
From: jeffrey E. <jeevacation@gmail.com>
Sent: Saturday, December 20, 2014 2:25 PM
To: Richard Joslin
Subject: Re: credit facility

[REDACTED]

On Sat, Dec 20, 2014 at 6:11 AM, Richard Joslin <[REDACTED] <mailto:[REDACTED]>> wrote:

Fyi

Begin forwarded message:

From: Brad Wechsler <[REDACTED] <mailto:[REDACTED]>>
Date: December 19, 2014 at 11:50:15 PM EST
To: "[REDACTED] <mailto:[REDACTED]>" <[REDACTED]>
<mailto:[REDACTED]> &t;
Cc: "[REDACTED]" <[REDACTED]>
>>
Subject: Re: credit facility

Thank you; this is helpful. Unless you have more recent information--as you know--from your earlier conversation with barry--his desire is to have these \$\$ =orrowed from bfp in a "renewed" credit line. To the extent there=are "liquidity" issues at bfp he suggests we find mechanisms to deal with that and then in january deal with the lar=er issue of the trust taking over the PG loans as well as any incremental =apital infusions. I expect some messy issues in january, more complex than=the ones we're talking abt today. Perhaps we can discuss tomorrow. B

From: Eileen Alexanderson [mailto:[REDACTED] <mailto:[REDACTED]>]
Sent: Friday, December 19, 2014 11:24 PM
To: Brad Wechsler
Cc: Richard Joslin <[REDACTED] <mailto:[REDACTED]>>
Subject: credit facility

Brad, no apology necessary. The discussion launched =ithout the proper background on this to you or enough time to thoroughly d=scuss. I hope the following will help fill you in.

Phaidon had a working cap line with Lloyds Bank when the company was acquired. When the line was up for renewal Lloyds requested full net worth information on Leon which we preferred not to supply. Leon suggested we move the line to Bank of America. At first B of A said they'd be unable set up the line because of this being a UK based company. Jane Heller, our lender, in her usual style came through with an alternative but as we moved through the dialog the bank was insistent on language in the loan document which was far too restrictive regarding the trusts which were to provide a guarantee. Richard Ressler suggested we set up a line from one of the family entities in a commercially reasonable fashion. Since we had gone pretty well with B of A, Ada worked with Paul Weiss to adapt the B of A loan agreement, adjusting to moderate restrictions I referred to. The trustees signed off on guarantee of the line and two artworks owned by the 1997 Trust were provided as collateral.

The credit facility had a maturity of one year because B of A had offered only a one year maturity. Limit on the facility was set at \$15mil in order to facilitate funding of Regan Arts as well as Phaidon. The same schedule of permitted drawdowns that had been part of the Lloyds facility was attached to the loan agreement. With hindsight, the document Paul Weiss had worked with Ada to create facilitated lending from Black Family Partners to Phaidon Global but did not provide documentation for the borrowing from Phaidon Global by the operating company, Phaidon Press. We put simple notes in place for each of the drawdowns you will see on the table below as documentation of the advances to the operating company.

The left side of the table below shows the permitted drawdown schedule. The right side of the table show the actual activity. You will see the an additional draw of \$300k in December 2013 above the schedule which came as a request from the Phaidon CFO and Leon approved. In the February-April period when repayment of the line was normally made using cash generated from the seasonally high period, only one-half of the scheduled repayment was made due to a tight cash situation. In the Apr-Jul period the balance moved back into range (with the addl \$300k). Phaidon's new management team joined in April. In the subsequent months, Keith and John worked to get their arms around the cash needs for the balance of the calendar year. These cash needs reflected a higher payroll tied to the new hires as well as weak business trends in all 2014 (a result of the period of management turmoil that had preceded the new team joining). There has been much discussion of cash needs for consecutive Board meetings since August. Forecast of need for 4.2-4.5mil GBP (\$6.6mil) has been consistent since July financials were produced. Authorization for additional funding was given at the Board Meeting. August, Sept, and Oct draws on the table below followed as needed. It was agreed at the November Board meeting that it made sense to term out the \$8mil balance to five years and establish a shorter facility for the working cap needs in the next 12 months.

The actual credit facility expired in September. At that point the team here began to discuss a different structure, one with the underlying owners of Phaidon Global as liquidity providers rather than Black Family Partners. Unfortunately, it was only late last month at the Trustees meeting the dialog was pursued with enough depth that an action plan was laid out.

Phaidon Global Credit Facility from Black Family Partners-established September 2013

Permitted Drawdown

Phaidon

per =A0 Schedule

GBP

US\$

Actual Draw

Balance

prior to Oct 1st<=>

3.5mil

5.65mil

6-Sep

(\$4.5mil)

\$4.5mil

Oct 1st-Feb 1st

4.25mil

6.8mil

2-Oct

(0.5mil)

5.0mil

3-Nov

(1.0mil)

6.0mil

19-Nov

(0.8mil)

6.8mil

20-Dec

(0.3mil)

7.1mil

Feb 1st-Apr 1st

1.5mil

2.4mil

19-Feb

1.0mil

6.1mil

20-Mar

1.8mil

4.3mil

Apr 1st-Jul 1st

2.5mil

4.0mil

Jul 1st-Oct 1st

3.5mil

5.6mil

8-Aug

(1.25mil)

5.5mil

8-Sep

(1.25mil)

6.8mil

*authorized at Board mee=ing

Incremental amount drawn=

16-Oct

(1.25mil)

8.0mil

6-Nov

(2.0mil)

10.0mil

11/21/2014

(1.0mil)

11.0mil

<=span>

<=span>

ReganArts

Draw

Balance

1/17/2014

(\$55k)

\$0.055mil

2/11/2014

(1mil)

1.055mil

2/11/2014

55k

1.0mil

6/9/2014

(0.5mil)

1.5mil

8/18/2014

(1mil)

2.5mil

10/9/2014

(0.25mil)

2.75mil

10/29/2014

(0.25mil)

3.0mil

11/20/2014

(0.4mil)

3.4mil

As Rich indicated in his email earlier this evening, we will assemble the formal funding request for the Trustees. There is an immediate need for \$1mil funding-\$500k each to Phaidon and Regan Arts.

Eileen Alexander

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