. **LLC Conversion** - In the event of conversion to an LLC, Class A interest shall receive priority on 100% of taxable loss allocation and preserve dividend distribution equivalent to that granted to Class A Preferred.
 - e. **Conversion to Common** - Upon payment of dividends equal to amount of investment, Class A will automatically convert to common.
- 3. **Note Payable- Victor Products Inc.** – Upon funding of the Total Commitment, the \$1.0 million note payable to Victor Products will be converted to 2,125,000 of Class A Preferred and share in all the rights thereof pro rata with Investor. Accrued interest (5% from June 15, 2009) through the date of such conversion will be paid to VPI upon conversion.
- 4. **Corporate Governance**
 - a. **Board of Directors** – Based upon a five member Board of Directors (or Management Committee if converted to an LLC), Investor shall be entitled to appoint one member to the Board upon investment of initial \$1.0 million and one additional member upon funding of Total Commitment. Board representation shall be maintained by investor at not less than 40%. Meetings shall be held no less frequently than quarterly
 - b. **Anti-Dilution** – At any time after the Total Commitment has been funded, should the Company determine the need for additional capital, then the Company's Board of Directors shall first determine the amount of capital that is needed and the price and terms that would be offered to attract such capital investment. Before seeking such capital from outside parties, the Board of Directors will first offer existing Class A and common shareholders the right to provide such capital at a price equal to 85% of the price that would be offered to outside parties
 - c. **Management Salaries** – Management salaries shall be reviewed and determined by the Board of Directors. Investor acknowledges that current agreements for CFO/COO, CMO and EVP of Sales are acceptable. Salary for Steven Victor, CEO, to be set at \$200,000 per year with an increase to \$400,000 once the Company has achieved two successive calendar quarters of profitability beginning with the quarter ending December 31, 2009.
 - d. **Budgets** – The Company shall prepare annual operating budgets for income and expenses as well as capital expenditures. Management shall agree any unbudgeted single capital expenditure in excess of \$50,000 shall be approved by the Board of Directors prior to being incurred.
 - e. **Reporting** – The Company shall prepare monthly financial statements in comparison to budget including income statements and balance sheets for distribution to the Board of Directors. The Company shall also prepare quarterly financial statements and operational summaries for presentation at quarterly meetings of the Board of Directors. The Company shall also prepare annual audited financial statements.

5. **Finder's Fee** - In consideration of Michael Dart's efforts to identify the potential investor and for assisting in the structuring of the transaction, Michael will receive cash equal to 5% of the cash received from the investors in this transaction and shares of common stock equal to 5% of the number Class A Preferred shares issued to investors in this transaction.

Sincerely,

Steven Victor, M.D.

VICTOR DERMATOLOGY AND REJUVENATION
VICTOR PRODUCTS INC

Tel: [REDACTED]

Fax: [REDACTED]

Cell: [REDACTED]

www.stevenvictormd.com

www.stevenvictormdmedispa.com

www.LaserSculptNetwork.com