



LETTER OF INTEREST
Private Equity Minority Investment 2

[date]

Mr. [_____]

[_____]

[_____]

[_____]

c/o Investment Bankers

[_____]

[_____]

[_____]

Via Fax: xxx-xxx-xxxx

Dear Mr. [_____]:

It has been a pleasure, albeit by conference calls, for us to get to know you and other senior managers of XYZ and your financial advisors at IBank. As our understanding of XYZ has increased, so has our enthusiasm about the Company's potential for growth opportunities. We are excited about helping you and the XYZ management team further develop and capitalize on its dominant market position. We feel that a financial investment by ABC ("ABC") combined with our contribution to the Company's strategic direction and management, will significantly enable XYZ to take full advantage of the opportunities in [_____]. ABC's proven role as a value added partner in the [_____] business will provide XYZ with the resources and market access to ensure maximizing value for all XYZ shareholders.

ABC is pleased to submit the following non-binding indication of interest pursuant to which ABC proposes to acquire approximately [___]% (the exact shareholding depending on the valuation as described in item 1 below) of the fully-diluted share capital of XYZ ("XYZ" or the "Company") with the expressed intent of continuing the successful operation and growth of the business that you have established in [_____]:

1. Based on the summary financial data presented in the Offering Memorandum dated [_____], we have developed a preliminary valuation range of XYZ from [___]x to [___]x LTM EBITDA, or approximately \$[_____] million to \$[_____] million based on \$[_____] million EBITDA for [_____] year end (however, we would expect to close the transaction based on the Company's most recent verified 12 month's end statements).
2. We propose the following investment structure (using a [___]x multiple for illustrative purposes):

(a) ABC would purchase from XYZ newly issued shares for \$[_____] million, equivalent to [_____] % of the Company’s fully diluted equity. XYZ would use these funds for capital expenditures specified in its [_____] year operating plan (subject to further due diligence).

(b) ABC would purchase [_____] % of shares from ZZZ for \$[_____] million, which, in combination with the new shares issued by XYZ, will constitute [_____] % of the fully diluted interest in the Company.

Ownership and Value				
Shareholder	Pre Money		Post Money	
	Ownership Percent	Implied Value	Ownership Percent	Implied Value
ZZZ	[_____] %	\$[_____]	[_____] %	\$[_____]
ABC	0.0	0.0	[_____] %	[_____]
[_____] Employees	[_____] %	[_____]	[_____] %	[_____]
Other	[_____] %	[_____]	[_____] %	[_____]
Total	100.0%	\$[_____]	100.0%	\$[_____]

(c) ABC will have a “claw back” which will “reset” ABC’s shareholding in XYZ (but not less than [_____] %) based on year-end [_____] audited EBITDA, with a transfer of shares to ABC (at no additional cost to ABC) from ZZZ such that ABC will have an interest in XYZ equal to:

$$Y = \frac{[_____] \times (1.xx)^2}{(\text{EBITDA} \times \text{EBITDA Multiple}) - \text{Outstanding Debt}}$$

where Y = ABC’s percentage in XYZ

The foundation for this formula is based upon ABC earning a xx% annualized return on its investment between the two years [_____] and [_____] . Using the [_____] value (in the above example: \$[_____] million x 1.xx = \$[_____] million) of ABC’s investment, ABC’s shareholding will be “reset” as if ABC had invested \$[_____] million in early [_____] using the same EBITDA multiple (in this example, x) but using the LTM EBITDA for year end [_____] . Modifications may be necessary depending on XYZ’s financial structure. Furthermore, upon any such increase in ABC’s ownership, additional shareholder positive control rights beyond those described in item 6 below would be conferred to ABC.

3. There are various mechanisms to accomplish this structure, and we would be pleased to mutually develop an investment structure which is most tax and financially efficient.
4. ABC will have the right to sell its shares in XYZ to any third party along with the rights associated with those shares (including the claw-back provisions).
5. ABC and ZZZ agree to sell 100% of their respective shares in XYZ at a price of no less than a pre-agreed multiple of EBITDA.
6. In consideration of our investment, we would propose a shareholders agreement that would afford ABC a sufficient level of shared control in conjunction with your continued

operational leadership. It is ABC's policy to work with quality management teams in order to maximize shareholder value and to allow existing management teams to be fully responsible for day-to-day operations as long as they are meeting the projected financial performance targets and business plan timelines as determined by the shareholders, including ZZZ and ABC. ABC's special shareholder rights would include, but would not be limited to:

- (a) ABC appoints [] members of the [] member board of directors (members appointed by ZZZ)
- (b) ABC rights with respect to management
 - ABC appoints the CFO (to be approved by ZZZ)
 - ABC has veto rights with respect to all prospective appointees for senior management positions
 - ABC has right to remove senior managers
- (c) Veto right over mergers, acquisitions, restructurings and material asset sales
- (d) Veto right over any transaction which changes (or may result in a future change of) ABC's ownership percentage of the Company on a fully diluted basis
- (e) Right to approve the Company's annual operating budget, capital budget, business plan and financings
- (f) Right to approve dividend policy
- (g) Other standard minority rights (e.g. approval to amend corporate by-laws, enter into intercompany transactions, settle third party lawsuits, appoint auditors, etc.)

Consummation of the proposal will be subject to ABC's completion of and satisfaction with a customary business, financial and legal due diligence review of XYZ, the negotiation and execution of a definitive purchase and shareholders agreements and the receipt of all necessary approvals, including investment committee and third party approvals. We and our advisors are prepared to commence our due diligence review promptly.

This letter represents only a preliminary indication of interest and does not constitute a contract, commitment, undertaking or other binding obligation or limitation on the part of any person in any respect. In addition, this letter does not constitute an offer or proposal capable of acceptance. Any obligation of ABC or its affiliates with respect to an investment in XYZ will be only as set forth in a definitive written agreement executed by ABC. This letter and the matters set forth herein are confidential and may not be disclosed to any third party without the written consent of ABC.

The following can be contacted for any additional information or in case it is necessary to clarify this letter:

Mr. [] (xxx-xxx-xxxx) or Mr. [] (xxx-xxx-xxxx).

Sincerely,

ABC

Name:

Title: