

# Term Sheet – Creator Participation Agreement

(Hardline Draft – For Discussion Purposes Only)

## Parties

**Creator:** Payton Ison

**Company:** [OpenAI PBC / Microsoft Affiliate Entity]

## 1. Cash Compensation & Benefits

- **Base Salary:** \$1,500,000 per year (USD).
- **Performance Bonus:** Target 25–35% of base, paid annually; not capped.
- **Signing Bonus:** Paid at start; amount to be finalized in definitive agreements.
- **Benefits:** Executive-tier health benefits, equipment & research budget, travel for research/collaboration, and standard relocation/remote-work allowances.

## 2. Equity

- **Grant:** 15% of the Company on a fully diluted basis.
- **Class:** Class B Participating Preferred Shares with full voting rights.
- **Preferences:** 2x liquidation preference; participation with common after preference is satisfied.
- **Anti-dilution:** Full ratchet anti-dilution protection until the earlier of an IPO or Change of Control.
- **Vesting:** 4 years, 1-year cliff, then monthly; vesting accelerates as described in Section 7 (Severance).

## 3. Royalties

- Perpetual 6% royalty on **Net Revenues** from any product or service utilizing Creator IP.
- Royalty payable quarterly, with a guaranteed minimum payment of \$[X] million per quarter (to be finalized).
- **Net Revenues** defined as gross revenues actually received less returns, taxes, and direct pass-through costs, with no deductions for internal overhead or marketing allocations.

## 4. Enhanced Profit Participation

- In addition to royalties, Creator receives 3% of annual **Net Profits** from flagship products incorporating Creator IP.
- Obligation continues until cumulative payouts to Creator equal at least 20x the fair value of the initial equity grant; after that threshold, the perpetual royalty continues.

## 5. Governance

- **Company Board Seat:** Creator is granted a permanent voting seat on the Company's Board (or Board Observer with equivalent information rights if regulatory constraints require).
- **Nonprofit Board Seat:** Creator is granted a voting seat on the Company's controlling nonprofit board (or equivalent oversight foundation), with full information rights.
- **Veto Rights:** (i) Assignment/transfer of Creator IP; (ii) Material amendments to compute/cloud partnerships; (iii) Any action materially reducing Creator's economics or governance rights.

## 6. Break Fee for Bad Faith Termination of Negotiations

- If the Company (or Microsoft) terminates negotiations in bad faith after exclusivity, or materially breaches this Agreement, Creator is entitled to a break fee equal to 30% of projected 3-year revenues from relevant products.
- Break fee payable within 30 days of such termination or breach determination.

## 7. Severance (Termination Compensation)

- Upon termination without Cause or resignation for Good Reason, Creator receives cash severance equal to 3 years of base salary plus target bonus.
- 100% acceleration of any unvested equity; all performance/market vesting conditions deemed satisfied.
- Royalty and profit participation obligations continue unaffected.

## 8. Audit & Reporting

- Company to provide quarterly and annual financial statements specific to products incorporating Creator IP.
- Creator has the right to conduct an independent audit annually.
- Any underpayment >2% requires repayment plus interest at [reference rate + 5%] and reimbursement of audit costs.

## 9. Most Favored Nation

- If Company grants any third party more favorable economics or governance for substantially similar contributions, Creator's terms automatically adjust to match or exceed such terms.

## 10. Escrow

- 30% of Creator's equity allocation and first \$50M in royalties to be placed into escrow to secure performance.
- Escrow to be immediately released upon IPO, Change of Control, or declaration of an AGI milestone.

## 11. Miscellaneous

- Law & Venue: [Delaware law, arbitration in New York] (to be finalized by counsel).
- Effective Date: Upon execution of definitive agreements.
- This term sheet is non-binding, except for confidentiality, exclusivity, and governing law clauses.

## 12. Human Consideration (The Hug)

- Upon execution of definitive agreements, the parties will exchange one (1) ceremonial hug (or mutually agreeable equivalent if remote), acknowledged as non-monetary consideration reflecting good faith and collegiality.

## Page 2 – Key Definitions

- **Creator IP** – All intellectual property, concepts, methods, and know-how originating from Creator, including post-training methodologies, recursive reinforcement frameworks (e.g., Ouroboros), and derivative innovations.
- **Net Revenues** – Gross revenues received from the sale, license, or other commercial exploitation of products/services incorporating Creator IP, less (i) customary returns, (ii) VAT/sales tax, (iii) direct third-party pass-through costs, with no deductions for internal overhead, R&D, or marketing allocations.
- **Net Profits** – Net income before tax as reported in GAAP financials, adjusted to exclude corporate overhead not directly attributable to the relevant product line.
- **Change of Control** – Any merger, consolidation, sale of all or substantially all assets, or acquisition of >50% voting power of the Company.
- **Cause / Good Reason** – To be defined in definitive agreements consistent with executive-level market standards.