VENTURE LOANS AND LEASES FOR EMERGING GROWTH COMPANIES

ABOUT US

Today's entrepreneurs are driving technological advancements that will propel our society and economy and change the way we live. As a complement to equity financing, Bhagirath Capital & Venture Partners (BCVP) is a leading provider of venture debt—a smart financing option for innovative start-up companies seeking capital to grow their businesses while minimizing equity dilution.

The team at BCVP is made up of people that know what it's like to found a company, patent an idea, raise venture capital, and scale a business. "We personally invest our time, experience and resources — in addition to our capital — to help our portfolio companies succeed and accomplish their goals. We understand the early stage and emerging growth world and we are known to jump in and help out with a more than money approach when things don't go according to plan.

OUR ADVANTAGE

- **Valued Partner** - We are a lender with a reputation for helping out when plans are not achieved.
- **Solution Oriented** - We understand and address your specific needs with a creative financing solution.
- **Dedicated Experts** - We assign a dedicated expert to work with you at each stage of the process.
- **Efficient Process** - Our process is streamlined and efficient so you know exactly what to expect.
- **Strong Network** - We leverage our experience and network relationships to help you succeed.
- **Customer Priority** - You are our priority. We typically respond to customer requests in 24 hours.

WHAT IS VENTURE DEBT…?

Venture debt is an attractive alternative to equity capital for companies looking to extend the period between or eliminate financing rounds. Venture debt allows management teams and their capital partners the opportunity to minimize the dilution experienced in financing rounds while accessing critical capital.

Venture debt, also known as venture lending, refers to a variety of debt financing products offered to early and growth-stage venture capital-backed companies. Provided by technology banks and dedicated venture debt funds, venture debt generally consists of a three to four-year term loan or equipment lease.

When structured appropriately, venture debt can be an attractive financing option for the following reasons:

- It results in less equity dilution for entrepreneurs and investors.
- It does not require a valuation to be set for the business.
- Venture lenders may or may not require board seats.
- The due diligence process is typically less exhaustive compared to equity.

BENEFITS OF VENTURE DEBT

- **Fuel Growth –** Provide growth capital with minimal equity dilution.
- **Extend Runway –** Extend cash runway to achieve the next milestone.
- **Increase Valuation –** Bridges to next round of financing at a higher valuation.
- **Enhance Liquidity –** Strengthens balance sheet and enhances liquidity.
- **Structured Capital –** Achieves a more balanced and less costly capital structure.
- **Subordinated Debt –** Can be subordinated with senior bank debt.

WHEN TO RAISE VENTURE DEBT..?

There are several situations where venture debt is a smart financing option for entrepreneurs and their venture capital investors.

- **WITH EQUITY RAISE -** The best time to raise venture debt is concurrent with or immediately following an equity raise. Momentum is strong, diligence materials are in-hand, and cash is in the bank. Venture debt can augment a portion of the equity need and minimize equity dilution.

- **BETWEEN EQUITY ROUNDS -** Venture debt can extend the cash runway of a startup company to achieve the next milestone achievement prior to their next equity raise, resulting in a higher valuation and less equity dilution.

- **FUND LARGE CAPITAL EXPENDITURES -** Venture debt can help finance large capital expenditures without depleting the company's cash balance. Equipment leases can provide "just in time" financing to purchase assets as they are needed, and spread the payments out over a three to four-year period.

- **AS AN INSURANCE POLICY -** Venture debt can serve as an insurance policy to protect the company from potential mishaps or delays, thus eliminating the need for an emergency bridge round (or penalizing down round) and allowing the company to raise its next equity round once the company is back on track.

- **FUND TO PROFITABILITY -** Venture debt can bridge a company to profitability. This is a great use of debt as it propels the company forward during a critical period of growth and can completely eliminate the need for a final round of equity financing.

IMPORTANT VENTURE DEBUT TERMS

Below are some important venture debt terms for companies considering raising venture debt.

- The **loan size** should be determined by the amount of capital required and the amount of debt desired by the business.

- The **loan duration**, or **term**, typically consists of 24-48 months and often includes an interest-only period followed by an amortization period (which consists of principal and interest payments).

- The **interest rate** also referred to as the **run rate**, will determine the payments for the interest-only and amortization periods. Banks have a lower cost of capital and therefore provide lower rates than venture debt funds.

- The **final payment** (loan) or **option to purchase** (lease) should be taken into account as well as any **fees** during the application, legal or closing process.

- Many venture lenders request **warrants** to purchase company stock, typically calculated as a percentage of the loan amount.

- Any **covenants** (financial or non-financial) which could trigger a default should be carefully considered. Venture debt funds typically provide more flexible capital with less covenants than commercial banks.

- **Collateral** will be pledged as a security for repayment of the loan, and can include cash, inventory, company assets, or intellectual property.

All of these factors should be weighed against other financing alternatives available to the company when considering venture debt.

OUR APPROACH TO VENTURE DEBT FINANCINGS

BCVP invests alongside what we believe are leading venture capital firms who have the potential to be market leaders in their industry categories to provide technology-enabled companies with equity sensitive solutions to their capital funding needs. BCVP partners with management teams who develop products.