

[NAME OF ISSUER]

MEMORANDUM OF TERMS

This Memorandum of Terms represents only the current thinking of the parties with respect to certain of the major issues relating to the proposed private offering and does not constitute a legally binding agreement. This Memorandum of Terms does not constitute an offer to sell or a solicitation of an offer to buy securities in any state where the offer or sale is not permitted.

THE OFFERING

Issuer: [_____] , a Delaware corporation (the “***Company***”)

Securities: Series A Preferred Stock (the “***Preferred***”)

Valuation of the Company: \$[_____] pre-money

Amount of the offering: \$[_____]

Number of shares: [_____] shares

Price per share: \$[_____] (the “***Original Purchase Price***”)

TERMS OF THE PREFERRED

Liquidation preference: In the event of a liquidation, dissolution or winding up of the Company, the Preferred will have the right to receive the Original Purchase Price plus any declared and unpaid dividends prior to any distribution to the common stock. The remaining assets will be distributed *pro rata* to the holders of common stock. A sale of all or substantially all of the Company’s assets, or of its intellectual property, or a merger or consolidation of the Company with any other company will be treated as a liquidation of the Company.

Conversion: The Preferred may be converted at any time, at the option of the holder, into shares of common stock. The conversion rate will initially be 1:1, subject to customary adjustments.

Dividends: 8% if and when declared by the Board of Directors, prior and in preference to payment of dividends on any other stock.

Automatic conversion: Each share of Preferred will automatically convert into common stock, at the then applicable conversion rate, upon (i) the closing of a firmly underwritten public offering of common stock, or (ii) the consent of the holders of at least a majority of the then outstanding shares of Preferred.

General voting rights: Each share of Preferred will have the right to a number of votes equal to the number of shares of common stock issuable upon conversion of each such share of Preferred.

Protective provisions:

So long as any of the Preferred is outstanding, consent of the holders of at least 50% of the Preferred will be required for any action that: (i) alters any provision of the certificate of incorporation if it would adversely alter the rights, preferences, privileges or powers of the Preferred; (ii) changes the authorized number of shares of Preferred; or (iii) authorizes or creates any security that ranks senior to or on par with the Preferred.

INVESTOR RIGHTS

Participation Rights:

Major investors will have a right to purchase its *pro rata* share of any offering of new securities by the Company, subject to customary exceptions. The *pro rata* share will be based on the ratio of (x) the number of shares of Preferred held by such holder (on an as-converted basis) to (y) the Company's fully-diluted capitalization (on an as-converted and as-exercised basis). This right will terminate upon the Company's initial public offering or an acquisition of the Company. Such rights shall be assignable to affiliated entities, partners, members, successors and commonly controlled funds.

Registration Rights:

Customary demand, piggyback and S-3 registration rights.

Information rights:

Major investors shall have the right to receive annual financial statements, the Company's annual budget, as well as quarterly and monthly financial statements. Each such major investor shall also be entitled to standard inspection and visitation rights.

Transfer Restrictions:

Standard 180-day lock-up period, subject to customary exceptions and conditions. Bylaws and option plan documents shall include limitations on certain transfers, including on secondary markets, to competitors, or that may trigger public reporting obligations.

Employee Options:

All employee options to vest as follows: 25% after one year, with remaining vesting monthly over next 36 months. All founders equity shall be subject to a repurchase right which also reflects a standard 4 year vesting schedule.

Proprietary Rights:

Each current and former employee and consultant will enter into a non-disclosure and proprietary rights assignment agreement.

ROFR/Co-sale Agreement:

The founders will grant customary first refusal and co-sale rights to the Company and the investors (as applicable).

Purchase Agreement:

The investment shall be made pursuant to a Stock Purchase Agreement with appropriate representations and warranties, covenants and conditions of closing.

This Memorandum of Terms may be executed in counterparts, which together will constitute one document. Facsimile signatures shall have the same legal effect as original signatures. If the terms and conditions described above are acceptable to you, please so indicate by your signature below. This proposal will expire upon email notification from Hydrazine Capital to the Company if not accepted before such time.

[INSERT COMPANY NAME]

SAM ALTMAN

Signature

Signature

Print name

Print title

Date

Date