PNC BUSINESS CREDIT

Sample Dividend Recapitalization

Revenue:	$80MM
EBITDA:	$10MM
Net Profit	$ 6MM
Cash Dividend	$40- 45MM*

* Private Equity backed companies obtain terms and conditions at the higher end of the estimated debt range compared to privately owned company without significant institutional ownership or secondary sources of liquidity.

ProForma Capitalization Table

Capital	**Amount**	**EBITDA Multiple**
Revolver:	$ 5 - 10.0MM	Undrawn
Senior Term:	$20 - 32.5MM	2.0 - 3.25x
Mezz Debt:	$ 10.0MM	3.0 - 4.25x
Total Drawn Debt	$35 – 42.5MM	3.0 - 4.25x
Total Committed Debt	$ 50.0MM	5.00x

Term & Conditions

Revolver	Borrowing Base ("BB") or Committee Capital BB – 85% eligible A/R; 20 – 60% advance eligible inventory Origination Fee: 25 Bpts – 1.0% Loan Spread: Libor + (2.0 – 4.5%). 0 – 1.25% Libor Floor Senior Lien / Non recourse Maturity 3-5 Years
Senior Term	Origination Fee: 25 Bpts – 1.0% Loan Spread: Libor + (3.0 – 6.5%). 0 – 1.25% Libor Floor Senior Lien / Non recourse Maturity 3-5 Years Amortization – (5% – 33% annually) Net cash flow recapture ("NCFR") – (0 – 75%) Maturity 3-5 years Prepayment subject to prepayment penalty. Discuss hybrid ABL vs. pure cash flow based financing Covenants: FCC, Net Worth, Max Leverage
Mezz Debt:	Origination Fee: 1.0 - 2.0% Loan Spread: Libor + (10-15%) e.g. 12%; PIK L + (0 – 3%) Ownership dilution / Warrant: (0-10%). Non recourse Lien – unsecured or second lien Maturity 4 - 5 years typical (6 months post senior). Amortization – Interest only NCFR – (0 – 75%) Prepayment subject to yield maintenance or prepayment penalty. Covenants: FCC, NW, Max Leverage (20% beyond Senior)

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Partial Equity Sale to ESOP

Representative Example

Details of the firm and assumptions

California C corporation

Revenue:	$ 80MM
Payroll Expense:	$ 15MM
EBITDA:	$ 10MM
Debt:	$ 10MM[1]
Equity:	$ 50MM[2]

Scenario: Shareholder need is for $15 million in liquidity

1) Reflects drawn debt from $ 15MM line of credit at 5% interest
2) Reflects enterprise value of $60MM based on 6x EBITDA multiple

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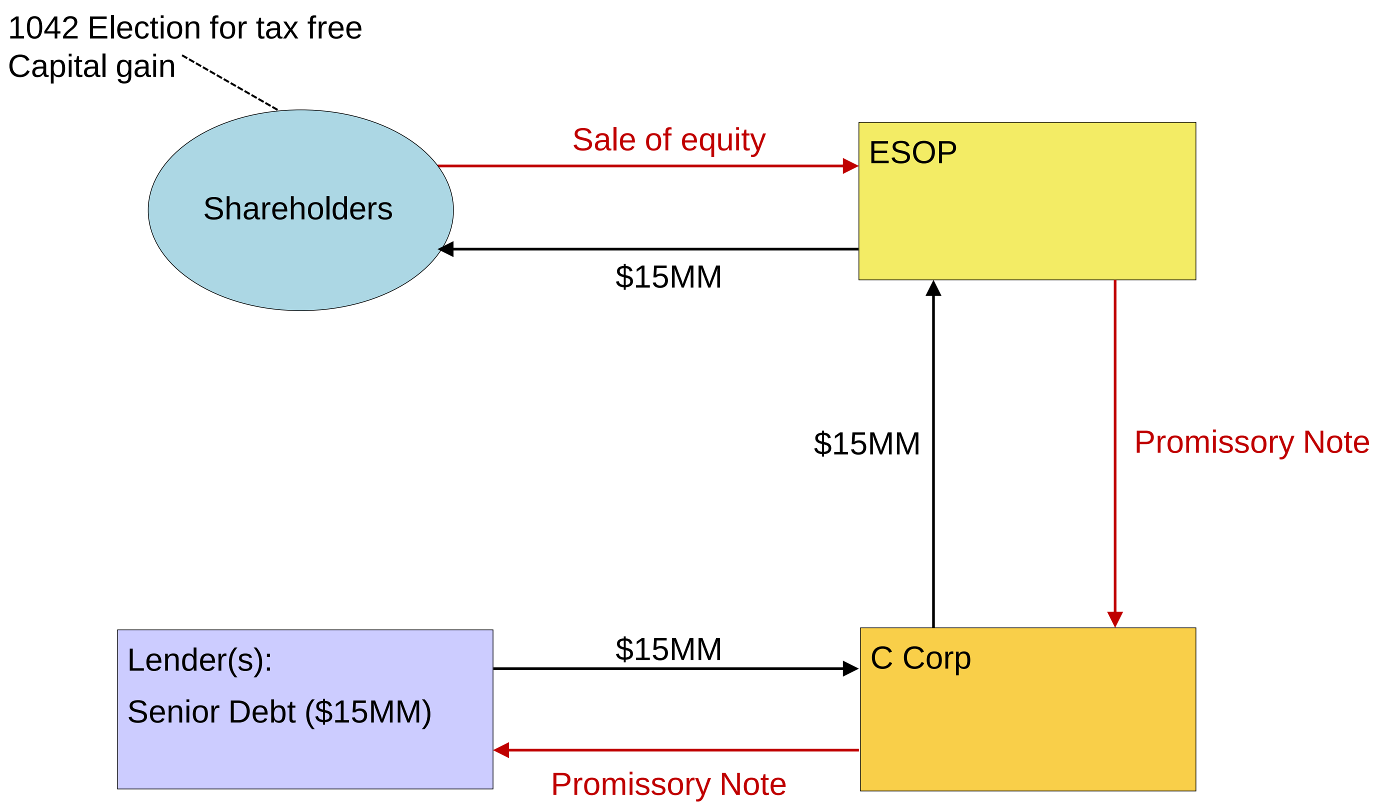
Transaction Structure Illustration

Leveraged ESOP Buyout



Note: Reflects additional senior debt of 1.5x EBITDA at 5%

Summary Comparative Tax Impact

Leveraged ESOP Buyout

Tax shield with ESOP

($ MM)

Income Statement	Amount
EBITDA	$10.0
Depreciation & Amortization	1.0
EBIT	9.0
Contribution to ESOP[1]	3.75
Interest[2]	0.5
Taxable income	**$4.75**

Tax impact without ESOP

($ MM)

Income Statement	Amount
EBITDA	$10.0
Depreciation & Amortization	1.0
EBIT	9.0
Interest[3]	1.25
Taxable income	**$7.75**

Contribution to ESOP includes tax-deductible interest and principal on ESOP debt

1) Assumes 25% of payroll expense
2) Interest on existing line of credit
3) Interest on existing line of credit & acquisition debt