

THE
LONDON MANHATTAN
COMPANY

FINANCING WHITE PAPER



Q&A FOR MATURE
COMPANIES
SEEKING
WORKING
CAPITAL

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I had the same lender for years, and now it wants me out. How can that happen?

This is happening frequently in the financial marketplace following recent disruptions resulting from the subprime debacle. Many lenders are making changes to their capital structures, and are laying off staff arising from losses in their portfolios. Others are entering or exiting particular lines of business in the finance marketplace, or are otherwise restructuring.

Lenders often want to be replaced when:

- the lender merges with another financial institution which changes its financing parameters;
- the lender decides to abandon entire industries, often due to losses in the sector;
- the lender raises its minimum lending limits, which makes the existing borrower's financing too small for the lender's portfolio; or
- the lender changes its banker in charge of the account, and borrower rapport suffers.

My company lost money last year. How can I get new financing now?

When a company is refinanced with new term debt (real estate and equipment), and new revolving debt (accounts receivable and inventory), historical trailing coverage is important to the new lenders. Even so, new financing can be obtained in the business credit markets when:

- the loss is obviated by use of a new financing structure;
- adequate collateral is available for new financing notwithstanding the loss;
- the loss appears to be an anomaly;
- the loss is caused by a nonrecurring extraordinary event; or
- the loss is mitigated by other operating factors.

LMC will be able to determine what new financing will likely be available following review of your financial package.

LMC's Document Request List is the last page of this White Paper. Please refer to it for the documentation LMC normally needs to evaluate your financing request.

I have already tried to find new financing. How can LMC find financing when I can't?

LMC is in daily contact with a broad universe of niche and specialty lenders who offer industry specific financing and specialized financing not available from money center banks. These lenders usually operate with a national footprint, and can normally lend in all 50 states (and in many cases, in Canada). Such lenders work closely with LMC because LMC determines the financial structure of the new financing and conducts all of the preliminary due diligence needed for the financing. This advance underwriting greatly increases the probability that the new financing will close. Such lenders also rarely consider debt requests coming directly from borrowers.

In most cases, we are able to focus on a specific set of lenders who will be highly interested in your financing. Our reputation for supplying deals that fit their lending criteria means that lenders respond rapidly to our requests for expressions of interest in a deal, shortening the time it takes to close the financing. Our selected lenders usually present you with more options on loan terms than you are likely to be able to develop yourself. For example, our lenders often provide more borrowing availability than a local bank on the same set of assets.

My bank's equipment appraisers say my equipment is worth less than the financing secured by it. How can I get new equipment financing now?

LMC has several special equipment finance programs that use their own equipment appraisers to evaluate collateral values. In addition, LMC often arranges credit enhancements for the equipment finance leg of the refinancings that it does for its clients, permitting the clients to qualify for much cheaper equipment financing. Finally, LMC has arranged a great many sale leasebacks of used equipment in conjunction with its recapitalization of mature operating companies. Refinancing the equipment leg of the recapitalization often produces the greatest debt service savings, because many companies acquire and finance equipment on an ad hoc basis, which results in an inefficient, expensive debt service structure.

I have an SBA loan, but I need more working capital. What can I do?

SBA financings (under the 7(a) and 504 programs) offer very good financing packages for relatively new businesses, including reduced down payment or equity requirements as compared to conventional financing. However, SBA takes a security interest in all company assets, which means the SBA financing must be paid off to arrange separate real estate, equipment and revolving debt facilities. LMC works with special lenders who refinance SBA borrowers with conventional programs offering up to 90% LTV on real estate.

How can I make my company's capital structure more efficient?

LMC often deals with three or four different lenders to recapitalize its clients, because that produces the most availability for the borrower, and the lowest aggregate debt service. Greater availability and lower debt service is possible because all of the lenders are specialists in their respective niches, allowing them to offer advance rates and pricing superior to that normally found in the market.

We have patents and Intellectual Property (IP) assets on our balance sheet. Can we borrow against them?

In many cases, you can. LMC has special programs which use IP assets currently producing revenues as collateral for new financing.

Is LMC a direct lender?

Except on a temporary basis, LMC does not act as a direct lender. Instead, we are an intermediary, locating the best deal we can find in the marketplace given your current financial situation.

What kind of fees will I have to pay to complete a financing?

You will pay fees to LMC and to the financing institution. LMC's fee is due at the closing of the financing out of proceeds. LMC charges no up-front fees. As a result, we perform a complete financial review of your situation at our own expense to determine whether or not we can arrange an effective financing for you. Our fees are determined by the type of financing. The terms of the financing (including all projected fees) we can arrange for you will be submitted to you in writing in the form of our Financial Options Report (please see sample) following our review of your package.

How long will it take to put a financing in place?

The amount of time to complete a financing depends wholly on your current financial situation and the type of financing which best meets your goals. LMC has completed some financings in as little as two weeks. The typical financing can be completed in approximately eight weeks.



THE LONDON MANHATTAN COMPANY

REPRESENTATIVE TRANSACTIONS

FOOD COMPANY

\$14,000,000
Revolving Credit Facility
\$4,000,000
Term Loan
\$19,000,000
Subordinated Debt

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EQUIPMENT RENTAL COMPANY

\$35,000,000
Revolving Credit Facility

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COMMERCIAL LENDER

\$20,000,000
Revolving Credit Facility

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HEAVY EQUIPMENT COMPANY

\$9,000,000
Revolving Credit Facility

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SPORTS APPAREL MANUFACTURER ACQUISITION

\$36,568,500

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NON PROFIT FOUNDATION

\$1,600,000
Real Estate Loan

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MEDICAL TECHNOLOGY COMPANY

\$3,750,000
Revolving Credit Facility
\$1,610,000
Equipment Loan
\$500,000
Capital Expenditure Line

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PLASTICS MOLDING COMPANY

\$1,000,000
Revolving Credit Facility

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CONSULTING COMPANY

\$7,000,000
Revolving Credit Facility

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ADDITIONAL TRANSACTIONS

MANUFACTURER OF FABRIC AND FIBERS

\$1,150,000
Real Estate and
Equipment Term Loan

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PRECAST CONCRETE COMPANY

\$1,200,000
Revolving Credit Facility

\$1,159,000
Equipment Term Loan

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BEHAVIORAL HEALTH NON PROFIT

\$5,000,000
Tax Exempt
Real Estate Loan

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WHOLESALE PRODUCE COMPANY

\$2,500,000
Revolving Credit Facility
\$10,000,000
Cash Flow Term Loan
\$2,000,000
Capital Expenditure Line

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CONCRETE PRODUCTS COMPANY

\$1,200,000
Equipment Loan
\$1,000,000
Real Estate Loan

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MANUFACTURER

\$5,000,000
Revolving Credit Facility

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SCAFFOLDING COMPANY

\$1,850,000
Revolving Credit Facility
\$1,350,000
Equipment Lease
\$300,000
Capital Expenditure Line
\$1,000,000
Subordinated Debt

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TOY WHOLESALE

\$1,350,000
Revolving Credit Facility

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BEVERAGE BOTTLER

\$10,000,000
Equity
\$12,000,000
Equipment Loan
\$7,000,000
Capital Expenditure Line

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ADDITIONAL TRANSACTIONS

SEAFOOD PROCESSING COMPANY

\$3,000,000
Revolving Credit Facility

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RESIDENTIAL MORTGAGE LENDER

\$10,000,000
Warehouse Line of Credit

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RETAIL HARDWARE AND LUMBER COMPANY

\$750,000
Revolving Credit Facility
\$250,000
Equipment Loan
\$550,000
Real Estate Loan

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DIRECT MAIL COMPANY

\$500,000
Revolving Credit Facility
\$660,000
Equipment Loan
\$1,500,000
Real Estate Loan

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TRUCKING COMPANY

\$4,200,000
Equipment Loan
\$800,000
Revolving Credit Facility

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APPAREL MANUFACTURER

\$3,000,000
Revolving Credit Facility
\$1,700,000
Equipment Term Loan

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BILLIARDS EQUIPMENT MANUFACTURING

\$1,100,000
Real Estate Bridge Loan
\$1,000,000
Revolving Credit Facility
\$350,000
Equipment Loan
\$1,000,000
Real Estate Loan

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FOOD SERVICE COMPANY

\$2,000,000
Subordinated Debt

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SPECIALTY LENDER

\$2,000,000
Revolving Credit Facility

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DOCUMENT REQUEST LIST

INITIAL DOCUMENT REQUEST LIST FOR PRIVATELY HELD COMPANIES

FINANCIAL DATA

- Financial statements for last 3 full years (audited if available).
- Corporate tax returns for last 3 full years.
- Current Year YTD financial statements.
- Most recent complete detailed A/R aging report.
- Most recent complete detailed A/P aging report.
- Most recent complete detailed inventory report.
- Latest borrowing base/loan availability report with current lender(s).
- Completed debt schedule outlining the terms of all business debts.
- Complete asset listings and/or depreciation schedules.
- 1 copy of the company's promotional literature.
- Complete copies of any real estate and/or equipment appraisals, which have been performed in the last five years.
- Resumes, financial statements and 3 years of personal tax returns for the owners.

If you have any questions please call Mr. Ron Giguere at (888) 859-6025.