



SBLC TRANSACTION FUNDING LOAN PROGRAM FAQ

Q1. How does the SBLC program work?

A. Our lending group will issue a new, cash backed Stand By Letter of Credit (SBLC) or Bank Guarantee (BG) to a third party brought to the transaction by the borrower. The SBLC transaction does not involve the borrower directly but generates the funds the lender uses to fund the borrower's project. To access this program, the borrower needs to bring an offer from a third party (i.e. bank or private company) who is capable of either purchasing the SBLC or holding it as security and issuing a credit line against it. If the third party issues a credit line against the instrument, the lending group is responsible for that credit line in full. The borrower is only responsible for the loan amount they borrow from the lender, the borrower is NOT connected to the credit line. This 3rd Party, whether it's a bank or a private company, will need to present our lending group their offer for the SBLC in writing and if it is a private company they will also need to include their proof of capability, showing they can execute the transaction. See [example of offer here](#)

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

A. The funds are wired to the lending group's designated account by the 3rd party who is receiving the SBLC within the timeframe stipulated in the contracts. A portion of these funds are set aside by the lender to finance the borrower's project.

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 themselves out of a portion of the funds they receive for the SBLC after they have recovered their capital and associated costs.

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 perspective 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 outright 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"**



SBLC TRANSACTION FUNDING LOAN PROGRAM

FAQ

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 nature of their offer. See Q12 for more information. We can assist you with this.

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 needing to have it issued, 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 existing fresh cut and not new issue instruments.***

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. Can we monetize your SBLC from another bank?

A. No. We do not “accept” or monetize SBLC in this program. We issue them and fund projects out of a portion of the proceeds from the SBLC transaction. However, under certain circumstances, we can accept an SBLC or BG as a deposit in our [4X Loan Program](#)

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.



SBLC TRANSACTION FUNDING LOAN PROGRAM FAQ

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. However, in the current environment, settlement times with the banks are unpredictable. As far as the loan itself, the application isn't processed until the SBLC transaction is successful. Please allow 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 funds 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:

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 depending on the type of offer being made = \$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 an outline of their offer for the proposed transaction. See an example of the offer [here](#) - this example email is from an actual tier one bank expressing their interest..

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.



SBLC TRANSACTION FUNDING LOAN PROGRAM FAQ

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?

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. It also needs to be a legal business in a good jurisdiction.

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

A. Once you know you have a monetizer interested in receiving the SBLC for this program, you can get a confirmation that your project would qualify for this lending program by submitting a Loan Request Summary, and we will do a preliminary review of your project. If the project is acceptable and the lender likes it, they would issue a conditional LOI, subject to their risk assessment and the successful closing of an SBLC transaction as a portion of the proceeds from the SBLC serve as the loan applications POF. To submit a project, request and complete the Loan Request Summary Form and provide complete documentation including; a business plan, sponsor's bio, a pro forma, a detailed project budget, use of proceeds along with 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 the Desired Draw Schedule that is submitted as part of the loan application and 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)

weLLcomecapitalL.com



SBLC TRANSACTION FUNDING LOAN PROGRAM

FAQ

- c) Full Business Plan
- d) 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
- Interest rate is 3.5% or LIBOR +2 (whichever is higher) unless the receiving party is issuing a credit line, in that case, the loan to the project will assume the same interest rate that is set for the receiving party's credit line.
- Interest is calculated annually and 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 - meaning there are no personal or corporate guarantees
- General Security Agreement (GSA or Lien) is on the project itself.
- 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.

weLLcomecapital.com



SBLC TRANSACTION FUNDING LOAN PROGRAM FAQ

EQUITY: As the lender is providing 100% financing of the project, they will seek a minor equity ownership position in the project and doesn't exceed 40%. The equity requirement is determined on a case by case basis, in accordance with the project's profitability and risk profile. The higher the risk the higher the equity participation; the lower the risk the lower the equity stake. The equity requirement is presented AFTER the Term Sheet is issued and the terms of the loan have been agreed upon. It will also always include a negotiated and mutually agreed upon buy-out clause.

Q20. How are closing costs handled?

A. 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.

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. weLLcome capital also charges the borrower an engagement fee of \$5,000 USD which is invoiced prior to preparing and submitting the formal loan application. 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 this process.*

CONTACT

Bonnie Walker

+1.416.707.5008 Text | Call | WhatsApp

bonnie.walker@weLLcomecapital.com

Make Contact. Learn More. Get Funded.

weLLcomecapital.com