

## Stock Loan Program (SOSF1)

This Special Operation Stock Fund has been created by a group of Family Offices to offer an alternative Stock Loan Program for Canadian, United States, European, United Kingdom, India, Malaysia, Japan and Chinese based prime stocks; we will also consider smaller cap stocks on a case by case basis. The fields already served are Cannabis and Hemp, Industrial, Engineering, Mining and Technology. The typical start to close process is thirty to forty-five days but can be much quicker depending on the client and their expeditious manner.

This provides a great opportunity for a shareholder (including affiliates and insiders and US persons with Rule 144 restricted stock aged over 4 months) to lock in market gains in the stock, especially inordinate gains, and have use of the funds now. If the stock goes up, you can pay the note off and redeem the shares. If the stock goes down, you have the option to walk away.

Notably, we use total portfolio hedging against a pool of various equities, rather than single stock risk management. This is completely different from the way toxic convertible lenders and groups operate by loaning you funds against new issuances while they sell pledged affiliate shares into the market.

The material default provisions may include the failure to pay interest or make the balloon payment at maturity, if the daily volume dips a certain percentage below a 30-day average for a period of 5 consecutive days or if the stock price dips a certain percentage below the price of the stock when the loan closes; in circumstances such as those, there will be a requirement to post additional collateral. So, there will be an opportunity to defend against a default by the addition of collateral.

Please let me know if you or anyone else you know might be interested, also please find the common Indicative terms below.

## Common Indicative Terms:

- 1. Amount: \$2 Million to \$50 Million**
  - 1.1. (Any amount under \$5 Million and over \$50 Million require special approval.)
- 2. Loan to Value: 40% to 85%**
  - 2.1. (Dependent on Stock Class, Listed Exchange, Valuation, etc. The Net LTV after all costs should be more than 40% which meets or exceeds market standards.)
- 3. Term: 24 months to 48 months Non-Recourse**
  - 3.1. (Loans repayment terms are offered as soon as 18 months or as late as 60 months with a minimum lockup of 18 months.)
- 4. Coupon: 5% to 10%**
  - 4.1. (Solely based on areas 1, 2 and 3 including all of the sub criteria that may or may not be included herein. Coupon can be more than 10% based on extraneous risk factors.)
- 5. Risk Hedging Costs: 20% to 30%**
  - 5.1. (In some occurrences, hedging costs can be less than 20% but never more than 30%. These less than occurrences happen when the underlying risk is very low. Low risk is indicative of a strong chance of repayment therefore the hedge position does not need to be as large. These costs are taken off of the gross loan proceeds and is not refunded at repayment of the loan due to a hedge being purchased.)
- 6. Title: Title transfers to name of the Family Office custodian**
  - 6.1. (The custodian retains the shares for the term of the loan unless a default occurs. In the event of a very high-risk company and share valuation, custodian reserves the right to keep shares on deposit in escrow ready to sell in case of a potential default or a market indication of a default. Further, a Material Default provision may include the devaluation of the stock.)
- 7. Tranches: Family Office will release funds in multiple tranches**
  - 7.1. (Funds are released in 4.9% tranches of the issued and outstanding shares as to not exceed the 5% threshold, so the Family Office is to not be considered an affiliate of any one company or transaction.)
- 8. Legal & Underwriting: TBD**
  - 8.1. (Depending on everything herein Legal may charge fees to process the loan. The fees would be discounted off of the Gross loan proceeds and credited to the loan at funding. If client backs out of loan the fees are considered earned. For low risk transactions fees are not typically charged.)
- 9. Origination: 3% to 6%**
  - 9.1. (Solely dependent on the complexity of the loan and collateral at hand.)