# "Applied Credit Enhancement in the Commercial Sector"

How to get your project in funds through applied Credit Enhancement

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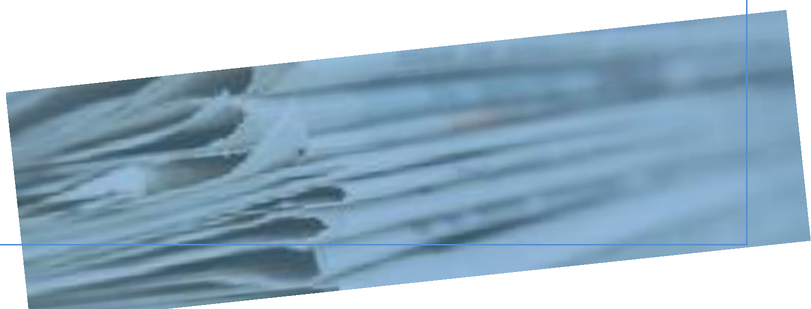
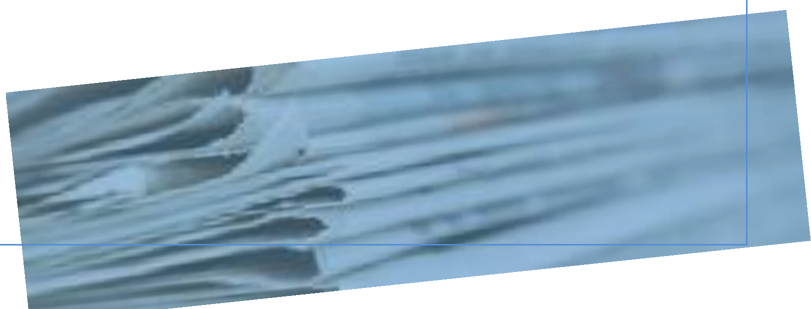


## SECTION 1 - Probably the only way to get access to valid credit enhancement collateral

Applied Credit Enhancement in the Commercial Sector: When you do a quick Google search on “what is a credit enhancement in finance?” the result refers to some “*financial engineering techniques which improve the Creditworthiness and Rating of the securities issued”*. And if you check Wikipedia, then you will find *“Credit enhancement is the improvement of the credit profile of a structured financial transaction or the methods used to improve the credit profiles of such products or transactions. It is a key part of the securitization transaction in structured finance, and is important for credit rating agencies when rating a securitization.”*



Credit Enhancement in the commercial sector is different. When referring to Credit Enhancement in the commercial sector, banks lend money against financial instruments which have been generated for a specific purpose and period of time and can be borrowed from a collateral owner, usually an investor. This generates credit enhancement and leverages a client's financial possibilities in an exponential way, backing up a credit line and enabling liquidity to build a project.

For the client's bank the business is "round". The bank issues a credit line that has the backing of a prime bank, evidenced in the form of a financial guarantee instrument. The project is building up collateral value by itself, as it advances towards completion. The client's bank has zero risk in funding this commercial transaction which is very profitable to them. They will charge the client annual interests on the credit line as well commissions.

On the other hand, the bank is supportive and helps to build additional value as the client builds the project. Obviously, the funds go directly into the development of the project. As the project is building up to completion or a stage of operation, its own collateral value increases and the bank utilizes the increased collateral value to further extend the credit line. The project represents collateral value by itself. This also enables the replacement of third party collateral that has been borrowed and which will be obsolete once it is replaced by the project's own collateral value.

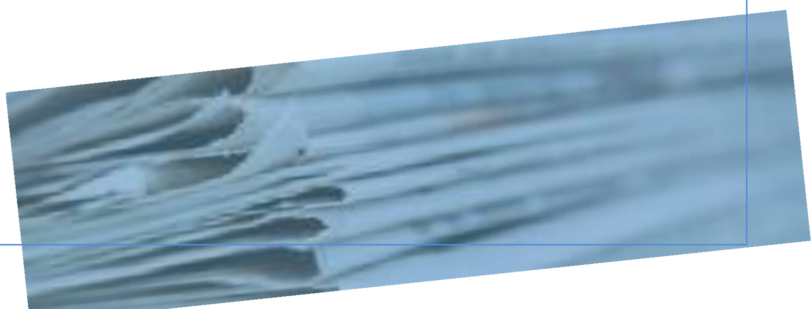
Forget all what you have heard about leasing a bank instrument. Securities Borrowing and Lending is completely different. It is probably the only way that you can expect a third party to provide you with a valid, fully verifiable cash backed, divisible and assignable Bank Guarantee or Standby Letter of Credit. This is the only realistic and genuine option to have a third party issue a genuine financial instrument for a borrower who might not yet have the financial capacity and background. If your bank is supportive and asks you to provide collateral to support a loan, then Securities Borrowing and Lending is probably the only way in which you can access financial collateral and benefit from a prime bank instrument.

## Securities and an Investor's cash back up an SBLC or a Bank Guarantee.

Financial Instruments from Euro 10 million to Euro 500 million are generated and issued and backed by highly rated Certificates of Debt (listed and rated Securities), which can be MTN, Bond, an Europaper, or a Commercial Paper. These instruments are publicly listed, identified by an official ISIN (International Securities Identification Number) and are traded in the secondary market (Bloomberg, Euroclear, etc. ) These securities can be traced and checked online by the client and his bank. These seasoned Bonds and/or MTNs are purchased directly by an investor (the Lender) to be leant during the agreed upon period to the borrower. If the client needs a BG/SBLC, the lender will purchase the Bond/MTN and will issue a BG/SBLC backed by this Bond/MTN through his own bank (a top bank) for the borrower.

## So here is the background of the deal!

High Net Worth Investors buy highly rated bonds and securities. The higher the rating of a bond, the lower is the yield of a bond obviously. Lower risk for an investor usually results in lower yields and Securities Borrowing and Lending can leverage the overall return on a highly rated security for an investor.



## Where is the Lender's business?

Through a Securities Borrowing and Lending transaction, the investors' annual return can be leveraged to a great extend! An investor buys specific securities and lends them out to a borrower, for example to you, in the format of an SBLC or BG for an agreed upon period of time. You pay a lending fee to the investor. This leverages the investor's Return of Investment significantly. A top rated bond with an annual yield of 3% can now return probably 12% or more per annum. This is a more than optimal performance, with high security since the operation is carried out bank to bank against a prior commitment of the receiving bank for the payment of the lending fees as well as the return of the instrument at the agreed time.

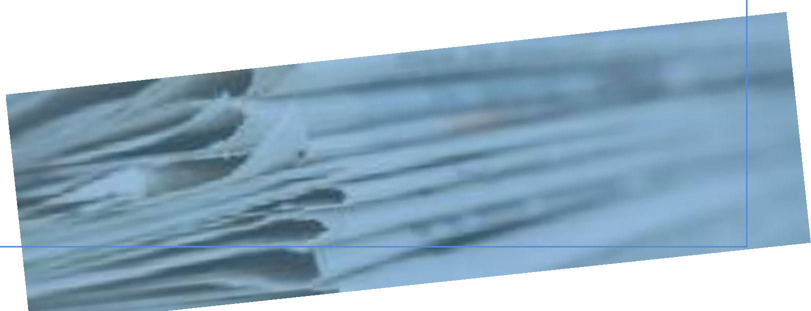
Based on the purchase of clearly identified highly rated bonds, MTNs and other securities of an investor and a Securities Borrowing and Lending Agreement with you, your collateral instrument is generated and transmitted via SWIFT MT760 in the format of an SBLC or BG, to your receiving bank. There it can be used as a valid and verifiable form of collateral which you can use in any unrestricted way during the agreed upon lending term.

Procedures match exactly this scenario. With your application and the submission of a Business Support Contract, the process of the assessment of your transaction is started. Once you are accepted as a qualified borrower, specific securities are identified for your transaction and proposed to an investor. Once an investor commits to purchase these securities into his portfolio and to lend to your transaction, the Securities Borrowing and Lending Agreement is issued to lend these clearly identified securities to you.

To enable this process, the securities have to be reserved for the transaction for 20 days. Since these securities will specifically be purchased to enable your transaction, to emit your SBLC or BG, the deal has to be fixed and these clearly identified securities into the millions will have to be firmly reserved through the payment of a call option. Through the Securities Borrowing and Lending Agreement, the investor is committed to buy these securities and you will have to commit to borrow exactly these securities and pay for the agreed lending fee within 20 days. Once the Securities Borrowing and Lending Agreement is issued for these clearly identified securities, your bank will have to come up with the agreed payment instrument – within 20 days, and transmit the conditional payment as to the terms and instructions of the Securities Borrowing and Lending Agreement.

Once your conditional payment is received and verified directly between banks, the investor will buy the agreed securities for your transaction and send the SBLC or BG to your bank. Your receiving bank will have all the background information and can verify the instrument to be not just divisible and assignable, but also fully cash backed through the investor's cash and generated on the back of the agreed securities. Once received and verified, your bank will release the conditional payment, for you to get the benefit of the Borrowing and Lending transaction for the agreed upon period of time. Prior to the expiry date, you return the instrument unencumbered, or you extend the Borrowing and Lending Agreement for another year on the same terms as agreed for the initial period.

When looking at Securities Borrowing and Lending transactions in the financial sector, this is a very acceptable and widely used concept. Just Google "Blackrock securities lending". This will show you how they describe and explain Securities Lending for their investors. This will also give you the explanation why Securities can be borrowed: Simply because investors make additional money without additional efforts. They leverage their own profits on the securities they lend.



## The concept is as genuine as it is unique.

Forget about leasing a Bank Guarantee. Securities Borrowing and Lending is quite complex but genuine. It is simply not for the usual brokers on the internet trying to make a quick fortune. You will need to be qualified and have access to professional knowledge of experts and their expertise and experience with "Applied Credit Enhancement in the Commercial Sector" to structure and issue a Prime Bank Instrument in the format of an SBLC, a Standby Letters of Credit or a Bank Guarantee, to have it sent by major world banks via SWIFT MT760.

Since HNW investor with enormous cash holdings always have their accounts in Prime World Banks, the collateral Instrument that you can borrow and the investor will lend to you is supported by first class world banks and issued through banks like HSBC, Deutsche Bank, Standard Chartered Bank, Barclays, UBS, Credit Suisse, Commerzbank, BNP Paribas Bank and JP Morgan Chase.

## Who can be qualified in the Commercial Sector?

Who can be qualified for Applied Credit Enhancement in the Commercial Sector? To benefit from this Credit Enhancement in the Commercial Sector a borrowing company will have to be of substance, qualified and acceptable. If a company is in need of additional liquidity financial collateral can be generated through applied Credit Enhancement also for companies in the Commercial Sector to trigger a credit line, back up a loan and access liquid cash. The service usually is available without any front fees for companies of substance, evidencing significant revenues for the past years through audited accounts.

## Fundamental Requirements

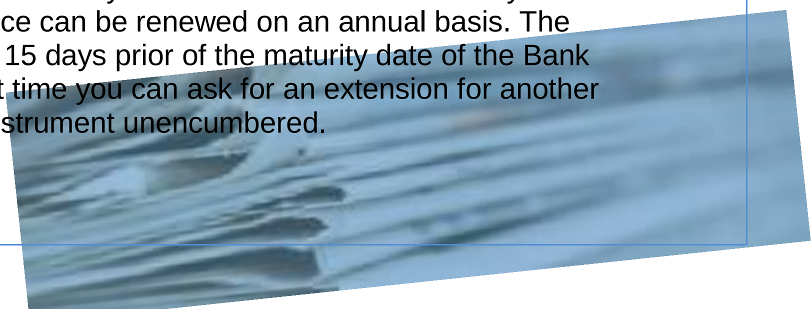
If you want to access valid SBLC or BG collateral to back up a credit line, then you will need a bank, or several banks willing to work with you on this. They will have to offer you a credit line you can draw from, once the instrument arrives via SWIFT MT760. The borrowing and lending fee can be paid from that credit and your project can be financed by drawing from that credit line.

You need a bank willing to issue a conditional payment for the borrowing and lending fee.

This can be your own bank, the receiving bank, or a third party bank, regardless where your SBLC or BG is going to be stent to, a solution can be structured for your transaction accordingly. Only if you can get this conditional payment confirmation (the Essential Bank Payment Instrument) from an acceptable bank, you can benefit from this SBLC or BG collateral service.

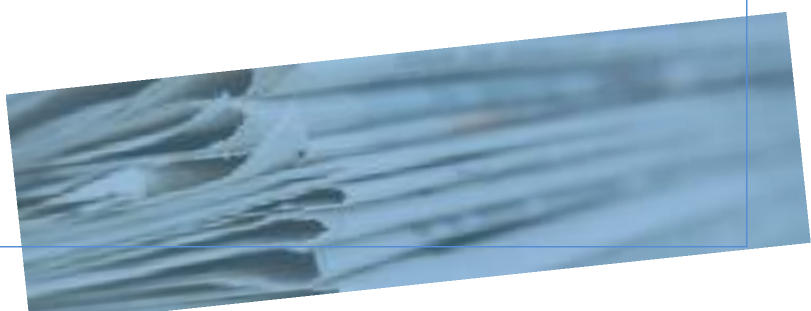
## Timing is of the essence in all aspects of this transaction!

The Bank Guarantee instrument will be valid for 365 days. It will be fully cash backed, divisible and assignable. During the agreed collateral borrowing and lending time, you will have the unconditional use of the Financial Instrument. It is a valid, fully cash backed guarantee which backs up your credit line and allows you to draw funds and finance your project. This fully cash backed collateral service can be renewed on an annual basis. The collateral borrowing and lending term expires 15 days prior of the maturity date of the Bank Guarantee or Standby Letter of Credit. At that time you can ask for an extension for another year, or have your bank return the financial instrument unencumbered.



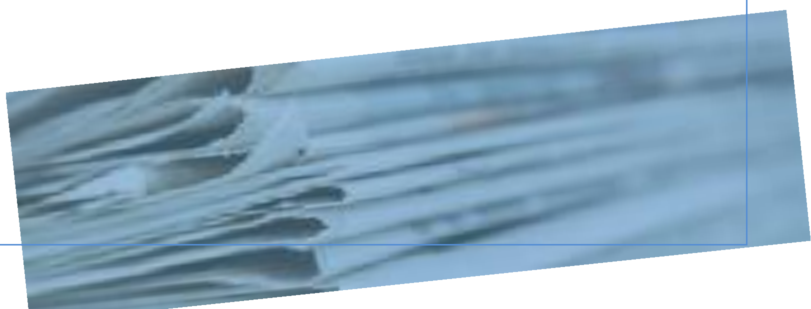
If Securities Borrowing and Lending is a solution for you, then these would be the initial considerations

- Get a Line of Credit confirmed at your own bank.
- Apply to qualify to be approved and accepted to contract with the facilitator.
- Your bank provides the essential conditional payment undertaking and communicates with the issuing bank.
- The collateral bank instrument is sent to the receiving bank to verify and for the receiving bank to pay the lending fee.
- You draw from your Credit Line, fund and start your project.



## SECTION 2 - You have a bank willing to extend a loan to you?

Your receiving bank has to consent to all the terms of the transaction. Your bank has to be informed and in agreement that you borrow collateral in the form of an SBLC or a Bank Guarantee to back up a loan. The availability of such collateral is always for a pre-defined term, usually for 350 days, and your qualification for Applied Credit Enhancement in the Commercial Sector is heavily weighted toward your project and your own credit worthiness. The aim of the service is to increase the company's capital stack to enable project funding. During the project building and implementation process, equity increases in value within the capital stack and eliminates the requirement for (borrowed) collateral.



The receiving bank will have to issue a conditional payment for the borrowing and lending charges and they will have to guarantee for the safe return of the collateral after the agreed upon period of time. Securities will be advised to the receiving bank in the form of a Bank Guarantee or Standby Letter of Credit which will be issued by a top rated world bank via SWIFT MT760 and will be available unrestricted to be used as collateral during the lending period and as to contract. Conditional Payment of the Borrowing and Lending Fee has to be issued or endorsed by the client’s receiving bank. The client’s bank releases payment for the Borrowing and Lending Fees only after verification of the SWIFT MT760. The receiving bank now has the required collateral and the borrower can draw cash to start his project. 15 days prior of the maturity date, the BG or SBLC service is renewed on the same terms for another year, or the client’s bank returns the Bank Guarantee or Standby Letter of Credit unencumbered to the issuing bank.

Once your bank is in agreement to support your transaction accordingly, a Provider, an Investor or Facilitator will lend collateral to you on the basis of a Securities Borrowing and Lending Agreement. Through such a contractual agreement, the Provider, the Facilitator, an Investor or a Securities Lender wants to make sure that he is paid a lending fee and that the receiving bank will return the collateral at the agreed upon time.

Your bank definitely will have to consent to the transaction and you will have to accept standard procedures if you wish to apply Credit Enhancement in the commercial sector. You will have to ask your bank to consent to the Collateral Lending and Borrowing transaction and to their agreement to issue or endorse any of the 4 optional and conditional payment undertakings that can be used in this transaction. If your bank agrees, highly rated publicly listed securities will be selected and allocated. These top rated securities will build the basis of the Securities Borrowing and Lending Agreement, and the financial instrument that will be issued for you.

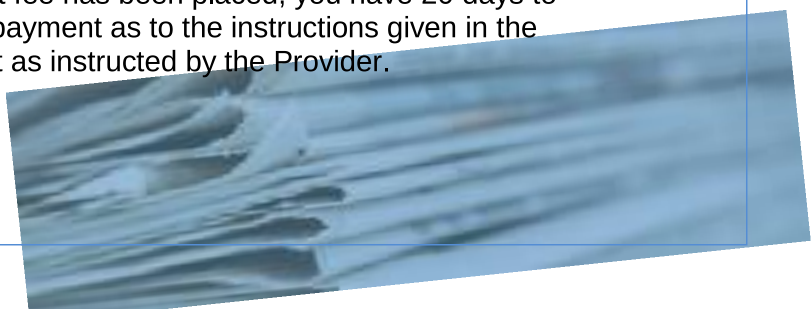
For your transaction, clearly identified, top rated, publicly traded and listed prime bank securities are ordered by a Securities Dealer on the secondary market for your transaction and are placed into their securities account and paid for simultaneously as these securities are advised to your receiving bank (in the format of a Bank Guarantee of Standby Letter of Credit, cash backed by the investor’s cash funds and these securities and your receiving bank pays for the agreed lending and borrowing fee only after receipt and verification.

The instruments backing up your transaction are ultimately purchased for your specific transaction. This is why the client (the borrower) will have to commit to the transaction and place a commitment fee.

No investor would want to buy specific securities for you and to your benefit, without a firm and valid financial commitment to the transaction. If you are not considered a qualified client, you will be requested to place a Commitment Fee and the Collateral Provider places the Call Option Fee to secure these Securities for your transaction.

The Collateral Provider or Facilitator places a Call Option to buy these securities after you have committed to the transaction and you transferred this small share to the facilitator in the form of a fully refundable Commitment Fee. You will be provided with a Pro- Forma Invoice with full details of the securities that will back up the transaction for the receiving bank to verify.

A Conditional Payment of the Borrowing and Lending Fee is required to be issued or to be endorsed by your bank. After the commitment fee has been placed, you have 20 days to have your bank send the agreed conditional payment as to the instructions given in the Securities Borrowing and Lending Agreement as instructed by the Provider.



Upon receipt, and if due diligence performed between banks remains positive, the Provider sends a fully cash backed Bank Guarantee or Standby Letter of Credit which is issued on the back of the agreed securities.

The client's bank pays for the Borrowing and Lending Fees after the SWIFT MT760 has been transmitted, received and verified. You bank pays the lending fee only after receipt of the BG or SBLC and only after verification of the SWIFT MT760.

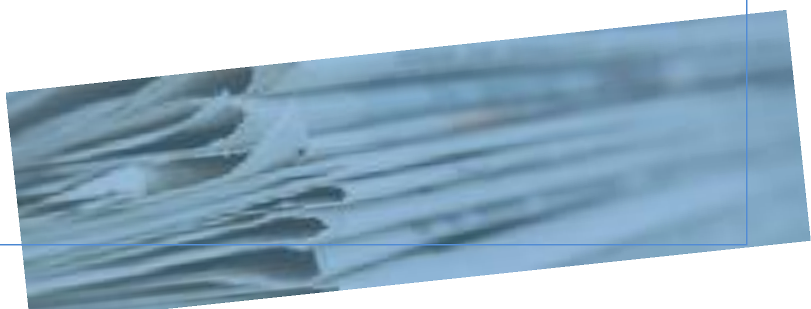
Upon receipt of the instrument at your bank:

- You now have the required collateral in your bank, and you can draw cash from your credit line to start your project.
- 15 days prior of the maturity date of the BG or SBLC, you ask for an extension for another year, or have your bank return the Securities backed Bank Guarantee or Standby Letter of Credit.

## Borrowing of Collateral for Project Funding

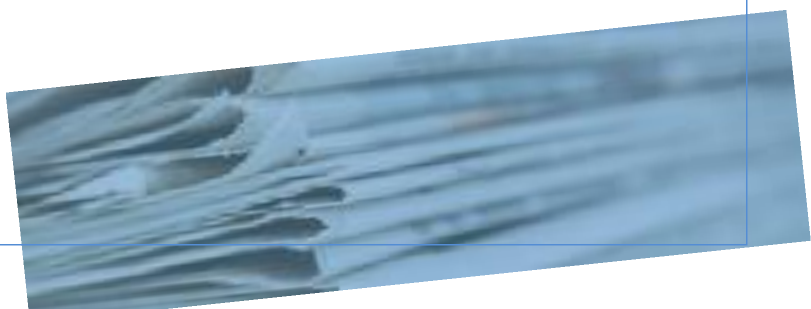
This collateral service is available to any qualified clients with a business of substance. If you have an established business and you want to start a project and require a loan for this business, then you will talk to your bank. Since your bank worked with you probably for years, they like to work with you on your project as well. But to extend a loan, they may ask you for collateral which you may not have. In that case, you should talk to them about the collateral that can be available to you.

- backed by top rated securities and the investor's (lender's) cash
- delivered to your acceptable receiving bank
- for an agreed period of time
- on the basis of a Securities Borrowing and Lending
- delivered in the form of an SBLC or a Bank Guarantee issued by a top rated bank
- transmitted via SWIFT MT760



## SECTION 3 - You cannot expect a professional service without a financial commitment

If a valid financial instrument is generated on the basis of Securities Borrowing and Lending, to create a Bank Guarantee or the SBLC for a client, there are no payments for the Borrowing and Lending Fee in advance what-so-ever, but the procedure involves the payment of a commitment fee / call option. Depending upon the financial strength of the borrower, this small fee is advanced by the Facilitator for the borrower, or if the borrower is not fully qualified, he will have to place the Commitment Fee to start the transaction.



## Reserving the back-up Security through a Call Option

Payment of this commitment is necessary for two reasons: Once the Securities that will underpin the transaction have been selected and the Lender or investor must purchase the instrument to generate the basis on which the Bank Guarantee or Standby Letter of Credit is emitted for the Borrower.

On the Secondary Market, which is the main security trading place with the highest turnover, a Call Option is placed for a specific high rated debt instrument which an investor is going to buy and lend to your transaction. Your Commitment Fee respectively the Call Option secures the right for the Investor to purchase the instrument within 20 days at a specific purchase price. To hedge against market fluctuations the Call Option is placed and this is the reason why a client will have to financially commit himself to the transaction. Obviously, you cannot access a professional service without a firm financial commitment.

If the Lender purchases the Securities for a client's transaction and the client does not perform, respectively the client's bank does not follow up with the required and agreed upon conditional payment instrument to account for the Borrowing and Lending Fees, this could create a significant loss for the Lender.

When both parties sign the Securities Borrowing and Lending Agreement, the client has 20 days to send, as instructed by the Lender, the necessary payment guarantee, which is conditional to the delivery of the agreed upon instrument and its verification at the receiving bank. Only after receipt and verification of the instrument by the Borrower's bank, payment will be effected and released to the securities Lender.

With the payment of the call option, the purchase price is fixed during this 20 day time period in which a client has to arrange one of the 4 conditional payment instruments that he and his bank prefer to use.

The Securities that will be backing up a client's transaction are trading in the secondary market and their price changes minute by minute. The price of securities fluctuates daily. With the call option placed by the Lender and even if the publicly listed price for these securities goes up or down, the price is fixed for a Borrower's transaction.

The Securities backing up a Borrower's transaction are already issued, on the market, publicly listed and traded. But they are not yet in the Lender's Securities account. MTNs and Bonds used for a Securities Borrowing and Lending transaction are issued by Top Rated Banks and therefore the Securities are top rated.

But since the Securities are not in a Lender's own portfolio, the Lender will have to purchase the instruments to enable and back up the emission and to generate a specific Bank Guarantee of Standby Letter of Credit as agreed between the Lender, the Borrower and the Borrower's bank.

The financial assets used together with the applied procedure represent probably the only way to access a Bank Guarantee or SBLC from a third party, to serve as valid collateral during the agreed period of time, without the Borrower being required to deposit equal value (or more) in a bank.

There are many borrowers searching the financial market place believing they can access any professional service, or a valid financial service or Bank Guarantee service without any money up front. It is a fact – there is simply no free ride available.

No airline will fly you around, even when they might be desperate for business if you do not first buy and pay for the ticket. And you have to be an acceptable passenger in the first place.

Ask consulting firms like IBM Global Services, KPMG, Accenture, Ernst & Young, Price Waterhouse Coopers, Deloitte, Boston Consulting or McKinsey. You will never get a professional service without your retainer funds on deposit with them. You will also not be served by a qualified lawyer or accountant without having some earnest money from you on their account first. On top of all this, you will have to be an acceptable client to receive a bank guarantee service.

Are you qualified so that any third party will be prepared to enter into a risk of millions of dollars or Euros for you? No one will ever lend you a valid financial instrument if you are not qualified and be able to account for an eventual financial risk you might create on the basis of the guarantee instrument. “Did you ever think about what happens in case you default on your commitments, and the instrument backing up your loan or transaction is being called by your lender?” NO BANK will take the risk on a transaction for a customer, unless the bank is covered by hard cash, tangible assets or investments you have in the bank.

With a Business Support Contract, there is even the possibility for a qualified client to have an absolutely no front fee transaction. For this scenario, your last year’s revenues have to be equal or higher than the instrument value that you seek. In that case, you do not have to pay anything in advance since the Facilitator advances the fees for the Call Option fee on your behalf: But only if you are qualified accordingly.

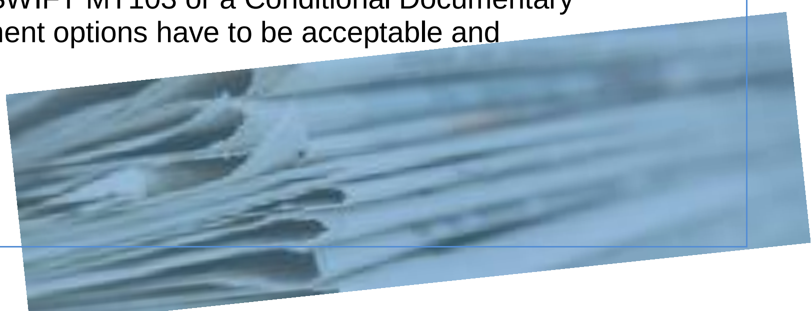
Then this transaction becomes completely free of any advance payments and the delivery of the financial instrument is on the basis of payment against delivery and verification, if the BORROWER’s own company will receive the BG or SBLC and if it is of substance, with an active commercial business, audited accounts and annual revenues in the past fiscal year, equal to the face value (or more) of the guarantee instrument that is requested.

Only once it can be established that you can be considered qualified for the service, the issue of eventually required deposit or a commitment fee may become an issue. All banks charge fees to create and transmit the Bank Guarantee to a Funder. No bank will do that for free! Using the Business Support Contract you are dealing with a Facilitator who is prepared to take such risks. You can find terms and conditions of the Business Support Contract The Facilitator of a transaction takes the risk and advances fund on your behalf. If the bank is not paid the transaction fee, no Bank Guarantee or Standby Letter of Credit will ever be sent. If you are not prepared to engage with your financial commitment to the transaction, you simply will not get a valid service from anybody.

## 180 day deferred payment option

The Unconditional Promissory Note endorsed by receiving bank. In the Securities Borrowing and Lending transaction you even have the possibility to pay for Borrowing Fee on a deferred payment basis. Payment can be made with an acceptable Promissory Note endorsed by the client’s bank. In that case, you have up to 180 days (depending upon your bank rating) opposed to other payment methods to pay for the borrowing and lending fees.

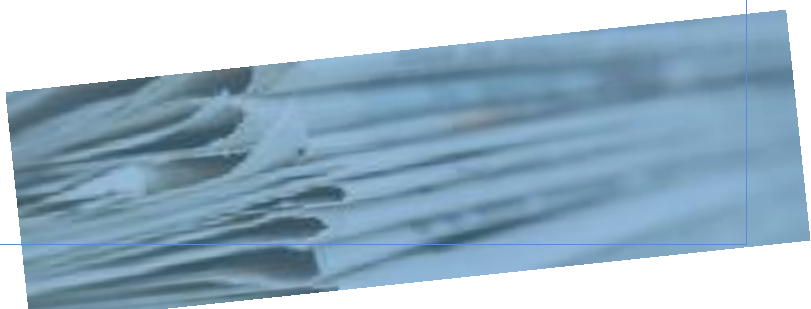
These other payment modes are a Conditional Irrevocable Pay Order (ICPO) endorsed by borrower’s bank, a Conditional Payment via SWIFT MT103 or a Conditional Documentary Credit to be sent by SWIFT MT 700- All payment options have to be acceptable and approved by the collateral lender



## So this is the way to move forward

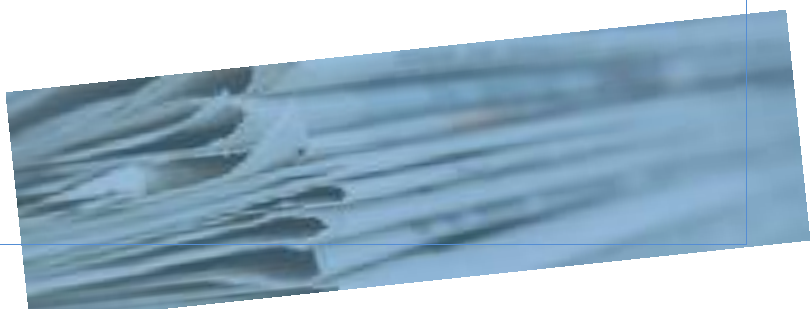
After you have the basic OK from your receiving bank:

1. You order a bank instrument (SBLC or BG) for Euro 10 million up to Euro 500 million backed by highly rated securities.
2. The Provider (a Securities Dealer) will buy Securities on the Secondary Market for your transaction in the respective value on behalf of the investor who will pay and own the securities.
3. On the back of these Securities the investor causes to issue a fully cash backed Bank Guarantee or a Standby Letter of Credit and sends it to your bank for your beneficial use.
4. Your bank pays only the service fee for the use of the instrument for one year.
5. After 350 days your bank guarantees to return the instrument unencumbered or you opt to renew the service, which can be for up to 4 more years.



## SECTION 4 - The Essentials when Borrowing and Lending Securities

Once you have negotiated a credit line with your bank, the collateral you may need to back up the credit line can be arranged on the basis of a Securities Borrowing and Lending Agreement. On behalf of an investor, a securities dealer will buy, hold and lend the unconditional use of the securities to you in the form of an SBLC or Bank Guarantee to serve as your cash collateral for an agreed period of time.



## The different Steps of such a transaction

FIRST STEP: A client completes and submits the Business Support Contract

SECOND STEP: The completed contract and submission is assessed by the Intake Officer to determine if a client can be qualified to receive this Prime Bank Collateral Service.

THIRD STEP: If it can be determined that a transaction can be accepted, the invoice for the commitment or call option fee is issued and it has to be paid directly into the Facilitator's account.

A Call Option is required to be placed to secure the right for the Investor or Lender to buy the securities at a fixed price within the next 20 days. The Investor buying the securities for a specific transaction does not own the securities at that stage. So placing a Call Option is needed in order to issue the Securities Borrowing and Lending Agreement and for the Investor/Lender to reserve the right to purchase the chosen securities at a certain date and at a certain price. Payment is into the Facilitator's own account. An easy alternative option is however available.

FORTH STEP: If a Borrower proves to be of substance, the Facilitator is prepared to advance this on behalf of a client. Receipt of commitment or call option fee automatically causes acceptance to the BSC by the Facilitator. You may need to place the Euro 30,000 commitment or call option fee if you are not fully qualified and

- if your business cannot evidence to be of substance and is well established since years
- if your company does not evidence an established active commercial or financial business and you do not have audited accounts
- if your audited accounts and annual revenues for the past fiscal years, do not equal to the face value (or more) of the guarantee instrument that is requested
- if audit was not performed or is endorsed by a major and internationally recognized firm.

FIFTH STEP: Once a client has committed himself to the transaction, the Facilitator or his securities dealer starts negotiations with standby investors to buy specific securities for this Securities Borrowing and Lending transaction.

SIXTH STEP: Call option fee is placed on the Securities market reserving these specific securities to back up your transaction for the next 20 days. Once the securities have been selected, the Call Option fee is placed on the securities market and the Securities Borrowing and Lending Agreement can be issued.

SEVENTH STEP: The Securities Borrowing and Lending Agreement is issued and sent to the borrower client together with all information to clearly identify the securities that will build the basis on which the BG or SBLC will be issued for the client.

At this stage, the client will then have all details of these securities and can request Bloomberg Printout, Security Card of the Stock Exchange market where the instrument is quoted, Prospectus of the Issuing Program of the Bank to permit the designated Borrower's Bank Officer to check the availability on Euroclear, Clearstream or the Bloomberg systems.

EIGHTH STEP: Within 20 days, client's bank sends the conditional payment instrument to pay for the borrowing and lending fees

If the client's bank issues or endorses any of the 4 conditional payment methods to pay for the Borrowing and Lending fees, the I C P O, Promissory Note, conditional SWIFT MT103, conditional DLC SWIFT MT 700, and provides a confirmation for the safe return of the collateral after the agreed term, then we can guarantee to deliver.

NINETH STEP: Issuing and Receiving Bank communicate to fine tune the SWIFT MT760 delivery of the instrument and perform their own due diligence on the parties involved.

TENTH STEP: Receiving Bank consents to return the SBLC/BG 15 days prior maturity The receiving bank must undertake the irrevocable commitment to return the instrument unencumbered, free and clear of any debts or claims 15 days prior maturity.

ELEVENTH STEP: In this Securities Borrowing and Lending transaction, the issuing bank sends the agreed SBLC or BG via SWIFT MT 760 to the receiving bank in line with the Securities Borrowing and Lending Agreement.

THE TWELVTH STEP The Receiving Bank verifies the SWIFT MT 760 SBLC or BG instrument and releases payment for the borrowing and lending fees as to the Securities Borrowing and Lending Agreement.

THE THIRTEENTH STEP: With the instrument in his account, the client triggers cash from his credit line and starts his project. He has the unrestricted use of the collateral as to the Securities and Borrowing Agreement for the coming 350 days.

THE FORTEENTH STEP: Fifteen days prior maturity, the client is given the opportunity to extend the service for another year. If the client does not need the instrument any longer, the client's bank returns the SBLC/BG after 350 days.

## Basic and Essential Requirements

- Consent to any of the 4 conditional payment options. You will have to get this support from any of your banks to pay for the borrowing and lending fee and issue or endorse any of the payment instruments to pay conditionally for the lending fee..

- Your receiving bank will have to be in agreement with the verbiage of the Standby Letter of Credit, or a Bank Guarantee as available to serve as your collateral for the agreed period of time.

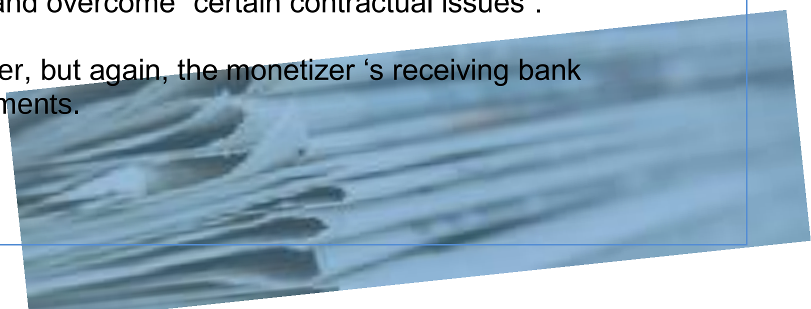
For selective clients, there may be a Solution for any of these issues:

If you may not want to disclose full details of this transaction to your receiving bank, if you do not want to fully disclose that your collateral is a result from a borrowing and lending transaction, if you do not want to disclose that the guarantee instrument is to be returned 15 days prior maturity, if you require a SWIFT MT799 Pre-Advice to get your transaction started.

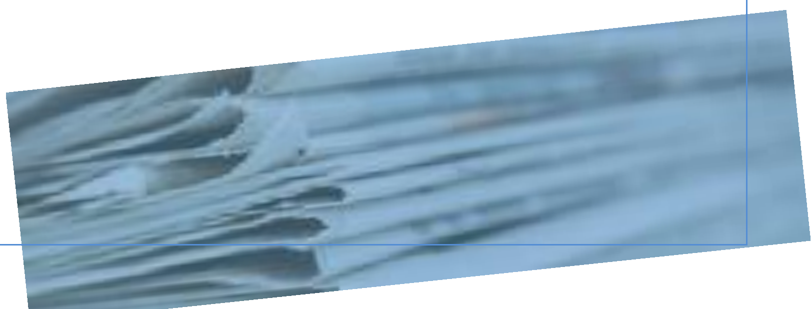
## Back to back transactions

Since it is fully cash backed, divisible and assignable, you can use this instrument also in a back to back transaction to issue your own instruments on the back of our instrument. This can leverage your own financial possibilities and overcome "certain contractual issues".

The instrument can also be sent to a monetizer, but again, the monetizer 's receiving bank will have to endorse all the contractual agreements.

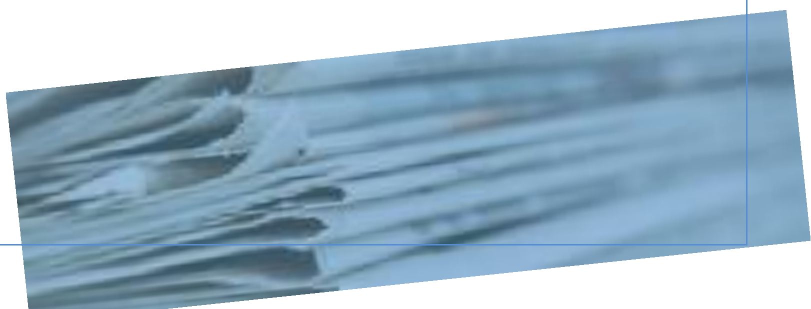


The Alternative: A Back to Back transaction. You have the instrument sent to your own bank and on the back of it, you have your own instrument issued. The instrument issued to you is fresh cut, cash backed, divisible and transferable to enable this option or a back to back transaction whereby the instrument is sent to your own bank and your bank, on the back of the instrument, issues its own instrument to your trader, monetizer or supplier.



## SECTION 5 - Securities Lending from a Securities Owner’s perspective

Securities lending is an additional, relatively low-risk option for investors to unlock the full potential of their portfolio. In decades of lending securities Investors and Securities owners have focused on competitive returns while balancing return, risk and cost. But if an Investor lends his securities to you, there is a Capital at Risk!



If companies like BlackRock engage their investor clients into Securities Borrowing and Lending transactions, BlackRock has to engage and guarantee to cover such potential borrower default risks in order not to lose their reputation because of "bad apple" borrowers. So whenever you try to be accepted for a transaction involving valid and highly rated securities, you should always remember that there are risks involved and you will have to be financially qualified to be accepted to be served.

With securities lending there is a risk of loss should the borrower default to return the securities, or due to market movements, the value of collateral held may have fallen and/or the value of the securities on loan has risen.

The market is organised through platforms which build and enable a proprietary securities lending infrastructure so that a lending activity is executed in the Investor or Securities Owner's best interests and with prudent risk management. A basis for skilful risk management builds the Securities Borrowing and Lending Agreement. There is a conservative, low-risk approach and the integration of capabilities of our dedicated research, trading and risk management.

Only highly creditworthy borrowers based on conservative credit standards defined by a risk assessment team can qualify and are considered to be served in this Securities Borrowing and Lending Transaction.

## Benefits of Securities Lending

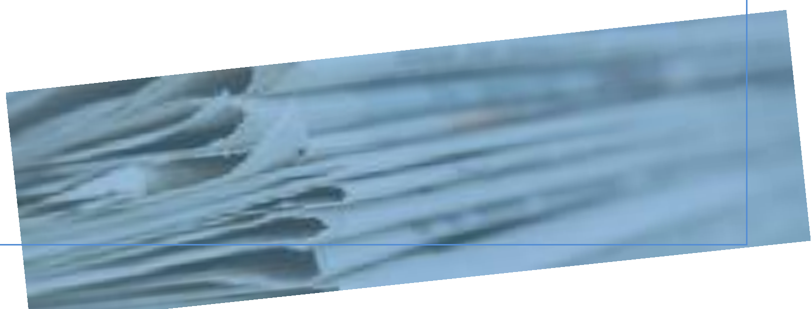
Securities lending is a way to unlock additional value of a portfolio of an Investor or Securities Owner. The Securities Lender will collect higher returns than would otherwise be received. Investors may benefit from securities lending in the form of better performance. How? Additional income is generated through the fee that it charges for loaning securities to a borrower.

## Risks of Securities Lending

But there is a clear borrower default risk. Since the process involves the actual lending securities, there is a risk that a borrower fails to return a borrowed stock or bond. You can easily see that there is also another side of the coin. It is true, an investor aims for additional profits if he provides his own securities or if he actually buys additional securities to back up a client's Bank Guarantee or Standby Letter of Credit, but he actually carries great risks:

- if a client does not follow through with a transaction
- if a client's receiving bank does not send the conditional payment
- if the receiving bank does not return the instrument in case the beneficiary client defaulted on loan re-payments

If companies like Blackrock engage their investor clients into Securities Borrowing and Lending transactions, they engage and guarantee to cover such potential borrower default risks in order not to lose their reputation because of “bad apple” borrowers.



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