

# Glossary of Debt Terms (I/II)

## Loan Terms & Structural Features

- **Uncommitted Accordion:** An optional feature that allows the borrower to increase the total loan commitment in the future, subject to lender approval.
- **Availability Period:** The time window during which the borrower can draw down funds under the loan agreement.
- **Bullet:** A structure where the entire principal is repaid in a single lump sum at maturity rather than through installments.
- **Amortisation:** Repayment of principal in regular installments over the life of the loan, reducing the outstanding balance over time.

## Interest & Return Mechanics

- **Interest-only Period:** A phase during which only interest payments are due, with principal repayment starting later.
- **Cash Interest:** Interest paid periodically in cash throughout the loan term.
- **PIK Interest:** Interest that accrues and is added to the loan balance instead of being paid in cash.
- **Minimum Return:** The lender's guaranteed minimum return on the loan, regardless of early repayment or refinancing.

## Fees & Upfront Economics

- **Arrangement Fee:** A one-time fee paid to the lender or arranger for structuring and setting up the loan.
- **OID (Original Issue Discount):** A discount on the loan's face value that effectively increases the lender's yield at issuance.
- **Commitment Fee:** A fee charged on the undrawn portion of a committed facility, compensating the lender for holding capital available.
- **End of Loan Fee:** A fee payable at the loan's maturity, often used in venture or growth debt to boost lender returns.

# Glossary of Debt Terms (II/II)

## Prepayment & Exit Terms

- **Prepayment Fee:** A charge applied if the borrower repays the loan before maturity, protecting the lender's expected return.
- **Make-whole:** A clause ensuring the lender receives the full expected interest if the loan is repaid early.
- **Advance Rate:** The percentage of the underlying collateral value that the lender is willing to lend against.

## Covenants & Controls

- **Debt-to-ARR Covenant:** A ratio limiting total debt relative to Annual Recurring Revenue, used in SaaS or subscription models.
- **Debt-to-EBITDA Covenant:** A leverage covenant limiting total debt relative to EBITDA, ensuring manageable debt levels.
- **Minimum Liquidity Covenant:** A requirement to maintain a specified minimum cash or liquidity buffer during the loan term.
- **Board Observer Rights:** Rights allowing the lender to attend board meetings as a non-voting observer, enhancing visibility into company performance.

## Other Economic & Structural Provisions

- **Warrant Coverage:** The percentage of company equity offered to the lender as warrants, serving as an equity kicker.