SAMPLE VENTURE DEBT TERM SHEET

**DATE:** MM/DD/YYYY

**PROPOSAL**

To meet the financing needs of STARTUP (the “Borrower”), LENDER (“Bank”) would like you to consider the financing proposal described in this proposal letter (the “Proposal”).

1. **Parties**

**Borrower:** STARTUP

**Lender:** LENDER (”Bank”)

1. **Term Loan Facility**

**Type and Amount of Facility:** A term facility (the “Term Loan Facility”) in the amount of

$5,000,000 (the “Term Loan Commitment.”)

**Term Loan Availability:** $5,000,000 fully available to be drawn at Close through the

Interest-only period.

**Interest-Only Period:**  Facility will have an interest only period for twelve (12) months

from the Closing Date. Upon Borrower achieving the Milestone

Event, interest-only period to be extended to fifteen (15) months from Close.

**Milestone Event** defined as Borrower achieving trailing 3-month (T3M) GAAP revenue of no less than $5,000,000.

**Amortization:**  Following the interest only period, the term loan balances will

amortize ratably over thirty-six months. Upon achieving the Milestone Event defined above, facility shall amortize ratably over thirty-three months.

**Maturity:** 4 years from Closing Date.

**Interest Rate:**  WSJ Prime\*+1.00%, floating. The interest rate shall be subject

to a floor of 5.75%.

\*For reference, WSJ Prime is currently 4.75%

**Interest Payment Dates:** Interest shall be payable monthly, upon any prepayment due to

acceleration and at final maturity.

**Commitment Fee:** A closing fee equal to 0.50% of the Term Loan Commitment

Amount fully earned and payable at Closing.

**Prepayment Fee:**  Borrower may elect to retire the Facility in its entirety at any

time by paying the outstanding principal balance, unpaid accrued interest, applicable Final Payment, and a Prepayment Fee. The Prepayment Fee shall be 3.00% of the outstanding principal balance if paid before the first anniversary of Loan Closing, 2.00% if paid after the first anniversary but before the second anniversary of Loan Closing, and 1.00% thereafter. Prepayment Fee shall be waived if Facility is refinanced by Lender.

**Final Payment:**  6.00% of the Advanced Amount, due upon the earlier of

Maturity or termination of the Facility.

Approximate IRR or “all-in” cost of capital of ~8.90% to include a floating rate of 6.75% (WSJ Prime - 4.75%) and a Final Payment of 6.00% due upon the earlier of Maturity or termination of the Facility.

1. **Collateral and Other Credit Support**

**Collateral:** First priority lien on all assets with a negative pledge on

intellectual property.

**Financial Covenants:** No Financial Covenant until Borrower has drawn $2,500,000 or

greater on the Term Loan Facility. Once Borrower exceeds $2,500,000 in debt outstanding on the Term Loan Facility, Borrower will be subject to the Financial Covenant below:

Minimum Trailing 3 Month Revenue

**Covenant:**  Borrower to be subject to a trailing 3-month revenue covenant,

tested monthly, equal to 60% of the latest BOD approved Operating Budget provided to Lender for FY’22 and FY’23. Specific levels to be documented in final documentation.

For 2023 and thereafter, covenant levels to represent 60% of

the latest BOD approved Plan provided to Lender and shall, in all cases, require minimum YoY growth rates of no less than 25%.

**Guaranties:**  The Borrower and all subsidiaries guarantee all of the

indebtedness, obligations, and liabilities of the Borrower and its subsidiaries arising under or in connection with the Loan Documents and in connection with bank product obligations owed to the Lender and its affiliates.

**Investor:**

**Abandonment Clause:** If the Lender determines in its sole discretion that the

Borrower’s investors will no longer financially support the Borrower, the Lender may declare an Event of Default. The Lender does not have to advance additional funds in the event of a Material Adverse Change.

1. **Certain Documentation Matters**

**Reporting:**  Delivery of company prepared monthly and annual audited

financial statements, monthly compliance certificates, annual projections, board materials, and other information requested by the Lender.

**Banking Relationship:**  The Lender shall be the Borrower’s principal depository and

disbursement bank, and shall conduct all of its primary banking business with the Lender, including, without limitation, commercial credit cards and letters of credit (other than currently issued letters of credit and any renewals thereof), primary deposits and excess liquidity.

**Warrants:** Upon close, Borrower shall grant to Lender a warrant to

purchase Borrower’s Common Stock equivalent to 25bps Fully Diluted Ownership, of which 12.5 bps shall vest at close, and 12.5 bps shall vest upon the initial advance. Warrant shares shall price at the latest 409a valuation.

The Warrant shall be issued on Lender’s standard form and will:

* be exercisable for 10 years from the date of issuance
* survive merger or acquisition (except all-cash and/or public stock acquisitions)
* allow cashless exercise in whole or part

**Expenses:** The Borrower shall pay all reasonable out of pocket expenses of

the Lender associated with the negotiation and closing of the

Facilities.

**Subject to:**

1. Final credit approval.
2. Satisfactory loan documentation.
3. Satisfactory conversations with Borrower’s primary investors.
4. As a condition to funding the loan(s), there shall be no Material Adverse Change in the Borrower’s business or prospects.

Please indicate your acceptance of this proposal by signing the space indicated below, delivering the Initial Deposit, and returning an executed copy to us by 5:00 p.m. on XX/XX/XXXX, after which time this Proposal expires. We appreciate the opportunity to present this Proposal and look forward to working with you.

Very truly yours,

**LENDER**

By:

Title:

Accepted and Agreed to:

**STARTUP**

By:

Title:

Date: