Subordinated Debt: Summary of Terms

BabyBurgers LLC – A Completely Fictional Company

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DEVELOPED IN PARTNERSHIP WITH KATTEN MUCHIN ROSENMAN LLP:

This document was prepared with help from **Katten Muchin Rosenman LLP** ("Katten"). The founder of ASimpleModel.com has worked on control-equity, non-control equity and preferred equity investments with partners who are now at Katten for 10+ years. They have always been excellent to work with.

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BabyBurgers LLC

$17,000,000
SUBORDINATED SECURED NOTES

SUMMARY OF TERMS

THIS TERM SHEET IS FOR DISCUSSION PURPOSES ONLY AND IS NOT AN OFFER, AGREEMENT, OR COMMITMENT TO LEND. THIS TERM SHEET REFLECTS THE BANK'S PRELIMINARY INTEREST IN EXPLORING THE POSSIBILITY OF A CREDIT ARRANGEMENT AND WILL NOT BE BINDING ON THE BANK OR THE ADDRESSEE.

Issuer:	BabyBurgers LLC ("BabyBurgers" or the Company).
Guarantors:	All future and existing subsidiaries of Borrower. All future and existing subsidiaries of Borrower.
Purchaser:	Subordinated Lender
Purpose:	To finance the acquisition of BabyBurgers LLC.
Subordinated Notes:	$17,000,000 Subordinated Secured Notes ("Subordinated Notes") subject to a maximum 5.0x total gross leverage based on adjusted closing TTM EBITDA, with adjustments to be mutually agreed to by the parties. ➢ Maturity: Five years from closing.
Interest Rate:	12.0% per annum [*Advanced modeling option for ASM Reader: 10% current interest and 2% PIK.*]
Default Rate:	The Interest Rate will accrue at an additional two percent per annum during all periods in which the Company has failed to make payments or failed to pay the redemption price when due. The definitive documentation will set forth a Default Rate for the breach of other covenants in the definitive documentation.
Prepayment Protection:	Any voluntary or mandatory payments on the Sub Notes will be subject to a prepayment fee in the amount of: ➢ 3.0% prior to the first anniversary of the Closing Date; ➢ 2.0% prior to the second anniversary of the Closing Date; ➢ 1.0% prior to the third anniversary of the Closing Date; and ➢ None thereafter.
Senior Facility:	Borrower shall arrange a first lien credit facility including a revolving line of credit ("Revolver") and a senior term loan. The funded amount under the Senior Facility on the Closing Date shall represent a maximum of 2.5x senior leverage.
Information Rights:	Annual audited financial statements of Borrower shall be delivered within 120 days of fiscal year end; and

Quarterly company prepared financial statements shall be delivered within 45 days of each quarter end; and

Annual financial projections for Borrower shall be delivered within 60 days of fiscal year end; and

Notice of material litigation, material adverse effect, or event of default; and

Any information provided to equity holders.

Financial Covenants: The Note Purchase Agreement will include a gross total leverage covenant, a senior leverage covenant and a fixed charge covenant. The financial covenants for the Subordinated Notes will mirror the Senior Facility covenants.

Collateral: The Subordinated Notes will be secured by a second lien on substantially all assets of the Borrower and equity pledge of subsidiaries (collectively, the "Collateral").

Affirmative Covenants: The Note Purchase Agreement will contain affirmative covenants customary for transactions of this type, including, but not limited to, the following: (i) maintenance of existence, books and records, and customary insurance; (ii) monthly financial reporting with associated MD&A and typical information rights; (iii) further assurances with respect to the collateral; (iv) compliance with environmental laws, other laws, and agreements; and (v) newly formed subsidiaries to become guarantors and to grant liens and security interests on the Collateral.

Negative Covenants: The Note Purchase Agreement will contain negative covenants customary for transactions of this type, including, but not limited to, the following: (i) limitations on investments and the incurrence of additional indebtedness; (ii) limitations on distributions, dividends, and redemptions; (iii) limitations on the sale of assets and the use of proceeds; (iv) limitations on liens and security interests; (v) limitations on acquisitions above a certain size (TBD); (vi) limitations on amendments to the Senior Facility; (vii) limitations on capital expenditures above mutually agreed levels; and (viii) limitations on transactions with affiliates.

Reps and Warranties: The Note Purchase Agreement will contain representations and warranties customary for transactions of this type.

Events of Default: The Note Purchase Agreement will contain events of default customary for transactions of this type, including, but not limited to, the following: (i) failure to make principal or interest payments when due; (ii) failure to satisfy any financial, affirmative, or negative covenant in the Note Purchase Agreement or any other transaction document; (iii) breaches of representations and warranties; (iv) the bankruptcy or insolvency of the Borrower; (v) judgments in excess of specified amounts; (vi) impairment of the Purchasers' liens and security interests; (vii) change of control; and (viii) the invalidity of any transaction document.

Board of Directors:	Purchasers shall have the right for one person to attend board meetings as a board observer and receive all information normally provided to directors.
Financing Fee:	2.0% of the face value of the Subordinated Notes.