BLACKLEAF

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BLACKLEAF CAPITAL READINESS

The Capital Readiness Protocol *Explained*

What the BCRP is, what it finds, how its three phases work, and how to tell whether your structure would survive a credit committee.

INTRODUCTION

Financiers rarely decline on yield. *They decline on structure.*

A strong business inside a weak structure still gets declined. The BlackLeaf Capital Readiness Protocol, the BCRP, finds and corrects those structural defects before a financier or buyer sees the file.

Credit committees, equity investors and buyers test more than the income statement. They test who owns what, where the assets sit, whether the entities make sense and whether the records are complete and consistent. A defect found late costs price, time or the deal itself.

This guide explains the protocol in plain terms, so an owner, director or family can decide whether it fits their position.

Diagnose

A forensic review of entities, trusts and statutory records.

Re-engineer

Structural correction and clean-up, in a planned sequence.

Present

A financier-ready memorandum and a governed data room.

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Why files *are declined*.

Declines are rarely about the quality of the business. They come from four families of structural defect.

Entity structure

Overlapping or unnecessary entities, dormant companies, and assets sitting in the wrong company.

Statutory records

Missing or out-of-date registers, resolutions, annual returns and filings.

Ownership and control

Unclear shareholding, undocumented arrangements and beneficial ownership gaps.

Asset exposure

Core assets sitting beside trading risk, without ring-fencing.

> *A defect found late costs price, time, or the deal.*

WHAT A CREDIT COMMITTEE OR BUYER TESTS

QUESTION ASKED	WHY IT MATTERS
Who ultimately owns and controls the borrower?	Lenders must identify the people behind an entity, and an unclear answer stalls the file.
Which entity holds the assets and which holds the risk?	Security, recourse and enforcement depend on it.
Are the records complete and consistent?	Gaps suggest weak governance, and each gap invites more questions.
Do the financials reconcile to the entities?	Inter-company balances and loan accounts are tested closely.
Is anything unresolved: disputes, tax, filings?	Open items become conditions, or reasons to decline.

The three *phases*.

Each phase is agreed in writing before it starts. Phase 1 stands alone: you may stop after the findings.

01

Diagnose

A forensic review of corporate entities, trust structures and statutory records, to find the defects a financier or buyer would find.

FINDINGS REPORT · RANKED DEFECTS

02

Re-engineer

Structural correction and clean-up: ring-fencing assets, rationalising entities, and bringing records and filings into order. Carried out in a sequence that protects tax and contractual positions.

REMEDIATION PLAN · CORRECTED STRUCTURE

03

Present

A financier-ready information memorandum and a governed data room that answers institutional credit queries in advance, then a readiness confirmation that states what is ready and what is not.

MEMORANDUM · DATA ROOM · READINESS STATEMENT

WHEN TO START

- ✓ Before any capital raise, so the file is complete at first approach
- ✓ Before a sale, so buyers do not discount for structural risk
- ✓ Before a family or shareholder event such as an exit, buy-out or restructuring
- ✓ When a previous application was declined and the reason is unclear

Order matters. The structure is corrected before any approach to the market. A financier who has seen a defective file rarely reviews it again with fresh eyes.

Phase 1: *the diagnostic*.

The diagnostic is priced per subject in scope: each director, company and trust. The current fee is published on blackleaf.co.za, excluding VAT.

SUBJECTS WE REVIEW

- ✓ Directors and shareholders
- ✓ Operating and holding companies
- ✓ Trusts, trustees and beneficiaries
- ✓ Group and inter-company arrangements
- ✓ Any entity that holds a core asset

WHAT YOU PROVIDE

- ✓ Company and trust registration documents
- ✓ Share registers and recent resolutions
- ✓ Latest annual financial statements
- ✓ Loan, lease and security agreements
- ✓ Details of any disputes or open tax matters

WHAT THE REVIEW COVERS

AREA	TYPICAL CHECKS
Corporate	Registrations, directors, filings and annual returns, name and address consistency.
Ownership	Share registers against filings, beneficial ownership records, undocumented arrangements.
Trusts	Deeds, trustee authority, letters of authority and amendments, beneficiary records.
Assets	Which entity holds which asset, security granted, and exposure to trading risk.
Financial	Inter-company and loan accounts, and consistency between entities and statements.
Tax and compliance	Registrations, returns and status, confirmed against what the records say.

Confidentiality. Mutual non-disclosure is in place before any detail of your affairs is shared.

Deliverables and *severity ratings*.

Phase 1 ends with a written report that ranks every defect, so the owner can see what must be fixed before any approach and what can wait.

Diagnostic report

Written findings, each ranked by severity.

Remediation plan

Sequenced steps, owners and timelines.

Readiness view

A clear statement of what is ready, and what is not.

HOW DEFECTS ARE RANKED

RATING	MEANING	TYPICAL TREATMENT
Critical	Likely to cause a decline or a failed transaction if found by the counterparty.	Correct before any approach
High	Will trigger conditions, delay or a price discount.	Correct before the data room opens
Medium	Weakens confidence and invites further questions.	Correct or explain in the memorandum
Low	Housekeeping that a careful reviewer would note.	Schedule in the normal cycle

EXAMPLES OF DEFECTS AND THEIR USUAL FIX

DEFECT	USUAL DIRECTION OF CORRECTION
Share register does not match filings	Reconcile, rectify and file corrected records
Core asset held in the trading company	Review a ring-fencing step, with tax advice
Dormant entities with open filings	Bring up to date, then rationalise
Trust without current trustee authority	Regularise authority with the Master
Undocumented shareholder understanding	Record in a shareholders' agreement

Hub-and-spoke *structure*.

For families and groups, the target design is usually a hub-and-spoke: asset-holding entities sit apart from trading entities, so that risk in one does not reach the other.

BEFORE

One company holds the trading business, the property, the vehicles and the cash. A claim against the business reaches everything.

- ✓ Assets and risk sit together
- ✓ Security is hard to isolate
- ✓ Buyers discount for exposure

AFTER

A holding entity owns the assets. Trading entities lease or license from it. Each entity has clean records and a clear owner.

- ✓ Assets are ring-fenced
- ✓ Security can be targeted
- ✓ The structure is easy to explain

PRINCIPLES WE DESIGN TO

- ✓ Every entity has a purpose that can be stated in a sentence
- ✓ Assets and operating risk are separated wherever it is practical
- ✓ Ownership and control can be shown on a single page
- ✓ Inter-company arrangements are documented and priced
- ✓ Tax, duty and contractual consequences are tested before any step is taken

Take advice first. Restructuring has tax, duty and contractual consequences. No step is taken until the tax and legal effects have been confirmed with your own advisers, and BlackLeaf works alongside them.

Self-check: *sixteen questions*.

Answer yes or no. Each no is a question a financier or buyer is likely to ask.

- [ ] Can you show who owns every entity on one page?
- [ ] Does each share register match the filings?
- [ ] Are all annual returns and filings up to date?
- [ ] Is every director and officer correctly recorded?
- [ ] Are beneficial ownership records complete?
- [ ] Does each entity have a stated purpose?
- [ ] Do you know which entity holds each core asset?
- [ ] Is trading risk separated from key assets?
- [ ] Are inter-company loans documented?
- [ ] Do trust deeds and trustee authority match the records?
- [ ] Are shareholder arrangements in writing?
- [ ] Are tax registrations and returns in good standing?
- [ ] Are there dormant entities with open obligations?
- [ ] Do the financial statements reconcile across entities?
- [ ] Are there unresolved disputes or claims?
- [ ] Could you open a data room within a week?

14 to 16
Strong. Confirm and present.

10 to 13
Some gaps. Fix before approach.

6 to 9
Material gaps. Start Phase 1.

0 to 5
Structure at risk. Start now.

The score is a guide to where to look first. It is not a rating of the business and does not replace a diagnostic.

Common *questions*.

Who is the BCRP for?

Owner-managed mid-market businesses, groups and families preparing to raise capital, sell or restructure.

Do I need to be raising capital?

No. Many clients use it to find and fix defects before they need to raise or sell.

How is Phase 1 priced?

Per subject in scope, at the published fee, excluding VAT. A calculator is on the website.

How long does it take?

It depends on the number of subjects and the state of the records. We confirm timing in the mandate letter.

Is my information confidential?

Yes. Mutual non-disclosure is in place before any detail is shared.

What happens after Phase 1?

You receive the findings and a remediation plan. Phases 2 and 3 are agreed separately, in writing.

Does it guarantee funding?

No. It removes structural reasons for a decline. Credit, valuation and market appetite remain the financier's decision.

Can my own advisers be involved?

Yes, and we encourage it. Auditors, attorneys and tax advisers are part of the work.

> *Find the defects first. Correct them before anyone else sees the file.*

ABOUT BLACKLEAF

Begin with a *private conversation*.

BlackLeaf is a family-owned group offering corporate advisory, capital solutions, mergers and acquisitions, fiduciary services and family office support. Every mandate is led by a principal.

Capital Readiness Protocol

Finds and fixes structural defects before a financier or buyer does.

Capital & finance

Debt, equity and structured funding, placed with the right financiers.

Fiduciary & statutory

Compliance, trusts and company secretarial work, kept in order.

OUR COMMITMENTS

- Absolute discretion: mutual non-disclosure before any detail is shared
- One integrated team across advisory, capital and fiduciary work
- Led by a principal from first conversation to completion

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