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# PROJECT FUNDING VIA COLLATERAL FIRST GUARANTEED FINANCING

***NOTE: THE BORROWER MUST PROVE FINANICAL CAPACITY TO FUND THE NECESSARY BANK MOBILIZATION FEES THAT MAY BE ASSOCIATED WITH THEIR SPECIFIC TRANSACTION, WHICH MAY INCLUDE BUT MAY NOT BE LIMITED TO THE COST OF THE ISSUANCE OF THE BANK GUARANTEE of APPX 3%, ESTABLISHING BANK ACCOUNTS, AND MT-760.***

***FURTHER, IT MUST ALSO BE UNDERSTOOD AND AGREED THAT THE BANK OR OTHER FUNDING INSTITUTION MAY NOT USE THE BANK GUARANTEE FOR THE PURPOSE OF RAISING THE LOAN FUNDS AND MUST ACTUALLY HAVE THE FUNDS AVAILABLE FOR IMMEDIATE TRANSFER TO THE COLLATERAL PROVIDER AFTER RECEIVING THE COLLATERAL.***

The Guaranteed Financing /Collateral First Transaction is a structured financial model tailored towards providing the required collateral support or credit enhancement to borrowing entities to qualify, however the structure at the initial stages of the loan process usually follows the traditional lending methods prior to the delivery of the Bank Bond, or Guarantee for Collateralization.

Before the Instrument or Collateral is availed, the client/project or the borrowing entity must first pass the bank's, and Collateral Provider's compliance and due diligence procedure of know your client [KYC] formalities to determine the possibility of the bank lending their fund and of the Collateral Provider issuing their guarantee to the client based on the merit of the project[s]. The borrower must satisfy the requirements of both the lender and the Collateral Provider.

If the bank agrees to proceed, it will provide the borrower/client with a provisional or conditional loan offer subject to the client providing the lender with an adequate and acceptable Indicative Term Sheet from the Collateral Provider's Bank to mitigate the risks that are normally associated with lending. It is only at this stage of the loan process that the Guarantor may step in to support the client/project subject to the bank's acceptance of the Collateral Provider's Indicative Term Sheet, which demonstrates his capacity to provide the collateral and is not a commitment and generally is of no cost to the Guarantor/Provider at this point, which must come from the Provider's Bank to the lender Bank on a Bank-to-Bank Basis for and on behalf of the Borrower/Project indicating the Provider's capacity and RWA as well. Please note that without acceptance by all three principle parties; the Borrower, Lender Bank or the Provider no transaction can take place.

After these initial stages, the program takes a different turn based on its own unique funding structure that may ultimately relieve the client/borrower from any debt burden normally associated with borrowing and lending.

**THE GENERAL PROCESS AND RULES OF COLLATERAL FIRST OR FINANCING PROGRAM**

1. The lending bank gives a provisional or conditional loan offer to the borrower based on the merit of the project after conducting proper due diligence on the client/borrower, and the project. The Collateral Provider will do the same {or simply accept the loan bank's position}; the borrower is the client of both the Lender and the Collateral provider.

2. Upon the receipt of the above-mention loan offer the client sends it to the Guarantor/Collateral Provider via the Gate-Keeper along with his Compliance documents {which represents pof}. The Gate-Keeper is appointed by the guarantor/provider to make sure that only client/borrowers that meet 100% compliance are given attention as any deal that is likely to fail never gets to the guarantor as the deal is promptly stopped by the Gate-Keeper.

3. The Guarantor/Provider reviews the conditional loan offer and if acceptable will direct his bank issue an Indicative Term Sheet to the lending bank for acceptance. The indicative term sheet is sent to the lending bank for and on behalf of the borrower using the established transaction code for the project/borrower.

4. The bank accepts the Term Sheet and notifies the Provider and the Borrower of the acceptance of the Collateral. A window time can now be set for the exchange of the Bank Bond/Guarantee to the Bank on a Collateral First Basis.

5. Upon the receipt of the bank's commitment letter by the Guarantor/Provider and the documents are verified on bank-to-bank basis. If satisfied the Guarantor/Provider enters into a Joint Venture [JV] Contract with the borrower to guarantee the loan.

6. Once the lending bank and the Guarantor/Provider are in agreement the Bank Bond/Guarantee is delivered almost immediately for the agreed amount.

7. Upon the confirmation and the authentication of the Bank Bond/Guarantee provided by the Guarantor/Provider the lending bank is obligated to transfer 100% of the loan fund to Guarantor/Provider's bank immediately. This could be either 100% of the principle loan amount less the bank fees and interest or it could be 100% of the principle amount plus the fees and interest, either way but not less than One Hundred Million U.S.D.

8. In markets such as United States or Europe where interest rate is within a single digit band the 10% or less for example of the loan that was left with the lending bank shall be used for immediate interest repayment and other bank charges so the client is relieved of all the problems associated with borrowing, however whereby the interest charged is in double digits then the approach to interest repayment takes a slightly different structure to mitigate the interest repayment by the borrower on a case-by-case basis.

   In the circumstance whereas bank charges are more than the 10%, the bank may charge it to the Client/Borrower's account and where the charges are less than the 10% already collected the Lender/Bank must credit the Client/Borrower's account the overpaid amount. Generally the bank will simply deduct all their fees and interest upfront and remit the difference to the Provider.

The Guarantor/Provider may send to the Lender/Bank an amount equal to 10% each month for Ten Months if the term period is one year for example, however this must be adjusted subject to the agreed term period for equal monthly percentages so as to completely liquidate the loan over the specified term period. The Guarantor/Provider may send the 10% of the Principal or borrowed amount to the Client/Borrower's Bank or is adjusted in accordance with their agreement until the Client/Borrower's Bank will have received 100% of the Principal amount of the loaned funds. The Client/Borrower's bank may administer the funds to the Client based on their agreed release schedule or the administered by other responsible firms. The terms and rates are subject to the agreement by and between the parties as they see fit.

9. After one year and one day {assuming this is the agreed term period}, which could be the term period of the loan and the guarantee. 100% of the original loan shall have been repaid and the Guarantor/Provider may recall the Bank Bond/Guarantee at this time allowing both the borrower and the Guarantor/Provider to totally exit from debt to the lending bank. No more outstanding debt to the bank. The term period and rates is determined on a case by case basis and the Collateral will be structured to accommodate the term period and interest rate offered by the lender. Please be aware that most term periods will be more than one year, this is but an example.

10. Funding of project[s] does not depend on the financial model or structure which might have been adopted in the preparation of the business plan , financial indexes, Return on investment [ROI] Equity mix ratio, or whether the deal would be totally 100% debt financing.

In essence, and due to the in-built structures of the Guarantee /Collateral First financing facility, the repayment of the loan and interest to the lending bank shall not depend on the negative or positive cash flow of the project[s] being implemented, and that is one of the reasons the loan may only be needed just for one year even though the project may take several years to put on line and secondly, 100% funding shall be achieved within this time frame as well irrespective of the size of the transaction because the Guarantor/Provider shall continue to transfer 10% or a percentage equal to the amount to completely liquidate the loan at the end of the term period to the borrower's bank for and on behalf of the borrower, which ultimately gives the borrower 100% of the funds requested to put the project[s] on line within the agreed term period. Note that the funds are administered to the Client/Borrower by his bank. Most banks generally like a term period of not less than 3 years. This may be adjusted subject to the agreement between the parties.

**THE RULES:**

1. Any loan offer between US$150M to US$299.9M may be funded in a single tranche, notwithstanding the obvious, loan sizes of US$300M, US$450M, US$600M or US$2 Billion etc can be funded in tranches of US$150M therefore in the event that the lender elects to fund in tranches as enunciated above the corresponding Collateral or Guarantee Instrument shall also be given to them in tranches while taking every other thing into consideration. Funds under the minimum will be viewed on a case-by-case basis.

2. If the lending Bank is not an "A" rated bank and above on the global bankers almanac then loan may be avail to their correspondence bank in Western Europe or to their branch in the United Kingdom.

3. The lending Bank or any lender for that matter is strongly advised not to give any loan offer or endorse or accept the Commitment Letter if they are not in the position to fully fund the Bank Bond immediately when the Bank Bond is confirmed by them.

4. The borrower and the lending bank are advised to direct all their enquiries to the Guarantor/Provider's Gate-Keeper or their nominated agent[s] as the Guarantor/Provider shall not entertain any direct inquiries from them prior to bank endorsing/acceptance of the Commitment Letter for their own client, this is the

first step. In other words the borrower and their lender must meet 100% compliance before they shall have direct dealings with the Guarantor/Provider. This is not to deny any person the access to reach the Guarantor/Provider, therefore the Client/Borrower and/or their lender must understand that the Guarantor/Provider's major role is to arrange credit enhancement, provide collateral support for the funding of the client's project[s] that meet compliance as advised by the Gate-Keeper.

5. The supervision of project[s] being funded may be under the auspices of PricewaterhouseCooper, KPMG or others such firms providing auditing and other professional advisory services or the client's bank.

**OTHER HIGHLIGHTS:**

1. The minimum loan approval for the Client/Borrower must not be less than US$100M or Euros. If a single project does not have the need of this amount but do have a series of other projects which it owns and/or closely associated with, it is then possible to place more than one project under one umbrella to meet the collateral provider's minimum amount standard.

2. The one year term period of the Bank Bond in this example should also become Loan term period as well, the guarantee and loan term period should be the same but not be less than one year. Should the term period exceed One year the Provider may extend or renew the Bank Bond or simply issue an instrument to meet the specific term period of the loan requirement.

3. Transaction mode is "Collateral first transaction".

4. COLLATERAL: Bank Bond/Guarantee to be provided by one of the top 25 banks on the global banker's almanac.

**NOTES:**

1. The above is the general provision for guarantee financing/collateral first and funding is the issue of interest rates, which can also be applied to any other Country whose interest rate is in double digits.

2. ***A PRIVATE LENDER:*** For a lender who is not a bank, we strongly advise that instead of putting themselves in the position of a lender they should rather enter into a **JOINT VENTURE** with the client/borrower and assume a temporary or a semi- ownership of the project[s], in other words the project[s] is now their own and with this in mind they can now take the project[s] to their bank and upon the approval of their loan request the Gate-Keeper may facilitate the issuance of the Bank Bond/Guarantee for the loan. It is for the same reason that the Provider enters into **JV** with the borrower/project owner to enable the Guarantor/Provider to provide the required Bank Bond/Guarantee directly from their account rather than using leased bank instrument.

3. Service the financier can charge the original project owner some percentage of the loan fund for his service.

4. This loan process was strictly designed for banks and lenders with their own funds and not for those who would want to hypothecate an Instrument before funding. If a private lender claims to have his/her own fund to close the deal on their own there should not be a problem, however it is better for them to utilize the JV process as this can fast track the loan with the bank without pledging their own asset to the lending bank and at closing the private lender would still have 100% of their funds at the lending bank as their fund is never used as collateral. These suggestions are to make sure the client/borrower is able to obtain the bank commitment letter because without it nothing can proceed. It is the key to obtaining the Guarantee/Collateral First Financing process.

5. Alternatively, if the private lender is still bent on using his funds to close the deal then they can make their own arrangement with their bank on the following basis.

6. Ask the bank to use their deposit with them to issue out the loan to the Client/Borrower.

7. The bank shall also issue the Commitment Letter to the borrower as advised by the Provider.

8. Upon verification of the Commitment Letter from the bank, the Provider may deliver the required Bank Bond to the bank.

9. The bank verifies and authenticate the Bank Bond and if satisfied fund the Bank Bond/Guarantee from the private lender's deposit with them and thereafter transfers the Bank Bond/Guarantee to the private lender [it should be noted here that this is entirely a private arrangement between the private lender and their bank, it has nothing to do with the Provider as the Provider as always shall delivers the Bank Bond/Guarantee to the bank.

10. If the interest payable on the loan cannot be covered by the 10% that would be left with bank then arrangement can be made between and amongst the private lender, their bank, the Provider, and the borrower so that the Provider can deduct the difference from their source and pay the private lender directly to their account with the bank before transferring the balance to the borrower.

11. Lastly, and at a setting stage during the loan process the lending Bank would be required to provide a Letter of Interest.