INVESTMENT COMMITTEE BRIEF · 02 AUGUST 2026

AMBER
CONDITIONAL GO

Venture Debt Term Sheet Summary

Term sheet dated
15 July 2026

Northstar Labs, Inc. | Pioneer Venture Bank

RECOMMENDATION

Proceed to documentation, subject to four conditions.

Preserve a minimum nine-month liquidity runway under the downside case; cap the MAC draw condition; add a 20-day equity-cure window; and narrow the IP security language to exclude ownership transfer.

DECISION BY
07 Aug 2026

OWNER
CFO / General Counsel

FACILITY	MATURITY	HEADLINE RATE
$5.0m	**36 mo.**	**10.0%**
Single term-loan tranche	12 months interest-only	Fixed; monthly cash pay

NET PROCEEDS	CASH FINANCING COST	WARRANT COVERAGE
$4.875m	**$1.246m**	**0.50%**
After fee and OID	Interest + fees; excludes warrant	Fully diluted at issuance

What matters most

TOPIC	ASSESSMENT	READ-THROUGH
● **Runway**	Extends base-case cash runway from Q1 2027 to Q4 2027 without an immediate equity round.	Strategically positive
● **Debt service**	Principal amortization begins in month 13, increasing annual cash debt service to roughly $2.9m.	Refinance risk rises early
● **Covenants**	$1.5m minimum cash plus 1.25× trailing-three-month revenue coverage, tested monthly.	Limited downside cushion
● **Draw certainty**	Material-adverse-change condition applies through funding, with broad lender discretion.	Must narrow before signing
● **Equity dilution**	0.50% warrant, subject to customary anti-dilution and a ten-year exercise period.	Price cap / cashless only

Conditions to approval

1	**Liquidity protection:** minimum cash covenant steps down to $1.0m after the company raises at least $8.0m of new equity.	CFO / Lender
2	**Draw certainty:** MAC condition limited to objectively measurable events with a material effect on repayment ability.	General Counsel
3	**Cure rights:** 20 days for reporting and revenue covenant breaches; equity cure permitted twice.	General Counsel
4	**IP collateral:** negative pledge plus springing lien only after an event of default; no ownership transfer.	CEO / Counsel

Scope: Summary of the indicative term sheet only. Definitive loan, security, warrant, and intercreditor documents may change the economics and risk allocation.

Core commercial terms

TERM	PROPOSED	INTERPRETATION
Borrower	Northstar Labs, Inc.	Parent guaranty; domestic subsidiaries join subject to agreed materiality threshold.
Lender	Pioneer Venture Bank	Sole lender and administrative agent; assignment rights subject to competitor restriction.
Commitment	$5,000,000	One funded term-loan tranche; no revolving availability.
Availability	Through 30 September 2026	One draw after satisfaction of closing conditions; unused commitment expires.
Use of proceeds	Growth and working capital	No acquisitions, dividends, or related-party payments without consent.
Interest rate	10.00% fixed	Actual/360; monthly in arrears; default rate is regular rate plus 5.00%.
Interest-only period	12 months	No principal payments through month 12; no automatic extension.
Amortization	24 equal monthly installments	$208,333 monthly principal beginning in month 13.
Maturity	36 months after funding	All principal, accrued interest, end fee, and other obligations become due.
Upfront economics	1.50% fee + 1.00% OID	$125,000 deducted at closing; estimated net funding of $4.875m.
End-of-term fee	2.00% of funded principal	$100,000 payable at maturity or upon earlier prepayment.
Prepayment premium	3% / 2% / 1%	Steps down on the first, second, and third anniversaries; waived for lender refinance.
Legal expenses	Borrower-paid; $50,000 cap	Cap excludes enforcement costs and third-party collateral work.

Illustrative repayment profile

PERIOD	PRINCIPAL	INTEREST	FEES	TOTAL CASH OUT
At funding	—	—	$125,000	$125,000
Months 1–12	—	$500,000	—	$500,000
Months 13–24	$2,500,000	$385,417	—	$2,885,417
Months 25–36	$2,500,000	$135,417	$100,000	$2,735,417
Total	**$5,000,000**	**$1,020,834**	**$225,000**	**$6,245,834**

Assumes funding of the full commitment, no default interest, no prepayment, equal monthly principal after the interest-only period, and no taxes or legal expenses. Rounding may cause minor differences.

CASH-COST BRIDGE

Interest over 36 months	$1,020,834
Upfront fee + original issue discount	$125,000
End-of-term fee	$100,000
Total contractual cash financing cost	**$1,245,834**

EXCLUDES

Warrant value, legal fees, unused commitment effects, taxes, default charges, and any prepayment premium.

Scenario sensitivity

CASE	EQUITY RAISE	LOWEST CASH	COVENANT HEADROOM	CONCLUSION
Base	Q2 2027 / $12m	$3.1m	$1.6m	Compliant throughout
Downside	Q4 2027 / $8m	$1.2m	($0.3m)	Breach in Aug 2027
Severe downside	No raise	($2.4m)	($3.9m)	Liquidity event in Jun 2027

Key implication. The debt extends runway, but it does not eliminate financing dependence. Management should begin the next equity process by January 2027, before principal amortization starts.

Financial and reporting covenants

REQUIREMENT	PROPOSED THRESHOLD	NEGOTIATION VIEW
Minimum unrestricted cash	$1.5m at all times; tested monthly	Seek step-down to $1.0m after qualified equity raise. Exclude trapped or lender-controlled cash from the numerator only if unavailable.
Revenue coverage	T3M recurring revenue $\geq 1.25\times$ next-three-month debt service	Request 20-day cure period and two equity cures during the term. Define recurring revenue consistently with board reporting.
Annual plan	Board-approved budget within 30 days of fiscal year-end	Accept, provided failure to approve does not itself create an immediate event of default.
Monthly reporting	Financials, compliance certificate, ARR bridge within 30 days	Operationally feasible; align non-GAAP definitions and materiality thresholds before closing.
Annual reporting	Audited statements within 120 days	Accept; allow 150 days for the first audit after closing.
Banking relationship	Primary operating accounts held with lender	Permit payroll, foreign, and payment-processor accounts subject to control-agreement thresholds.

Collateral and lender controls

Collateral package

- First-priority lien on substantially all domestic assets.
- Excludes equity in foreign subsidiaries above agreed tax limits, intent-to-use trademarks, and immaterial deposit accounts.
- IP subject to a negative pledge at closing; springing lien only after an uncured event of default.
- Deposit-account control agreements delivered within 30 days after closing.

Negative covenants

- Additional debt basket: $500,000 plus ordinary-course equipment financing.
- Acquisition basket: $1.0m annually while pro forma compliant.
- No dividends or equity repurchases, except tax distributions and employee repurchases up to $250,000 annually.
- Asset-sale basket: $500,000 annually, with proceeds reinvested or used to prepay.

Events of default and remedies

TRIGGER	CURE	COMMENT
Payment default	3 business days for administrative error	Standard; no cure for payment due at maturity.
Covenant breach	10 days, if curable	Seek 20 days for reporting and financial covenant breaches.
Cross-default	Other debt above $500,000	Increase to $1.0m and trigger only after acceleration, not mere default.
Judgment	Final judgment above $500,000, unstayed 30 days	Increase threshold to $1.0m; net of insurance coverage.
Insolvency	Immediate for voluntary action; 60 days for involuntary filing	Generally market; preserve board fiduciary flexibility.
Material adverse change	Immediate, lender determination	Delete as a standalone default; retain only as a narrowly defined funding condition.

Warrant economics

COVERAGE	EXERCISE PRICE	TERM / METHOD	PROTECTION
0.50% fully diluted	Lower of next-round price or current preferred price	10 years; cashless exercise permitted	Broad-based weighted-average anti-dilution only

OPEN DRAFTING POINT	REQUIRED POSITION
Cap table definition	Coverage fixed at issuance; no evergreen or automatic reset for option-pool increases.
Change of control	Cashless exercise or fair-value cash settlement; no double-dip with prepayment premium.
Information rights	Same confidentiality obligations as lender; terminate after warrant transfer to a non-affiliate.
Transferability	Affiliates and institutional transferees only; no competitor transfers without consent.

Concentration risk. The combination of a cash minimum, revenue coverage test, operating-account control, and a broad MAC clause gives the lender multiple paths to restrict liquidity. These provisions should be negotiated as one control package, not in isolation.

Priority risk register

LVL	RISK	POTENTIAL IMPACT	MITIGATION / OWNER
H	Draw certainty	Funding can be withheld after signing if the lender determines a broad MAC occurred.	Narrow definition; objective tests / GC
H	Downside liquidity	Base-case compliant, but downside case breaches minimum cash before the modeled equity round.	Raise earlier; covenant step-down / CFO
M	Refinancing wall	Amortization starts while the business remains cash-flow negative.	18-month IO fallback; pre-negotiate extension / CFO
M	IP remedies	Broad lien language could complicate future financing or strategic transactions.	Negative pledge + springing lien / GC
M	Effective cost	Warrant value and legal expenses are outside the $1.246m cash-cost estimate.	Independent warrant valuation / Finance
L	Rate exposure	Fixed rate avoids benchmark volatility throughout the stated term.	No action required

Negotiation scorecard

ISSUE	TARGET	WALK-AWAY	STATUS
Interest-only period	18 months	12 months	● **Open**
Minimum cash	$1.0m after equity raise	$1.5m with cure	● **Open**
MAC	Remove; objective funding reps	Narrow funding-only test	● **Escalate**
Warrant coverage	0.35%	0.50%; no resets	● **Open**
IP collateral	Negative pledge	Springing post-default lien	● **Open**
Prepayment premium	2% / 1% / 0%	3% / 2% / 1%	● **Acceptable**
Expense cap	$35,000	$50,000	● **Acceptable**

Closing plan

DATE	MILESTONE	DELIVERABLE / DEPENDENCY	OWNER
04 Aug	Internal alignment	Confirm negotiation mandate, downside model, and board observer position.	CFO / CEO
07 Aug	Term sheet mark-up	Deliver consolidated commercial and legal comments to lender.	General Counsel
11 Aug	Credit re-approval	Lender confirms revised covenant package, MAC, IP terms, and warrant cap.	Lender
14 Aug	Board consent	Approve debt, security, warrant, and related-party disclosures.	Corp. Secretary
21 Aug	Definitive documents	Complete loan, security, warrant, and account-control documentation.	Counsel
28 Aug	Funding	Satisfy closing conditions; receive at least $4.875m before expenses.	CFO

Pre-signing checklist

Commercial and finance

- ☐ Reconcile term sheet fees to funds-flow statement.
- ☐ Run monthly covenant model through maturity.
- ☐ Confirm equity-round timing and minimum raise size.
- ☐ Value warrant under base and upside scenarios.
- ☐ Confirm cash runway after legal and closing costs.

Legal and governance

- ☐ Validate board and investor consent thresholds.
- ☐ Review existing debt and negative pledges.
- ☐ Confirm IP ownership and permitted exclusions.
- ☐ Restrict lender and warrant transfers to competitors.
- ☐ Match cure periods across all documents.

FINAL DECISION RULE

Sign only if the four approval conditions on page 1 are reflected in the executed term sheet or an agreed issues list.

CURRENT READINESS

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