

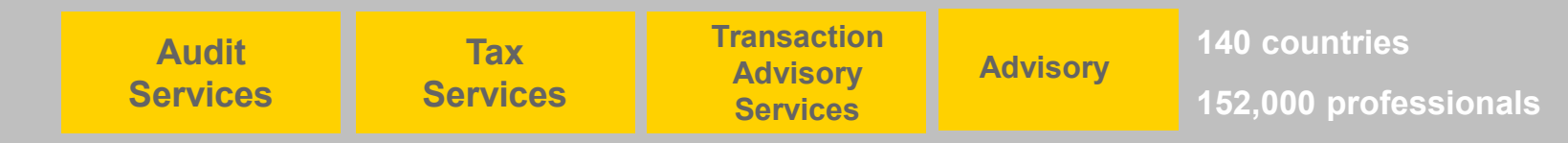


Raising Capital – Term Sheets

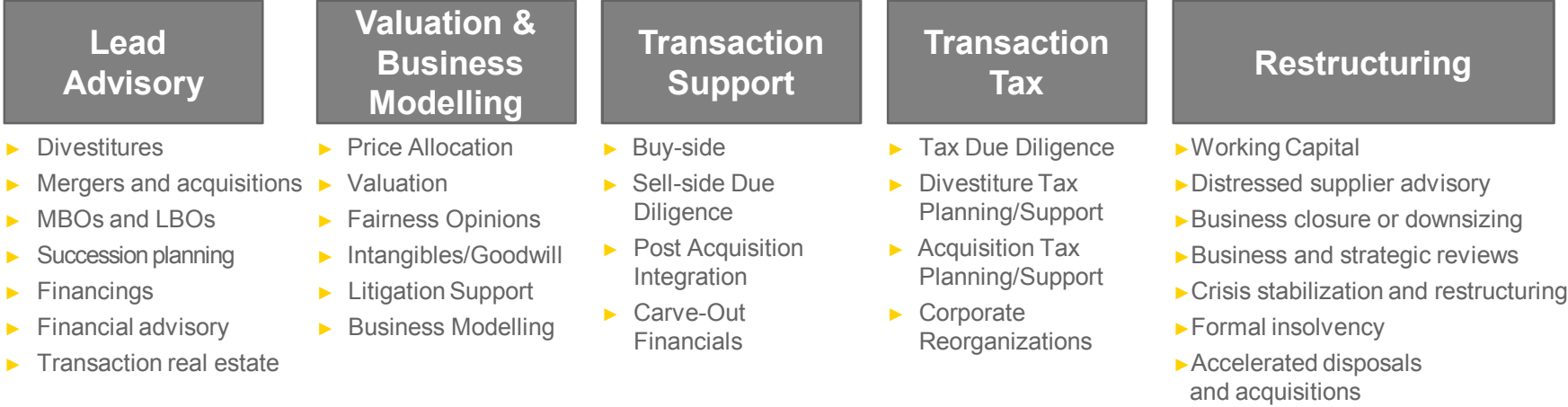
RIC Centre

Steve Lewis
Ernst & Young Orenda Corporate Finance Inc.

Overview of our Transaction Advisory Services



Canada



Over 300 transaction professionals across Canada

Transaction solutions

Strategy – type and source of Capital



- ▶ Critique your business
- ▶ Capital amount required
- ▶ Use of capital
 - ▶ Return on capital
- ▶ Appropriate type of capital
- ▶ Best sources for the capital
- ▶ Position your investment opportunity
 - ▶ Presentation based on critique
 - ▶ Mitigate investor/lender risks

Introduction to Term Sheets

TERM SHEET	
ABC Transportation Group, Inc.	
\$40 million Term Loan	
<small>(All amounts expressed in Canadian dollars unless otherwise indicated)</small>	
February 15, 2012	
BORROWER:	ABC Transportation Group, Inc. ("ABC" or the "Company") or an entity to be mutually agreed upon.
INVESTOR:	123 Bank (the "Lender").
PURPOSE:	To provide growth and working capital financing.
FACILITY:	The Lender shall provide the Borrower with a term loan in an amount of \$40 million (the "Loan"). Funding of the Loan shall be subject to the following parameters at closing: <ul style="list-style-type: none"> • Total funded debt, including the Loan, of approximately \$100 million representing approximately 7.5X the Borrower's EBITDA at the time of closing.
INTEREST:	Commencing on the closing date, the Loan will bear interest at a rate equal to 6% per annum.
FEE:	0.25% of the Loan to be paid at closing.
MATURITY:	The Loan is expected to mature three (3) years from commencement.
REPAYMENT:	Equal quarterly principal repayment over the term of the Loan.
COVENANTS:	Usual financial covenants.

- ▶ A Term Sheet is a non-binding agreement which outlines the conditions for a potential investment

Term Sheet Components

- ▶ Key components of a term sheet include:
 - ▶ Amount and type of instrument
 - ▶ Ownership
 - ▶ Interest rate
 - ▶ Repayment and maturity
 - ▶ Fees
 - ▶ Covenants or milestones
 - ▶ Any conditions precedent to funding
 - ▶ Any security requirements

Term Sheet Variations

- ▶ Term sheets vary by institution and their complexity is often determined by the underlying instrument, i.e. senior debt, subordinated debt, convertible debt, equity, etc.
- ▶ Preliminary indication of an investor's view on the sought financing
- ▶ Company should obtain as much information as possible from the prospective investor when negotiating the term sheet as this will allow for a smoother financing process

Prepare for the Process

- ▶ Company should put forward the type of deal desired
- ▶ Building financial models and forecasts complete with sensitivity analyses will allow for the development of an optimal capital structure
- ▶ Determine what is most appropriate for the company in light of current market conditions
- ▶ Solicit proposals from a select group of investors; no “shot-gun” approaches
- ▶ Explore options and get the best deal balancing pricing and flexibility

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