

SYNDICATED LOAN - GLOSSARY

| Term | Explanation |
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| Acceleration | When the lenders have the right to demand the immediate repayment of all outstanding debt upon the occurrence of an event of default in a credit agreement (after any grace period, if applicable). |
| Accordion Feature | <p>A type of option that a borrower can have inserted into a syndicated credit agreement at the outset of the transaction which allows it to increase the principal under the credit agreement, subject to there being no event of default. The interest, maturity and other terms applicable to the increased commitment will be identical to those applicable to the existing credit facility to which the increase relates.</p> <p>Companies typically purchase an accordion feature in anticipation of the need for more capital for possible expansion opportunities.</p> |
| Agency Fee | This is an annual fee, calculated as a lump sum or per bank per annum, payable by the borrower to compensate the agent for the mechanical and operational work performed by that bank under the loan agreement. |
| Alpha | A coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security (debt or equity), rather than the overall market. A high value for alpha implies that the security has performed better than would have been expected given its beta (volatility). |
| AML | Anti-money laundering. |

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| Amortisation | Gradual repayment of a debt over time in a series of regular or irregular payments. |
| Arranger | A bank or other financial institution responsible for originating and syndicating a transaction. The arranger always has a senior role, is often also the agent and if required, usually underwrites all or part of the facility as well as participating, although not always at the most senior level. |
| Asset Backed Security (ABS) | A security which is supported by assets such as mortgages, car loans, credit card receivables, owned by the issuer of the security and usually placed with a trustee. |
| Asset Swap | Describes the package of swap + investment where an interest rate swap or currency swap is used to change the interest rate exposure and/or currency risk exposure of an investment. Usually a combination of an interest rate swap + fixed rate bond. The obligations under the swap are usually independent from those of the asset. |
| Assignment | Under English law assignment is an agreement to transfer all of the rights (but not the obligations) under a contract to a new lender evidenced by an assignment agreement. |
| AUM | Assets under management. |
| Availability period | Period of time between the signing of a loan agreement and the expiry of the lender's commitment to lend, during which the borrower is permitted to draw down advances, or, if applicable, issue bills or letters of credit, provided the conditions precedent have been satisfied and the repeated conditions precedent continue to be satisfied. |
| Average life | Average maturity of outstandings after accounting for drawdown and amortisation provisions. |
| AXE sheet | Key details of a syndicated transaction, covering name of borrower, type of facility, term of facility and pricing details. |

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| Balloon | Final repayment of a facility where the repayment schedule is heavily weighted to the final amortisation payment. |
| Bank for International Settlements (BIS) | International organisation which fosters cooperation among central banks and other agencies in pursuit of monetary and financial stability. Its banking services are provided exclusively to central banks and international agencies. |
| Basel I | Framework agreed in 1988 by the Basel Committee on Banking Supervision relating to supervisory regulations governing the capital adequacy of international banks. |
| Basel II | Revised capital adequacy framework issued by the Basel Committee on Banking Supervision issued in June 2004. The Committee intends the Framework set out in Basel II to be available for implementation as of year-end 2006. However, the Committee feels that one further year of impact studies or parallel calculations will be needed for the most advanced approaches, and these therefore are expected to be available for implementation as of year-end 2007. |
| Basis point (bp) | 1/100 of one percent (0.01%). It is the unit of measurement used to describe fees or spreads in most loan transactions. |
| BBA | British Bankers Association. |
| Beta | A measure of the volatility of a security compared to a given index or overall market. |
| Bracket | A level of commitment and related title offered to banks and other investors invited into a syndicated loan agreement. |

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| Break funding | Break funding seeks to ensure that neither party to a secondary loan trade is disadvantaged as a result of movements in the underlying funding rate where the settlement date is not a loan rollover date. It is the LMA standard default position on all trades. The calculation is based on the difference between the LIBOR rate from Settlement Date to the next loan rollover date, and the relevant funding rate for the loan during the current interest period. Often referred to as "Break Costs". |
| Bookrunner | The bank(s) appointed to run the books during the execution phase of syndication with responsibility for issuing invitations, disseminating information to interested banks and informing both the borrower and the management group of underwriters of daily progress. High profile role and generally considered the most desirable syndication task. |
| Bullet | A facility where the repayment is in one amount on the final maturity date of the syndicated agreement. |
| Buy-in/Sell-out | A buy-in/sell-out concept on secondary loan trades serves as a mechanism for enforcing delayed settlement compensation. |
| BVCA | British Venture Capital Association, the industry body for the UK private equity and venture capital industry. |
| CAGR | Compound annual growth rate. |
| Chapter 11 | US bankruptcy law under which a corporation seeks protection from its creditors while it seeks to revitalise the business. |
| Chicago Board of Trade (CBOT) | CBOT was established in 1848 and is a leading futures and options exchange with over 3,600 members trading 50 different contracts in financial and agricultural products. |

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| Chinese walls | The concept is one of non-communication between distinct sections of a business in order to prevent disclosure of information, inadvertent or otherwise, which could result in a conflict of interest. |
| Clear market | An agreement by a borrower at the mandate stage of a syndicated loan not to engage in other public financings which could compete with the syndicated loan being arranged. |
| Club Loan | A loan where a group of lenders agree to take and hold an asset at the outset of the transaction with no intention of reducing their commitments through subsequent syndication. |
| Collateral | The particular assets of a borrower which are pledged to secure a loan(s) provided to it. |
| Collateralised Debt Obligations (CDO) | A securitisation structure whereby a portfolio of debt obligations is transferred to a special purpose vehicle whose obligations are collateralised by the portfolio. CDOs are typically financed by the sale of a number of tranches of debt that have the rights to the CDO's collateral and payment streams in descending order. |
| Collateralised Loan Obligations (CLO) | A CDO where the debt obligations are loans. |
| Commercial Paper (CP) | A short term unsecured promise to repay a debt on a certain future date, usually written as a promissory note and sold at a discount. |
| Commitment fee | An annual percentage fee payable to a bank on the undrawn portion of a committed loan facility. Typically paid quarterly in arrears. |
| Coupon | The interest which is paid on a bond. |
| CRD | EU Capital Requirements Directive. |

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| Credit Default Swaps (CDS) | A financial instrument whereby, for valuable consideration, one party transfers credit risk to another party with respect to one or more reference obligations (or obligations of a reference obligor). Many CDSs have a pool of 'reference obligations' and the composition of a 'pool' is often not static but may be changed over time. |
| Cross default | An event of default under a loan agreement triggered by a default in the payment of, or the actual or potential acceleration of the repayment of, other financial indebtedness of the same borrower or of any member of the borrower group. |
| Cross-over credit | A company rated investment grade by one credit rating agency and high yield by another. |
| Delayed compensation | A component of pricing in the settlement of loan trades which do not close on a timely basis. Delayed compensation is intended to place the parties in the approximate economic position on the actual settlement date that they would have been if they had closed the trade on a timely basis. |
| EBITDA | Earnings before interest, tax, depreciation and amortisation - normally excludes extraordinary items. |
| ECB | European Central Bank. |
| Economic capital | Amount of capital required by banks to offset all expected potential losses. |
| Expected loss | The expected value of portfolio losses due to default over a specified time horizon. Lenders set aside provisions to cover expected losses. |
| Extension fee | The fee charged when an existing committed facility is extended beyond the original maturity date. |

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| Facility fee | An annual percentage fee, payable by the borrower, pro-rata to banks providing a credit facility to that borrower - it is calculated on the full amount of the facility, whether or not the facility is utilized. |
| Financial Accounting Standards Board (FASB) | Formed in 1973, FASB is the designated organization in the US private sector for establishing standards of financial accounting and reporting and for governing the preparation of financial reports. |
| Financial Services Authority (FSA) | The FSA was established in 1997 and is primarily responsible for regulatory supervision of the financial sector in the UK. It is accountable to Parliament via HM Treasury. |
| First Lien | Usually a loan with a senior claim on security being a first charge on a borrower's / obligor's assets. |
| Fixed rate bond | A security on which the coupon is paid at a fixed rate set at the beginning of the arrangement and applied for the whole life of the agreement. |
| Floating rate bond or note (FRN) | A security on which the coupon paid changes on every interest roll-date throughout the life of the debt in line with a reference rate - such as LIBOR or EURIBOR. |
| Front end fee (FEF) | A fee, calculated as a percentage of the principal amount, which is payable once, generally at signing of the loan agreement or shortly thereafter. |
| Generally Accepted Accounting Principles (GAAP) | The common set of accounting principles, standards, and procedures that companies use to compile their financial statements and reports. |
| General syndication | The syndication stage following the underwriting of a facility leading to the final distribution of amounts among the lenders participating in the primary stage of a syndicated loan. |
| Grace period | The period between signing the loan agreement and the first repayment of principal. Also, the period which may be allowed to the borrower to remedy an event of default. |

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| Gross up | Additional payments made by a borrower to compensate its lenders for withholding taxes or similar levies that reduce the amounts actually received by the lenders from the borrower. |
| Haircut | A situation where a borrower has fallen into financial difficulties and lenders' have agreed to accept a reduction in interest and or fees, or, on occasions, principal itself, to help prevent the borrower falling into bankruptcy. Also a situation where a borrower has fallen into financial difficulty and a lender has decided to sell its exposure in the secondary market at a significant discount to its par value. |
| Hedge Funds | Generally a pooled investment vehicle that is privately organised and administered by investment management professionals and not widely available to the public. Many hedge funds share a number of characteristics: they hold long and short positions, employ leverage to enhance returns, pay a performance or incentive fee to their hedge fund managers, have high minimum investment requirements, target absolute (rather than relative) returns and/or may be organised offshore. In addition, hedge funds are generally not constrained by legal limitations on their investment discretion and can adopt a variety of trading strategies. |
| HoldCo | Holding company. |
| Intercreditor Agreement | An Intercreditor Agreement sets out the agreement between various financiers providing loans or credits to a borrower and reconciles their different interests. It deals with the commercial behaviour of the parties and also the ranking of their debt and security, particularly on insolvency, by subordinating junior lenders and regulating the rights of lenders. |
| International Accounting Standards Board (IASB) | Formed in 2001 to develop global accounting standards for use in the preparation of financial reports. |
| IFRS | International Financial Reporting Standards created by the IASB. |

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| International Petroleum Exchange (IPE) | Europe's leading energy futures and options exchange. |
| Institutional investor | An organisation whose purpose is to invest funds placed with them in a range of financial assets, including loans. |
| Investment grade | A borrower, or the specific debt instrument or class of debt of a borrower, given a rating from one of the major rating agencies of Baa3 / BBB- or higher. |
| Jumbo | A very large syndicated loan, usually defined as a loan in excess of €5 billion or US\$ 5 billion or equivalent. |
| Know Your Customer (KYC) | Various checks and investigations required of your customers as part of the procedures to prevent money laundering. |
| LCDS | Loan Credit Default Swaps. A product which is similar to CDS but referenced against loans. This is a relatively new product and steps to standardise processes are being considered by market players. Note: there are differing contracts for European and US LCDS. |
| Lead Manager | A bank committing to a senior level of participation. |
| Leveraged Buy Out (LBO) | Acquisition of a company by a private firm where the ratio of the debt component of the financing in relation to the equity component is high. Such financings often include mezzanine and/or 2 nd Lien debt and/or high-yield debt. |
| Leveraged loan | A loan that has higher levels of debt leverage when compared to an investment grade credit. Various institutions may define a leveraged loan in different ways, although it is reasonably common to be determined against a bank loan rating (i.e. Ba1 / BB+ or lower from one or more of the major rating agencies), or, for non-rated borrowers, a margin of around 125 to 150 bp pa or more. |

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| London International Financial Futures Exchange (LIFFE) | Owned by Euronext B.V., it is one of Europe's leading equity and derivatives exchanges. |
| M&A | Merger and acquisition. |
| Mandated Lead Arranger (MLA) | A mandated bank at the highest level. The MLA, or at least one MLA in cases when there is more than one MLA, will act as the bookrunner. |
| Margin | The extra percentage rate of interest charged by lenders over the relevant basis rate reflecting the credit quality of the borrower. |
| Market flex | Underwriters' right to revise the structure and conditions of a mandate if the syndication of a loan fails to raise the required level of commitment from participants. |
| Material Adverse Change (MAC) | A reference to a clause sometimes included in loan agreements seeking to provide lenders with a degree of protection against adverse change in a borrower's circumstances. |
| MBO | Management Buy Out, occurs where managers and/or employees of a business acquire control over all, or part, of the business. |
| Medium Term Note (MTN) | Unsecured debt instruments with a maturity generally between one and seven years (although it may be longer) issued by high-quality borrowers. These may be issued in domestic markets or in the Euromarkets - hence Euro-MTNs. |
| Mezzanine finance | The capital structure layer of funding between common equity and secured borrowing, usually subordinated and sometimes may carry an equity warrant. Mezzanine finance may also involve an element of interest being accrued and capitalised on a PIK basis. |

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| Monte Carlo simulation | An analytical technique in which a large number of simulations are run using random quantities for uncertain variables and looking at the distribution of results to infer which values are most likely. |
| New York Mercantile Exchange (NYMEX) | Based in New York, NYMEX is the largest physical commodity futures exchange in the world, as well as a leading trading forum for energy and precious metals. |
| Novation | Under English law novation transfers the rights and obligations from one contracting party (which is released from the obligations) to a third party with the agreement of each of the other contracting parties. |
| NPL | Non-performing loan. |
| On the break | The point in time when a syndicated loan becomes free to trade. |
| Organisation of Petroleum Exporting Countries (OPEC) | OPEC is a permanent intergovernmental organisation, created in 1960, with the objective of co-ordinating and unifying petroleum prices among member states. |
| Original Issue Discount (OID) | An amount by which the par value of a debt (usually a public security but also can be applicable to a leveraged loan) exceeds its offering price at the time of its original issuance. The original issue discount is usually amortised over the life of the debt instrument. |
| Out of the box | The pricing on a facility as notified to the market at the start of primary syndication. |
| P2P | Public to private. |
| Pari passu | A pari passu covenant is incorporated into debt instrument documentation to ensure that the borrower's indebtedness under the relevant facility/instrument would at least rank equally with all other unsecured indebtedness of that borrower. |

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| Participation | A single lender's share of the overall loan facility. |
| Participation fee | A credit-related fee, normally paid on or within 30 days of signing, calculated on each bank's final allocated commitment. Also commonly known as a front-end fee. |
| PIK | Payment in Kind, typically does not provide for any cashflows from borrower to lender between the drawdown date and the maturity or refinancing date. PIK interest accrues and capitalises periodically over the life of the debt instrument, thus increasing the underlying principal (i.e. compound interest). |
| PPP | Public private partnership. |
| Praecipium | A portion of the front-end fee, calculated on the nominal amount of the loan and paid to the MLA in recognition of the human resources and technical skills commitment required to conclude a successful transaction. In any multi-bank bidding group, the fee is usually shared equally among the MLAs without regard to the unequal commitment of resources to the transaction. |
| Pricing grid | When a borrower agrees to pay a margin and, where applicable, a commitment fee, the levels of which vary by reference to a specific financial ratio (e.g. leverage) or external credit rating, the transaction is said to include a pricing grid. |
| Private placement | A group of lenders who agree to take and hold an asset at the outset of the transaction. There is no intention of reducing the amount of the commitment to lend through subsequent syndication. In a loan market context this is often referred to as a "take-and-hold" strategy or a "club loan". |
| Prop-desk | Proprietary trading desk. |
| Ramping | The ramping-up phase is the phase immediately following the issuance of CDO notes during which the process of buying the pool of debt assets backing the CDO is completed. |

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| RAROC | Risk-adjusted return on capital. |
| Ratchet | The movement from one pricing level to another on the pricing grid. |
| Rating Agency | Agencies which provide independently derived credit assessments on borrowers or on specific debt instruments issued by a borrower. |
| RCF | Revolving credit facility. |
| Recap | Recapitalisation. |
| Reference Obligations | The particular loans and/or bonds to which a CDS is referenced to. |
| Return on Assets | A broadly based accepted basis for lenders to measure the relative profitability of a commitment to lend money. The components of ROA comprise margins, fees, including commitment fee if applicable, and average life of the facility. The resulting yield is said to produce a specific yield to each bank. |
| Return on Equity (ROE) | The return on capital on an asset portfolio based on the equity required to support the portfolio. |
| Return on Investment (ROI) | The return on capital on an asset portfolio based on the sum invested in the portfolio. |
| Regulatory capital | The capital required to support a portfolio of assets derived by reference to the capital requirements set out in Basel I or Basel II as applicable. |
| Ring fence | In lending terminology, when a specific company is made structurally bankrupt remote from the rest of the parent group. This may be applied for regulatory reasons (such as for UK electricity distribution companies) or to protect certain assets from claims by other creditors. |

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| Risk Adjusted Return on Capital (RAROC) | The return on capital on an asset portfolio after taking account of the risk weightings of each asset as determined by Basel II. |
| Second lien | A European 2 nd lien is a loan with a secured charge or attachment on a borrower's assets ranking behind the 1 st lien loan but ahead of any mezzanine debt. |
| Securitisation | The process whereby a portfolio of debt instruments is repackaged as a tradeable security. |
| Snooze you lose | A clause in the loan agreement which disenfranchises a lender's voting right in relation to a specific amendment or waiver request if that lender has not responded to the agent within a certain pre-defined period of time. |
| Special Purpose Vehicle (SPV) | An SPV's activities are usually limited to the acquisition and financing of specific assets. Often referred to as a "bankruptcy-remote entity," it is usually a company which is thinly capitalised and with an asset/liability structure isolated from any credit risk associated with the originator company. |
| Sub Underwriter | An underwriter will sometimes sell down a portion of its underwriting commitment to a sub underwriter. |
| Swingline | A loan specifically granted to support a borrower's commercial paper indebtedness. Swingline loans usually can be requested on a same day basis for short drawing periods (typically one to seven days). Swinglines are usually denominated in USD and sometimes in Euro as well. |
| Synthetic | A synthetic financial instrument is one which is created artificially by simulating the features of an asset using combinations of other assets and instruments. |

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| Toggle | A relatively new feature in some credit agreements which, at the discretion of the borrower, allows the borrower to switch periodically back and forth the payment of interest due on certain tiers of its debt capital between cash pay and PIK. |
| Transfer fee | The fee charged by an agent bank for transferring a portion of a loan from one lender of record to another lender of record. |
| Underwriter | A lender which commits in advance of drawdown to take on a portion of the overall facility. |
| Underwriting fee | The fee charged by an underwriter. It is calculated on the basis of the amount committed. |
| Unexpected loss | The unexpected value of portfolio losses due to default over a specified time horizon (over and above expected losses). The lender retains capital to cover such losses. |
| Utilisation fee | A fee paid to the lender to increase its return on drawn assets. The payment is generally linked to the average utilisation of the facility exceeding a specified percentage or amount during a defined period of time. |
| VC | Venture capital. |
| Withholding Tax (WHT) | A tax on interest or dividend payments, deductible at source. |
| Yank the Bank | A clause in a loan agreement permitting the borrower(s) to buy out a lender who does not accept a waiver or amendment request to the loan agreement. |
| Yield | The ROA on a specific transaction. |
| YTD | Year to date. |