

SERIES B PREFERRED STOCK FINANCING

TERM SHEET

SUMMIT DIGITAL SOLUTIONS, INC.

Delaware Corporation

Date: January 9, 2024

This Term Sheet summarizes the principal terms of the Series B Preferred Stock Financing of Summit Digital Solutions, Inc. (the "Company").

1. OFFERING TERMS

Amount of Financing: Up to \$75,000,000

Price Per Share: \$12.50 (the "Original Purchase Price"), representing a pre-money valuation of \$375,000,000

Number of Shares: 6,000,000 shares of Series B Preferred Stock

2. INVESTMENT TERMS

2.1 Securities to be Issued

Series B Preferred Stock (the "Series B Preferred")

2.2 Closing

Initial closing expected on or before March 15, 2024, with subsequent closings as determined by the Board of Directors

2.3 Pre-Money Valuation

\$375,000,000 (fully-diluted)

2.4 Capitalization

Post-financing capitalization table to reflect:

- Common Stock: 15,000,000 shares
- Series A Preferred: 8,000,000 shares
- Series B Preferred: 6,000,000 shares (new)
- Employee Stock Option Pool: 4,000,000 shares (fully reserved)

3. RIGHTS, PREFERENCES, AND PRIVILEGES

3.1 Dividend Rights

8% non-cumulative dividend preference, participating with Common Stock on an as-converted basis

3.2 Liquidation Preference

1x Original Purchase Price plus declared but unpaid dividends, with participation rights thereafter

3.3 Conversion Rights

Initially convertible 1:1 to Common Stock, subject to standard anti-dilution adjustments

3.4 Anti-dilution Protection

Broad-based weighted average anti-dilution protection for issuances below the Original Purchase Price

3.5 Voting Rights

Votes together with Common Stock on an as-converted basis. Approval of majority of Series B required for:

- Changes to certificate of incorporation
- Creation of senior securities
- Sale or merger of the Company
- Issuance of debt exceeding \$5,000,000
- Material changes to business plan

4. BOARD COMPOSITION

Post-financing Board to consist of seven (7) members:

- 2 Series B directors
- 1 Series A director
- 2 Common Stock directors
- 2 Independent directors

5. INVESTOR RIGHTS

5.1 Registration Rights

- Demand registration rights after earlier of IPO or 4 years

- Two demand registrations
- Unlimited piggyback registration rights
- S-3 registration rights when eligible

5.2 Information Rights

- Quarterly and annual financial statements
- Annual operating plan and budget
- Board observer rights
- Inspection rights

5.3 Right of First Refusal

Pro rata right to participate in subsequent financings

5.4 Pre-emptive Rights

Right to maintain percentage ownership in future rounds

6. EMPLOYEE MATTERS

6.1 Stock Option Pool

20% fully-diluted post-financing reserved for employees

6.2 Vesting

4-year vesting with 1-year cliff for all new stock options

7. CLOSING CONDITIONS

7.1 Due Diligence

Satisfactory completion of legal and financial due diligence

7.2 Documentation

Execution of definitive agreements including:

- Stock Purchase Agreement
- Investors' Rights Agreement
- Right of First Refusal Agreement
- Voting Agreement
- Amended Certificate of Incorporation

7.3 Board Approval

Approval by Board of Directors and stockholders

8. EXCLUSIVITY

30-day exclusive negotiating period

9. CONFIDENTIALITY

Terms of this Term Sheet to remain confidential

10. EXPIRATION

This Term Sheet expires if not accepted by January 23, 2024

11. NON-BINDING EFFECT

This Term Sheet is non-binding except for Sections 8, 9, and 11

AGREED AND ACCEPTED:

SUMMIT DIGITAL SOLUTIONS, INC.

By:

Name: Dr. Alexandra Reeves

Title: Chief Executive Officer

Date:

[LEAD INVESTOR]

By:

Name:

Title:

Date: