



GRAYSTONE TECH, INC.
(CAPRICA COUNTY, OHIO)
\$1,000,000 COMMERCIAL ACCELERATION LOAN FUND

EXECUTIVE SUMMARY

PROJECT LOCATION

7 Caprica Way
Caprica City, Ohio 99999

PROJECT DATES

Start Date: 08/01/2014
Completion Date: 12/31/2015

APPROVAL DATES

Third Frontier: TBD
Controlling Board: TBD

JOBS CREATED

New: 13
Retained: 21
At Risk: 0
Metric Evaluation Date: 12/31/2018

FINANCING SUMMARY

Project Amount: \$\$1,333,333
Loan Amount: \$1,000,000
Loan Funding Percentage: 75%
Financing Term: 7 years
Return Required: 2x
Repayment Basis: Projected, Based on 5% of annual sales with conservative forward looking projections

PROJECT CONTACT

Daniel Graystone
Chief Executive Officer
7 Caprica Way
Caprica City, Ohio 99999
(555) 555-5555
daniel@graystone.com

BORROWER: Graystone TECH, Inc.
PRIMARY BUSINESS: Information Technology
COMPANY ORGANIZATION: State of Ohio, C-Corporation

COMPANY DESCRIPTION

An early-stage development company utilizing licensed technology from the University of Caprica to produce holographic imaging for use in military, healthcare and gaming applications.

PROJECT DESCRIPTION

The Haloband™V 1.0 Release Project will support the commercialization of the company's Virtual World Technology.

Loan proceeds will be used to finance the following expense categories (the "Project"):

- Intellectual Property**
- Inventory**
- Machinery & Equipment**
- Research & Development**
- Sales, General & Administrative Expenses**

(See Uses of Funds for Itemized Descriptions of Expenditures)

COLLATERAL AND SECURITY

First priority lien and security interest in all assets of the company, now owned or hereafter acquired. Intellectual property developed or owned by the company is subject to lien and assignment to the Development Services Agency. An Intellectual Property Security Agreement, Escrow of Source Code Agreement, and a Pledge and Conditional Assignment of the License from Caprica University will be required. A Demand Deposit Control Agreement must be executed for a deposit lien on financial accounts. Key man life insurance with a face amount of \$1,000,000 will be held on Daniel Graystone.

(See Collateral and Security Section for additional information)

PERSONAL GUARANTY

If Applicable.

This draft term sheet is for discussion purposes only. It is not a commitment by the Ohio Development Services Agency or the Ohio Third Frontier. Any substantive changes may require additional approvals and result in delaying loan approval or closing.

FINANCING STRUCTURE

Project Amount	\$1,333,333
Loan Amount	\$1,000,000
Loan Funding Percentage	75%
Financing Term	7 years. Any outstanding loan amount at the end of the term will be due in full.
Return Required on the Principal Amount	2x
Total Repayment Amount	\$2,000,000 or 2x the amount of the actual loan proceeds drawn.
Repayment Stream	Fixed, based on 5% of annual sales with conservative forward looking projections.
Repayment Term and Frequency	Loan payments will be made on a monthly (or quarterly) basis and will be in an amount equal to 5% of projected annual sales from the previous fiscal year. DSA may audit the annual sales revenue yearly and adjust the repayment amount up to 5% of realized annual revenues should sales growth exceed projections.
Early Payoff Incentive	The Company will receive the following early repayment incentives: <ul style="list-style-type: none"> .75x discount (\$750,000) if repaid within 36 months from initial disbursement; .50x discount (\$500,000) if repaid within 48 months from initial disbursement.

SOURCES AND USES OF FUNDS

The project will be financed from the following sources:

SOURCE CATEGORY	SOURCE DETAIL	AMOUNT
Equity	Series A Investments	\$333,333
Loan Proceeds	Ohio Third Frontier Commercial Acceleration Loan Fund	\$1,000,000

NOTE: Borrower will be required to support cost share and available cash as of the Project Start Date. The contribution may be discounted against any non-eligible uses of funds if significant.

Total Sources of Funds: \$1,333,333

The project funds will support the following uses:

USE CATEGORY	USE DETAIL	AMOUNT
Intellectual Property	Counsel, agents, legal, and administrative fees	\$100,000
Inventory	Components for Haloband 1.0	\$100,000
Machinery & Equipment	Lab equipment, lab supplies and computer equipment	\$133,333
Research & Development	Development Salaries for Haloband 2.0	\$500,000
Sales, General & Administrative Expenses	Marketing and Operating Expenses	\$500,000

Note: Salary and benefits for Daniel Graystone and travel expenditures are not an eligible use of project funds.

Total Uses of Funds: \$1,333,333

DISBURSEMENT OF LOAN PROCEEDS

Funding Percentage	Allowable Project costs will be funded on a 75%/25% basis between the loan proceeds and the Borrower's required contribution.
Payment Requests	Loan draws will be limited to one (1) request each month.
Project Status Reports	Project status reports will be required as a condition to disbursement.
Evidence to Support Use of Funds	Evidence to support that loan proceeds were used for an approved project purpose will be required within 90 days of disbursement of funds or prior to additional requests for disbursements, whichever comes first.
Documentation of Additional Sources of Funds	Borrower's contribution may be required to be funded at closing and the Borrower may be required to provide support the required contribution is available or has been spent prior to closing or subsequent disbursement of funds.
Disbursement Milestones	Release of loan proceeds may be subject to disbursement milestones. See Funding Milestones below.

FUNDING MILESTONES

The loan will be disbursed in tranches according to the following funding milestones.

MILESTONE CATEGORY	MILESTONE REQUIREMENT	Funding Tranche and Milestone Deadlines	MAXIMUM AMOUNT TO BE DRAWN
Equity Raise	Raise Series A funding round of at least \$500,000.	Tranche 1 (1 st Draw of Funds)	\$0
Sales Contract	Enter into at least one (1) sales contract for the purchase of 1,000 Halobands	Tranche 1 (1 st Draw of Funds)	\$400,000
Sales Contract	Enter into one (1) new sales contract for additional 1,000 Halobands™	Tranche 2 (8/1/2015)	\$0
Product Development	Complete successful Beta Testing of V 2.0 release	Tranche 2 (8/1/2015)	\$200,000
Sales Contract	Enter into on new sales contract for additional 2,000 Halobands™	Tranche 3 (10/01/2015)	\$0
Distribution Agreement	Sign new distribution agreement with major distributor of gaming devices.	Tranche 3 (10/01/2015)	\$200,000
Sales Contract	Enter into one (1) new sales contract for additional 5,000 Halobands™ units.	Tranche 4 (12/31/2015)	\$0
Product Development	Complete product release of Haloband Technology 2.0.	Tranche 4 (12/31/2015)	\$200,000

COLLATERAL AND SECURITY

Project Collateral	First priority lien and security interest in all assets of the company. ¹
Demand Deposit Control Agreement	A Demand Deposit Control Agreement is required at the Borrower's financial institution for the deposit lien on financial accounts.
Key Man Life Insurance	Key man life insurance with a face amount of \$1,000,000 will be required on Daniel Graystone. The policy must be assigned to the Director of Development Services Agency as beneficiary.

¹ All assets of the Borrower, shall include, but not be limited to all equipment, fixtures and personal property of every kind and nature, goods, inventory, documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), software, all Copyrights, Trademarks and Patents, commercial tort claims, stock rights, money, accounts, accounts receivables, deposit accounts, and any other contract rights or rights to the payment of money; and all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to DSA from time to time with respect to any of the foregoing.

Subordination of Existing Debt and Intercreditor Agreements	Loan will require subordination from current investors and an Intercreditor Agreement will be required.
Intellectual Property Security Agreement Assignments	The company shall execute an Intellectual Property Security Agreement in the form provided by DSA. All Intellectual property owned or developed by the company is subject to lien and assignment to the Development Services Agency.
Intellectual Property Pledge and Conditional Assignment	Assignments by the inventors may be required. ² Caprica University must execute a Pledge and Conditional Assignment of the licensed intellectual property in the required form acceptable to the Director.
Intellectual Property Escrow	Source code will be required to be held in escrow at Borrower's expense and updated quarterly and concurrently with each version and sub-version release. Iron Mountain shall serve as agent for DSA.

PRELIMINARY COVENANTS

Loan and Transaction Review	The company will participate in a loan and transaction review with a member of DSA staff or an appointed outside contractor at least once annually or as DSA determines as is necessary.
Salaries and Bonus Limitations for Managing Members or Shareholders	Salaries for managing members or managing shareholders may not be increased by more than 10% in the aggregate while the loan is outstanding unless an equal payment is made to the outstanding principal balance. Bonuses paid to managing members or shareholders may not exceed 10% of the individual base salary unless an equal payment is made to the outstanding principal balance. Bonuses may not be paid during years of negative or flat sales growth unless an equivalent payment is made to the outstanding principal balance.
Maintain Ohio Operations	Borrower will maintain operations in Ohio throughout the term of the Loan. If Borrower leaves Ohio, DSA will have the right to accelerate the remaining balance due immediately.
Dividend Repayment	Pay, issue, or otherwise make any dividends or distributions to its equity holders while the loan is outstanding, if applicable.
Cross Payment and Cross Acceleration Defaults	Cross payment defaults and cross acceleration with all other Borrower debt agreements.
Pre-Closing Financial Reporting Requirements	Financial Statements: Monthly, Company prepared within 30 days of month-end. Bank Statements: Monthly, within 30 days of month-end. Any material change of the Borrower's operations or adverse change in financial condition may require additional review.
Post-Closing Reporting Requirements	Annual Financial Statements: CPA Reviewed within 90 days of the end of the fiscal year. Quarterly Financial Statements: Company prepared within 30 days of each calendar quarter end. Financial Projections and Assumptions: Quarterly within 30 days of each calendar quarter end. Capitalization Table: To be updated no less than quarterly in the DSA required format. Business Update and Summary: To be updated no less than quarterly. Intellectual Property: Semi-Annually or concurrently with each version/sub-version release. Metric Report: To be updated no less than Semi-Annually (Job creation and Follow on Investment).
Electronic Payments	Borrower will authorize DSA to electronically debit scheduled payments.
Repayment of Shareholder or Related Party Notes/Loans	DSA will require the subordination and prohibition against the repayment of all shareholder or related party notes and loans for the term of the loan.
Landlord Waiver	A landlord waiver must be executed at each location when the business does not own the property the assets and security reside within.
Additional Legal and Financial Covenants	Final transaction terms are subject to the Director of Development Services Agency. Additional financial and legal covenants may be required and included prior to closing.

Additional covenants may be included during the closing of the loan and the transaction is subject to final terms acceptable to the Director of Development Services Agency.

² The company has rights to 1 provisional patents pending, 1 trademark applications pending, 2 copyrights, and 5 domain names have been acquired.

FEES AND COSTS PAYABLE BY THE BORROWER

- Borrower will pay costs to escrow source code
- No processing fee
- No commitment fee
- No closing costs and expenses paid to the State of Ohio for closing the loan.
- Borrower will retain and pay fees of Borrower's counsel to complete the closing of the loan.
- No application fee
- No monthly servicing fees

OTHER CONDITIONS TO CLOSING AND FUNDING OF THE LOAN

- Any material change or deterioration of the Borrower's financial position must be disclosed prior to loan closing and may require additional approvals.
- All other financing sources and terms of the Project must be identified and acceptable to the Director.
- All sources and terms of match financing must be acceptable to the Director.
- Borrower shall execute and deliver loan and collateral documents, satisfactory, in form and substance, to the Director and its counsel.
- Borrower shall furnish to the Director at Borrower's cost customary loan closing documents and items, including, without limitation, insurance certificates, legal opinion letter, landlord waiver, certificate of good standing, authorizing resolutions and copies of organizational documents of Borrower, Project cost certificates and plans and specifications for the Project, and , if applicable, real estate documents including title insurance, environmental site assessment and survey, all in form and substance satisfactory to the Director.
- Transactions approved by the Ohio Third Frontier Commission are subject to Final Terms acceptable to the Director.
- The Borrower will affirm that none of its investors, shareholders, board members, or management are appointees of the Ohio Third Frontier Commission or the Ohio Third Frontier Commission Advisory Board.

INDEMNIFICATION

Borrower shall defend, indemnify and hold the Director and any officials of the State and anyone assisting the Director with respect to the loan harmless against any and all loss, cost, expense, claims or actions arising out of or connected with the loan, regardless of whether or not the loan closes or disbursement of loan proceeds actually occurs.

GRAYSTONE TECH, INC.
(CAPRICA COUNTY, OHIO)
\$1,000,000 COMMERCIAL ACCELERATION LOAN FUND

SCHEDULED PAYMENTS

Month No.	Estimated Revenue	Payments	Cumulative Paid	Remaining Balance
1	\$ -	\$ -	\$ -	\$ 2,000,000
2	\$ -	\$ -	\$ -	\$ 2,000,000
3	\$ -	\$ -	\$ -	\$ 2,000,000
4	\$ 27,083	\$ 1,400	\$ 1,400	\$ 1,998,600
5	\$ 27,083	\$ 1,400	\$ 2,800	\$ 1,997,200
6	\$ 27,083	\$ 1,400	\$ 4,200	\$ 1,995,800
7	\$ 27,083	\$ 1,400	\$ 5,600	\$ 1,994,400
8	\$ 27,083	\$ 1,400	\$ 7,000	\$ 1,993,000
9	\$ 27,083	\$ 1,400	\$ 8,400	\$ 1,991,600
10	\$ 27,083	\$ 1,400	\$ 9,800	\$ 1,990,200
11	\$ 27,083	\$ 1,400	\$ 11,200	\$ 1,988,800
12	\$ 27,083	\$ 1,400	\$ 12,600	\$ 1,987,400
13	\$ 27,083	\$ 1,400	\$ 14,000	\$ 1,986,000
14	\$ 27,083	\$ 1,400	\$ 15,400	\$ 1,984,600
15	\$ 27,083	\$ 1,400	\$ 16,800	\$ 1,983,200
16	\$ 83,333	\$ 4,200	\$ 21,000	\$ 1,979,000
17	\$ 83,333	\$ 4,200	\$ 25,200	\$ 1,974,800
18	\$ 83,333	\$ 4,200	\$ 29,400	\$ 1,970,600
19	\$ 83,333	\$ 4,200	\$ 33,600	\$ 1,966,400
20	\$ 83,333	\$ 4,200	\$ 37,800	\$ 1,962,200
21	\$ 83,333	\$ 4,200	\$ 42,000	\$ 1,958,000
22	\$ 83,333	\$ 4,200	\$ 46,200	\$ 1,953,800
23	\$ 83,333	\$ 4,200	\$ 50,400	\$ 1,949,600
24	\$ 83,333	\$ 4,200	\$ 54,600	\$ 1,945,400
25	\$ 83,333	\$ 4,200	\$ 58,800	\$ 1,941,200
26	\$ 83,333	\$ 4,200	\$ 63,000	\$ 1,937,000
27	\$ 83,333	\$ 4,200	\$ 67,200	\$ 1,932,800
28	\$ 166,667	\$ 8,400	\$ 75,600	\$ 1,924,400
29	\$ 166,667	\$ 8,400	\$ 84,000	\$ 1,916,000
30	\$ 166,667	\$ 8,400	\$ 92,400	\$ 1,907,600
31	\$ 166,667	\$ 8,400	\$ 100,800	\$ 1,899,200
32	\$ 166,667	\$ 8,400	\$ 109,200	\$ 1,890,800
33	\$ 166,667	\$ 8,400	\$ 117,600	\$ 1,882,400
34	\$ 166,667	\$ 8,400	\$ 126,000	\$ 1,874,000
35	\$ 166,667	\$ 8,400	\$ 134,400	\$ 1,865,600

Month No.	Estimated Revenue	Payments	Cumulative Paid	Remaining Balance
36	\$ 166,667	\$ 8,400	\$ 142,800	\$ 1,857,200
37	\$ 166,667	\$ 8,400	\$ 151,200	\$ 1,848,800
38	\$ 166,667	\$ 8,400	\$ 159,600	\$ 1,840,400
39	\$ 166,667	\$ 8,400	\$ 168,000	\$ 1,832,000
40	\$ 333,333	\$ 16,700	\$ 184,700	\$ 1,815,300
41	\$ 333,333	\$ 16,700	\$ 201,400	\$ 1,798,600
42	\$ 333,333	\$ 16,700	\$ 218,100	\$ 1,781,900
43	\$ 333,333	\$ 16,700	\$ 234,800	\$ 1,765,200
44	\$ 333,333	\$ 16,700	\$ 251,500	\$ 1,748,500
45	\$ 333,333	\$ 16,700	\$ 268,200	\$ 1,731,800
46	\$ 333,333	\$ 16,700	\$ 284,900	\$ 1,715,100
47	\$ 333,333	\$ 16,700	\$ 301,600	\$ 1,698,400
48	\$ 333,333	\$ 16,700	\$ 318,300	\$ 1,681,700
49	\$ 333,333	\$ 16,700	\$ 335,000	\$ 1,665,000
50	\$ 333,333	\$ 16,700	\$ 351,700	\$ 1,648,300
51	\$ 333,333	\$ 16,700	\$ 368,400	\$ 1,631,600
52	\$ 666,667	\$ 33,400	\$ 401,800	\$ 1,598,200
53	\$ 666,667	\$ 33,400	\$ 435,200	\$ 1,564,800
54	\$ 666,667	\$ 33,400	\$ 468,600	\$ 1,531,400
55	\$ 666,667	\$ 33,400	\$ 502,000	\$ 1,498,000
56	\$ 666,667	\$ 33,400	\$ 535,400	\$ 1,464,600
57	\$ 666,667	\$ 33,400	\$ 568,800	\$ 1,431,200
58	\$ 666,667	\$ 33,400	\$ 602,200	\$ 1,397,800
59	\$ 666,667	\$ 33,400	\$ 635,600	\$ 1,364,400
60	\$ 666,667	\$ 33,400	\$ 669,000	\$ 1,331,000
61	\$ 666,667	\$ 33,400	\$ 702,400	\$ 1,297,600
62	\$ 666,667	\$ 33,400	\$ 735,800	\$ 1,264,200
63	\$ 666,667	\$ 33,400	\$ 769,200	\$ 1,230,800
64	\$ 1,145,833	\$ 57,300	\$ 826,500	\$ 1,173,500
65	\$ 1,145,833	\$ 57,300	\$ 883,800	\$ 1,116,200
66	\$ 1,145,833	\$ 57,300	\$ 941,100	\$ 1,058,900
67	\$ 1,145,833	\$ 57,300	\$ 998,400	\$ 1,001,600
68	\$ 1,145,833	\$ 57,300	\$ 1,055,700	\$ 944,300
69	\$ 1,145,833	\$ 57,300	\$ 1,113,000	\$ 887,000
70	\$ 1,145,833	\$ 57,300	\$ 1,170,300	\$ 829,700
71	\$ 1,145,833	\$ 57,300	\$ 1,227,600	\$ 772,400
72	\$ 1,145,833	\$ 57,300	\$ 1,284,900	\$ 715,100
73	\$ 1,145,833	\$ 57,300	\$ 1,342,200	\$ 657,800
74	\$ 1,145,833	\$ 57,300	\$ 1,399,500	\$ 600,500
75	\$ 1,145,833	\$ 57,300	\$ 1,456,800	\$ 543,200
76	\$ 1,166,667	\$ 58,400	\$ 1,515,200	\$ 484,800
77	\$ 1,166,667	\$ 58,400	\$ 1,573,600	\$ 426,400
78	\$ 1,166,667	\$ 58,400	\$ 1,632,000	\$ 368,000

Month No.	Estimated Revenue	Payments	Cumulative Paid	Remaining Balance
79	\$ 1,166,667	\$ 58,400	\$ 1,690,400	\$ 309,600
80	\$ 1,166,667	\$ 58,400	\$ 1,748,800	\$ 251,200
81	\$ 1,166,667	\$ 58,400	\$ 1,807,200	\$ 192,800
82	\$ 1,166,667	\$ 58,400	\$ 1,865,600	\$ 134,400
83	\$ 1,166,667	\$ 58,400	\$ 1,924,000	\$ 76,000
84	\$ 1,166,667	\$ 76,000	\$ 2,000,000	\$ -

SAMPLE
TERM
SHEET