

## Welcome to our Second newsletter

It is becoming crystal clear that the old methods of marketing are being replaced with new methods such as social marketing. Firms that use social media properly are gaining exposure and ultimately, customers.

In this newsletter , we feature an article on updating web pages, Ariem works in progress and understanding bank covenants. We also introduce the other partner, Michael Kavanagh

We strongly operate by our tag line: Independence, Intelligence and Integrity. These, we believe, deliver the best to our clients.

Give us a call to help your business become more profitable and efficient. Take advantage of our expertise and experience.

Cheers,

**Mike and Shamit**

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*"Time is the coin of your life. It is the only coin you have, and only you can determine how it will be spent. Be careful lest you let other people spend it for you."*

—Carl Sandburg

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### In This Issue

- Updating web pages
- Meet Michael Kavanagh
- Understanding Bank covenants
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## Have you updated your web page?

One of the first things we do when we check out a company or product, is to check via its web page. We tend to gravitate to ones that give a well laid presentation, in an easy to navigate format.

We have met many businesses who have put together a rudimentary web page and then have totally forgotten about it. It hasn't been updated for years and certainly does not present a good picture of the company.

We have introduced our web page at [www.ariem.ca](http://www.ariem.ca) and already we are updating it to reflect some of the changing factors in our and our client's business. You will see changes coming within the next several months.

It is important to keep your message fresh and relevant and to use all methods of social media to get your message across.

For companies that are exporting their products or services, it is imperative to have an updated web page. This gives prospective customers, from all over the world, a positive experience.

We believe that money spent on a good, well designed web page will more than pay for itself with increased sales and higher business visibility.

### Meet Michael Kavanagh

Mike began his financing career with **Federal Business Development bank (FBDB)** for nearly 3 years and then moved to **Roynat** where he stayed for 30 years. After which, he rejoined **Business Development Bank (BDC)** for a further 2 years.

During his tenure with **Roynat** which spanned postings in Newfoundland, Hamilton, Windsor and Mississauga, Ontario, he was involved with term financings, mezzanine and equity investments and was **Roynat's** representative on the Board of Directors of Investee companies. Because of his involvement, he has a deep understanding of entrepreneurs and all the factors they deal with, not just financing.

He has also been active in the community as well serving on the boards of charitable organizations and hospitals as well as assisting in many events within Mississauga communities.



**Michael Kavanagh**

## Understanding lending covenants

Almost all businesses require third party financing from a Chartered Bank or other lenders including Equity investors. The financing is used to fund day to day operations as well as to grow. The funding is needed to pay salaries, purchase and produce product as well as pay for all the other expenses used to run the business.

This third party funding is provided with conditions concerning use and the company maintaining or exceeding conditions of financial performance or covenants. A covenant is a type of contract in which the covenantor makes a promise to a covenantee to do (Affirmative Covenant) or not to do some action (Negative Covenant) .

In the lenders/ investors offers of finance and legal documents, these covenants are outlined with explanations on how and when they will be reviewed. These are very important and it is imperative that the borrower understands the definitions, calculations and timing. These covenants are tested at intervals based on receipt by the lender/investor of internal interim financial statements or at year end, based on third party prepared financial statements.

As noted above, Bankers/Investors treat these covenants very seriously and you as a borrower should have the same regard. We have seen instances where the borrowers and outside accountants have tried to be creative and adjust numbers to bring one covenant on side but caused another covenant to go offside. In other instances, the covenants have not been fully understood, ignored or downplayed. Not good!

While bank financing is demand meaning the bank can act for any reason, a covenant that is offside will undoubtedly increase the chances of the bank taking action. These actions could include a reduction of authorized availability amounts, demands for increased security or, if serious enough, a demand for payment of the total authorized amounts. In all these circumstances, these potential actions are harmful for you and the company and could lead to disastrous results.

At Ariem with our expertise and experience, we can help businesses better understand lending covenants and prepare stress tests to determine the impact on the business.

**Below is a very brief listing of some of the type of covenants that banks and investors include in their financing offers and legal documents:**

**Minimum Fixed Charge Coverage Ratio**

**Senior Debt / EBITDA Leverage Ratio**

**Minimum Equity Covenant**

**Working Capital Covenant**

**Minimum equity levels**

**Debt to Equity Ratio covenant**

## Assignments we are currently working on or completed

- Assisted in Due Diligence of potential purchase of diagnostic healthcare company in GTA with value in excess of \$50M. Assignment consisted of:
  1. Reviewing all documents in Data room, providing a summary, determining impact on EBITDA (earnings before income taxes and depreciation and amortization).
  2. Determining normalized EBITDA
  3. Determining purchase price
- Assisted potential purchaser on acquisition of various diagnostic imaging clinics with a total value of \$7.5M Assignment consisted of:
  1. Negotiating purchase price and determining with seller
  2. Working in conjunction with legal to draft and negotiate letter of intent
  3. Performing due diligence
  4. Arranging financing
- Provide advisory services for succession of owner and potential sale of company within High tech sector.
- Provide CFO and COO services to a landscaping company providing services to Prestige clients within GTA. Services include the following:
  1. Prepare forecasts
  2. Assist in strengthening infrastructure to manage future growth
  3. Determine staff to hire
  4. Update accounting system to reflect changes
  5. Provide advisory services on leases, insurance and other day to day operational issues
- Provide valuation for diagnostic clinics for purposes of an estate freeze.

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## Contact Us

Give us a call for more information about our services and products

**Shamit Khosla at:**  
**Shamit@ariem.ca**  
**416 918-9606**

**Mike Kavanagh at**  
**mike@ariem.ca**  
**647 965-5227**

Visit us on the web at  
[www.ariem.ca](http://www.ariem.ca)

## Your afternoon smiles

You know that tingly little feeling you get when you really like someone? That's common sense leaving your body.

I don't like making plans for the day because then the word "premeditated" gets thrown around in the courtroom.

I didn't make it to the gym today. That makes five years in a row.

I decided to change calling the bathroom the John and renamed it the Jim. I feel so much better saying I went to the Jim this morning.

Last year I joined a support group for procrastinators. We haven't met yet...