

*Standard Capital's "Frictionless Fundraise" documents represent our standard forms of non-negotiable agreements designed to facilitate a simplified transaction process. We reserve the right to modify terms and/or these forms, but we generally do not accept comments or revisions to the standardized provisions. We will consider modifications only in exceptional circumstances where there are compelling business, legal, or regulatory reasons that require deviation from our standard terms, and any requested changes must be accompanied by a detailed explanation of the specific rationale and business necessity.*

[STANDARD CAPITAL LOGO]

**TERM SHEET  
FOR SERIES A PREFERRED STOCK FINANCING OF  
[INSERT COMPANY NAME], INC.  
[\_\_\_\_\_, 20\_\_]**

This Term Sheet summarizes the principal terms of the Series A Preferred Stock Financing of [\_\_\_\_\_] Inc., a [Delaware] corporation (the "**Company**"). In consideration of the time and expense devoted and to be devoted by Standard Capital [and the Investors] with respect to this investment, the No Shop/Confidentiality provisions of this Term Sheet are binding obligations of the Company whether or not the financing is consummated. No other legally binding obligations will be created until definitive agreements are executed and delivered by all parties. This Term Sheet is not a commitment to invest, and is conditioned on the completion of the conditions to closing set forth below. This Term Sheet is governed in all respects by the laws of Delaware.

This Agreement is one of the forms available at <https://www.standardcap.com/> and each party hereto agrees that it has not modified the form, except to fill in blanks and bracketed terms.

**Offering Terms**

*Security:* Series A Preferred Stock (the "**Series A Preferred Stock**"), and one or more shadow series of Series A Preferred to be issued upon the conversion of any outstanding convertible instruments (together with the Series A Preferred Stock, the "**Series A Preferred**").

*Closing Date:* As soon as practicable following the Company's acceptance of this Term Sheet and satisfaction of the conditions to closing (the "**Closing**"), with additional closings to occur within 90 days following the Closing.

*Conditions to Closing:* Standard conditions to Closing, including, among other things, satisfactory completion of financial and legal due diligence in accordance with the Standard Capital Due Diligence Request List, qualification of the shares under applicable Blue Sky laws, and the filing of a Certificate of Incorporation establishing the rights and preferences of the Series A Preferred.

*Amount Raised:* \$5,000,000 from Standard Capital in new money or conversion of an existing SAFE, excluding any amounts to be converted from any other outstanding convertible instruments [and up to [\_\_\_\_]] from other investors mutually agreed upon by Standard Capital and the Company ("**Investors**").

*Valuation:* The price per share of the Series A Preferred Stock (the "**Original**

**Purchase Price**”) will be determined on the basis of a fully-diluted post-money valuation of \$[50],000,000 (including an unallocated and uncommitted employee option pool representing 10% of the fully-diluted post-money capitalization).

## **CHARTER**

*Dividends:* 6% noncumulative dividends payable on the Series A Preferred when, as, and if declared by the Board of Directors.

*Liquidation Preference:* In the event of any liquidation, dissolution or winding up of the Company, the proceeds will be paid as follows:

First pay the Original Purchase Price plus accrued and declared and unpaid dividends on each share of Series A Preferred (or, if greater, the amount that the Series A Preferred would receive on an as-converted basis). The balance of any proceeds will be distributed pro rata to holders of Common Stock.

A merger or consolidation (other than one in which stockholders of the Company own a majority by voting power of the outstanding shares of the surviving or acquiring corporation) or a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of the Company will be treated as a liquidation event (a “**Deemed Liquidation Event**”), thereby triggering payment of the liquidation preferences described above unless the holders of a majority of the Series A Preferred elect otherwise (the “**Requisite Holders**”). The Investors’ entitlement to their liquidation preference will not be abrogated or diminished in the event part of the consideration is subject to escrow or indemnity holdback in connection with a Deemed Liquidation Event.

*Voting Rights:* The Series A Preferred will vote together with the Common Stock on an as-converted basis, and not as a separate class, except (i) as required by law, and (ii) as provided in “Protective Provisions” below. The Company’s Charter will provide that the number of authorized shares of Common Stock may be increased or decreased with the approval of a majority of the Preferred and Common Stock, voting together as a single class, and without a separate class vote by the Common Stock.

*Protective Provisions:* So long as 25% of the shares of Series A Preferred issued in the transaction are outstanding, in addition to any other vote or approval required under the Company’s Charter or Bylaws, the Company will not, without the written consent of the Requisite Holders, either directly or by amendment, merger, consolidation, recapitalization, reclassification, or otherwise:

- (i) liquidate, dissolve or wind-up the affairs of the Company or effect any Deemed Liquidation Event; (ii) amend, alter, or repeal any provision of the Charter or Bylaws in a manner adverse to the Series A Preferred Stock; (iii) create or authorize the creation of or

issue any other security convertible into or exercisable for any equity security unless the same ranks junior to the Series A Preferred with respect to its rights, preferences and privileges, or increase the authorized number of shares of Series A Preferred; (iv) sell, issue, sponsor, create or distribute any digital tokens, cryptocurrency or other blockchain-based assets; (v) purchase or redeem or pay any dividend on any capital stock prior to the Series A Preferred, other than stock repurchased at cost from former employees and consultants in connection with the cessation of their service; (vi) adopt, amend, terminate or repeal any equity (or equity-linked) compensation plan; (vii) create or authorize the creation of any debt security, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action would exceed \$1,000,000 other than equipment leases, bank lines of credit or trade payables incurred in the ordinary course; or (viii) create or hold capital stock in any subsidiary that is not wholly-owned, or dispose of any subsidiary stock or all or substantially all of any subsidiary assets.

*Optional Conversion:*

The Series A Preferred initially converts 1:1 to Common Stock at any time at option of holder, subject to adjustments for stock dividends, splits, combinations and similar events and as described below under “Anti-dilution Provisions.”

*Anti-dilution Provisions:*

In the event that the Company issues additional securities at a purchase price less than the current Series A Preferred conversion price, such conversion price will be adjusted in accordance with the standard broad-based weighted average anti-dilution formula.

The foregoing will be subject to customary exceptions, including, without limitation, the following:

- (i) securities issuable upon conversion of any of the Series A Preferred, or as a dividend or distribution on the Series A Preferred;
- (ii) securities issued upon the conversion of any debenture, warrant, option, or other convertible security;
- (iii) Common Stock issuable upon a stock split, stock dividend, or any subdivision of shares of Common Stock;
- (iv) shares of Common Stock (or options to purchase such shares of Common Stock) issued or issuable to employees or directors of, or consultants to, the Company pursuant to any plan approved by the Company’s Board of Directors;
- (v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction and
- (vi) shares of Common Stock issued in connection with a firmly underwritten public offering of the Corporation’s Common Stock pursuant to an effective registration statement.

*Mandatory Conversion:*

Each share of Series A Preferred will automatically be converted into Common Stock at the then applicable conversion rate in the event of

the closing of a firm commitment underwritten public offering with gross proceeds to the Company of not less than \$50,000,000 (a “QPO”), or (ii) upon the written consent of the Requisite Holders.

### **STOCK PURCHASE**

<i>Documentation:</i>	Company will cause its counsel to draft the financing documents using Standard Capital forms of Frictionless Financing Transaction Documents.
<i>Representations and Warranties:</i>	Standard representations and warranties by the Company customary for its size and industry.
<i>Costs:</i>	Company will not be responsible for any fees or expenses of counsel of Standard Capital.

### **INVESTORS’ RIGHTS**

<i>Registration Rights:</i>	Customary registration rights to be provided to Investors.
<i>Management and Information Rights:</i>	<p>A Management Rights letter from the Company, in a form reasonably acceptable to the Investors, will be delivered prior to Closing to each Investor that requires one. A Side Letter from the Company, on Standard Capital’s form, will be delivered at Closing to Standard Capital.</p> <p>Any Major Investor (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 such Major Investor (i) annual and quarterly financial statements, and other information as determined by the Board of Directors; (ii) thirty days prior to 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; and (iii) promptly following the end of each quarter an up-to-date capitalization table. A “Major Investor” means any Investor who purchases at least \$1,000,000 of Series A Preferred.</p>
<i>Right to Participate Pro Rata in Future Rounds:</i>	All Major Investors will have a pro rata right, based on their percentage equity ownership in the Company (assuming the conversion of all outstanding Preferred Stock into Common Stock and the exercise of all options outstanding under the Company’s stock plans), to participate in subsequent issuances of equity securities of the Company (excluding those issuances listed at the end of the “Anti-dilution Provisions” section of this Term Sheet and shares issued in an IPO). In addition, should any Major Investor choose not to purchase its full pro rata share, the remaining Major Investors will have the right to purchase the remaining pro rata shares.
<i>Non-Disclosure and Developments Agreement:</i>	Each current, future and former founder, employee and consultant will enter into a non-disclosure and proprietary rights assignment

agreement in a form reasonably acceptable to Standard Capital.

*Employee Stock Options:*

All employee options granted after the Closing to vest as follows: 25% after one year, with remaining vesting monthly over next 36 months.

**RIGHT OF FIRST REFUSAL**

*Right of First Refusal*

The Company bylaws and/or Restricted Stock Purchase Agreements will contain a Right of First Refusal in favor of the Company over any transfers of shares of Common Stock of the Company, other than shares of Common Stock issued upon conversion of Preferred Stock.

**OTHER MATTERS**

*Founders' Stock:*

Each Founder's equity ownership will be subject to time-based vesting restrictions applicable to at least 75% of such Founder's total equity holdings, with vesting to occur over a minimum three-year period following the Closing.

*No-Shop/Confidentiality:*

The Company and the Investors agree to work in good faith expeditiously towards the Closing. The Company and the founders agree that they will not, for a period of ten (10) days from the date these terms are accepted, take any action to solicit, initiate, encourage or assist the submission of any proposal, negotiation or offer from any person or entity other than the Investors relating to the sale or issuance, of any of the capital stock of the Company or the acquisition, sale, lease, license or other disposition of the Company or any material part of the stock or assets of the Company and will notify the Investors promptly of any inquiries by any third parties in regards to the foregoing. The Company will not disclose the terms of this Term Sheet to any person other than employees, stockholders, members of the Board of Directors and the Company's accountants and attorneys and other potential Investors acceptable to Standard Capital, as lead Investor, without the written consent of the Investors (which will not be unreasonably withheld, conditioned or delayed).

*Expiration:*

This Term Sheet expires five (5) days after the date set forth above if not accepted by the Company by that date.

[Signature Page Follows]



EXECUTED as of the first date set forth above.

STANDARD CAPITAL VENTURES FUND I LP

By: Standard Capital Ventures Fund I GP LLC

Its: General Partner

By: \_\_\_\_\_

Dalton Caldwell, Manager

Accepted and agreed to:

[COMPANY SIGNATURE BLOCK]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_