

SEED CAPITAL EQUITY AGREEMENT

THIS AGREEMENT BY AND BETWEEN/AMONG

The individual(s) whose name(s) appear(s) under the heading "Student" on the signature page of this Agreement (Optional); _____, a business entity referred to in this Agreement as "Corporation" organized and existing under the laws of _____.

AND

THE JUNIATA COLLEGE CENTER FOR ENTREPRENEURIAL LEADERSHIP ("JCEL").

Whereas, each individual whose name appears under the heading "Student" on the signature page of this Agreement (each such individual, whether one or more than one, referred to collectively in this Agreement as "Student") is, on the effective date of this Agreement, a full time student of Juniata College in good standing, and

Whereas Student has prepared a business plan which has been presented to JCEL and which business plan may be amended from time to time in accordance with this Agreement (the "Business Plan"); and

Whereas Student has or will create a business entity (the "Corporation") to carry on the business described in the Business Plan; and

Whereas JCEL in reliance on the Business Plan has approved a loan to Student and Corporation (the "Loan") subject to the terms and conditions set forth in this Agreement.

Now therefore, in consideration of the foregoing and the covenants and conditions hereinafter contained, Student, Corporation, and JCEL, intending to be legally bound hereby, agree as follows:

1. LOAN BY JCEL

JCEL agrees to lend the sum of \$_____ to Student and Corporation on or before _____, 200___. Funds shall be directly deposited by JCEL into an account in the registered name of Corporation in _____ Bank at such time and based upon the achievement of such milestones as are represented in the Business Plan. Interest shall accrue on the Loan at an annual rate of 6% on the outstanding principal of the Loan but no interest or principal shall be payable until the declaration of an "Equity Event" as defined in this Agreement or the violation of a covenant of this Agreement by Student or Corporation.

2. REPRESENTATIONS AND WARRANTIES OF STUDENT AND CORPORATION

- a. Student has or will promptly create a Corporation which will be duly constituted under the laws of the Commonwealth of Pennsylvania and have a principal place of business in Huntingdon County, Pennsylvania. Upon formation, the Corporation will join in this Agreement and will be bound by its terms and conditions.
- b. Each of the individuals referred to collectively as Student is eighteen (18) years of age or older and is referred to hereinafter collectively as the "Incorporating Team".
- c. The Business Plan attached hereto as Exhibit A is a true, correct and complete copy of the Business Plan presented to JCEL to induce it to make a loan to Student and Corporation
- d. Corporation is duly incorporated/formed in _____; in good standing; and has its principal place of business in Huntingdon County, Pennsylvania.

- e. (Option 1) Corporation is authorized to issue _____ shares of stock. The Corporation will reserve sufficient shares of stock to meet the option of JCEL as defined in paragraph 4 b.(ii). The shareholders of Corporation and the number of shares held by each are as follows:

Option 2: The membership of the Corporation and the number of units held by each member are as follows:

- f. Shares of stock or membership interests are hereinafter referred to collectively as “Stock”.
- g. The following individuals have been duly elected for a _____ year term as directors/ _____ managers of the Corporation:
- h. The following individuals have been duly elected officers of Corporation:
- i. Entry into this Agreement by Corporation has been duly authorized by the shareholders /members/managers and directors of Corporation as evidenced by the resolutions attached hereto as exhibits A and B respectively.

3. COVENANTS OF STUDENT AND CORPORATION

- a. The business of Corporation will be conducted in accordance with the Business Plan. Thirty (30) calendar days after the deposit of the Loan into the account of Corporation, and within fifteen (15) calendar days following the close of each quarter of Corporation’s fiscal year and Corporation’s fiscal year itself, Student and Corporation shall provide status reports to JCEL describing the steps taken in that period to implement the Business Plan.
- b. Corporation will maintain books of account and will provide to JCEL an income statement, accounts payable, accounts receivable and a balance sheet report for each quarter of its fiscal year and for the fiscal year itself within fifteen (15) calendar days after the close of each quarterly reporting period. The Corporation will use the standard reporting formats from QuickBooks or a JCEL recommended/approved accounting program. The Corporation will keep current and accurate financial records based on generally accepted accounting principles (GAAP). Any deviation from GAAP shall be approved by JCEL before the action occurs.
- c. Corporation will not issue any additional Stock without the written consent of JCEL. JCEL may require a modification of this Agreement as a condition of granting such consent.
- d. Corporation will not incur any additional indebtedness without the written consent of JCEL. JCEL may require that any additional indebtedness be subordinated to its Loan as a condition of granting such consent.
- e. Student and Corporation will take all action necessary to authorize the issuance of Stock in Corporation to JCEL in accordance with the terms of this Agreement.
- f. Corporation will comply with all applicable federal, state and local laws, ordinances and regulations. In particular and without limiting the foregoing, Corporation shall file timely tax returns/reports and make

timely payment of all federal state and local taxes and comply with all applicable requirements for remittance of withheld taxes.

- g. At all times throughout the term of this Agreement, Student shall be and remain a shareholder/member of Corporation, and shall also serve Corporation as director, officer, and/or manager unless released in writing by the Corporation and JCEL.
- h. It is the express intent of the parties to this agreement that the proceeds of the loan may not be used as compensation for Student's labor nor as dividend to Student, until and unless permission for that use is granted in writing by JCEL. At such time as the Corporation shall have accrued and committed to continuously maintain cash reserves in excess of the loan amount, the Corporation may notify JCEL of its intent to begin paying Student a salary and JCEL shall not unreasonably withhold consent.

4. REPAYMENT OF LOAN

- a. Subject to the provisions of this Agreement, one (1) year after the first date on which no Student is enrolled as a full time student at Juniata College and at any time thereafter JCEL may declare an "Equity Event" by written notice to Student and Corporation as provided in this Agreement. In the event JCEL has not declared an Equity Event on or before two (2) years after the first date on which no Student is enrolled as a full time student at Juniata College, Corporation may give notice to JCEL that Corporation wishes to repay the Loan. JCEL shall have a period of one hundred and eighty (180) calendar days from the date of the notice to advise Corporation that it elects repayment through the issuance of stock pursuant to paragraph 4(b)(ii) of this Agreement. Corporation shall furnish to JCEL in a timely manner such information as JCEL may request to enable JCEL to determine whether to request repayment through the issuance of Stock. In the event JCEL fails or declines to request repayment through the issuance of Stock, Student and/or Corporation shall make repayment in cash or acceptable check within thirty (30) days of the expiration of the period for JCEL to make its election or the date on which JCEL advises Corporation that it declines the issuance of Stock, whichever is earlier. Payment shall be made in accordance with the terms of paragraph 4(b)(i) of this Agreement.
- b. Upon giving notice of an Equity Event, JCEL may elect either of the following at its sole option:
 - i) Request payment of the Loan plus accrued interest. Payment shall be due within thirty (30) days of the date of the written request for payment. Any amount not paid when due shall bear interest thereafter at one and one half percent (1 ½ %) per month; or
 - ii) Request issuance to JCEL or its designee of shares of Stock of Corporation at the rate of two (2)% of Corporation's issued and outstanding stock per thousand dollars (\$1000.00) of the Loan. If this calculation of the number of shares to be issued results in a fractional share, the shares issued shall be rounded up to the next highest number of whole shares. The Stock shall be issued in certificate form within thirty (30) calendar days of the date of the written request. Issue of such duly authorized and valid shares of Stock to JCEL shall satisfy the obligations of Student and Corporation with regard to repayment of the Loan.
- c. If at the time JCEL gives notice of the Equity Event, the Corporation is not organized as a C corporation, the Corporation, if so requested by JCEL, shall at its expense take all steps necessary to be reconstituted as a C corporation and the shares issued to JCEL shall be in the C corporation.
- d. If at any time before the declaration of an Equity Event, Student or Corporation violates any of their respective covenants under this Agreement, JCEL may at its option declare the Loan immediately due and payable. If JCEL declares the Loan payable for breach of covenants contained in this Agreement including but not limited to covenants relating to the Business Plan, Student (and each of them, if more than one) and Corporation shall be jointly and severally liable for payment of the Loan and interest. JCEL shall have no obligation to attempt collection from Corporation before proceeding to obtain repayment from Student. Any amount not paid shall bear interest thereafter at one and one half percent (1 ½%) per month.

- e. At any time prior to the declaration of an Equity Event by JCEL, Corporation may with the consent of JCEL repay the Loan in its entirety together with accrued interest subject however, to the right of JCEL to request issuance of Stock as set forth in this paragraph 4.
- f. In the event the Corporation ceases to do business prior to repayment of the Loan, the Corporation shall within sixty (60) calendar days liquidate all of its assets at fair market value and apply the net proceeds to the repayment of the Loan and accrued interest before making any other distribution. In the event the net proceeds fail to repay the Loan and accrued interest in full, JCEL shall not seek to collect the balance from Student unless Student or Corporation shall have violated a covenant under this Agreement.

5. GENERAL PROVISIONS

- a. JCEL has the right to conduct an independent audit at JCEL's expense to verify reports from the Corporation. The Corporation will provide full access to its business records and such assistance to JCEL in conducting the audit as may be reasonable and necessary.
- b. Student and Corporation may propose modifications of the Business Plan. Consent to modification of the Business Plan is within the sole discretion of JCEL. Any approved modification of the Business plan shall be in writing and shall be signed by Student, by a duly authorized officer of Corporation and by JCEL.
- c. **JCEL SHALL HAVE NO RESPONSIBILITY FOR THE SUCCESS OF THE BUSINESS PLAN OR OF CORPORATION. STUDENT AND CORPORATION AGREE THAT THEY SHALL HAVE NO CLAIM AGAINST JCEL, JUNIATA COLLEGE, OR ANY OF THEIR EMPLOYEES OR VOLUNTEERS BASED UPON LOSS OF MONEY BY STUDENT OR CORPORATION OR ANY FAILURE OF STUDENT OR CORPORATION TO REALIZE ANTICIPATED FINANCIAL SUCCESS.**
- d. This Agreement may not be assigned by Student or Corporation without the written consent of JCEL.
- e. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.
- f. All claims arising out of or relating to this Agreement are subject to arbitration by a single arbitrator under the Commercial Rules of the American Arbitration Association (AAA), selected by alternate striking from a list provided by the AAA . The parties will share in the cost of the arbitration equally. The arbitration shall take place in Blair County, Pennsylvania, or in such other location as the parties may mutually agree upon. The decision of the arbitrator shall be final and judgment may be entered on it in the Court of Common Pleas of Blair County, Pennsylvania, or in any court having jurisdiction over a party against whom an award has been made. No party nor the arbitrator may disclose the existence or results of any arbitration hereunder without the prior written consent of all parties, except as required by law.
- g. Before engaging in arbitration of any dispute, the parties agree to engage in good faith mediation.
- h. In the event any provision of this Agreement shall be determined to be invalid, void or otherwise unenforceable, the remaining provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, it being understood that the remaining provisions shall be construed in a manner most closely approximating the intention of the parties with respect to the invalid, void or unenforceable provision or part thereof.
- i. This Agreement contains the entire agreement between the parties with regard to its subject matter and supersedes all previous agreements, negotiations, or discussions between the parties and no statement or promise made by any party that is not contained herein shall be binding on that party. This Agreement may be modified only by a writing signed by all parties.

j. All notices or other communications that may be, or are required to be, given by one party to another pursuant to this Agreement must be in writing and may be sent by any means which provides a confirmation of receipt to the address set forth below:

i) If to JCEL:

ii) If to Student:

iii) If to Corporation

k. Each party may designate by notice in writing a new address to which notices or other communications shall be thereafter given.

Each party acknowledges that it has read and understands this Agreement and has had ample opportunity prior to execution to seek advice of legal counsel.

This Agreement shall become effective as of the date of the signature of the last party to sign it..

IN WITNESS WHEREOF, Student has hereunto set his/her hand and JCEL and Corporation have caused this Agreement to be executed by its appropriate officers.

JCEL

By: _____

Printed Name: _____

Title: _____

Date: _____

STUDENT

Student: _____

Student: _____

Student: _____

Date: _____

Date: _____

Date: _____

CORPORATION

By: _____

Printed Name: _____

Title: _____

Date: _____