

Xedia and Silicon Valley Bank: Questions

1. Should Xedia take out a bridge loan from Silicon Valley Bank?
 - a) What are the benefits or disadvantages to Xedia?
 - b) If you were Greylock, would you allow Xedia to take out this loan?
 - c) Does the bridge loan have any implications for the relation between Xedia and Greylock?

2. From a broader perspective, what do you think of Silicon Valley Bank's overall business model? Discuss what are the revenue drivers and uncertainties.

3. Silicon Valley Bank proposed the following key loan terms:
 - \$1.5 million at prime + .75%.
 - Bridge loan converting to revolving accounts receivable line of credit upon raising new equity.
 - First priority lien on corporate accounts receivable, inventory, and specific equipment (cross-collateralized with \$500,000 equipment line of credit).
 - Warrants to purchase \$45,000 worth of preferred stock at the most recent round's pricing (new round if completed; last round if not).
 - Minimum of \$5 million of new equity by 1/31/98 otherwise Xedia will be in violation of covenant terms.

From the perspective of SVB what do you think about these loan terms?