

Term Sheet – Creator Participation Agreement

(Hardline Draft – For Discussion Purposes Only)

Parties:

- Creator: Payton Ison
- Company: [OpenAI PBC / Microsoft Affiliate Entity]

1. Equity

- Creator to receive 15% of the fully diluted equity of the Company.
- Equity issued as Class B Participating Preferred Shares with:
 - 2x liquidation preference.
 - Full ratchet anti-dilution protection until the earlier of an IPO or Change of Control.
 - Participation rights alongside common holders after preference is satisfied.

2. Royalties

- Creator to receive a 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.
- Net Revenues defined as gross revenues actually received less returns, taxes, and direct pass-through costs.

3. 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.

4. Governance

- Creator granted a permanent Board seat (or Board Observer with equivalent information rights if equity <0.5%).
- Creator shall have veto rights over:
 1. Assignment or transfer of Creator IP.
 2. Material amendments to compute/cloud partnerships.
 3. Any action materially reducing Creator's economics or governance rights.

5. Termination Penalty

- 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.

6. 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 [LIBOR + 5%] and reimbursement of audit costs.

7. 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.

8. 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 AGI milestone.

9. 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.

Page 2 – Key Definitions

“Creator IP” – All intellectual property, concepts, methods, and know-how originating from Creator, including post-training methodologies, recursive reinforcement frameworks, 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.