



Closing Documentation

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Closing Documentation Overview

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Closing documentation includes **equity** and **debt** legal documentation that needs to be completed for the deal to close

EQUITY DOCUMENTATION

DEBT DOCUMENTATION

Investment Process

Final Stage

Terms are **agreed** between all parties

Completion and **transfer** of ownership

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EQUITY DOCUMENTATION



Transfers ownership from the vendor to the new owner



Ensure all **legal issues** are handled ready for exchange



Agreements needed with regards to **governance** of the business

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DEBT DOCUMENTATION



Legal paperwork that covers the agreements between **lenders and the borrowers**



Pledges and security over the business by the lenders



Includes agreements **between lenders** in the **capital structure**

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Equity Documentation

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Equity documentation includes legal paperwork that **transfers ownership** from the vendor to the new owner and **rules on governance** of the business going forward

Articles of Association (AOA)

Articles of Incorporation

Certificate of Incorporation



Mandatory agreement entered between the portfolio company and its shareholders



Limited amount of information that the company/ shareholders **must disclose**

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Shareholder **Rights**

Shareholder Agreement (SHA)

Shareholder **Obligations**



A private agreement that **defines the relationship**



More flexible than an AOA and can include **nearly any provision**



SHAs define **control** and additional **economic rights**

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Shareholder Agreements

Multiple shareholders and vary from deal to deal



What each party is trying to ask for with regards to **control and economics**



Clear guidelines with regards to decision making around **key matters**



Shareholder agreements will also govern **how the business is managed**



Govern in what manner the **PE firm** is allowed to **exit the investment**

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Economic provisions typically included in the **AOA** will include:



Shareholding Structure

Outline the different **share classes**



Liquidation Preference

Dictates the **hierarchy** between **share classes**



Dividend Preference

Governs the entitlement of **dividend payments**



Good/Bad Leaver Provisions

Determines the appropriate **compensation** or **penalty**

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Control provisions typically included in the **SHA** will include:



Board of Director Provisions

Structure of Board,
and defines
voting rights



Board Deadlock Provisions

Appropriate
response
for when a
resolution fails



Share Transfer Restrictions

Purchase
existing shares
between
shareholders



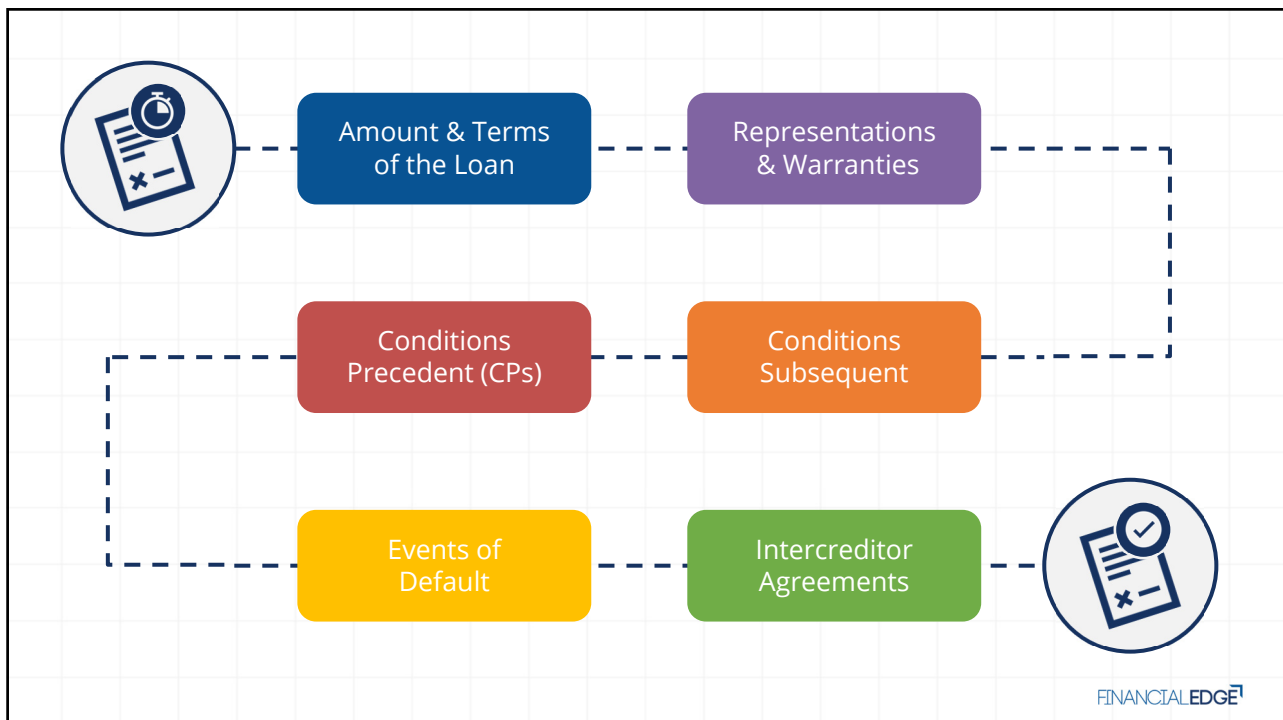
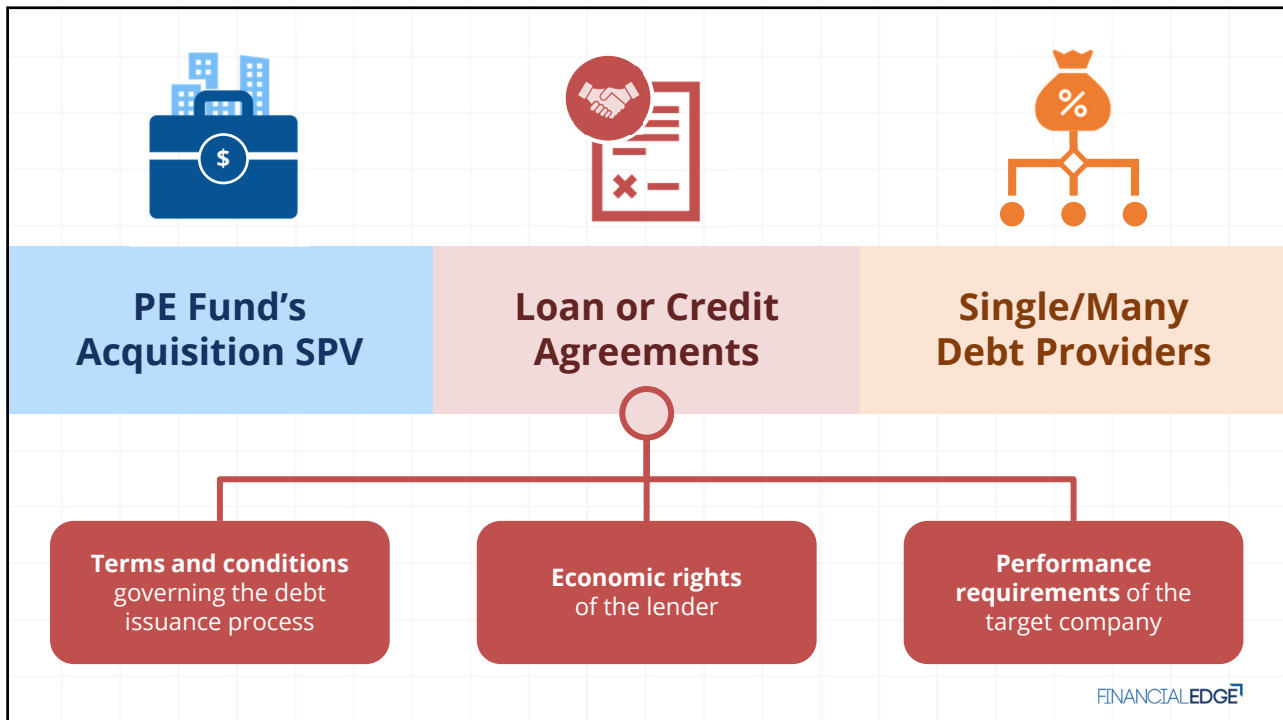
Drag/Tag Along Provisions

Introduce **new**
shareholders,
or **buy out**
existing ones

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Debt Documentation

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Amount & Terms of the Loan



Amount of capital lent



Interest rate



Fees associated with the loan



Amortization or repayment schedule



Collateral provided as security

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Amount & Terms of the Loan

Representations & Warranties

Conditions Precedent (CPs)

Conditions Subsequent

Events of Default

Intercreditor Agreements

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Representations & Warranties



Terminate the loan agreement



Organization being duly incorporated



Financial statements are correct



Describing the target company



Reasserted or re-checked at specific dates

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Amount & Terms of the Loan

Representations & Warranties

Conditions Precedent (CPs)

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Conditions Precedent (CPs)



Events that must be satisfied to proceed



Documentary CPs & Event CPs



Conditions to receive information



Actions to take place before the acquisition

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Amount & Terms of the Loan

Representations & Warranties

Conditions Precedent (CPs)

Conditions Subsequent

Events of Default

Intercreditor Agreements

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Conditions Subsequent



Outstanding conditions at closing



Borrower agrees to satisfy condition in the future



Failure will trigger an event of default



Filing regulatory documents



Appointment of new auditors

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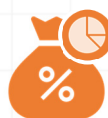
Conditions Subsequent



Key monitoring mechanism following lending



Thresholds of operating performance



Include interest coverage and debt-to-equity ratios

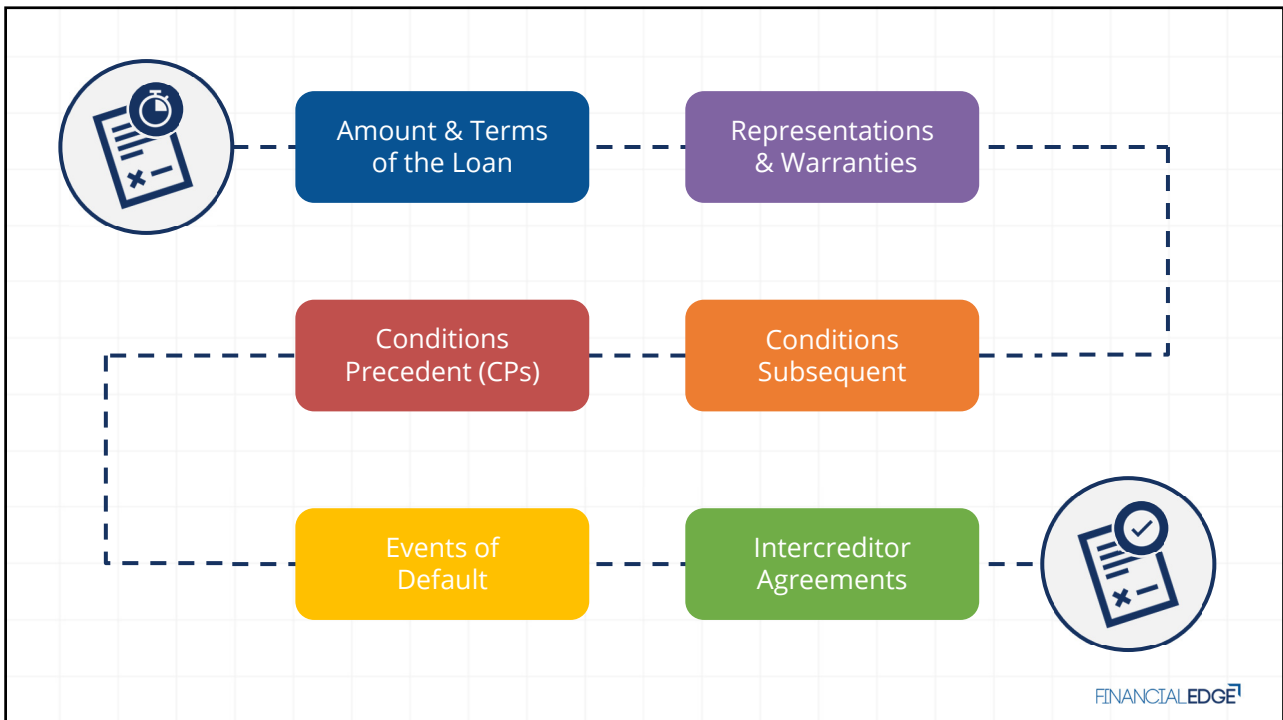


'General non-operating' & 'Business information'

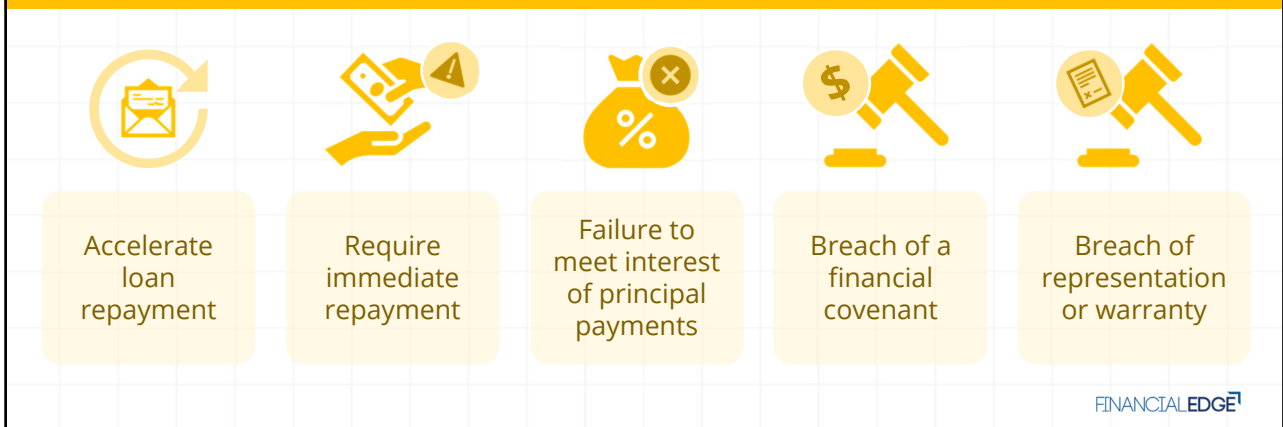


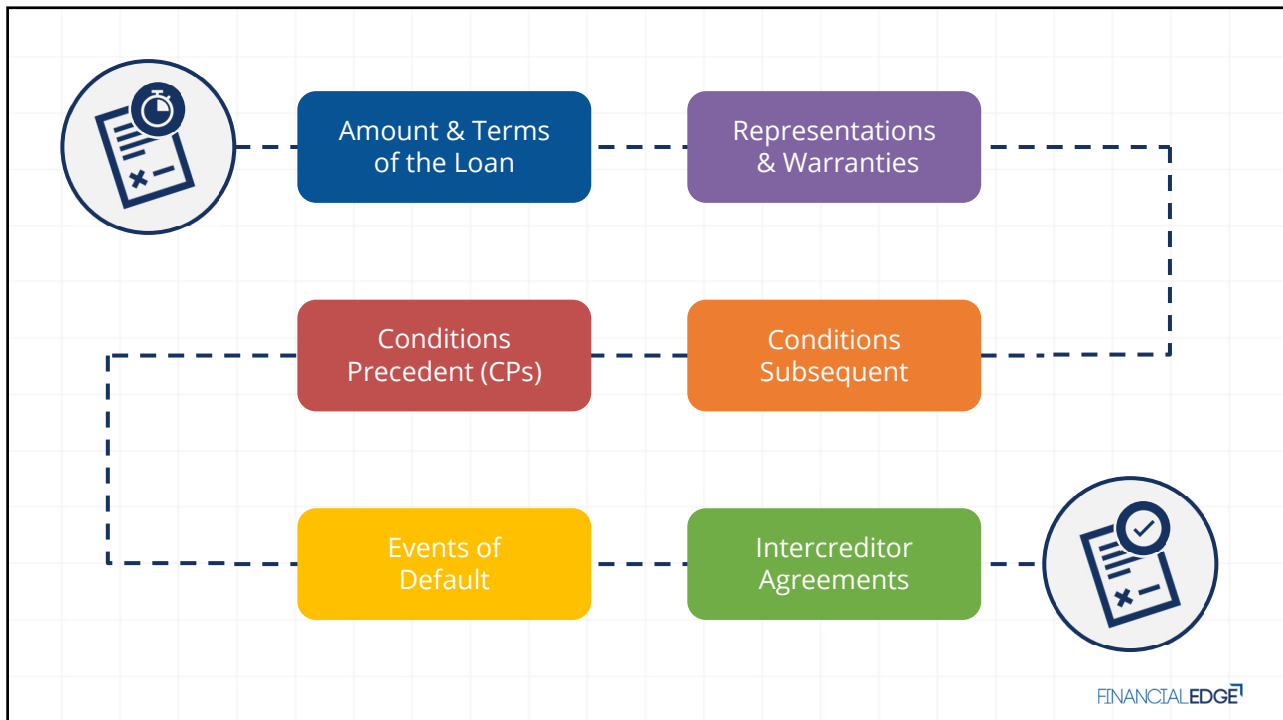
Covenants may be more or less comprehensive

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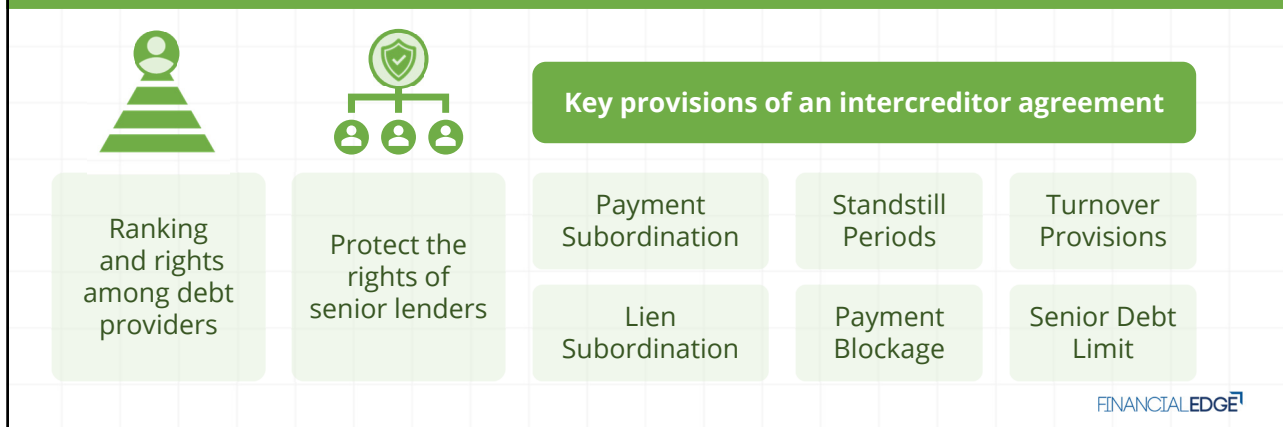


Events of Default





Intercreditor Agreements



Other Closing Documentation

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Other documentation that form part of the closing agreements and filings are:

Regulatory Filings



Anti-trust Filings



Board Approvals



Receipts & Records



Certificates



All Closing Documents

+

SPA

Closing Pack
Or Deal "Bible"

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