

Collateral Loan Program



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“Domestic & International Financial Services”

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Highlights of Program

- Loan sizes 10 million or higher
- No collateral from client - collateral provided from third party
- Payments made over 10 year period – no prepayment penalty
- Interest is Libor plus 0%-3% (Average rate 6.5%)
- All project types are eligible - worldwide
- Non –Recourse loan
- Closing time 3-10 months
- Deferment period 1 – 3 years

Collateral Loan

The Collateral Loan Program, commonly called the “CD PROGRAM”, is an established system of financing that uses traditional banking mechanisms as its fundamental components. The result is a stable structure that procures 100% monetary instrument collateral for project financing. Using a well calculated and balanced approach, the program provides highly competitive benefits and profits to all participants.

A CD/MTN (Certificate of Deposit/ Medium Term Note) is merely a financial instrument that is backed by cash, and is freely transferable. The general structure of using the CD/MTN as a collateral instrument has existed for 50 years. Naturally, there are many firms and brokers who have used or attempted to use CD/MTN instruments as collateral in one way or another. Some professional firms have been successful, but many inexperienced intermediary brokers have failed.

The “Program” itself is a mechanism of structuring third party collateral into the loan or funding package for project financing. Since this structure must be implemented through a series of complex legal contracts between multiple participants in the transaction, the CD/MTN Program must be managed by a licensed law firm.

The particular group of Providers and their investors who we work with have specialized in the system for over 20 years. The providers and investors are required by contract to participate in the program for a minimum of 5 years, so it is a well established system with reliable participants.

The “No Interest Loan Program” is one of the fastest systems for capital loans, using collateral from a third party investor, because the investor provides collateral by means of a “deposit” to purchase a “Certificate of deposit” (CD), the investor is called a “Depositor”. The end result of the transaction is the equivalent of an “interest free” loan (from the point of view of the client) in most cases, where the Client repays only a discounted amount of Capital, with minimal risk and maximum benefit to both the bank and the company.

The primary function of the structure is to procure collateral from a third party at a “discount”, and arrange for it to be paid for by the Borrower Company from the loan funds at the time of closing.

Collateral Lending Program

The collateral program is for projects that require a long start-up period before launching.

*This program offers a deferment period ranging from 1-3 years. During the period of deferment, the Borrower/Company **does not** have to pay any interest or minimum payments. This is true even if your project is capable of repaying the loan (of any amount) in full within 3-4 years after launching.*

The result of the structure is that Borrower receives a net amount of capital that it needs to implement its project at a cost lower than a traditional loan, the Depositor receives immediate repayment of the collateral plus profits, and the bank receives full collateral backing of the total principal amount of the loan.

The ability of the structure to reliably generate a “win-win-win” transaction for all participants is made possible by the fact that the CD/MTN instrument used as collateral doubles in value over a 10 year period. This increase in value from maturity of the CD/MTN makes it possible to provide real and tangible benefits for all parties to the transaction.

All other expenses related to structuring the loan and procuring the collateral are added to the amount of the loan, to ensure that they are paid from the loan at closing.

Depositors are multinational corporations and consortiums of trusts and pension funds, which have billions of dollars in liquid assets. They have contractual and legal obligations to make these funds work for maximum profits. For such capital resources, direct investment in projects is too “high risk”, too “low return”, and too much time to wait. Accordingly, they categorically refuse to finance actual projects or invest funds directly, as a matter of principle and policy.

Instead, Depositors accomplish their goals through purchasing collateral for use in loan transactions. Within about 24 hours, with no risk whatsoever, the Depositor receives 50% of its money back in “cash”, plus the “interest certificates” of the CD/MTN as repayment of the other 50%, which Depositor then sells to a pre-arranged “exit purchaser” for a profit.

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Description of Participants

Applicant Company:

Will provide a fully prepared investment project that qualifies for financing, applies for collateral financing through the Program Manager, and signs the necessary contracts with other parties to the transaction.

Program Manager:

Manages a flow of qualified investment projects from Applicant Companies, maintains contractual relations with a group of Collateral Providers, and maintains working relations with a group of participating Funding Banks. The Program Manager is not a participant in the transaction, but coordinates and facilitates all stages of securing the transaction.

Collateral Provider:

Maintains contractual relations with groups of Depositors and Purchasers, and maintains working relations with a group of participating Issuing Banks. The collateral provider works directly with Issuing Banks on behalf of Depositors, and directly with Funding Banks on behalf of Applicant Companies.

Depositor:

Purchases' the CD/MTN as a financial instrument for use as collateral, by making a deposit into the Issuing Bank, to guarantee the loan to Applicant Company from the Funding Bank. The Depositor is usually a pension fund, trust, investment fund, credit union, or a major multinational corporation. Sometimes the Collateral Provider itself elects to be the Depositor.

Purchaser:

Purchases' the right of trust ownership of the "Interest" component of the CD/MTN instrument at a discount from the Depositor. He thereby becomes the assigned beneficiary of the interest stream generated by the deposit. The Purchaser is usually a government pension fund or private trust. Sometimes this participant is not needed, as the Depositor may prefer to remain the beneficiary owner to receive increased profits over time.

Issuing Bank:

Receives the monetary deposit from Depositor, issues the CD/MTN containing both "Primary" and "Interest" components, and registers the owners, trustees and beneficiaries of both components of the CD/MTN instrument as a result of the transactions. This must be an A rated bank.

Funding Bank:

Receives the "Primary" component of the CD/MTN as a monetary collateral instrument, issues a loan to the Applicant Company backed by the CD/MTN, and distributes the loan funds in accordance with instructions of the Applicant Company. This can also be an investment fund, credit union or alternative bank without an A rating, as long as they accept the collateral and have sufficient reserves to finance the project. In most cases, the Funding Bank is the same entity as the Issuing Bank.

Fundamental Components

The following is an overview of the fundamental components of the financing transaction:

1. Client requests the Capital Amount necessary for implementing the Project, and submits an application. The Program Manager then verifies all financial factors and calculates the required total amount of the CD/MTN loan; to ensure that the “Net Capital” paid to client from the loan is equal to the Capital Amount needed for the project.
2. Depositor purchases a CD/MTN from Issuing Bank in an amount equal to 235% of Capital Amount.
3. Depositor, as owner of the CD/MTN, assigns this financial instrument to Funding Bank as 100% Collateral on the Loan to Client.
4. Funding Bank issues to Client a loan in an amount equal to 235% of the necessary Capital Amount, and equal to 100% of the purchase price of the CD/MTN.
5. Client gives Escrow instructions to Funding Bank. In accordance with these instructions, Funding Bank performs the following:
 - A. Pays 7% of Loan Amount to Provider as closing costs, which includes all expenses and fees incurred for procurement of the collateral. Tax deductible as legal & professional services. Provider has recovered all expenses plus compensation, and exits, such that Client does not owe them anything, and has no remaining obligations.
 - B. Pays up to .5% of the Loan to Funding Bank (or third parties) to cover any potential closing costs, if any. Tax deductible as financing cost
 - C. Pays 50% of the Loan (equal to 50% of the purchase cost of the CD/MTN) to Depositor, consisting of 50% repayment for the provided collateral. (Tax deductible as repayment of investment.)
 - D. Assigns the “interest” component of the CD/MTN instrument to Depositor as beneficiary, consisting of the second 50% repayment for the provided collateral (in the form of contractual assignment in repayment of investment, registered by the Issuing Bank). (Tax deductible as repayment of investment.) Depositor takes possession of a Derivative Certificate of Interest on the CD/MTN, has now recovered 100% of its investment plus profits, and exits, such that client does not owe them anything, and has no remaining obligations.
6. Depositor usually sells the “interest” component of the CD/MTN instrument to Purchaser. The interest stream matures at 100% of the value of the original monetary deposit, which is equal to the Loan Amount. Since Depositor already received 50% direct repayment from Client, it can recover the remainder of its investment funds by selling its beneficiary rights to the “Interest” component for 52% of maturity value or slightly more. This results in immediate and full repayment of investment, plus a commission of at least 2%. The Purchaser is purchasing monetary funds’ at almost half their value, and in 10 years will cash the financial instrument for its full maturity value.
7. Client has purchased the CD/MTN by payment of half of the Loan Amount and by assignment of the “Interest” component, and has become the full owner of the originally issued CD/MTN stripped of the interest stream, and thus owns the “Primary” depository component of the CD/MTN.
8. Client assigns the “Primary” component of the CD/MTN to Funding Bank as 100% cash collateral on the Loan Amount, equal to 235% of the Capital Amount.
9. Client receives at least 42.5% of the Loan Amount, which equals 100% of the Requested Capital Amount for implementation of the project.

10. Client has already agreed with Funding Bank in advance that after 10 years, the collateral instrument is automatically converted to a repayment instrument, and thus becomes property owned by the Funding Bank. Accordingly, until the moment of conversion Funding Bank is the “assigned beneficiary in repayment” of the “Primary” depositary component.
11. Funding Bank independently cashes the CD/MTN at the end of 10 years, and all funds from cashing are applied to fully repay the Principal of the Loan. (Tax deductible as repayment of principal on the loan.) the beneficiary right to cash the CD/MTN was previously registered by the Issuing Bank, which performed its obligations, and then both Funding Bank and Issuing Bank exit.
12. In practice, Client has already repaid the Principal of the Loan from the beginning, as a result of the structured transaction. Thus, Client pays to Funding Bank only annual interest on the Loan during 10 year period. (Tax deductible as interest payments.)
13. From the Client’s point of view, the “interest only” payments are equivalent to fixed annual payments returning the amount of Capital received during the 10 year period. For this reason the loan is sometimes called “no interest.” Everything else is taken care of as a result of the structures and mechanisms of the financing transaction.
14. All contracts between all parties for all components of the transaction are prepared in advance and signed simultaneously, and their signing constitutes the actual implementation of the transaction. Thus the transaction is instantly completed, with no risk to any of the parties or participants.

Any Business Plan for the purpose of procuring investment or capital financing is scrutinized according to the strictest standards, and therefore must communicate much more detail, in-depth analysis, careful and accurate presentation to attract investors or capital funding sources, by giving them a complete yet concise presentation of the business.

Financial decision makers and investors show this central document to their bankers, lawyers, accountants, brokers, agents, and financial advisors, who see dozens of them every week, and are very skeptical professionals. Accordingly, submitting an expertly developed Business Plan is essential for obtaining the approval of the many experienced financial advisors involved in the investment and financing process.

*Preparation of investment projects is conducted in cooperation with the agents and representatives of the sources. This gives the substantial advantage of inside information, which ensures that the final work product **complies with all criteria, rules and requirements** of the sources.*

*As an international consulting and law firm they integrate economic security expertise into the business plan, giving the **advantage of built-in risk management mechanisms** considered most favorable by the sources.*

Preparation of Legal Due Diligence Package

Funding sources have serious legal liability to their investors, contributors and shareholders.

They do not have the right to give tens and hundreds of millions of dollars just for a “good idea”. They are legally obligated by national laws, government regulatory agencies and international law enforcement agencies to conduct the necessary level of investigation, verification and analysis of all relevant facts, on all facts, on all territories related to the proposed projects submitted to them. This work can be expensive, because any mistakes could result in hundreds of millions of dollars in judicial penalties or even criminal liability for the sources and their managers.

For this reason of paramount importance, most Funding sources require that companies applying for capital financing must pay the real and reasonable cost of fulfilling these obligations. This is fully supported by the legal facts and practical realities that applicants proposes and offer their own projects to request capital funds, and applicants must guarantee the legitimacy of their own project.

To reduce costs of the procurement process, and significantly enhance successful financing, the law firm conducts full legal preparations of the project. The fundamental elements of this multifaceted work consist of the following:

- Analysis of collected legal documents and informational materials to identify any hidden risk factors or adverse indicators, from the point of view of sources.
- Recommendations on any changes in the strategy for correcting or compensating for such detected defects, to **ensure genuine preparedness and quality** of the proposed project prior to officially submitting to Sources.
- Development and writing of formal **legal commentaries and explanations** as supplements to the package, to clarify relevant facts or documents.

- Due diligence and **legal work** ensures that the project is fully prepared and optimally attractive to the sources. This makes international boundaries **more transparent and comfortable** to investors, and results in avoidance of misunderstandings of legal documents or local laws affecting the project. It also accelerates processing by sources, and reduces fees and closing costs.
- The law firm **certifies the legitimacy and quality** of the project, the company and its management team to the sources, serving as the third party moral guarantor that the project is worthy of capital funding.
- In this manner, the law firm provides underwriting and certification of the project, having authority as an international law firm.
- As a result of these positive factors and advantages, projects accepted and prepared by the law firm are regularly positioned on the “A- LIST” of our sources among the **top 5% of most desirable projects** considered for funding.

Preparation of Investment Project

Successful procurement of private placement investment, direct investment, international project financing, venture capital funding, capital loans or credit lines all require a solid business plan. The business plan must include a wealth of detailed information, presented in a way that is familiar to the capital funding, financing or investment sources.

A business that meets Fortune 500 company standards and complies with the criteria of international investment banks worldwide must contain all of the following essential components:

1. Company History, Assets and Advantages
2. Market Research Report including detailed analysis of data on the basis of citations to credible and verifiable sources of information.
3. Business Concept of the Commercial Project
4. Feasibility Study
5. Marketing Plan
6. Assumptions and Bases explaining the rationale and basis for data and mathematical formulas used for the financial projections, supported by additional market research or commercial intelligence
7. Analysis of Financial Projections presenting and explaining the results and conclusions of the financial projections for each category of criteria and key project indicators relied on by financing sources.
8. Financial Proforma containing 5 year projections for all relevant categories of revenue and expense, supported by additional sections revealing and proving the financial basis behind each category, integrated into a central presentation showing the end result of the requested capital financing.
9. Management Team Profiles
10. Executive Summary
11. Other Expert Materials and Reports as may be requested by the financing sources

How to Move Forward

1. **Client forwards copy of the Business Plan** (in word format) on the project for review.
2. The Fee Agreement and Non-Circumvent shall be prepared and signed by all parties.
3. Once the business plan is received, fee agreement and non-circumvent are signed and **received the business plan** will be reviewed and a request for recommendation will be required from an outside source.
4. The recommendation usually takes between 2-5 days.
5. If the recommendation is favorable the client will be issued a complete due diligence **package**. The due diligence period usually takes between 5-15 days.
6. After the client performs their "Due Diligence" on the parties involved, and they feel **comfortable**, they will at that time complete application and forward due diligence **fees along with** the signed contract.
7. Client will also supply Proof of Funds (bank letter or statement, dated with 5 days of application submission) showing liquid assets of **\$100,000.00*** minimum.

Collateral lending is ideal for businesses that **cannot** provide sufficient collateral to secure a standard commercial loan.

This collateral program makes it possible to successfully receive 100% capital funding, without any collateral from the client.

The principals stay in control of their project without any outside partnerships or sharing of net revenues.

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The total cost for due diligence is a one-time cost of:

\$100,000 USD

The following is a detailed list of the proportional use of the prepaid retainer cost:

• Research and Strategies for Positioning of Project on Capital Market	5000.00
• Project Underwriting and Business Plan Development	20,000.00
• Financial Underwriting and Financial Proforma Development	25,000.00
• Legal Underwriting and Legal Due Diligence Package Development	20,000.00
• Law Firm Commentary with Licensed Certification and Endorsement	15,000.00
• Development and Preparation of Bank Compliance Package	15,000.00

Total amount of Clients share of preparation cost 100,000.00

At this point in the process the Law Firms advise they have a 100% success rate.

In the event an application is submitted and approved for funding and the client fails or refuses to move forward, it hereby agrees to pay the Law Firm a \$30,000.00 fee for services **completed and delivered.**

In the event the application is submitted and denied or the Law Firm and Investors decide not to move forward, there is **NO FEE DUE.**