

LEGAL DOCUMENTS GUIDE

When and How to Use Each Document

Document Classification: Internal Use - Legal Guidance

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DOCUMENT OVERVIEW

This guide explains when and how to use each legal document in your investor and buyer engagement process. Proper use of these documents is critical to protecting KARIOS AI's intellectual property and competitive advantages.

1. MUTUAL NDA (GENERAL)

When to Use:

- Initial discussions with potential partners
- Technology demonstrations to prospects
- General business development meetings
- Academic or research collaborations
- Media interviews requiring technical disclosure

Key Features:

- Mutual confidentiality obligations
- Standard 3-year term with 7-year survival

- \$10 million liquidated damages for breach
- General business and technology protection

Best Practices:

- Use for low-risk initial conversations
- Execute before any technical demonstrations
- Suitable for strategic partners and vendors
- Good for exploratory discussions

Not Suitable For:

- Serious investment discussions
 - Potential acquisition conversations
 - Competitive companies or direct competitors
 - Situations requiring enhanced protection
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2. INVESTOR CONFIDENTIALITY AGREEMENT

When to Use:

- Formal investment discussions and due diligence
- Sharing financial information and projections
- Term sheet negotiations
- Board presentation materials
- Detailed business plan disclosure

Key Features:

- Enhanced investor-specific protections
- Standstill and non-solicitation provisions
- \$25 million liquidated damages

- 10-year confidentiality survival period
- Competitive restrictions and portfolio company barriers

Best Practices:

- Execute before sharing term sheets
- Required for all serious investor discussions
- Use for private equity, venture capital, and institutional investors
- Mandatory before financial data room access

Escalation Triggers:

- Investment amounts over \$100 million
 - Requests for detailed financial information
 - Board seat discussions
 - Due diligence process initiation
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3. BUYER NDA AGREEMENT

When to Use:

- Acquisition discussions and negotiations
- Strategic buyer evaluations
- Merger and acquisition due diligence
- Asset purchase negotiations
- Competitive companies expressing acquisition interest

Key Features:

- Maximum protection for acquisition scenarios
- \$100 million liquidated damages
- Indefinite confidentiality for trade secrets

- Enhanced standstill provisions (18 months)
- Comprehensive competitive restrictions

Best Practices:

- Use for all potential acquirers
- Mandatory for technology companies and competitors
- Execute before any acquisition discussions
- Required for strategic buyer due diligence

Critical Situations:

- Discussions with Google, Microsoft, Amazon, Meta
 - Any competitor expressing acquisition interest
 - Strategic buyers in AI or technology sectors
 - Unsolicited acquisition approaches
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4. EVALUATION AGREEMENT

When to Use:

- Formal due diligence processes
- Technical evaluation and validation
- Facility visits and demonstrations
- Personnel interviews and meetings
- Comprehensive business review

Key Features:

- Structured evaluation framework
- Facility access controls
- Personnel interview protections

- 90-day evaluation period
- Intellectual property safeguards

Best Practices:

- Use in conjunction with other confidentiality agreements
- Execute before facility visits
- Required for technical demonstrations
- Mandatory for personnel access

Combination Usage:

- Always use with Investor Confidentiality Agreement or Buyer NDA
 - Provides additional operational protections
 - Governs day-to-day due diligence activities
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5. LETTER OF INTENT TEMPLATE

When to Use:

- Serious investment or acquisition negotiations
- Establishing preliminary transaction terms
- Creating exclusivity periods
- Formalizing negotiation framework
- Moving toward definitive agreements

Key Features:

- Binding and non-binding provisions clearly separated
- Exclusivity and standstill protections
- Due diligence framework
- Timeline and milestone structure

- Expense and fee allocations

Best Practices:

- Use only after extensive preliminary discussions
- Ensure all key terms are addressed
- Specify binding vs. non-binding provisions clearly
- Include appropriate exclusivity periods

Prerequisites:

- Executed confidentiality agreement
 - Preliminary valuation discussions
 - Initial due diligence completion
 - Management team alignment
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DOCUMENT SELECTION MATRIX

Situation	Primary Document	Secondary Document	Additional Protection
Initial Inquiry	Mutual NDA	-	-
Strategic Partnership	Mutual NDA	Evaluation Agreement	-
Investment Discussion	Investor Confidentiality	Evaluation Agreement	-
Acquisition Interest	Buyer NDA	Evaluation Agreement	Letter of Intent
Due Diligence	Investor/Buyer NDA	Evaluation Agreement	-
Serious Negotiations	Investor/Buyer NDA	Letter of Intent	Evaluation Agreement
Competitive Inquiry	Buyer NDA	-	Enhanced Terms

EXECUTION SEQUENCE

Phase 1: Initial Contact

1. **Qualify the inquiry** - Understand party's interest and background
2. **Assess risk level** - Determine if party is competitor or strategic
3. **Select appropriate NDA** - Use matrix above for guidance
4. **Execute agreement** - Before any substantive discussions

Phase 2: Preliminary Discussions

1. **Share basic information** - High-level company overview
2. **Gauge serious interest** - Assess commitment and capability

3. **Evaluate fit** - Determine strategic or financial alignment
4. **Decide on next steps** - Move to formal process or decline

Phase 3: Formal Process

1. **Execute enhanced agreements** - Investor/Buyer specific NDAs
2. **Add evaluation agreement** - If facility access or demos required
3. **Begin due diligence** - Structured information sharing
4. **Monitor compliance** - Ensure adherence to confidentiality terms

Phase 4: Serious Negotiations

1. **Execute Letter of Intent** - Establish exclusivity and framework
 2. **Complete due diligence** - Comprehensive review process
 3. **Negotiate definitive agreements** - Term sheets and final contracts
 4. **Close transaction** - Complete legal and regulatory requirements
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RISK MANAGEMENT

High-Risk Situations Requiring Enhanced Protection:

- **Direct Competitors:** Always use Buyer NDA with enhanced terms
- **Large Technology Companies:** Maximum protection regardless of stated intent
- **Foreign Entities:** Consider additional restrictions and protections
- **Unknown Parties:** Thorough background check before any disclosure
- **Unsolicited Approaches:** Heightened scrutiny and protection

Red Flags Requiring Legal Counsel:

- Requests for source code or detailed algorithms
- Pressure to expedite confidentiality process
- Reluctance to execute appropriate agreements

- Unusual terms or modifications requested
- Background suggesting competitive intelligence gathering

Escalation Procedures:

1. **Immediate Legal Review:** For any high-risk situations
 2. **Enhanced Due Diligence:** Background checks on unknown parties
 3. **Board Consultation:** For strategic decisions and major negotiations
 4. **Expert Advice:** Technical and business advisors for complex situations
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COMPLIANCE MONITORING

Document Tracking:

- Maintain executed agreement database
- Track expiration dates and renewal requirements
- Monitor compliance with terms and conditions
- Document any breaches or violations

Regular Reviews:

- Quarterly review of all active agreements
- Annual assessment of document effectiveness
- Updates based on legal and business changes
- Training for personnel handling confidential information

Breach Response:

- Immediate investigation of suspected breaches
- Legal counsel consultation for material violations
- Enforcement action as appropriate
- Documentation for potential litigation

CONTACT INFORMATION

For Legal Document Questions:

Chris Paradise, CEO/Owner
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Phone: +1 724 350 1688
Email: chris@ddiai.io

Legal Counsel:

[To be designated based on transaction type and complexity]

Emergency Contact:

For urgent legal matters or suspected breaches, contact Chris Paradise immediately at +1 724 350 1688.




IMPORTANT REMINDERS

Before Any Disclosure:






1. ☒ Execute appropriate confidentiality agreement
2. ☒ Verify signatory authority and corporate standing
3. ☒ Conduct background check on unknown parties
4. ☒ Assess competitive risk and select appropriate protection level
5. ☒ Document all interactions and agreements

During Discussions:

1. ☒ Monitor compliance with confidentiality terms
2. ☒ Limit disclosure to information necessary for evaluation

3.  Document what information is shared and when
4.  Maintain professional and protective approach
5.  Escalate concerns immediately

After Discussions:

1.  Ensure return or destruction of confidential materials
2.  Obtain compliance certifications as required
3.  Monitor for any unauthorized use or disclosure
4.  Maintain ongoing confidentiality obligations
5.  Document outcomes and lessons learned

This guide provides general guidance for legal document usage. Always consult with qualified legal counsel for specific situations and complex transactions. Proper protection of KARIOS AI's intellectual property and competitive advantages is critical to the company's success and valuation.

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