PRINCIPLES OF STRUCTURED FINANCE

FOR FINANCING BUSINESS PROJECTS SUCCESSFULLY

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International Capital Partner

WHAT IS STRUCTURED FINANCE.

Structured financial transactions involve various specialized activities aimed at creating self-liquidating operations and to transfer credit risk to institutional entities and specialized third of the capital market, through emissions of Debt & Equity.

The value of these emissions and operations has increased rapidly over the last decade.

Companies that have slightly exceeded the size of small cap and they are becoming or are already medium enterprises do not have access to this type of operations because banks offer some solutions structured finance at the grassroots level only very few large companies that are actually true multinational.

The result is that midsize companies often fail to grow and carry out their projects and sometimes come into crisis because, despite having an excellent expandability, are not funded by Banks.

Unfortunately, these companies do not have the ability to implement transactions Structured Finance, directly accessing International Capital Markets, consisting of Investment Banks, Pension Funds, Private Equity Funds, Great Families and Private Banking, because they lack the specific culture of this highly specialized field.

Structured finance is the main engine of creating transactions that are able to finance itself.

These operations often use the resource Special Purpose Vehicle (SPV) and can be classified into:

- **Project Finance:** large projects financial dimensions that is easy to predict cash flow, achievable by creating an SPV in which the project itself is the total assets;
- **Leveraged Acquisitions:** technically similar to Project Finance, where the SPV is established in order to acquire another company, the assets of which enter into the assets of the SPV when the acquisition will be completed;
- **Securitization:** some assets are transferred to a SPV, provided that such assets are able to generate cash flow;
- **Implied Securitization:** it includes certain intangible corporate assets (patents, contracts, significant purchasing orders) are used as direct or indirect implied warranties and transferred to an SPV. These intangible assets are able to generate cash flow, once built production facilities with funds obtained through the SPV issuing the debt, ie, Bonds, or Debt & Equity, as discussed in the Dedicated Private Equity Fund to Raise Equity;
- **Financing of a major project of strategic interest:** finding the resources necessary for the development of the company through the creation of an SPV, accessing Capital Markets, prevented this to a traditional company;
- **Dedicated Private Equity Fund to Raise Equity:** It is a specialized development of the concept of Implied Securitization, based on the creation of a Private Equity Fund with specific purpose in a sector or on a project. It is a tailor-made solution directed to dynamic entrepreneurs who are able to expand their business by strengthening investment to carry out new projects or by acquiring competitors or complementary companies in the production chain, they are able to create added value.

The Fund has as Sponsor the promoter company.

The sponsor of the Fund must be committed in time with different investments in making further acquisitions of other companies objects, as noted above.

Many business entrepreneurs are skeptical about the possibilities of raising funds in this way because they are unfamiliar with the operation of the Capital Markets and Structured Finance, while the market capitalizers always looking for profitable businesses to invest put up in forms standard private equity industry and the ABS (Assets Back Securities) efficiently sustainable.

The advantage of this solution, in the case of SPV intended to reach the bottom of profitability it is to have excess capital for at least 10 years without having to pay interest.

This solution aims to finance projects by accepting direct long-term investment in exchange for a final benefit tied to an exit strategy, but you can also opt for hybrid approaches by issuing ABS (Assets Back Securities) or Bonds backed supply contracts and anticipated cash flow, in this case but an annual interest will be paid.

PROJECT FINANCING THROUGH STRUCTURED FINANCE.

Analyzing in detail the implementation of Structured Finance with respect to the last indicated solution that is finding funding for the expansion of the company and to carry out a project relating to major purchasing orders or contracts.

The structuring of an operation of Structured Finance is most noticeable when you want to solve the need for liquidity in Capital Markets as an alternative to the conventional use of traditional banks for lending to medium term, as they are limited because banks are no longer willing to provide additional credit lines.

In fact, a company can be found in the paradoxical situation of being denied the extension of credit lines for export or for the expansion of production facilities, and even more for the realization of a project, although it you can submit requests, purchasing orders or contracts

The same entrepreneurial if it had its registered office in London or USA would have the possibility that the Bank would offer higher credit related to their needs, as the banking system is much more dynamic and efficient compared with other countries.

In the organization of the operation of Structured Finance, the central element that characterizes precisely is the creation of a separate subject or subjects proponents of the operation, which is the beneficiary of the funds raised entity.

Such separation is achieved, as mentioned, through a Special Purpose Vehicle (SPV) that simply receives and blocks cash inflows and outflows as a result.

As a result, SPV becomes the center of imputation of all economic and financial variables generated by the activity.

The funding agencies provides financing to the SPV and not the structures, companies or companies that have been established specifically for the project.

The main advantage of Structured Finance operations is the fact the creation of a specific SPV to isolate the fate of the assets of the proposing companies.

The proper functioning of the project is, therefore, independent of the creditworthiness of the company and therefore weak companies with important projects and vice versa can also achieve the goal.

WHY THE COMPANY SHOULD START DOING STRUCTURED FINANCE.

When a company fails to finance development projects or strategic operations through conventional bank credit channel Structured Finance is the fair and cost-effective option for obtaining the necessary capital.

This option is often very quick in finding resources compared with the channels traditionally used for funding, once established the SPV, properly carried out preliminary activities of legal order and due diligence, or the obligations taken with in order to meet legal requirements by the promoter.

Structured Finance operation can capture liquidity of institutional investors (Investment Funds, Private Equity, Family Office and Banks) in the presence of projects with good development potential.

Another strong point of the Structured Finance applied to obtaining financial resources is the great flexibility as each operation is specifically modulates the project to which reference is made.

You can merge into SPV the assets and cash flows of a plurality of subjects - Institutional Investors - which also allows small businesses to use the potential of this financial instrument.

The key concept is that through the Structured Finance company is funded not based on capitalization, but the strategic project based on its potential cash flow.

Investors who make up the Capital Markets are usually willing to invest in projects that can generate a steady cash flow.

The problem from the point of view of the investor is a private company (limited liability or anonymous) does not offer sufficient guarantees control (government) congruent with respect to the use of liquidity provided to the development objectives of the project.

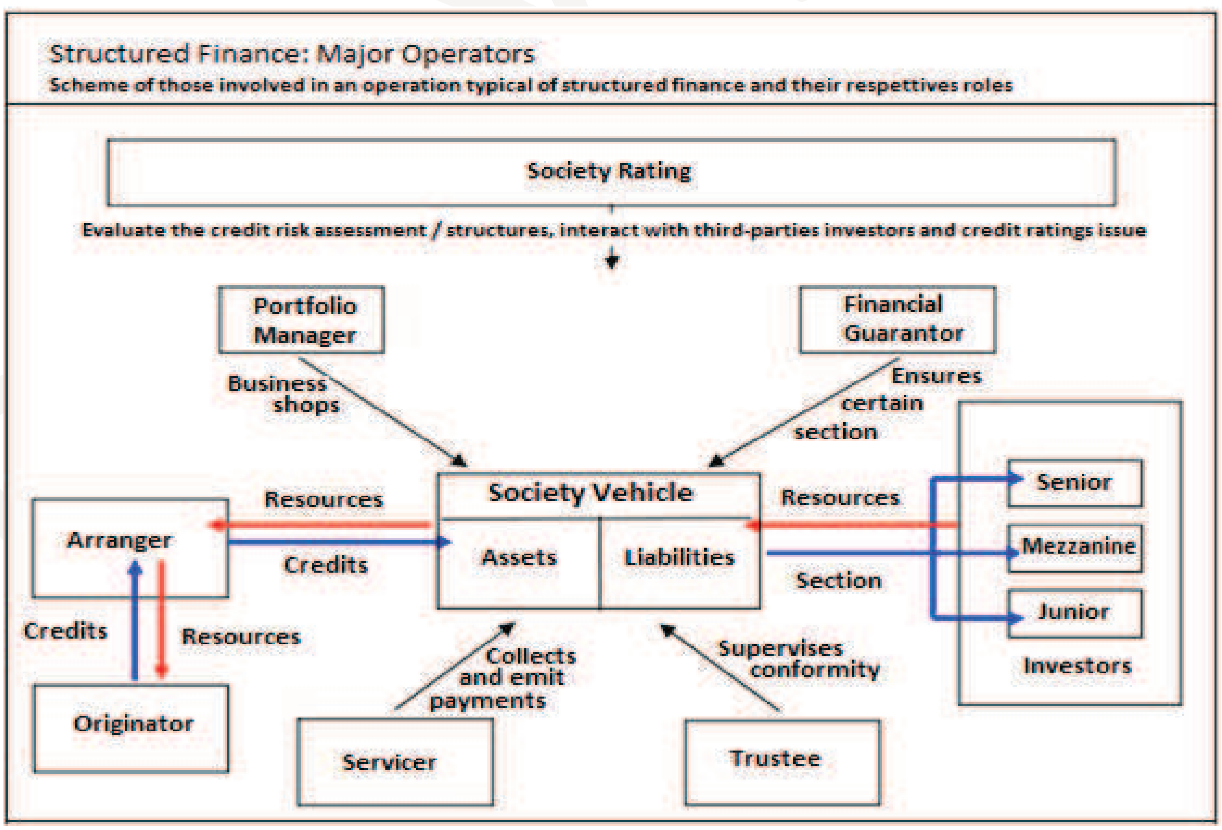
They Institutional Investors consider a fund dedicated to Private Equity (SPV) as a good vehicle to invest in strategic projects.

While in the traditional financial sector may be reluctant to lend resources to companies with new projects, a plan of Structured Finance using funds SPV, authorized by the Supervisory Authority assesses the expected cash flow (as a result of contracts with Public Administrations) and management experience, used as an active backup or collateral, allowing resources to achieve Institutional Investors for startups.

The factors needed to make a transaction Structured Finance are basically as follows:

1. **The Originator** is the economic subject, the Company or the entity that gives rise to cash flows or credits (called sponsor in the case of Dedicated Private Equity Fund originator from investment operations), in case should be transferred to the vehicle, such flows or credits which will determine the assets.
2. **The Advisor** is the key to mount an operation of Structured Finance because in order to product, called ABS (Assets Back Security) which will be issued by a Dedicated Private Equity Fund and will go on the market in relation to its structure Figure and profitability and risk reports.

3. **The Arranger** is actually the authorized financial intermediary, which places the ABS issued by the SPV; in the Anglo market in certain operations organizers structuring (Advisor and Arranger) can be identified in a single figure. Sometimes, but not always, the division of the two ends rewarding roles as both the Originator as subscribers of the ABS..
4. **The Rating Society** is the company specialized in issuing assessments of the relative risk of each transaction (Rating) emissions Bond. This allows investors to channel financial flows with a real awareness of the margins of operation. In the case of collection of interest through a specialized fund, this is not necessary.
5. **The Special Purpose Vehicle (SPV)** is the company created specifically for the issue of securities (as defined ABS) which are essentially "bonds" in terms of flows or credits under the SPV had been done before, "assignee" or to manage activities Dedicated Private Equity Fund. The economic efficiency of the operation is based on two legal principles applied to this particular type of title, segregation and separation charges heritage to protect subscribers. If what is sought is not Equity and Debt, the SPV takes the form of a specific fund that includes investments to finance projects of the line.
6. **The Administrator**, or the structure, often a law firm or a credit management company or a bank, charge of collecting the money and financial flows at the time.



In blog listed below with is an example of how the Structured Finance may be the right option in a given situation.

Case study: http://unctad.org/en/Docs/ditccom20054_en.pdf

POTENTIAL USES OF STRUCTURED FINANCE TECHNIQUES

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