

**Term Sheet
Revolving Line of Credit (ARIF)**

[This is a form; please delete all brackets and replace/delete all text within the brackets. FOR ROLLOVERS, PLEASE TRY TO DISTINGUISH TERMS THAT ARE CHANGING BY **BOLDING** AND/OR *ITALICIZING*.]

_____, 20__

[Borrower Name]

[Borrower Street Address]

[Borrower City, State Zip]

Attention: _____

Dear _____,

We are pleased to consider a proposed loan to the [Borrower] ("Borrower") under the "Summary of Terms and Conditions" outlined below. As an exclusively values-first lender, grant-maker, and investor, RSF Social Finance is passionate about supporting nonprofit and for-profit social enterprises that have a deep commitment to social and environmental impact. This Term Sheet constitutes only a general, non-binding expression of interest on the part of RSF Social Finance or its controlled entity ("RSF"); this proposed loan is subject to RSF's credit and legal approval processes and is not intended to, and does not create, a legally binding commitment or obligation on the part of RSF.

Summary of Terms and Conditions

Borrower: [Borrower Name]
a [state of organization/incorporation] [non-profit 501(c)(_) corporation / C-/S-corporation / limited liability company]

[Guarantor:] [Guarantor Name (individual or entity)]

[Liability of Guarantor limited to \$_____ plus enforcement/collection costs incurred by RSF.]

Loan Amount: Up to \$_____

Purpose: [Refinance existing debt / Working capital]

Term: 12 months from closing date

Advances/Draws: Maximum of 2 draws per month of at least \$10,000 each.

Advance Rates: Advances will be limited to a "Borrowing Base", which is the total of the following (less any applicable reserves required by RSF):

75% of the unpaid face amount of all "Eligible Accounts Receivable", plus
50% of the lesser of cost or market value of "Eligible Inventory", subject to a sublimit of 40% of the total "Borrowing Base".

"Eligible Accounts Receivable" shall *exclude*:

- a. All receivables over 90 days from the invoice date.

- b. **Delinquent Customers:** All receivables from debtors (together with their affiliates) with more than 20% of their receivables being over 90 days from the invoice date.
- c. **Concentration Limit:** All receivables from debtors (together with their affiliates) that make up more than 20% of the total "Eligible Accounts Receivable", but only the amount over such percentage is excluded. [Other than _____, which shall be subject to a 40% threshold.]
- d. **Ineligible Receivables:** Affiliate transactions, contra-accounts, government receivables, foreign receivables [other than Canada], and conditional receivables (consignment and guaranteed sales)
- e. RSF's standard exclusions (including disputed receivables, pre-delivery receivables, and receivables from debtors in bankruptcy or that are otherwise un-creditworthy)
- f. **Additional exclusions may be added as part of RSF's approval and documentation processes.**

"Eligible Inventory" shall *exclude*:

- a. Encumbered inventory or inventory that is subject to third party claims.
- b. Obsolete goods no longer being marketed for sale or within 90 days of expiration.
- c. Goods on consignment.
- d. Inventory held without a landlord waiver or bailee agreement in favor of RSF.
- e. Dealer displays, packaging and labeling materials.
- f. Uninsured or in-transit goods.
- g. Work in progress [(other than _____)].
- h. **Additional exclusions may be added as part of RSF's approval and documentation processes.**

[NOTE THAT THE ABOVE IS FOR "ARIF" LINES, IF THE REVOLVING LINE PROVIDES FOR BORROWING AGAINST NON-ARIF ITEMS (GRANTS, EARNED INCOME, ETC.), THIS ENTIRE SECTION SHOULD BE MODIFIED IN CONSULTATION WITH CREDIT.]

Interest Rate:

A variable rate per annum equal to RSF Prime + __%, computed for the actual number of calendar days elapsed on the basis of a year consisting of 360 calendar days.

For reference, as of the date of this term sheet, RSF Prime is __% through the quarter ending _____, 20__. RSF Prime is the rate determined by RSF in consultation with RSF's community of borrowers and investors, which rate is adjusted quarterly and published at rsfsocialfinance.org.

Unused Line Fee:

A rate equal to 0.25% per month (30 days), accruing daily, shall be charged on amounts undrawn on this line of credit, due and payable monthly in arrears.

[DO NOT DELETE THIS ROW, IF THIS IS NOT BEING CHARGED, WRITE "Waived."]

Payment:

Variable monthly payments of interest due on the 15th day of each month, or the first business day thereafter.

Seasonal Clean Down: Borrower must repay in full all outstanding principal amounts, and maintain a zero balance, for each _____.]

- Collateral:** First position UCC-1 filing on all business assets.
- Other Collateral and/or Credit Enhancements:** [“SIF” Investment: A minimum of \$_____ in investments in RSF’s Social Investment Fund by Borrower/Guarantor to be pledged to, and under the control of, RSF.]
- [“SIF” Community Investment: A minimum of \$_____ in investments in RSF’s “Social Investment Fund” by Borrower’s community to be pledged in the form of a limited guaranty to, and under the control of, RSF.]
- [Cash/Investment Collateral Account: A cash/investment collateral account with a minimum of \$_____ at a commercial bank acceptable to RSF, to be pledged to, and subject to the control of, RSF.]
- Deposit:** A “good faith” deposit in the amount of \$_____ is required with this countersigned term sheet. At closing, this deposit will be applied in full to the Origination Fee and other fees and expenses due and payable by Borrower.
- If following RSF’s approval of the proposed loan, substantially in conformance with this term sheet, Borrower elects not to obtain such loan, the deposit will be retained in full by RSF as partial compensation for consideration of such loan. If RSF is unable to substantially meet the terms of this term sheet, the deposit will be refunded to Borrower less any out-of-pocket expenses incurred by RSF.**
- Fees and Expenses:** Origination Fee: [Up to 2%] of the Loan Amount
- [DO NOT DELETE, IF ANY FEES ARE NOT BEING CHARGED, WRITE “Waived.”]
- Processing Fee: \$1,000.00
- Reimbursable Expenses: All out-of-pocket costs incurred by RSF including outside legal costs, escrow fees, recording fees or charges, title insurance premiums, endorsement and other fees, mortgage recording taxes, credit check and background search fees, UCC and other lien search and filing fees, site visit expenses, and/or appraisal or field audit costs, as applicable, will be due and payable by Borrower at closing.
- Late Charge:** \$50 charge on each payment not received within 10 days of the applicable due date.
- Default Interest Rate:** Upon default, the then applicable Interest Rate shall increase by an additional 5%. Default includes but is not limited to any failure to make a payment when due.
- Early Termination Fee:** If Borrower terminates this line of credit prior to the maturity date, a fee equal to 2% of total Loan Amount will be due and payable.
- [DO NOT DELETE THIS ROW, IF THIS IS NOT BEING CHARGED, WRITE “Waived.”]

Financial Reporting:

1. Monthly accounts receivable aging, accounts payable aging and inventory reports due within 20 days after each month-end.
2. "Borrowing Base and Covenant Compliance Certificate" due within 20 days after each month-end.
3. [Quarterly/Monthly] financial statements (including balance sheet, income statement and cash flow statement) due within 20 days after each [quarter/month]-end.
4. [Audited/CPA reviewed] annual financial statements due within 120 days after year end.
5. [Filed IRS tax return due within 5 days after filing due date.]
6. Annual budget and financial projections due within 30 days after beginning of each fiscal year.
7. [Quarterly fundraising, pledge and donation reports due within 20 days after each quarter-end.]
8. [Annual personal financial statements of Guarantor due within 120 days after each year-end.]

Covenants:

RSF's standard covenants, including but not limited to the covenants listed below.

Negative Covenants:

1. Except in the ordinary course of business and subordinated indebtedness acceptable to RSF, no additional indebtedness or encumbrances/liens over \$_____ at any time without RSF's prior approval.
2. No capital expenditures over \$_____ in the aggregate in any fiscal year without RSF's prior approval.
3. [No distributions to principals or shareholders over \$_____ in the aggregate in any fiscal year without RSF's prior approval.]

Affirmative Covenants:

1. [**Debt Service Coverage Ratio.** Maintain a debt service coverage ratio equal to or greater than __.:1, measured at the end of each fiscal year as (a) EBITDA [*minus* taxes paid in cash / *minus* distributions] *divided by* (b) interest expense *plus* current portion of long-term debt.]
2. [**Liquidity / Minimum Cash Availability.** Maintain "cash availability" of at least \$_____, measured at the end of each month as the sum of all cash, cash equivalents and liquid investments, *plus* availability under this line of credit.]
3. [**Modified Unrestricted Liquidity.** Maintain "unrestricted liquidity" of at least \$_____, measured at the end of each month as the sum of all cash, cash equivalents, liquid investments, receivables and deferred revenue/tuition, *plus* availability under this line of credit.]
4. [**Maximum A/R Turnover Days.** Maintain an "accounts receivable turnover" of [65] days or less, measured at the end of each month as gross accounts receivable *over* average net sales income (after deducting all discounts, allowances, promotions, returns and similar items) for the trailing 12 months.]
5. [**Maximum Inventory Turnover Days.** Maintain an "inventory turnover" of [100] days or less, measured at the end of each month as the book value of all inventory *over* the cost of goods sold during the trailing 12 months, *divided by* 365.]
6. [**Debt to Capital Ratio.** Maintain a debt to capital ratio equal to or less than [0.75:1.00], tested at the end of each fiscal year as the total debt (including capital lease obligations) *over* total debt plus total equity (including common stock, paid in capital and retained earnings).]

As part of RSF's approval and documentation process, additional covenants (or material modifications to the covenants listed above) may be required; any such additions or modifications shall not affect the terms of the "Deposit" section above.

Events of Default:

RSF's standard defaults, including but not limited to non-payment, breach of covenant or agreement, inaccurate or false representations and warranties, failure to maintain non-profit status, fraud, judgments against Borrower, insolvency, bankruptcy, change of control, cessation of business, material adverse change in Borrower or collateral, defective collateralization, and defaults with respect to any other creditors and counterparties.

This loan shall be cross-defaulted with any other loans made by RSF to Borrower or its affiliates.

Conditions Precedent to Closing and Disbursement of Loan Proceeds:

1. Completion of RSF's underwriting, credit, due diligence and legal review and approval processes.
2. Site visit by RSF, at Borrower's expense.
3. Satisfactory field audit of the Collateral in favor of RSF and conducted by an unaffiliated third party acceptable to RSF, at Borrower's expense.
4. RSF must receive a landlord waiver, bailee letter and or similar agreement, in form and substance satisfactory to RSF, from the applicable landlord, bailee or other counterparty, with respect to each Collateral location.
5. All existing indebtedness secured by the Collateral must be, at RSF's option, subordinated or paid off at or prior to closing. All other indebtedness is subject to RSF's review, and RSF may require that such indebtedness is subordinated in priority and/or payment.
6. [Equity raise of at least \$_____. or One or more grants equal to at least \$_____ in the aggregate must be received by Borrower. or At least \$_____ of one or more subordinated loans must close and fund; such subordinated loans must be subordinated in priority and payment to this loan and mature after this loan.]
7. Borrower's completion of the RSF Social Impact Survey and the B Lab Assessment.
8. No material adverse change in Borrower or the "Collateral" set forth above following the date of this term sheet.
9. Execution and/or delivery of all loan and other documentation required by RSF, to be set forth on RSF's "Closing Documentation Checklist".

The above list of conditions precedent is a preliminary list, and will be updated as part of RSF's approval and documentation processes.

Expiration:

This term sheet expires on _____, 20__ if not accepted by Borrower.

In consideration of the time and expenses devoted and to be devoted by RSF with respect to this proposed loan, the "Deposit" and "Expenses" provisions of this term sheet shall be binding obligations of Borrower whether or not the subject financing is consummated. No other legally binding obligations will be created until a definitive agreement is executed and delivered by all parties. The term sheet is not a commitment to lend, and is conditioned on the receipt by RSF of all required internal approvals, and completion of due diligence, legal review and documentation that is satisfactory to RSF. The term

sheet shall be governed in all respects by the laws of the State of California, without regard to its conflicts of law provisions.

If the foregoing terms and conditions are acceptable to you, please indicate your acceptance by signing this letter where indicated below and returning to the undersigned together with payment of the "Deposit" set forth above. Please make check payable to [RSF Social Investment Fund, Inc./Rudolf Steiner Foundation, Inc. /RSF Social Enterprise, Inc.]

Very truly yours,

[Relationship Manager]
[Title]

ACCEPTED AND AGREED AS OF _____, 20__:

[BORROWER NAME]

By: _____
Name:
Title: