

TERM SHEET
FOR ROUND 2 INVESTMENT FOR COMMON STOCK FINANCING OF
AUTOAP, INC.

This Term Sheet summarizes the principal terms of the Common Stock Financing (the “**Offering**”) of **AutoAp, Inc.**, an Oregon corporation (the “**Company**”). This Term Sheet is not a commitment to invest and is conditioned on the completion of due diligence, legal review and documentation that is satisfactory to the investor(s) (the “**Investor(s)**”). This Term Sheet shall be governed in all respects by the laws of the State of Oregon.

OFFERING TERMS

Closing Date: The initial closing (the “**Initial Closing**”) shall occur as soon as reasonably practicable following the Company’s execution of this Term Sheet, satisfaction of the Conditions to Closing, and upon the Company receiving investments equaling or exceeding the Minimum Offering described below.

<i>Securities Offered by the Company:</i>	Minimum Offering:	\$100,000.00
	Target Offering:	\$500,000.00
	Maximum Offering:	\$1,000,000.00

Minimum Purchase Amount per Investor \$25,000.00

Price Per Share: \$1.75 per share (based on the capitalization of the Company set forth below) (the “**Original Purchase Price**”).

Pre-Money Valuation: Based upon the Original Purchase Price, the pre-money valuation of the Company is \$9,015,125 and the post-money valuation is \$10,015,125 based upon achieving the Maximum Offering.

These amounts do not include an incentive share pool representing 13.71% of the Company’s stock on a fully-diluted basis.

Capitalization: The Company’s pre & post Round 2 investment capital structures are shown in attached Exhibit A. Subsequent financings are not shown.

Dividends: The Company has never paid a dividend on its Common Stock. The Company’s Board of Directors (the “**Board**”) presently intends to retain all earnings of the Company in order to facilitate future growth.

Warrant Coverage: Simultaneously with Initial Closing and at any subsequent Closings, the Company will issue warrants to purchase that number of shares of Common Stock equal to 100.0% of the number of shares purchased in the Closing. Such warrants shall have an exercise price of \$1.25 per share and will expire three years from date of issuance.

STOCK PURCHASE AGREEMENT

Conditions to Closing: Standard conditions to closing, which shall include, among other things, satisfactory completion of financial and legal due diligence, and qualification of the shares under applicable Blue Sky laws, if applicable.

Counsel and Expenses: The Company's counsel will draft all closing documents. The Company will pay all of the Company's legal and administrative costs of the financing upon the Initial Closing.

INVESTORS' RIGHTS AGREEMENT

Management and Information Rights: The Company will deliver prior to each closing a Management Rights letter to each Investor that requests one. Any Major Investor (to be defined as a single Investor who, upon the completion of the Offering, owns more than 200,000 shares and who is not a competitor) will be granted access to Company facilities and personnel during normal business hours and with reasonable advance notification. The Company will deliver to any such Major Investor (i) annual financial statements, and other information as determined by the Board; (ii) no later than thirty days after the end of each fiscal year, a comprehensive operating budget forecasting the Company's revenues, expenses, and cash position on a month-to-month basis for the upcoming fiscal year.

Non-Competition and Non-Solicitation Agreements: Each Founder, Officer and key employee has entered into a non-competition and non-solicitation agreement in a form reasonably acceptable to the Board.

Non-Disclosure and Developments Agreement: Each employee, contractor and consultant has entered into a non-disclosure and proprietary rights assignment agreement in a form reasonably acceptable to the Board.

Board Matters: The Board shall meet at least quarterly, unless otherwise agreed by a vote of the majority of Directors.

The Company will obtain directors and officers liability insurance with a carrier and in an amount satisfactory to the Board. In the event the Company merges with another entity and is not the surviving corporation, or transfers all of its assets, proper provisions shall be made so that successors of the Company assume the Company's obligations with respect to indemnification of Directors.

Key Person Insurance: The Company has acquired life insurance on the Founder, Mark O. Paul. All proceeds payable on such life insurance is to be paid to the Company as the beneficiary.

BOARD OF DIRECTORS COMPOSITION

Board of Directors: As of the Initial Closing, the Board shall be comprised of not less than three (3) and not more than five (5) members, including Robert W. Campbell as the designee of the Founder (Mark O. Paul), the person serving as the Company's Chief Executive Officer (currently Mark O. Paul), Robert A. DeKoning as an independent director, and two (2) vacancies to be filled by the Board at such time as the Board determines.

OTHER MATTERS

Founders' Stock:

All shares of stock in the Company held by any Founder shall be owned by such Founder outright and not subject to buy-back rights or vesting.

Investor Accreditation:

All investors for this offering must be accredited as defined in Rule 501 of Regulation D.

Intellectual Property:

All intellectual property relating to the business of the Company owned by the Founder, Mark O. Paul, has been assigned and transferred to the Company.

Closing:

The Initial Closing will occur as soon as practical as set forth above, as determined by the Board. Any funds received from Investors shall be delivered to the Company immediately.

Confidentiality:

Neither the Company nor the Investors will disclose the terms of this Term Sheet to any person other than officers, members of the Board and the Company's accountants and attorneys.

EXHIBIT A

Pre and Post-Financing Capitalization: (Example: \$1,000,000 investment)

For Term Sheet: ROUND 2

Pre and Post-Financing Capitalization (w/o reserves)

Pre-Money	\$9,015,125	Share Price	\$1.75
Post-Money	\$10,015,125		

Prior to Issuance of "Reserved" Options / Warrants

	Shares	Ownership
Common Stock, Pre-Money Options / Warrants	5,151,500	81.84%
Round 2 Investment	1,142,857	18.16%
	6,294,357	100.00%

Round 2 Cap Table

	Investment	Shares	Ownership
Round 2 Investment	\$1,000,000	571,429	7.83%
Warrant coverage		571,429	7.83%
Total Seed	\$1,000,000	1,142,857	15.67%
Common Stock & Pre-Money Options / Warrants		5,151,500	70.62%
Post-Money Options Reserves*		1,000,000	13.71%
Total	\$1,000,000	7,294,357	100.00%

Summary: Fully Diluted Basis

	Pre-Money	Post-Money	Share Value
Founder/Seed Investors	82.58%	58.32%	\$7,444,500
Round 2 Investment		15.67%	\$2,000,000
All Options/Warrants	11.60%	26.01%	\$3,320,625
Total	94.18%	100.00%	\$12,765,125

Notes: Table is subject to change, due to options/equity being issued to accomplish the plan.

Total issued pre-round Common Stock (4,254,000), plus options (807,500), plus warrants (90,000)

* Reserve: Employee reserve, Consultants/contractors & Board of Directors / Advisors, etc.

These options are reserved and not incorporated in the pre-money valuation.