

FundingNet “FAQ” - Frequently Asked Questions

Introduction to FundingNet

“FundingNet” is not a conventional Commercial or Retail Lender – we are a “PRIVATE Wholesale Lender” that began as a creative way to protect Investors. Over the years, we acted as a “Safety Net” to protect their investment, and evolved over time into offering other Lenders the ability to secure capital at wholesale rates, so they could further expand their own Lending capital base. From there, we branched into a model that offered wholesale capital, “DIRECT to PROJECT,” at remarkably attractive Interest Rates, comfortable Terms, and fully mitigated Risk.

Our ability to furnish unique funding solutions comes at a cost, in the sense that we do not function in the same manner as your bank, and we have a number of international regulatory clearance hurdles that must be satisfied before we can disburse funds on any loans. This can result in delays with the central banks that our funds must clear through, or by the insurers that we must position to protect funds. While we always strive to provide you with reliable timelines, these can sometimes vary due to forces that are entirely out of our control. Our “60 day” estimate has long been an achievable guideline; however, in the last 24 months with globally-impactful events such as “Brexit” and “Covid19,” and a massive overhaul of many banking and finance protocols, we have seen delays extending the typical 60-day threshold. Because we always want to be as transparent as possible, clients should be aware of this possibility at the initial stages, so that only the right type of project is being introduced to our program. If your project is on a tight timeline, then our funding model may not be the right option for you, due to the possibility of unforeseen delays. On the flip-side, the advantages of this structure allow us to be far more flexible in the projects that we approve, and able to offer terms and conditions for your financing that are not found with other Lenders.

Our capabilities are unique and they can seem complicated to those who are only used to conventional procedures, but the advantages to the Borrower are that our Interest Rates are extremely low, the Lending Multiple is high, and the risk to the Borrower is fully mitigated because everything in the chain is fully insured, and your initial deposit is always in your own account. We also do not “pool” capital from a stable of “Investors” as most Lenders do, but instead, we only lend our own Capital. For this reason, we operate differently than what you may be used to. Even with our slightly unconventional methodology, we have nearly 20 years of repeat Borrowers who welcome our model because of the incredible savings they realize by working with us. Due to the current volatility of the markets and the aggressive stance of Federal Governments to support the economic issues at hand, we have stabilized our own Rates for the foreseeable future; our Interest Rates will be set at the greater of 3.5%, or LIBOR +2, for standard approved borrowers.

In most instances, if you are considering a Private Lender as an option for your financing needs, you have likely already exhausted your desire or ability to work with conventional lenders like Banks, Retail Lenders, VC’s and Angel Investors. Since ours is a unique platform, Borrowers must appreciate that we have unique processes and protocols make it possible to do what we do. For those who follow our steps, the process is fairly simple and seamless. For those who attempt to customize our steps and alter our protocols in order to suit their own preferences, this may not be the place for you, because we are under very strict Compliance requirements that do not allow



variation from the guidelines that we have agreed to follow, and which make the terms and conditions of this Loan Facility possible.

It is also important to understand that if your Project is under a “Time Crunch,” or it requires all of the funds at once, our program will not be the best option for you because we do not operate like a Bank. The steps that we must follow may occasionally see delays (usually created by the Borrower's side, or the Central Banks) that can change timeline expectations; that discussion that will always be had up front so that we can mutually determine if there is a good fit.

Our programs will not fit everyone. Our offering is unique and you may be better suited to work with a conventional Lender; however, if our Program and Procedures (outlined in detail below) are workable for your project, then feel free to proceed!

Regards,

A handwritten signature in black ink, appearing to read 'S. Smith'.

S. Smith – CEO – FundingNet / FilmCabbage



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PREAMBLE

“FAQ” - With any application to our Loan Program, this FAQ must be signed and each page initialed as an acknowledgement that you have a detailed outline of our Loan Program, and that you are in agreement with the FundingNet loans process. Neither this FAQ (or the TERM SHEET issued once your project has been accepted for financing) “bind” you in any way to proceeding with a Loan; however, there are a number of items regarding procedural expectations (such as Deposits and Legal Expenses) that ***will become*** binding once your deal evolves to those stages. These items are clearly outlined in this FAQ, and will be further reiterated by the Term Sheet and the Loan Agreement. Your signature here is your first acknowledgement of acceptance of the basic terms and processes.

“NEGOTIATING” YOUR LOAN – A consistent misunderstanding Borrowers have shown when applying for financing through our Loan Programs, is the belief that our terms are “negotiable”. They are not. When requesting a loan from any Lender, to be considered you must begin by completing their application forms exactly how they are presented to you. For some reason, many Borrowers who come to us for financing believe that our documents are open to both negotiation, and extensive amendments. **That is not the case.** If you are expecting our processes to proceed smoothly, then it is in your best interest to first read the entire “FAQ” for a thorough understanding of how we operate, and if those procedures do not align with your needs or desires, then it is best for you to source your financing elsewhere, through a Lender that provides what you are more comfortable with. If our processes and procedures are acceptable to you, then feel free to proceed with the submission of your application.

“TOO GOOD TO BE TRUE” – We hear this comment on a regular basis, which is a “false dichotomy” created when a Borrower incorrectly assumes that there is a hidden problem. Our Loan Program charges NO upfront fees, and the Borrower always maintains their initial 20% funds in their OWN bank account. All aspects of the process unfold exactly as described in this document, and we do not entertain concerns of problems that do not exist.

“UNIQUE STYLE OF FINANCING” – As you will see, our programs are incredibly unique and it's unlikely you've ever come across anything quite like them. Our borrowers must understand that that in order to execute these processes we require unique structures in place in the “back-end” of our framework. The basis of our offerings, in their simplest form, is that FundingNet offers remarkable financial benefits, and we have created mechanisms that enable us to “share” those with our Borrowers while still managing to protect our own interests. This is why some of our procedures may at first seem a bit unusual; but we must have these in place in order for the programs to work seamlessly. As explained in this “FAQ” there are specific times in the year when we cannot meet certain timelines due to banking limitations, and there are times when we can experience short delays because of insurance underwriting requirements or banking compliance. This is the price that we must all accept in order for you to access the benefits that we can share with you. These benefits include a Low Stress application process, No Upfront Fees, Incredibly Low interest rates, no “Personal Collateral Guarantees”, and a host of other benefits that you would never see from a traditional Lender. This is also why we have to stress that if your project is mired in a “time crunch”, then our program is probably not a good fit for your needs. But the simple message that we want to convey is that if our processes DO work for you, then the benefits you will realize by going through the paces will be well worth your effort.



Q1 *“Where are you from?”*

A FundingNet is registered and domiciled in the Caribbean.

Q2 *“Why are you registered/domiciled there?”*

A We reside in the Caribbean.

Q3 *“How long has your program been operating?”*

A The FundingNet program has been available since 2005.

Q4 *“What kind of businesses are you willing to lend to?”*

A If the business opportunity is determined to be a good one, then we are open to virtually any type of business that is not illegal, or located in a politically sensitive jurisdiction.

Q5 *“What are the MINIMUM and MAXIMUM amounts needed to participate in your Loan Program?”*

A The Minimum Initial Deposit is **\$1M USD**. This will result in a Credit Facility of up to **\$4M USD**. There is no maximum.

Q6 *“Do I need to use the entire Credit Facility?”*

A No. You use only what you require, and are only charged quarterly interest on the amount that you have drawn down.

Q7 *“I have a great business idea and need a \$1M investor. Can you lend us that \$1M?”*

A No. Our business is structured to be your “*Second Lender*”, as our program operates within very specific banking regulations and guidelines. Once you have already raised a minimum of \$1M USD in cash pledged to your project, we can then offer to loan you multiples (up to 4x) of those initial funds at our quoted rate.

Q8 *“How does it work?”*

A Banking Regulations require us to position your 20% initial funds as your loan's “loan loss reserve”. This does not put any lien on your funds or encumbrance it in any way; it simply means that your money is required to sit idle on the sidelines, without ever being encumbered or depleted, while our loan funds are spent into your project as the first 80%.

Q9 *“If my initial funds are the “loan loss reserve”, are they claimed in the event of any repayment “default”?”*

A No. We do not encumber your deposit in any way, as it is not pledged as collateral in the deal. This assures that your cash and investors capital, is protected from the risk of your project.

Q10 *“I have \$5M, and I need to buy a piece of land upon which to build a \$20M project. Can your program help me?”*

A Yes, as long as your purchase agreement can follow our disbursement protocol. Our program is designed in such a way that we will deploy our loan funds on a monthly basis. Since the funds are typically fully disbursed in 9-12 months, your purchase agreement must align with this procedure. The other solution is to have our funding begin 6-12 months prior to your purchase date, so that all of the funds in your credit facility are fully available when you are ready to close on the deal.



Q11 “How do my initial funds “sit idle on the sidelines?””

A There is a very specific procedure to follow to ensure that your money is subjected to **NO RISK**, as well as ensuring that those funds remain non-depleted, and unencumbered during the drawdown of our loan funds. At all material times, your funds will remain in your OWN Bank Account. These procedures are covered in this “FAQ”.

Q12 “What collateral will I need to provide for my loan?”

A Our loans are typically secured **ONLY** by the project that our money is being used to finance. We will have a **“GSA”** (General Security Agreement) on the project itself – no further collateral is required. We will not ask for personal or corporate guarantees, we will not lien your initial funds, and will not attach any other unrelated assets. If the loan is defaulted on, our claim will be strictly against the project itself.

First Position, unless there is an Institutional Lender. We will take “First Position” on the loan, unless the Borrower already has a loan in place with an Institutional Lender (because they always demand first position). Beyond that, we would expect to be in first position as Creditor, given that we are usually lending the majority of the budget.

Tax Credits – When we finance a Project that has Tax Credits attached to it (ie: Film, Technology etc.), we expect that the Government Tax Credits be monetized as they become available and be immediately used to repay as portions of our outstanding loan.

Q13 “What is the length of the loan term?”

A The length of the term often varies from project to project. We will make every attempt to be flexible with the term to help it fit your project. Our default length for a loan contract is 48 months from the time of the first disbursement. The minimum length for any loan is 12 months.

Q14 “Are there any penalties for early repayment?”

A No. You can repay any portion of the principal at any time, without penalty.

Q15 Are there any FEES?

A We have a one-time, **3% “Lending Fee”** due upon closing of the loan. This fee is paid directly from the credit facility that we provide, as part of the first disbursement. This fee is calculated as **3% of the Total Loan Amount** - your own “Initial Funds” are not included in this calculation.

Q16 Are there and additional Fees/Costs?

A Yes. They are;

a) “Custodian Fee”: As with any loan, it is important to have a competent Custodian who will oversee the loan disbursements, ensure that the use of funds matches the drawdown schedule that the Borrower has provided to us, monitor the project to ensure it remains on track and to manage the repayment of interest and principal. This custodian is a non-negotiable requirement of our insurers. In order to do this efficiently, our insurer will assign an independent 3rd party Custodian who will provide oversight on a monthly basis from the time that the funding begins until the loan is repaid in full.

The assigned custodian will levy a flat \$5,000/month Management Fee for their oversight services on the loan, which will be invoiced by them once monthly. This will be paid directly to Price Waterhouse (FundingNet does **not** derive any revenue from this process), and can be taken directly from your loan disbursement every month.



b) Legal/Closing Fees: As with any loan, the closing costs are the responsibility of the Borrower. This cost will never exceed 1% of the loan amount, with the high end (1%) only occurring in very complex transactions where appraisals may need to be ordered, multi-jurisdictions, and multiple lawyers becoming involved. In all cases, itemized closing costs will be provided to the Borrower.

Most of our smaller Loan's Agreements closing costs are \$25,000-\$35,000. During the loan setup process, FundingNet incurs costs for project assessment and due diligence through Price Waterhouse, and begins to incur legal costs from the point of our Insurance underwriting and the issuance of the Term Sheet. All of these front-end costs are fully borne by FundingNet; however, once the Borrower signs the Deposit Agreement and is ready to begin the SafeKeeping/Compliance process, we will ask them to **verify** in an email, their readiness to proceed with having the Loan Agreement developed. **Following this confirmation**, the Borrower will automatically become fully responsible for the associated legal/closing expenses from that point forward.

Because there have been a number of Borrowers step away from the deal **AFTER** depositing their funds and formally requesting their Final Loan Agreements, and who were then unwilling to pay those incurred legal fees, we have been forced to put a safeguard in place (to assure our Lawyers that they won't be forced to take the Borrowers to court in order to be paid their fees). The safeguard means that we now require the Borrower to escrow **\$25,000 USD** into the lawyers 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 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.

If the \$25,000 is NOT deposited into the Lawyers IOLTA Account, then FundingNet will NOT have the Loan Agreements developed until they are in place.

METHODS OF SAFEKEEPING:

A) BORROWERS "INITIAL FUNDS" AMOUNT TO \$10M USD OR MORE

If the Borrower's **20%** "Initial Deposit" is more than \$10M USD, and they bank with a "Top Tier" Bank in an acceptable jurisdiction, then their Deposit may be able to remain in their own Bank Account. The only stipulation is that one of our Compliance Officers **MUST** be able to "View" and "Confirm" this account at his discretion, so they will be **ADDED** to the account as a "Signatory". By setting up this account with the bank a 2-signature account, no single signatory can do more than view and confirm the account without the permission of the funds owner or other signatory(ies), so the funds always remain secure. Our insurers require that those funds never drawn or encumbered in any way, so they require us to monitored them on a continuous basis.

PROCESS STEPS FOR \$10M+ INITIAL AMOUNTS:

1. Borrower submits Application Package
2. If Loan is Approved, then a **TERM SHEET** will be issued
3. Term Sheet is signed, and countersigned
4. Borrower will sign a **DEPOSIT AGREEMENT** with **FUNDINGNET**.
5. FundingNet **EITHER**;



- a) Arranges for a new bank account to be opened in the **Borrower's Name** that will be housed at an assigned US Bank. FundingNet will arrange for the Borrower to work directly with the Bank to achieve this, **OR**
 - b) If the Borrower banks with a Top 25 Bank in a good jurisdiction, then they may be permitted to hold their funds in an account with their bank. (*Note: removal, depletion or encumbrance of the funds in any manner during the compliance/drawdown periods will result in a “Default” situation, and the loan will be deemed immediately payable)
6. If their funds will remain in their own “SPV” account (per step 5(b) above), one of our Compliance Officers will be added to the bank account through a Corporate Resolution. The objective is for this Officer to possess limited permissions to view and confirm the account directly with the bank (but no permissions to withdraw or encumber funds). Since most US banks do not allow for “view only” signatories, by setting up the account as a multi-signatory account (more than one signatory required to withdraw or encumber funds) the Borrower's bank will confirm that there is no chance any single signatory can do anything with the account other than view/confirm it.
 7. IF your Bank will not provide an account that permits multiple signatories, then we can have our Bank connect with your bank, and initiate a “Light Administrative Hold” on the account, so that no funds will be able to leave that account. This is your safeguard and peace of mind.
 8. Borrower moves their Initial Funds into the designated bank account.
 9. Borrower Wires \$25,000 USD to the Lawyer's IOLTA Account, as a Services Deposit for the development of the Final Loan Agreement.
 10. The loan begins the 60-day Compliance Period.
 11. The Final Loan Agreements are formally requested by the Borrower via email to FundingNet.
 12. Final Loan Agreements are negotiated and signed.
 13. Funding begins.

B) BORROWERS “INITIAL FUNDS” ARE LESS THAN \$10M USD

For any Borrowers who have an “Initial Deposit” that is less than \$10M USD, the deposit will be held in their own designated account at the US Assigned Bank. This account is 100% insured. You will be contacted by the Banker to handle the setting up of the account when the loan deal reaches that point in the process.

PROCESS STEPS:

1. Borrower submits Application Package.
2. If project is approved, then a TERM SHEET is issued.
3. Term Sheet is signed, and countersigned.
4. Borrower will sign a DEPOSIT AGREEMENT with FUNDINGNET. The Agreement stipulates that the Borrower's Initial Funds cannot be depleted or encumbered, must remain on deposit for the compliance/funding period, and can ONLY be returned to the same account from which they originated (Borrower's Account).
5. FundingNet arranges for a **NEW** Bank Account to be opened in the Borrower's Name, that will be housed at a Federally Regulated US Bank. FundingNet will arrange for the Borrower to work directly with the bank to achieve this, but will in no way be involved beyond the introduction.
6. Borrower Wires their Initial Funds into the designated bank account.



7. Borrower Wires \$25,000 USD to the Lawyer's IOLTA Account, as a Services Deposit for the development of the Final Loan Agreement.
8. The loan begins the 60-day Compliance Period.
9. The Final Loan Agreements are formally requested by the Borrower via email to FundingNet.
10. Final Loan Agreements are negotiated and signed.
11. Funding begins.

C) SBLC or BANK GUARANTEE – MINIMUM \$10M USD or GREATER (initial funds remain in Borrower's bank account, and a SBLC or BG is issued by their bank)

Using this method your initial funds remain in your account, and your bank would issue a “bank instrument” - a “SBLC” (Standby Letter of Credit) or a “BG” (Bank Guarantee). However, unless your instrument has a face value of \$10M or more banks are very reluctant to accept them. Bank fees are based on volume and it takes considerably more time/effort to receive work with a small SBLC than a large one. Additionally, your bank will charge you substantial fees for setting up/transferring the instrument. As a result, we *strongly* suggest using the “Primary Method” (Method A) for most deals, as that option is smoother, more expedient, and has no costs for our Borrowers.

This option to be discussed only if it is necessary.

NOTE FOR ALL DEPOSIT METHODS** Once the Deposit Agreement is signed, the funds must be in the deposit account within 3-5 business days. If they are not, we will assume that the Borrower will not be proceeding, and we could excuse ourselves from the deal.

60 DAY COMPLIANCE/CLOSING PROCESS

Once your “Initial Funds” are in place, the loan is then put through the rigorous “Compliance” process of the Bank of England (as our primary bank is in the United Kingdom), the Eastern Caribbean Central Bank (as we are a registered business in their jurisdiction), the US Federal Reserve System (if we are issuing the loan in USD), and our Insurers. This process takes roughly **60 days**.

Upon completion of the Compliance process, with the loan having cleared all money laundering and anti-terrorist protocols, your Credit Facility is released and disbursements commence. Additionally, a **“History of Funds Report”** is issued to your bank via the Bank SWIFT System, to fully inform them that the incoming money has cleared all banking compliance protocols.

Your initial funds will remain in “safekeeping” (in your own account) for 13 months (in rare cases, it could be longer depending on your loan requirements). Upon completion of the deposit's timing requirements those initial funds are again “available” to you. If they are not already held in your own account they will be wired back to your bank “account of origin”, or if using a “SBLC” the bank instrument will be returned to your originating bank.

NOTE - If a Borrower takes it upon him/herself to contact any of our Previous Clients, Banking or Legal Partners without first obtaining permission to do so from FundingNet, your Term Sheet/Deal Offer will be **TERMINATED**. We CANNOT have Borrowers or their Affiliates contacting our channel partners or existing clients without our arranging it as this can create a deluge of calls and interruptions for these professionals, and ultimately frustrate our relationships with them.**



Q17 “How Do I Apply for your program, and what are the steps?”

A Prior to accepting an application, we conduct an introductory phone call to determine if your project suits our criteria, and that our program suits your needs. Upon initiating the application process, the time required to complete a standard deal and begin disbursing funds is typically 90 – 100 days from first introduction through to the end of full compliance.

Once we have confirmed that yours is a suitable project to apply for funding through our program, you would submit your application package. The information required is:

1. Proof of Funds - document showing initial funds are ready to deploy (As well, if the funds are from a 3rd party investor):
 - i) Letter from investor pledging the 20% (if applicable).
 - ii) Copy of Investor's passport (for anti-money-laundering protocols).
2. Project Business Plan and any supporting documentation.
3. Use of Funds/Drawdown Schedule (the proposed drawdown schedule must fit our parameters of a “start smaller and slowly escalate” model, to match our insurer's requirements.
4. FundingNet Loan Application Form:
 - i) If the applicant is a corporation or LLC, a copy of the “Articles of Incorporation” must be included
 - ii) If the Applicant is a Corporation or LLC, a “Board Resolution” (stating that the signatory has the authority to act on behalf of the corporation).
5. Initialed and signed “FAQ” document.
6. Copy of Passport of Application Signatory
7. Completed Memo of Understanding, “**MOU - Deposits Held in Depositors Bank**”, ***if, and only if, the client's initial funds amount to \$10M USD or more, AND they plan to keep their deposit in their own bank, in an account set up by them*** (per “Methods of Safekeeping” section (A) on page 8 of this document).

The processes that will be followed from the time of application depend on the amount of the Borrower's initial funds. Those processes are outlined above “**METHODS OF SAFEKEEPING**”.

Q18 “If I am Accepted for a Loan, how do I Proceed?”

A Upon verification that the project is a good fit for our program, we prepare a draft “**Term Sheet**” that outlines the terms of the loan. This document is a non-binding outline which gives us a track to run on. This Term Sheet will be sent over to you so you can review it with your lawyer, and sign it back if you are comfortable.

If you need some adjustments, we can get on a call to outline those changes and get the Term Sheet to where both sides are ready to proceed. While small, reasonable changes are acceptable, understand that this is not a negotiation, and we are not going to accept wholesale “rewrites” of our Loan Terms. If our Terms are not suited to you, then we understand that we are likely not the right Lender for your purpose.

Q19 “What is the process for the Final Loan Agreements?”

A During the 60-day Compliance period, our lawyers will draft the Final Loan Agreements and any ancillary documents, which will incorporate all of the information in the Term Sheet as well as any additional final details.



Q20 “Can we do the Final Loan Agreement immediately following the signing of the Term Sheet instead of after our Deposit is made?”

A Yes; however, if the Agreements are created prior to the beginning of the banking compliance process, the cost of the Legals must be paid **UPFRONT** by the Borrower. In order to have our legal team develop these agreements, FundingNet must be certain that we will not be saddled with the cost to do so, in the event that the Borrower decides to step away from the deal. The cost of the Legals is covered in this FAQ at Q16(B). We typically handle the Loan Agreement during the 60 days of downtime that we have during the compliance phase because most Borrowers do not want to pay for these costs upfront.

Q21 “How long does the Compliance confirmation take?”

A Typically, **60 days** from the time that your “Initial Deposit” is deposited and confirmed. Understand that the current state of international Banking (ie: Brexit, **COVID19**, US foreign relations etc.) have had an impact on settlement times recently, as we are currently in the middle of a “*force majeure*” situation.

Q22 “Can I use the loan funds to take out my initial, more expensive, “Hard Money Lender”?”

A Yes. What we advise here is that you post an Initial Funds amount of **25%** instead of the usual 20%, so that the 4x credit Facility is now equivalent to **100%** of your capital. Then you structure your Hard Lender into your drawdown, so you can repay that lender over a prescribed time period, using the extra multiple.

Q23 “Can I take money that I have borrowed from FundingNet, and put it back into your programs?”

A No. Money that we lend to you cannot be recycled into our other programs.

Q24 “Can I borrow my Initial Deposit from a Third Party, OR have that Third Party deposit funds on my behalf?”

A **YES**; however, there are specific documents that must be submitted as part of your Application Package which clearly state that this is the situation. Further, and most importantly, the Borrower **MUST** have an agreement between himself and the Deposit provider, that confirms that those funds will be committed to the Deal until the full disbursements are satisfied.

Q25 “Is there any solution if I do NOT have my 20% Initial Deposit?”

A Yes, potentially. In the event that the Borrower has a Banker or Private Company/Individual who is able to take in a SBLC (Standby Letter of Credit) issued by HSBC or another Top Tier Bank, then we can potentially finance 100% of your Project. This process is very stringent and requires that the entity that is going to accept the SBLC be able to follow our process to the letter. Contact your FundingNet agent or broker for a description of how your project could make use of this SBLC process.

Q26 “How long does it take until the Loan money is fully disbursed?”

A Our typical disbursement schedule would see the entire Credit Facility released over **9-12 months, in monthly deposits to your designated account.**

When you first submit your project for assessment you will provide your “*Preferred Drawdown Schedule*”, and “*Use of Funds*” outline. We will try to accommodate that timing as much as possible; however, **the Final Drawdown Schedule will be determined by our**



Insurer, and will rely heavily on the level of risk associated with the project. This process is also monitored by the “Custodian”, who will maintain oversight on the loan deal, and make sure that your actual spending matches your submitted “Use of Funds” outline.

****** It is important to note that we strive to push the funds out to you quickly as we are permitted, but we also need to stress that our Drawdown Schedules lean towards being a **gradually increasing slope** in the sense that they will NOT have “balloon payments” in any given months. The **Typical Drawdown** would see the **first draw being the smallest, with each subsequent draw increasing over time**, until the full credit facility is pushed out in that prescribed 9-12 month timeframe. If you do require a “balloon”, you can always start early, have us “stockpile” a few disbursements for you, and then you can take it as a larger “balloon” sum. If you are trying to purchase a property or asset in **one payment**, then are best to arrange other financing that can provide a single payment, and then use our structure and low interest rates to pay out the other lender over 9-12 months.

Our Model is designed to provide you the capital that you require without having to secure our position with “*Personal or Corporate Guarantees*”. The result of not carrying any other liability beyond the project is that the funding schedule **must** meet the requirements of the Insurer that is ultimately assuming the risk. Since there are no other assets being collateralized other than the project itself, drawdowns will almost invariably be between 9 and 12 months to push out the full facility, and distributions will be at fairly consistent, rising level. Also note that in the event that the Custodian finds any variances in the spending, or is not accommodated in their task of accurately monitoring the numbers, the loan could experience an interruption in disbursement until the Borrower returns to a compliant methodology.

Q27 “What is the Interest rate charged on your loans?”

A Interest will be the **GREATER of 3.5% OR the US twelve-month (12) LIBOR rate plus two hundred (200) basis points** (the “Interest”), unless otherwise stated, and is determined when Project is assessed. Interest will accrue and be paid or capitalized quarterly on the outstanding principal, and must be kept up to date. For convenience interest payments can be budgeted to be made from the credit facility itself. We also have a reduced “Sovereign Rate” for Government Borrowers.

Q28 “Will I be paying interest on the full amount from day 1?”

A Interest is only charged on principal amounts that have already been disbursed and spent from the credit facility.

Q29 “How do I repay the loan?”

A We have FOUR options for repayment, which you will chose from before the end of the loan term. Repayment method is entirely up to you, so that you may select the method that best suits your business needs:

- (i) Standard Loan Format
- (ii) Short or Long-Term Mortgage, which we can assume.
- (iii) Equity, or Debt-Equity hybrid model
- (iv) If at the end of the term you are not yet prepared to repay the loan, you will have the opportunity to extend the loan term.

Q30 “What are the RISKS ... everything has risk, and this sounds “too good to be true.”

A First and foremost, our program is built around your Initial Funds being **fully secured at all times**. Regardless of whether you are “Under \$10M”, or “Over \$10M” as an initial deposit, your funds are always in a Bank Account that is in your name, and fully under



your control.

Q31 “Is there anything that could potentially interfere with us receiving the loan?”

A As long as your funds are not from illicit sources and will clear compliance without incident, then you are good to go. After the Loan disbursements begin, if you breach the contract in some manner, it could cause the Loan to be temporarily delayed, or possibly stopped, depending on the severity of the breach. There is a “Force Majeure” clause in effect for all loans to address any possible interruptions that could occur due to forces beyond our control. In the event that this occurs, we will do everything in our power to look for alternative solutions to try and circumvent any delays.

Q32 “What Currency can I use for my initial funds?”

A USD, Euros or Sterling are all acceptable currencies. Also, because we additionally bank at HSBC in Mumbai and Dubai, we also are able to transact in both Indian “Rupees”, and Dubai “Dirham”.

Q33 “Are there any limitations to my using a Bank Guarantee or Standby Letter of Credit?”

A In these cases, we **ONLY** deal **DIRECTLY** with your issuing bank, and for us to be able to monetize that instrument with relative ease, then that bank **MUST** be a “Top Tier” Bank, located in a good jurisdiction. If it is NOT, then we cannot guarantee you that your SBLC/BG will be of any value. Since the Monetizing Agent/Bank will discount the face value of the instrument, it must be **“grossed up”** appropriately to yield the Initial Deposit amount required for the loan amount you have requested. Additionally, any banking fees from your banking institution for these instruments will be borne solely by the Borrower. As stated above in the Safekeeping Options section, Bank Instruments are becoming very difficult to work with, and therefore must be a **minimum of \$10M USD**.

Q34 “Can I use liquid assets like GIC’s, CD’s, T-Bills, Stocks, Bonds, Mutual Funds, or pledge my Land as collateral, to establish the Initial Deposit?”

A **NO** – “Near-Cash” instruments are not permitted. Any assets/instruments that you possess must be first turned into CASH, and placed into a bank account in your corporate name, in order to serve as your initial 20%.

Q35 “Can we keep our initial funds in multiple bank accounts?”

A **NO**. Capital must be amalgamated into **ONE** account to avoid confusion, and a resulting slowdown in our system. We recommend that if you have your money in multiple accounts, or have several “investors” in your project and the money is scattered, that you utilize the escrow/trust account of a trusted lawyer and compile it into a single account. This ensures that the deal remains simple and moves along expeditiously.

Q36 “When using a Bank Instrument, my money will be kept in a daily interest account. Can I still earn interest on that money?”

A **YES**. You can earn whatever interest your bank offers you for a cash account

Q37 Once I have been provided a “Term Sheet” for my loan, how much time do I have to act on it?

A **30 Days**. Term Sheets expire 30 days from the date of issuance. If you are not advancing your deal before the term sheet expires, you will then need to reapply to the program if you wish to revisit the option, and possibly pay a **“Resubmission Fee”**. This fee will cover all of the costs that we incurred structuring your deal the first time around, which can include Legal Fees, Due Diligence Fees, cost of issuing insurance, and the time that is



committed to your file from the outset. This fee begins at \$15,000, and can be higher, depending on the complexity of the deal.

Q38 *“What should I do if my timing happens to coincide with a timeframe that could create a “delay”?”*

A As we only deal with banking partners at the highest levels, certain times of year may see **delays in the processing** of loan deals due to holidays. If your deal drifts into a time of the year that might be an issue for processing in a normal timeframe (below), understand that we will do our best to move it along, within our abilities. This will typically happen if your deal has not **settled before May 31**, when the summer vacation bug hits and banks close entirely in Europe for extended periods; only returning around **September 15**. Another period is **between American Thanksgiving and the First Week in January**. Again, this is another long holiday season that will see deal processing through the system slow down substantially, due to vacations and closures. **Please do not submit your deal May 21, and then act surprised that it is not proceeding quickly.** Either HOLD IT until September, OR submit it, and go with the flow.

YOUR PERSONAL “DUE DILIGENCE”

Q39 *“Before I go any further, I need to know the names of the principals, their background, and obtain a “Proof of Funds” to know that you can perform on the loan, visit your offices, talk to other clients etc.”*

A This would be “traditional” due diligence, and it makes perfect sense in any traditional business deal where your capital is subjected to “risk”, and your key concern is risk mitigation.

The reality is that we do not “audition” for business. In a normal arrangement, you would spend your money into your project, and look for a loan to complete it (50% loan or less, is typical). The Lender would undoubtedly take collateral on every asset that they could locate, and expect guarantees from you both personally and corporately. Further, as is common in the industry, they would charge substantial, non-refundable upfront fees for “submission”, “due diligence”, “travel/site visits” and more, which could amount to tens, or hundreds of thousands of dollars, with **no guarantee** that they will accept and fund the deal. They also often expect that your capital to be wired **to them** for safekeeping, instead of a to a 3rd Party Bank, Escrow Agent or within your own account, and then lend according to your initial amount. That is the standard business model when you are risking large money.

Within the FundingNet format, we never have any control over your funds, and we ensure that you are never exposed to any risk of loss. The most important issue for us is the safety of your capital, and the complete mitigation of risk to you and your investors throughout your deal. Since the **ONLY** money that is at risk is **our** money, we no longer entertain endless costly hours of satisfying traditional due diligence requests.

Remember, your funds are always 100% secured in your own bank account, whether you are depositing your funds to the Assigned Bank in the US, (which provides 100% insurance on all amounts), or you are keeping your funds in your own Bank. We then loan you up to **4x** your “Initial Deposit,” at a Wholesale Interest Rate, and our money is always the first money put at risk in the field. And through the compliance process you have no concern about being involved with illicit funds, because your bank will receive a “History of Funds” report, confirming the origin and safety of our capital before it is deposited



into your account.

“Due Diligence” when done correctly is the process of *“Following the Money”*. The template from which we operate is designed to give you the transparency that you need in order to feel safe, because you can always *“follow the money”*, and you will always maintain complete control over it.

Q40 *“I am worried about “money laundering,” so I need to know everyone who is in the deal, in case the funds come from a questionable source.”*

A The loan disbursements that you receive from us will be paid out to you through a TOP-TIER Bank – (ie: HSBC). When **your** bank receives this money, they will also receive a **“History of Funds Report”**, and a full **“KYC”** on the source of funds, at their request. The manner in which this system is designed means that there is absolutely **no possible way** that “dirty money” could enter or circulate through the system. Every transaction is strictly “Bank to Bank” via the SWIFT system, so the onus to perform the requisite due diligence will be between them.

Q41 *“We have proceeded to the point where we have received our Term Sheet or Deposit Agreement, but we have one member of our team that has questions that are unrelated to the stage that we are now at (and are typically early-phase questions that would already have been addressed and answered in the FAQ, or during phone calls and/or emails). How is this handled?”*

A If you have signed our "FAQ", and have received and signed your Term Sheet, then you have confirmed that you are fully comfortable with all of our processes and procedures, and are ready to move forward to complete your Deposit Agreement, and your Final Loan Agreement. We fully expect you to have a number of questions regarding both of these agreements that will be managed as they arise, on a go-forward basis.

However, if after accepting to proceed to the next step in the process you suddenly need to digress and backtrack, your deal will also be sent backwards. If we have a signed “FAQ” and “Term Sheet”, and you find the need to go back to “grassroots” issues that were either resolved at the outset of the deal, or were never raised as an issue in the first place, then we will **terminate your Term Sheet**, and you will start the process over from ground zero.

This approach has been initiated because this has been occurring with Applicants. At each step of the process, our organization has committed time, resources **and capital**, which are not charged to the Borrower. When a member of the Borrower’s team (often a new party that has never been introduced to FundingNet’s program or FAQ) suddenly steps in, changes the dialogue, and reverses forward momentum, it invariably sidelines the deal for an indeterminate amount of time. For this reason, we must remove the deal from the queue, and try to resolve the new issues.

When you begin the Loan process, the Borrower must determine “who” is material to the deal from their own side, and have them as part of the process **from the outset**. These individuals need to attend calls and be copied on emails, so they are constantly in the information loop and can pose relevant questions at the appropriate times. For us to be preparing to have a Borrower deposit their funds and begin compliance or negotiate the Final Loan Documents, only to then receive an email from a member of the Borrowers team who is unknown to us, and asking questions that were discussed on the first phone call, is unnecessary and unproductive.

The message to take from this is that you must bring ALL of your decision-makers to the



table from the outset, keep them informed at every step, and if you choose to move to the next step, do not reverse direction.

THE IMPORTANCE OF FOLLOWING OUR ESTABLISHED PROCEDURES

In providing lending services since 2005, we have developed this program in a way that allows the Borrower the ability to move through all “compliance” requirements in a very efficient manner. Additionally, the process provides you with the complete protection of your capital, and of yourself from becoming involved with any illicit funds. These steps have been established after many years of perfecting our processes, and our steps are the best method for you to get to the point of receiving funding expeditiously.

We have found that many clients believe that they have a “better way” of doing things. This always results in the deal becoming mired in unnecessary delays, with the potential outcome of being denied the loan, because the alternate methods do not meet the stringent requirements of our regulatory bodies and/or Insurers. The methods we offer that guarantee your money are in use because they work, they offer 100% coverage of your Initial Capital, and because they will always be accepted by the “Compliance” process.

This is not to suggest that our Term Sheets or Loan Agreements won’t have modifications to suit your specific project; however, as covered in the “Preamble”, rewrites are not accepted. Edits to third party documents such as the “Bank Guarantees”, “Standby Letters of Credit” or “Insurance Documents” are entirely non-negotiable, as they are designed to meet the regulatory requirements of the Banking and Insurance industry. Similarly, because we are so tightly integrated into that same fabric, we must have our procedures and agreements structured in a manner that is congruent with those regulations. What seems like a “simple adjustment” on your part, can amount to a change that will cause our deal package to fail compliance, thus preventing loan approval.

Our processes and protocols are carefully designed to best protect your interests, while moving you successfully through the system of checks and balances that keep you safe, and to allow us to do what we do best – guide you to successfully funding your project.



Acknowledgement of FAQ:

I, _____, of
(Client's Name - PRINT)

(City, Country)

hereby confirm on this _____ day of _____, 20____,

that I have read the entire "FundingNet FAQ" document, and fully understand both its contents and its implications, relating to the overall Funding Processes, Requirements, and Protocols.

Client Signature