

### ***IT Investment Terms***

BFTP/SEP's standard investment vehicle for IT companies is convertible debt with a detachable warrant under the following terms:

#### **Interest**

- Rate is 8%. Begins accruing upon cash disbursements.
- Payment begins first quarter following the end of the project period. Payments to BFTP/SEP on interest only.
- Company makes interest payments at the lesser of 3% of company revenues or the interest due at that quarter. If the company does not make its quarterly interest payment, interest rolls over to the next quarter (non-compounding).
- Principal and unpaid interest are due as a balloon at the end of 5 years.
- Initial 40% draw down available, balance disbursed according to milestones, with 10% held back pending submission of final project report.

#### **Warrant**

- 25 - 75 % coverage on the loan amount.
- 10-year penny warrants.
- The warrant is priced (*to determine the number of shares*) at the next equity financing by an accredited angel group and/or reputable institutional investor, at the sole discretion of BFTP/SEP.

#### **Conversion**

BFTP/SEP may, at its sole discretion, convert the principal and accrued but unpaid interest at an issuance of company's equity securities to an accredited or institutional investor or the occurrence of a "significant transaction (merger or sale of company)" into the class of stock of the financing round under the following terms:

- The debt would be converted, without a discount, at the price of the previous or next rounds, depending on the timing of those rounds.
- BFTP/SEP has the option to require payment of unpaid and accrued interest at the time of the conversion of the principal.
- Company may prepay interest and principal at any time.

#### **UCC Lien until loan repaid or conversion**

#### **Board Observation Rights**

BFTP/SEP has rights to a non-voting Board Observation Seat for the lifetime of the loan.

#### **BFTP Compliance**

During the period that company has outstanding debt to BFTP/SEP it will be obligated to provide the following reporting:

- Unaudited (audited upon request) financial statements within 30 days of each calendar quarter.
- Brief written quarterly update reports and/or Board Minutes.
- Annual Economic Impact Survey for 5 years.
- Final report upon completion of funded project.