

Recapitalization Agreement Executive Summary

Date: June 15, 2024
Parties: XYZ Holdings, Inc. (â€œCompanyâ€), ABC Capital Partners (â€œInvestorâ€)

Purpose of the Recapitalization

This agreement outlines the terms and conditions under which XYZ Holdings, Inc. will restructure its capital by issuing new equity and refinancing certain debt obligations. The recapitalization intends to strengthen the Companyâ€™s balance sheet, improve liquidity, and support future growth initiatives.

Key Transaction Terms

- Equity Issuance:** Investor will inject \$45 million in exchange for Series B Preferred Stock representing 30% post-money ownership.
- Debt Refinancing:** The Company will retire \$25 million of existing debt, replacing it with a new 5-year senior secured note at 7% interest.
- Governance:** Investor receives two board seats and customary minority protection rights.
- Use of Proceeds:** To repay existing debt, fund operations, and finance strategic investments.
- Closing Conditions:** Subject to satisfactory due diligence, regulatory approvals, and finalization of definitive agreements.

Anticipated Benefits

- Reduced leverage and interest expenses
- Enhanced financial flexibility
- Stronger platform for growth and future capital raising
- Improved relationships with key stakeholders

Timeline

- Definitive Agreement Signed:** June 12, 2024
- Regulatory Approvals & Due Diligence:** Target completion by July 22, 2024
- Expected Closing:** August 5, 2024

Important Notes

- Recapitalization agreements can materially alter ownership and control structure.
- All parties should seek independent legal and financial advice before executing.
- Execution of this summary does not constitute a legally binding commitment until definitive agreements are signed.
- Regulatory approvals or consents may be required, subject to jurisdiction and transaction structure.
- Thorough due diligence is crucial to identify and address all related risks.