

A Glossary of the Most Common
Private Equity/M&A/LBO Legal Documents
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Document	Purpose
Allotment letter	In the case of a capital increase of a quoted firm, this is the letter sent to the shareholders to inform them of their rights (to subscribe for the increase, sell warrants, etc.)
Acquisition agreement	Document defining the acquisition agreement between the target and the buyer. This document contains all of the acquisition's terms and conditions for the two parties: exchange of securities, payment in cash by the relevant due dates and clauses covering the continued presence of the shareholders in the new capital.
Asset purchase agreement	Agreement further to which one or more purchasers buy assets and taken on certain liabilities (related to the purchased assets) from one or more sellers.
Book (or "Sale Memorandum")	The selling document that is prepared by the investment bank retained on behalf of a business seller (vendor) It describes the business to be sold and will be circulated to a (usually restricted) group of potential purchasers, who will typically include at least 2 or 3 buyout houses.
By-laws (of a private equity fund)	In addition to the general provisions that describe the fund's objectives and the legal, accounting and financial requirements, the by-laws include the terms of the management agreement specific to each fund.
Co-investment agreement	An agreement that sets out the terms on which several parallel vehicles comprising a fund (each suiting a different class of investor) may or may not invest in parallel.

Commitment Letter (or “Mandate Letter”)	A letter from the bank(s) to the borrower setting out the basis on which the bank(s) will, in principle, make debt facilities available to the borrower and on what terms.
Disclosure letter	The document sent by the seller (and/or the guarantors) to the beneficiary of the Reps & Warranties in which the seller defines exceptions to the representations of said Reps & Warranties and to which it will not be possible to apply the Reps & Warranties
Fees letters	Both senior and mezzanine lenders will enter into fees letters with Newco that set out the terms of the arrangement, underwriting, commitment and other fees payable for the provision of the senior and mezzanine debt.
Information memorandum (and/or “Placing memorandum”)	This document is drawn up once the General Partner is satisfied that there is demand for its product (fund). It describes the offering and its terms in detail Sets out the key attributes of a company, usually associated with soliciting buyers or investors.
Inter-creditor agreement	Agreement entered into between, among others, borrowers, secured creditors, intra-group creditors and investors to regulate as between each other the priority of their security and claims and, more generally, of any payment due to them by the borrowers under the finance documents
Investment agreement	Otherwise known as the “shareholder agreement” or the “subscription agreement”.

Letter of Intent	<p>The letter submitted to the seller by a potential buyer to indicate the latter's intention to acquire the target or to look into the possibility of acquiring the target, subject, in general, to the performance of certain due diligence and audits needed to determine and/or refine the price offered.</p> <p>The seller is often asked to countersign the Letter of Intent in order to authorise the potential buyer to carry out audits and to covenant to offer it exclusive negotiation rights.</p>
Limited Partnership Agreement ("LPA")	The document used to form the LP
Master agreement	In an acquisition transaction involving more than one country, refers to the master agreement to be adapted or applied in each country concerned, in accordance with local rules (ex. All countries in which the acquired group has subsidiaries).
Mezzanine subscription agreement	A subscription agreement to which are attached the terms and conditions of the mezzanine bonds.
Memorandum of Understanding ("MOU")	A pre-sale draft agreement entered into between the seller and the potential buyer, defining the outline, the main terms and the principal conditions in which the sale could take place.
Offering Memorandum ("OM")	A document issued by or on behalf of a PE firm with the object of raising money from the investment community. Also referred to as the Private Placement Memorandum.
Non-disclosure agreement ("NDA")	An undertaking to keep proprietary information confidential.
Private Placement Memorandum ("PPM")	See "Offering memorandum" ("OM").
Prospectus [IPO]	A prospectus is essentially an invitation or offer to the public to subscribe for or buy the securities of a company. A prospectus must contain all relevant information about the company making the IPO, and must be

	filed with the relevant authorities.
Repurchase agreement	An agreement in which a holder of shares agrees that the person from whom it purchased the securities may repurchase them in certain events.
Sale and purchase agreement (“S&P” or “SPA”)	The principal document that sets out the main terms and conditions of the sale and purchase of a company or business and allocation of the risk associated between the buyer and seller.
Sale Memorandum (see “Book”)	See “Book”
Senior Loan Agreement	Typically a syndicated agreement between several banks setting forth the terms of the senior loan and senior revolving credit facility and will usually include a guarantee obligation for each obligor to guarantee the indebtedness of other members of the group (if any).
Service agreements	Employment contracts that govern the relationship between management team members and the company.
Shareholder loan instrument	Newco will establish the terms and conditions of the shareholder bonds, setting out the terms of the shareholder bonds that the private equity house will subscribe for in order to supply a substantial part of the “equity” of the transaction.
Shareholders agreement	Agreement setting out the terms of the fund’s participation’s (including, the number of shares to be acquired, price to be paid, rights attaching and restrictions and covenants to be placed on the portfolio company.
Subscription agreement	Agreement pursuant to which one or more investors undertake to subscribe to and whereby the competent corporate body (or the members thereof) undertakes to decide (or to vote in favour of), an upcoming issue by one or more target companies of shares, bonds, warrants or other financial instruments to such investors. It will set out the type and amount of instruments to be issued, the representations & warranties, the indemnification in the event of misrepresentation and may also include

	post-closing covenants.
Term Sheet	A document prepared by the investor, setting out the proposed terms of the investment. It is not legally binding but does represent a serious intent to invest.
Trust indenture	This document constitutes the high yield bonds themselves and empowers the trustee to act as trustee on behalf of the noteholders.