SBLC TRANSACTION - 100% FUNDING OPTION

For larger projects (budgets in excess of $25M) we have a 100% funding option that has very specific requirements of the prospective borrower's bank. Using this program our lender would issue a Standby Letter of Credit (SBLC) from one of their tier 1 banking partners (HSBC UK or Barclays UK) that is fully cash backed, to the borrower's bank. That bank MUST HAVE the full capability to monetize that bank instrument.

Under this example you (the borrower) would need to have a relationship with a bank, either yourself or through a family office or hedge fund, capable of receiving and monetizing a SBLC from our lender. This bank would receive and monetize the cash-backed SBLC, which would need to be of sufficient size to be able to yield a value of at least 2X the size of the project. The bank (or their hedge fund/family office client) would then offer the lender one of two possible options:

Option 1. Non-Recourse Payout.

In this case the SBLC would be "cashable" and they would require a minimum 90% monetized value for the instrument. For instance if the bank received a cashable SBLC from us for $100M, they would expect them to send us $90M or more once they have received and confirmed it. Upon maturity (12 months + 1 day) the bank would cash the SBLC for the full face value ($100M), and have made $10M on their money. Additionally the bank will have had the instrument on their balance sheet for a year, which they can leverage into additional profits by many multiples.

Up to half the amount that our lender receives from the bank can be lent to the borrower's project to fully fund its budget. In this case that would be up to a $45M budget - if larger projects or slates use this method they would simply need to arrange with their bank a larger instrument.

Option 2. Bank Line of Credit.

Under this scenario the SBLC would be "returnable" - the SBLC our lender sends to the receiving bank would be returned in full value in 12 months. Here they would seek a 75-85% LTV on the SBLC which would be wired to them as a Line of Credit. Our lender would repay these funds within the 12 month maturity of the instrument.

As in Option 1, they would require that the SBLC yield at least 2X the cost of the project they would be funding as there are high costs to recover for setting up such an instrument and transaction, as well as to mitigate their risk on the loan to the project.

Again as with Option 1, up to half the amount provided in the credit line would be available to fund the project.

What Else Does Your Bank Need to Know?

Certain departments of banks are used to the SBLC processes, but typically they deal with existing instruments. As a result they almost always ask you for the "SBLC Verbiage". However, the way our lender has structured this program is that their instruments are all "new issues" - they will be created by their Tier 1 bank (either Barclays or HSBC London) specifically for this transaction. As a result, they will create a new SBLC that can have any verbiage the receiving bank desires. While the SBLC verbiage must always conform to ICC600 standard (International Banking Standard, which these bankers should inherently understand), our lender can tailor the SBLC to have any wording the bank likes. In fact, our lender will typically tell them, "Give us your preferred verbiage, that will yield the BEST LTV that we can receive, and that is what it will have."

How to Proceed

There are specific "non-solicitation" rules in banking and as a result our lender’s banker cannot initiate contact with the receiving banker - this must be done by the banker whose bank will receive the instrument. So our lender will require the borrowing group's banker to send the borrower/client an email that they will forward to our lender to provide to their bankers. This email will have to include three things"

> 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. This paragraph will generally be "based on the following conditions" (ie. receiving sufficient CIS information from us to pass their due diligence protocols).
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> 2) Banker's Business Card. This will identify the banker, the bank, and include their contact details such as email and phone numbers.
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> 3) Sample SBLC Verbiage. Since our lender can customize the wording of the instrument to suit anything the receiving bank requires, they would like the bank to provide them with the verbiage that the bank prefers.

This email is the first step in the funding process and the email needs to be from THE BANK to the client. Without establishing the banking partner upfront, there is no path forward for the project. And like our other 100% funding options, the email also needs to include:

- the proposed transaction size which is two times the project amount required
- the proposed LTV for the SBLC
- the option they prefer either (a) non-recourse payout or (b) bank Line of Credit) and if (b), the proposed interest rate would be helpful
- and finally the suggested timing, i.e. how long from receipt of the instrument to confirm and make the funds available

With this email then forwarded to us, our lender can evaluate and if they like the offer, they will provide it to their banking team who will reach out to the banker and begin the process of setting up the transaction.

SETTING UP THE PROJECT LOAN

Once the SBLC has been monetized and the funds wired to our lender from the bank, the project then goes through the lender's usual intake process. The funds from the borrower's bank becomes the "proof of funds" for the project and the lender processes the borrower's application to receive a loan from them. Once the project has been accepted for funding, the lender would go through the Term Sheet and then contract process - once complete, financing of the project can commence.

If accepted, since the lender would be financing 100% of the project, and the borrower/client has no money of their own in the game, the lender will always take an equity position in the project. That position could range between 20% and 40%, depending on the risk profile of the deal, and the actual number will only be discussed once they confirm that they have a way to monetize the SBLC for the client. The interest rate of the loan will be dependent on the bank's monetization parameters. If the monetization involves our lender taking a credit line (which will have an interest rate that they pay for), then the portion of capital being sent to the client for the project will be charged AT THAT SAME INTEREST RATE. If Option 1 is used, where it is Non-Recourse Payout SBLC, and our lender does NOT end up owing the bank interest, they would loan to the project at 3.5% (their normal rate).

The other fees from their regular loan programs also apply - a 3% Lending Fee (due upon close, and drawn from the loan funds themselves), the closing costs of the loan, and the monthly cost of the loan caretaker. No fees are due to be paid until AFTER the project is receiving funding.

The application process will be the same as the 4X Loan Program. The only difference here will be that there is no requirement for a Proof of Funds, as the funding will already be provided by your banking institution through the monetization of the SBLC.

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