

# **EQUIPMENT FINANCING TERMS SHEET**

**DATE:** January 11, 2024

**BORROWER:** Polar Dynamics Robotics, Inc., a Delaware corporation

**LENDER:** TechCredit Capital Partners, LLC

## **1. FINANCING TERMS**

### **1.1 Facility Amount**

Up to \$15,000,000 equipment financing facility to fund the acquisition of manufacturing equipment and robotics testing infrastructure.

### **1.2 Purpose**

To finance the purchase of:

- Automated PCB assembly lines
- Environmental testing chambers
- Precision robotics assembly stations
- Cold environment simulation units
- Quality control and testing equipment

### **1.3 Term**

48 months from the date of each equipment advance, with the facility available for draws over an 18-month commitment period.

### **1.4 Interest Rate**

Fixed rate of 7.25% per annum for each advance, calculated on the basis of a 360-day year.

### **1.5 Payment Structure**

- Monthly payments of principal and interest
- No prepayment penalty after month 24
- 2% prepayment fee if prepaid within first 24 months

## **2. ADVANCE REQUIREMENTS**

### **2.1 Advance Rate**

Lesser of:

- 85% of equipment cost
- 80% of appraised value

## **2.2 Minimum Draw**

\$500,000 per equipment advance

## **2.3 Documentation Requirements**

For each advance:

- Equipment invoice and specifications
- Vendor contracts
- Independent appraisal
- Evidence of insurance
- UCC lien searches
- Installation timeline and certification

## **3. COLLATERAL**

### **3.1 Primary Collateral**

First priority security interest in:

- All financed equipment
- Related software licenses
- Maintenance contracts
- Insurance proceeds
- Equipment warranties

### **3.2 Additional Collateral**

- Assignment of manufacturer warranties
- Equipment maintenance records
- Technical documentation
- Training materials

## **4. COVENANTS**

#### **4.1 Financial Covenants**

- Minimum Fixed Charge Coverage Ratio: 1.25x
- Maximum Total Leverage Ratio: 3.50x
- Minimum Liquidity: \$5,000,000

#### **4.2 Operational Covenants**

- Quarterly equipment inspections
- Annual appraisal updates
- Maintenance of equipment per manufacturer specifications
- Compliance with all environmental regulations
- Maintenance of required insurance coverage

### **5. CONDITIONS PRECEDENT**

#### **5.1 Initial Conditions**

- Board approval
- Executed loan documentation
- UCC-1 financing statements
- Insurance certificates
- Equipment schedule approval
- Environmental compliance certification

#### **5.2 Ongoing Conditions**

- No default or material adverse change
- Accuracy of representations
- Compliance with covenants
- Updated financial statements
- Equipment inspection reports

### **6. FEES AND EXPENSES**

#### **6.1 Origination Fee**

00% of facility amount, payable at closing

## **6.2 Unused Line Fee**

50% per annum on unused portion of commitment

## **6.3 Other Fees**

- Documentation fee: \$25,000
- Appraisal fees: At cost
- Filing fees: At cost
- Late payment fee: 5% of amount due

## **7. REPRESENTATIONS AND WARRANTIES**

Standard representations and warranties for equipment financing, including:

- Corporate existence and authority
- Equipment ownership and condition
- Intellectual property rights
- Environmental compliance
- Insurance coverage
- Tax matters
- Regulatory compliance

## **8. EVENTS OF DEFAULT**

Standard events of default, including:

- Payment default
- Covenant breach
- Material misrepresentation
- Cross-default
- Bankruptcy or insolvency
- Material adverse change
- Change of control

## **9. GOVERNING LAW**

This Terms Sheet shall be governed by and construed in accordance with the laws of the State of

Delaware.

## **10. NON-BINDING PROVISION**

This Terms Sheet is not a commitment to lend and does not create any binding obligations on either party, except for the confidentiality provisions herein. Any commitment to provide financing will be subject to formal credit approval, satisfactory due diligence, and execution of definitive documentation.

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ACCEPTED AND AGREED:

POLAR DYNAMICS ROBOTICS, INC.

**By:**

Name: Katherine Wells

Title: Chief Financial Officer

**Date:**

TECHCREDIT CAPITAL PARTNERS, LLC

**By:**

Name:

Title:

**Date:**