

Physical Sciences Terms

BFTP/SEP's standard investment vehicle for Physical Science 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 is 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.

Companies with revenues ranging from \$1-\$4MM and ability to service our debt instrument

Debt @ 8% with Success Fee

- a) 5 yr. Note that may be subordinated to a bank or financial institution
- b) Interest only payable quarterly with balloon payment of unpaid interest and principal due in Year 5
- c) Companies will pay lesser of 3% of quarterly revenues or set quarterly interest payment, with all unpaid interest rolling to the next quarter (non-compounding)
- d) Payments begin upon completion of draw down or one year, whichever is sooner
- e) Success fee
 - 1. \$1MM-2MM % TBD of annual revenues
 - 2. \$2MM-3MM % TBD of annual revenues
 - 3. \$3MM-4MM % TBD of annual revenues
 - Success fee will cap out at 100% of BFTP investment or upon full payment of note (with minimum guaranteed floor of 20% of initial investment)

UCC Lien until loan repaid

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BFTP Compliance

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- Annual Economic Impact Survey for 5 years.
- Final report upon completion of funded project.

Companies with revenues of at least \$4MM and ability to service our debt instrument

Debt @ 8% with Success Fee

- a) 5 yr. Note that may be subordinated to a bank or financial institution
- b) Principal amortized for 15 years with balloon payment due in Year 5
- c) Payments begin upon completion of draw down or one year, whichever is sooner
- d) Success fee
 - \$4MM - % TBD of annual revenues
 - Success fees will cap out at 100% of BFTP/SEP investment or upon full payment of the note (with a minimum guaranteed floor of 10% of initial investment)

UCC Lien until loan repaid

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BFTP Compliance

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