



SBLC TRANSACTION - 100% PROJECT FUNDING FAQ

Q1. How does the SBLC program work?

A. Our lending group can issue a clean **new issue, cash backed** Stand By Letter of Credit (SBLC) Commercial Letter of Credit (LC) or Bank Guarantee (BG) to the borrower's receiving bank. A portion of the proceeds realized from this SBLC transaction can be used to offer 100% financing to your project. However, to access this program, you (as the borrower) need to bring a third party capable of either purchasing the SBLC or holding it as security and issuing a credit line against it. This 3rd Party, whether it's a bank or a monetizer (if it's a private company) will need to present our lending group their offer for the SBLC in writing. See SBLC Overview doc for details.

Q2. Who receives the funds (the realized value) for the SBLC?

A. The funds are wired to our lending group's designated account by the 3rd party who is receiving the SBLC within the timeframe stipulated in the contracts.

Q3. If the lending group receives the funds, how does the Borrower's project get funded?

A. The lending group will fund the borrower's loan out of a portion of the proceeds from the SBLC transaction. These funds serve as the borrower's proof of funds for their loan application.

Q4. Who should I be talking to at the bank?

A. Senior Executives at the Bank with SBLC experience, likely found in Capital Markets, Global Markets or Trade Finance. These Executives should be well versed in this type of transaction.

Q5. How do I approach the bank?

A. From the bank's position this opportunity is about the SBLC, it is not about your project. For the bank, they are agreeing to receive and hold a bank instrument on their balance sheet for a year and either purchasing it or holding it as security and issuing a credit line against it.

Presenting this to the bank should be pretty simple and look something like this: **"Would your bank have interest in receiving a clean, New Issue, cash backed SBLC from either HSBC or Barclays? The face value would likely be in the range of \$500M to \$1B. I'm enquiring about this because we are working with a private lending group that will issue this SBLC and then fund our project out of a portion of the proceeds from the SBLC transaction."**



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Q6. Can we provide the SBLC verbiage to the receiving bank?

A. Because this is a NEW ISSUE bank instrument **it is being created for this specific transaction.** As a result of it being a NEW ISSUE SBLC, we are asking the receiving bank to provide their desired verbiage for the instrument (it should conform to the ICC 600 standard). Having them provide their desired wording should allow them to offer the highest possible LTV for the instrument. **NOTE: This is a non-standard SBLC transaction as most dealings with SBLCs are with fresh cut and not new issue SBLCs.**

Q7. Why do we have to get the suggested email from the banker handling the transaction?

A. Firstly, the lending group needs to be able to review the offer before they accept it and engage the issuing bank to confirm with the receiving bank and set up the transaction. **In order for the issuing bank to send the MT799 they have to have something to show that the receiving bank is aware of and ready to enter the transaction. Again, this is why we ask for the bank's RWA email with all the banker's details.** This is why we always need the RWA email from the banker who will be handling the transaction at the receiving bank, even if the SBLC is being monetized privately.

Q8. Do we monetize SBLCs for others?

A. No. We do not “accept” or monetize SBLCs. We issue them and fund projects out of a portion of the proceeds from the SBLC transaction.

Q9. Do we lease SBLCs?

A. No. These are all owned, new issue cash backed SBLCs. We do not lease instruments.

Q10. Is the SBLC program able to fund loans globally?

A. Yes, as long as the borrower/project is in a good jurisdiction.

Q11. How long does it take?

A. From the time the banks are committed to the SBLC transaction you can estimate 45 to 60 days to closing. Approximately 3-4 weeks to process the application to get to a Term Sheet.

Q12. What are the steps to project funding?

A. STEP 1: Borrower’s receiving bank issues an email to them (as the bank’s client) that contains the following elements. This email is from an actual tier one bank expressing their interest in the transaction.



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STEP 2: Lending group finds the offer from the receiving bank acceptable, and engages their banking compliance team to (a) confirm the offer with the receiving bank and (b) 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.

Q13. What are the underwriting requirements for the loan?

A. The project needs to have a strong business case that shows a high probability that the project will be able to pay back the loan. The Borrower should have an experienced management team with a good track record.

Q14. When are the loan funds available?

A. The loan is funded according to the project's requirements which are identified in the Use of Proceeds and draw schedule that is submitted as part of the intake package.

Q15. What are the loan application and intake package requirements?

A. The loan application requirements are as follows:

- a) A fully completed and signed loan application form
- b) Proof of Funds (completed SBLC transaction)
- c) Full Business Plan and Proforma
- d) Detailed Use of Funds
- e) Borrower's Desired Draw Schedule



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f) As a corporate applicant, a copy of:

- Articles of Incorporation
- Board Resolution stating that the signatory has the authority to act on behalf of the Corporation

g) Copy of Application Signatory's Passport

Q16. What are the terms of the loan?

A. The general terms and conditions of the loan are as follows:

- Interest only with 48 month term
- Interest rate is 3.5% unless the receiving bank issues a credit line, in the case the loan to the project will assume the same interest rate that is set by the receiving bank
- Interest is due quarterly and must be kept up to date
- Loan must be open for a minimum of 12 months
- There are no prepayment penalties
- Non-Recourse, no personal or corporate guarantees
- General Security Agreement (GSA) is on the project itself (against the LLC).
- Flexible Repayment Options:

The borrower chooses the repayment option that best suits their situation before the end of the loan term from these 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

Q17. What are the lending group's fees?

A. The lender charges a 3% Lending Fee against the loan amount to the project. It is paid at closing. In addition to the lending fee closing costs are typically \$25,000 - \$40,000 USD and are also paid at closing out of proceeds. There is a monthly caretaker fee of \$5,000 USD which is invoiced to the client directly by the loan custodian; which is typically outsourced to PWC.



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EQUITY: As the lender is providing 100% financing of the project, they will seek a minor equity ownership position in the project. The equity requirement is determined on a case by case basis, in accordance with the project's profitability and risk profile. The equity requirement is presented after the Term Sheet is issued and once the terms of the loan have been agreed upon. It will also include a negotiated and mutually agreed upon buy-out clause.

Q18. What are weLLcome capital's fees?

A. weLLcome capital's finder's fee is 3% of the loan amount and is paid out of the first draw at closing. There is also an engagement fee of \$5,000 USD which is invoiced prior to preparing the loan application and only after the SBCL transaction is confirmed and underway. 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.*

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