SBLC TRANSACTION FUNDING PROGRAM OVERVIEW

INTRODUCTION:

Our lending group can issue a clean, cash backed SBLC that will generate the funds to offer your project 100% funding. This unique funding option requires the borrower to bring a 3rd party forward who is capable of either purchasing the SBLC or holding it as security and issuing a credit line against it. This is a clean, new issue, cash backed SBLC from either Barclays or HSBC.

The project funding is accomplished in two parts; the first part is the issuing and monetizing of the SBLC, the second part is the loan application itself after the SBLC transaction is complete. The loan is provided by the private lending group (providing the SBLC) and the loan is funded out of a portion of the funds from the SBLC transaction.

SBLC OPTIONS:

The 3rd Party accepting the SBLC will need to present what they are offering for the SBLC in writing and they can choose from one of the three following options:

Option 1(a): Non-Recourse. Cashable Instrument. IMMEDIATE Payout.

Using this method the SBLC is “cashable” at maturity. There would be a 1-time non-recourse pay out at close. With this method, our lending group is **targeting a 75-85% LTV** and 50% of the *face value* is allocated to cover costs and risk mitigation and up to 50% of what remains can be lent to the project. **NOTE:** *Working a cashable instrument in this manner requires larger instruments to achieve the level of loan funds available to the client’s project. However, this is not an issue for our lending group, the 3rd Party simply needs to be able to handle the larger instrument.*

Option 1(b): Non-Recourse. Cashable Instrument. TRANCHE Payout.

In this case the SBLC would still be "cashable" but the monetizer would pay out over time, with a minimum of 50% at close and the rest within a few months. Using this method, our lending group is **targeting a 90%-95% LTV**. The 50% paid at closing will go to recoup capital and cost recovery and the remaining tranches that are paid out over time would be split 50/50 between the project and the lending group. **NOTE:** *This results in much slower funding for the project.*

Option 2: Recourse. Returnable Instrument. Credit Line or Loan.

With this scenario the SBLC would be "returnable" at maturity and would be returned in full value in 12 months plus a day. Here the lending group is **targeting a 75-85% LTV** on the SBLC and they will be repaying these funds in full within the 12 month maturity of the instrument. The bank would hold the instrument as security and be in a position to leverage the instrument on their balance sheet for a year.

50% of the face value of the instrument is always allocated to recoup capital and for cost recovery and risk mitigation but in this model, of the funds remaining, UP TO A MAXIMUM of 80%, but most likely between 65% and 70% would be set aside and made available to fund the project.

SBLC SIZING:

Exact amounts required for the face value of the instrument will depend on the offer and the amount of the project loan and will be determined on a case by case basis. However, in all cases the face value of the instrument will need to be considerably larger than the amount required for the project loan, as the SBLC needs to be of sufficient size to allow for cost recovery and risk mitigation. Only a portion of the realized value of the SBLC transaction is allocated to the project, so the SBLC will need to yield a remainder that is close to two times the size of the project loan (see formulas below).

EXAMPLE Using Option 1(a) (cashable with immediate payout):
$100M Loan Request
SBLC Face Value = $750M
LTV @ 80% = $600M
50% of Face Value for Capital Recovery = $375M
Funds Remaining = $225M
Up to 50% of those funds available to fund project = $112M

EXAMPLE Using Option 2 (returnable with Loan/Credit Line)):
$100M Loan Request
SBLC Face Value = $450M
LTV @ 85% = $382.5M
50% of Face Value for Capital Recovery = $225M
Funds Remaining = $157.5M
On average 60% to 70% of those funds can be available to the project loan = $94M - $110M

What Else Does The 3rd Party Accepting the SBLC Need to Know?

People usually dealing with SBLCs on a regular basis are used to working with existing instruments. As a result they will almost always ask you if they can see the SBLC. However, this program is only using new issue, cash backed instruments, meaning they will be created for each specific transaction. As a result of these instruments being created for each transaction, the SBLC can have any verbiage that the 3rd party desires. While the SBLC verbiage must always conform to ICC600, International Banking Standard, our lending group can tailor the SBLC to have any wording they prefer. **In fact, our lending group wants the bank to provide their desired verbiage so the SBLC will yield the BEST LTV POSSIBLE**.

HOW TO PROCEED:

As there are specific "non-solicitation" rules in banking, as a result our lending group's banking team cannot initiate contact with the receiving banker - this must be done by the bank who will receive the instrument. Our lending group requires the borrowing group's banker to send THEIR client (our borrower), an email stating what they will offer for the SBLC. This is then forwarded to us for review and acceptance. This email will have to include the following elements:

1) RWA Paragraph. This paragraph will state that the receiving bank is "Ready Willing and Able" to receive a SBLC from HSBC or Barclays for that has the face value of the transaction to be considered.

2) Banker's Business Card. This will identify the banker, the bank, and include their contact details such as email and phone numbers and ideally their address

3) Sample SBLC Verbiage. Since our lending group can customize the wording of the instrument to suit what the receiving bank desires, they would like the bank to provide the verbiage that will allow the bank to offer the best LTV possible.

4) Confirmation if it will be a non-recourse payout, or a recourse line of credit. If it is a recourse line of credit, they will need to include the proposed term (length of time available) and the interest rate.

This email is the first step in the process to successfully engage this funding program. The email below is an actual example from a top tier bank on a recent transaction. If there is a different amount, interest rate, term or recourse/non-recourse situation, then the receiving bank would just take out the offer shown here and substitute in their own offering:

"Dear [client name],

Further to our conversation on the subject, I note that [bank name] is ready, willing, and able to receive a clean, new issue SBLC from [HSBC NY or HSBC London or Barclays UK] of up to $500M USD [or appropriate amount]. It would be possible to set up a Line of Credit upon receipt and confirmation of this instrument at a LTV of 85%, contingent upon satisfying our underwriting *and compliance requirements, as well as any other condition precedent deemed relevant for [bank name], for a transaction of this nature. Following this, we would expect the process to begin with a MT799, followed by a MT760.*

Generally speaking, once an SBLC is received in line with established conditions precedents, credit facilities would be perfected and made available to the subject borrower for draws as agreed within a subject credit agreement within 5 business days [or bank's appropriate timeline].

Again upon condition of satisfying all compliance requirements, this would be a non-recourse Line of Credit to be perfected after [bank name]'s internal evaluation and adjudication. Any other line of credit terms to be determined by underwriting. The SBLC would be returned to the issuing bank upon full settlement of the line of credit.

[Bank Name] will also confirm within the final contract that upon ordering the issuance of the SBLC, that we will guarantee with full bank responsibility, that the cost for the issuance of the SBLC will be fully covered by [bank name] in the event that [bank name] backs out of the deal or fails to perform after the SBLC has been requested. That cost would not exceed 2% of face value.

Attached please find our preferred SBLC verbiage. Below is my contact information, as I will be handling this transaction on behalf of [bank name].

*[**bank name, banker name, contact details including bank address if possible]*

If the offer for the SBLC is from a private company rather than a bank, we will need all the same information from them that is represented above, detailing their offer. In addition, we will still need the RWA email from their banker, who will be receiving the SBLC on their behalf, along with a proof of capability that they can execute the transaction. NOTE: We do not ask for a POF if the offer is from a significant bank, as we know they have the cash. **In all other cases a Proof of Capability is required.**

With the lender finding the offer acceptable, they will engage their banking team to confirm the offer and begin structuring the contracts between the issuer/receiver to paper the deal appropriately.

DOES YOUR PROJECT QUALIFY?

The written email offer from the 3rd Party receiving the SBLC to their client is the first step to using this funding program successfully. However, as you approach the stage where you're expecting an offer from them, it is possible for you to submit your project so we can conduct a preliminary review of the project supporting your loan request.

Projects are evaluated on the strength of their business plan, the likelihood of the project achieving the revenue projections that will allow for repayment of the loan and the risk profile of the project itself. Management experience and a project sponsor with a good track record is also a factor.

If the project is acceptable, the lender will issue a conditional LOI, that is subject to the successful closing of an SBLC transaction along with the project passing the full risk assessment.

SETTING UP THE LOAN:

The project loan is provided by our private lending group out of a portion of the proceeds from the SBLC transaction. Once our lending group (issuing the SBLC) has received the funds, they will process the loan application by submitting the project through their risk assessment and intake process. The SBLC funds that have been received are on account and serve as the loan application's Proof of Funds.

Once the loan package has been processed a Term Sheet is issued. Borrowers are required to escrow $25,000 USD into the law firm's IOLTA Account as a non-refundable deposit towards the closing costs and preparation of the Final Loan Agreement. This amount will cover all/most/part of the legal costs for their Final Loan Agreement, (depending on complexity), and the Law Firm will furnish the borrower with a complete invoice showing their allocated time and charges. Depending on the actual final cost, there may be resulting "credit" or a balance still owing above the $25,000, which can be settled up after the close of the loan. With the term sheet executed and the legal fees in escrow, the loan contract is drawn up and with the final agreement executed, the financing of the project can commence.

Since our lending group is financing 100% of the project, they will ask for a minor equity ownership position in the project. Equity is calculated on a case by case basis, in accordance with the project's profitability expectations and risk profile. The equity requirement is presented once the terms of the loan are agreed upon and also include a negotiated and mutually agreed upon buy-out clause.

The interest rate of the loan to the project is dependent on how the bank monetizes the SBLC. If they offer a credit line, then the borrower's loan will be charged AT THAT SAME INTEREST RATE the bank sets on the funds they wire to our lending group. However, if the bank chooses the payout option when monetizing the SBLC, then the interest rate on the project loan is 3.5%, which is our normal lending rate.

GENERAL TERMS & CONDITIONS OF THE LOAN

- ❏ Standard loan term is 48 months
- ❏ Interest Rate is 3.5% or the receiving bank's interest rate (if applicable)
- ❏ Interest is due quarterly and must be kept up to date
- ❏ Non-Recourse, no personal or corporate guarantees
- ❏ It is possible to capitalize the interest to fully fund the loan; meaning you can gross up the loan amount to pay the quarterly interest due out of proceeds.
- ❏ Loan must be open for a minimum of 12 months
- ❏ There are no prepayment penalties
- ❏ General Security Agreement (GSA or lien) is on the project itself (against the borrowing entity - LLC or SPV).
- ❏ Flexible Repayment Options:

  There are no prepayment penalties and very flexible options for repayment of the loan. The borrower chooses the repayment option that best suits their situation before the end of the loan term.

  They can choose from the following options:

  (i) A balloon payment at the end of the term

  (ii) Convert to permanent financing, either short or long-term mortgage

  (iii) Borrower can offer a structured repayment plan

  (iv) Equity, or Debt-Equity hybrid model

  (v) If at the end of the term you are not yet prepared to repay the loan, you can extend the interest only term for 12 months

Standard lending fees apply: 3% Lending Fee of the Loan amount only, closing costs between $25,000 - $40,000 and the monthly cost of the loan caretaker ($5,000 USD) paid to PWC. All fees are paid out of proceeds. As the lender is providing 100% financing for the project, they will seek a minor equity ownership position in the project. This is determined on a case by case basis, in accordance with the project's profitability expectations and risk profile. The equity requirement is presented once the terms of the loan are agreed upon and will also include a negotiated and mutually agreed upon buy-out clause.

weLLcome capitaL fees: 3% Finder's Fee is paid from the loan from the first draw at closing. A $5,000 USD Engagement Fee is invoiced when we undertake preparation of the formal loan application and intake package (after the SBLC transaction has been confirmed). Per the Finder's and Financial Agreement, the Engagement Fee is refundable at closing. ***NOTE:*** *Our Mutual Non-Circumvention and Non-Disclosure Agreement (NC/NDA) and Finder's & Financial Agreement (FFA) both need to be executed at the outset of the process.*

RECAPPING THE STEPS IN THE PROCESS:

STEP 1: Whether the third party is purchasing the SBLC or holding it as security and issuing a credit line against it, we will need their offer for the SBLC in writing and an RWA email from the bank who will receive the instrument, along with a copy of their desired SBLC verbiage

STEP 2: Our lending group finds the offer from the third party receiving the SBLC acceptable, and engages their banking compliance team to (a) confirm the offer and (b) will begin to structure the contract between issuer/receiver to paper the deal appropriately.

STEP 3: Once all parties have signed off on the contracts, the issuing bank creates the new cash-backed SBLC for the transaction and issues SWIFT RWA MT799.

STEP 4: Receiving bank issues their own SWIFT RWA MT799. Issuing bank sends the instrument via SWIFT MT760. Receiving bank initiates confirmation of the SBLC.

STEP 5: Receiving bank wires funds to the lending group's designated account in the time window agreed to in the contracts.

STEP 6: When funds have arrived they serve as the borrower project's Proof of Funds and the loan application and intake package are processed and sent for risk assessment.

STEP 7: Project is accepted for financing, and Term Sheet is issued.

STEP 8: Term Sheet is executed. Equity is negotiated. Loan contracts drawn up.

STEP 9: Loan contract executed. Funding begins in accordance with the Use of Proceeds.

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