



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 Program Steps document for details on the written offer.

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 simple, you simply ask them:

"If we can have a top tier bank issue you a SBLC, what would you offer for it"

Note: You can tell them it would be a clean, **new issue**, cash backed SBLC from either HSBC NY or London or Barclays UK. And the face value for the instrument would need to be worked out based on the project requirements and the details of their offer.



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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** (and why we will always need the RWA email from the banker 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: How do I determine the size of the SBLC I need to fund my project?

A. The face value of the bank instrument will always exceed the loan request so that the lending group may recoup their capital, recover costs and allow for risk mitigation. Exact amounts required for the face value of the instrument depend on each individual offer in consideration of the loan amount required by the project. The face value can be estimated using this formula:

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SBLC Face Value = \$500M

LTV @ 80% = \$400M

50% of Face Value set aside to recover capital = \$250M

Funds Remaining are \$400 - \$250M = **\$150M**

Between 50% - 75% of available funds go to the project = \$75M - \$112.5M

Q13. 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.

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.

Q14. What are the underwriting requirements for the loan?

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A. The project is evaluated on the strength of the business plan, the risk profile of the project and the likelihood of achieving the revenue for repayment. Management experience and a good track record is also a factor.

Q15. How Do I know if my project would be funded?

A. To get a sense if your project would qualify for this lending program, the borrower can present a Loan Request Summary (LRS) and we will do a preliminary review of your project. If the project is acceptable the lender would issue a conditional LOI, that is subject to their risk assessment and the successful closing of an SBLC transaction. To submit a project, just request the Loan Request Summary Form (available on our website) and you will need to provide the following documentation: a complete business plan, sponsor's bio and a 5 year pro forma, detailed project budget, use of proceeds and your desired draw schedule.

Q16. 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.

Q17. 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
- f) As a corporate applicant, a copy of:
 - Articles of Incorporation
 - Board Resolution stating the signatory has the authority to act on behalf of the Corporation
- g) Copy of Application Signatory's Passport

Q18. 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



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- 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

Q19. 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.

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.



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Q20. 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.*

CONTACT:

Bonnie Walker

+1.416.707.5008 Text | Call | WhatsApp

bonnie.walker@weLLcomecapital.com

weLLcomecapital.com