

Form: Board Observation Rights Letter

Description: This is a form of letter agreement giving an investor purchasing preferred stock in a private placement of a private company, the right to attend Board meetings along with other related rights.

[Letterhead]

Re: Board Observation Rights

Ladies and Gentlemen:

This letter will confirm our agreement that pursuant to your purchase of shares of Series __ Preferred Stock of _____ (the "Company"), _____ ("Investor") will be entitled to the following rights, in addition to the rights specifically provided in the documents between the Company and Investor of even date herewith.

1. Investor shall be entitled to consult with management of the Company on significant business issues, including management's proposed annual operating plans, and management will meet with a representative(s) of Investor regularly during each year at mutually agreeable times for such consultation and to review progress in achieving said plans.

2. Investor may examine the books and records of the Company and inspect its facilities and may request information at reasonable times and intervals concerning the general status of the Company's financial condition and operations provided that access to highly confidential proprietary information and facilities need not be provided.

3. The Company shall give a representative of Investor copies of all notices, minutes, consents, and other material that it provides to its directors at or about the same time as delivered to the directors; provided, however, that the Company reserves the right to exclude such representative from access to any material or portion thereof if the Company believes that such exclusion is reasonably necessary to preserve the attorney-client privilege or to protect highly confidential proprietary information. The representative of the Investor shall have the right to attend in a non-voting observer status all meetings of the Board of Directors of the Company and all meetings of any material nature of the committees of the Board.

The rights described herein shall terminate and be of no further force or effect at such time as Investor or its affiliates hold less than 50% of the Preferred Stock (or Common Stock if converted from Preferred Stock) originally acquired by Investor on the date hereof.

Very truly yours,

By: _____
Title: _____

AGREED AND ACCEPTED THIS
_____ DAY OF _____, ____.

[INVESTOR]

By: _____
Title: _____