

coLABS Revenue Share Agreement
Term Sheet

Amount of Financing: \$115,000 USD, disbursed over tranches as described in "Funding Tranches"

Commented [AC1]: Sample investment amount for demonstration purposes.

Types of Investment: Revenue Share

Royalty: 5% of Borrower's Gross Revenues from all sources from operations, minus Permittable Offsets outlined below, delivered to Gray Matters Capital, Inc. ("GMC") in quarterly repayments.

Commented [AC2]: Exact revenue-share percentage determined per company based upon revenue growth projections over 3-5 years to reach a healthy return on investment for coLABS.

Initial Payment: Initial payment begins within 45 days of the earlier of:
a) the end of the first quarter in which the Borrower generates Gross Revenue of \$50,000; or
b) 12 months from investment date.

Commented [AC3]: coLABS is a portfolio under the legal entity (private operating foundation) Gray Matters Capital. coLABS does not have its own legal entity status; thus, the investment agreement will be with the Georgia-based foundation GMC.

Commented [AC4]: This is what we call a trigger amount, upon which revenue payments to coLABS will begin.

Permittable Offsets: Proceeds from: loans from commercial lenders, sales of securities, insurance claims, litigation settlements, customer refunds or reimbursements, write-off, and non-cash revenue from partners or joint ventures, from fiscal sponsors, charitable donations, and grants from local, state, federal, international, or other third parties.

Commented [AC5]: Items we do not consider as "revenue" and thus are not included in our revenue share.

Payment Schedule: Borrower shall make the Royalty Payments commencing from the Initial Payment until five (5) years from the Date of Initial Payment.

Commented [AC6]: Most of our revenue-share terms are for 5 years.

Commented [AC7]: The 5-year term begins from the date of first payment (once the trigger amount has been achieved), and not from the signing of this investment agreement.

Reporting Requirements:
1.) Monthly reporting template;
2.) Monthly calls with Gray Matters Capital, Inc, or as needed;
3.) Quarterly non-audited, non-GAAP statement of profits and losses;
4.) Advisory Board – monthly check in via phone or email with GMC's appointed Advisor and Quarterly virtual Advisory Board Meetings; and
5.) Annual audited financials.

Commented [AC8]: coLABS provides a specific reporting template to track operational and performance progress.

Commented [AC9]: Company financial statements – balance sheet, income statement and cash flow statement

Optional Conversion: If the Borrower closes an external equity financing totaling in aggregate at least \$500,000 ("Qualified Financing") Gray Matters Capital, Inc. shall have the option to convert all outstanding

Commented [AC10]: Negotiated discount in the event that GMC wants to convert this revenue-share investment into equity in the company if the company raises a round of at least \$500,000.

principal, minus royalties repaid, plus accrued interest at a rate of 6%, into the equity securities issued in the Qualified Financing at a 10% discount to the per share price. If equity securities are issued at more than one price in the Qualified Financing, Gray Matters Capital, Inc. shall convert at a 10% discount to the weighted average per share price of all equity securities issued in the Qualified Financing.

Right to Participate: Should the Investor convert to equity, the Investor shall have the right to participate in any future financings of the Company (whether debt or equity) on a pro rata basis.

Commented [AC11]: Explanation of GMC's right to participate in future fundraising rounds by the company, in the event that we convert to equity, as outlined above.

Expenditure Responsibility: Proceeds must be used to finance the expansion of the Borrower's activities, including the furtherance of its social mission. If there is any change to the Borrower's strategy affecting the sustainable and/or social goals of the Company, the outstanding amount under the Agreement may be called by the Investor.

Funding Tranches: **Tranche 1 - \$20,000;** disbursed upon completion of the following milestones:

- Signing of investment agreement
- Customer survey to find reliable drivers of customer satisfaction
- Submit names and profiles of 2 potential advisory board members
- 12-month plan / timeline

Commented [AC12]: coLABS disburses the investment amount based upon prior agreed upon tranches that track both operational AND performance milestones. The intention of the milestones is to focus the company on execution and drive towards revenue and impact growth.

Tranche 2 - \$30,000; disbursed upon completion of the following milestones:

- Regular submission of monthly reporting
- Formation of an Advisory Board with first virtual/conference call meeting
- X% customer growth rate
- 2 signed MOU's with paying partners
- Hire part-time sales support
- Signed agreement with content provider

The milestones should show your progress clearly and make necessary course corrections and pivots in your model more obvious for both the entrepreneur and us. The milestones and corresponding disbursement amounts are developed collaboratively with the entrepreneur and tailored to each company, based upon its growth projections and capital needs over the coming 12 months. We try to set as specific and clear milestones/targets as possible so that there is no ambiguity in achieving them (simple yes or no to unlock a disbursement of funding) and so that we are all on the same page with clear direction.

Provided are some examples of milestones; these are simply a sampling of some operational and performance milestones for a sample company.

Tranche 3 - \$45,000; disbursed upon completion of the following milestones:

- Submission of Monthly Reporting + Quarterly Financial Documents

- 2nd advisory board virtual/conference call meeting
- Recruit Key Full Time position
- List of targeted follow-on investors (up to 10).
- Identify Pipeline for Business Development/B2B Partnerships (up to 10)
- 2 new MOU's with paying partners
- \$XX in total revenues
- Launch online marketing campaign
- 2nd customer survey

Tranche 4 - \$20,000; disbursed upon completion of the following milestones:

- Submission of final report on operations, lessons learned, and impact
- Submission of Audited Financials
- 3rd advisory board virtual/conference call meeting
- x active users (x recurring)
- \$XX in total revenues
- Mobile App deployed
- Investor Pitch Deck created

**For the sake of clarity, the Borrower and GMC shall have the right to update the milestones for each of the Tranches specified above from time to time upon mutual written agreement.

Commented [AC13]: We know that things can change quickly with startups. We are willing to mutually agree upon updated milestones when necessary if that will help the company's growth and success. The intention of the milestones is not to be restrictive or force a company into a box; rather, it is to help the entrepreneur focus effort, pause if not able to meet a target, and anticipate needed pivots and adjustments to their model more quickly.

Due Diligence

Per our standard due diligence process, we will need to gather the following information from you prior to distributing the Agreement:

- Copies of the Company's formation & governing documents
- Full names of any Board members, managers, founders, & any key employees (for required Patriot Act check)
- Is there is any litigation pending against the Company? (Yes or No; if Yes, will need further information)
- Is the Company in good standing with the regulatory and tax authorities? (Yes or No; if No, will need further information)
- Organizational chart
- Latest financials and cap table
- List of all other investors / shareholders (if applicable)
- List of any debt instruments/bank lines with key terms (if applicable)

Expiration:

These terms will expire 15 days from offering.

Commented [AC14]: We seek to close investments quickly, within 30 days of our investment decision. Term sheets to be agreed upon within 15 days of issuing; subsequent investment agreement also to be signed within 15 days of offering.