# FOR DISCUSSION PURPOSES ONLY

## Summary of Indicative Terms and Conditions

We are pleased to provide you with this Discussion Paper, reflecting our understanding of your financing requirements. The terms and conditions set forth herein are for discussion purposes only and may not be construed in any way to represent a commitment by to provide credit. This summary of indicative terms and conditions is for the Borrower’s use only and is provided on a confidential basis on the condition that it will not be disclosed to anyone other than its officers, directors, employees and professional advisors, and then only on a “need to know” basis in connection with the transaction contemplated, without first obtaining our written consent.

**Date:**

**Borrower:**

**Lender:**

**Purpose:** Facility (1): Provide Operating Loan to finance accounts receivables and inventory.

Facility (2): Finance the acquisition of property located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“The Lands”).

### Credit Facility Amount/Type: Facility (1): $$$ - revolving [demand/term] facility

Facility (2): $$$ - non-revolving term facility

**Interest Rates:** Facility (1): Prime plus \_\_\_%/annum

Facility (2): 1 Year (\_\_%/annum)

2 Year (\_\_%/annum)

3 Year (\_\_%/annum)

4 Year (\_\_%/annum)

5 Year (\_\_%/annum)

will guarantee this rate for 60 days from the date of this letter provided we receive an executed copy of this letter with the Commitment Fee before **(*insert proposed date)***, after which time the indicative rate is subject to change without notice.

**Repayment:** Facility (1): Interest only (monthly)

Borrowings under this facility are expected to revolve with operating requirements.

* \_\_% of Good Accounts Receivable; and
* to a maximum of $\_\_, \_\_% of the lesser of cost or net realizable value of Unencumbered Inventory

Facility (2): Fixed Rate (as outlined above)

1 Year: blended monthly payments of $\_\_\_\_\_\_\_\_.

2 Year: blended monthly payments of $\_\_\_\_\_\_\_\_.

3 Year: blended monthly payments of $\_\_\_\_\_\_\_\_.

4 Year: blended monthly payments of $\_\_\_\_\_\_\_\_.

5 Year: blended monthly payments of $\_\_\_\_\_\_\_\_.

**Maturity Date:** Facility (1): Annually

Facility (2): At Term Maturity

**Amortization:** Facility (1): NA

Facility (2): Up to 20 Years

### Security: Security for the Borrowings and all other obligations of the Borrower shall include *(common examples):*

* Business Operating Loan Agreement
* General Security Agreement
* Personal Guarantee and Postponement of Claim in the amount of $\_\_\_\_ made by \_\_\_\_\_\_\_ .
* Corporate Guarantee in the amount of $ \_\_\_\_\_\_ made by \_\_\_\_\_\_\_\_\_\_\_\_.
* 1st Mortgage and Assignment of Rents over the Lands in the amount of $\_\_\_\_.
* Any other security documentation reasonably required by or its Solicitors.

### Covenants: The Borrower covenants and agrees, while this agreement is in effect to provide with and abide by the following (*common examples – add/delete):*

* Annual Financial Statements [Accountant Prepared (Notice to Reader/Review Engagement/Audit)] for the Borrower [and Guarantor] within 90 days of Company’s Fiscal Year End.
* Annual forecasted Balance Sheet and Income and Cash Flow Statements from the Borrower, prepared on a quarterly basis for the next fiscal year.
* Monthly Borrowing Limit Certificate in the form of Schedule “---“, within \_\_\_\_ days of each month end.
* A copy of all signed lease agreements entered into by the Borrower with respect to the Lands, concurrent with the delivery of the Borrower’s Annual Financial Statements.
* Such other financial and operating statements and reports as and when Vancity may reasonably require.
* The Borrower will maintain a Current Ratio of \_\_\_ or better.
* The Borrower will maintain a Debt/Tangible Net Worth Ratio of \_\_\_\_ or better.
* The Borrower will maintain a Debt Service Coverage (”DSC”) of a minimum of \_\_\_\_ times. DSC is defined as \_\_\_\_\_\_\_.
* The Borrower will not declare or pay any dividends or bonuses without the prior written approval of Vancity.
* The borrower confirms compliance with all laws, regulations, orders and by-laws enacted for the protection of the environment.

**Additional Information Required:**

The following information is required in order to complete an assessment of your request, however additional information may be required as determined through the scope of analysis and complexity of the transaction ***(common examples – add/delete)***:

* 3 months Aging of Accounts Receivable/Accounts Payable
* Cashflow projections for the upcoming fiscal year
* Receipt and satisfactory review of the Commercial Appraisal with respect to the Lands.
* Receipt and satisfactory review of executed leases.
* Copy and satisfactory review of Phase 1 Environmental Report
* Confirmation of source of equity (downpayment)
* Other information to be determined

**Pre-disbursement Conditions:** All collateral and documentation held in good order.

### FEES

**Application Fee:** The Borrower shall pay to a commitment fee of **$\_\_\_\_\_.** This fee shall be deemed to have been earned and will be retained by as compensation for the time, effort and expenses incurred by in its review of documents and financial statements. This fee is to be forwarded to with an accepted copy of this Interest Letter. The fee is fully refundable in the event is unable to provide a commitment substantially in accordance with the terms outlined in this Interest Letter.

**Administration Fee:** The Borrower shall pay a monthly margining fee of **$\_\_\_\_\_.**

**Renewal Fee:** The Borrower shall pay an Annual Renewal Fee of 1/10% for authorized Credit Facilities.

**Legal Fees:** All legal costs, fees, expenses etc. incurred in establishing these credit facilities, preparation and maintenance of security and documentation are for the account of the Borrower.

Should you wish to proceed with this financing request, please sign and return a copy of this letter along with the Application Fee and the additional information requested by ***(insert date)***. This letter does not contain all the terms, which may appear in a Commitment Letter. This Letter of Interest is not to be construed as an offer or agreement to provide financing to you. It is an expression of interest on the part of

Yours truly,

LENDER

NAME

Representative

**ACCEPTANCE:**

Accepted this \_\_\_\_\_\_\_ day of the month \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 2004

**BORROWER:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Authorized Signatory Authorized Signatory

**PERSONAL/CORPORATE GUARANTORS:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name Name