INSTRUCTIONS for In3 CAP funding pre-qualification

Initial steps involve asking a bank, or backing company to ask their bank, for an unsigned but complete draft of a proposed guarantee for review & acceptance.

1) Download then fill in the Word file template of choice to reflect the proposed guarantee verbiage that the involved bank will be asked to approve.

Fill in the template's highlighted areas, including the bank's name, branch address, and banker contact information (if necessary, ask the bank for the officer name(s) that will eventually sign it, once the funding is arranged), or ask the involved banker(s) to fill in the relevant sections.

This is a trial run or "test" of funding feasibility. **There's no risk or cost whatsoever for this.** It is completely non-binding on all parties, as no commitments are yet being made. Steps

Bankers will want to know that the actual instrument will be signed and sent later, once everyone's mutual Know Your Customer (KYC) protocols are satisfied, binding funding terms established, with all contracts signed, notarized and delivered. Start by asking what "demand guarantee" instrument is possible for this undertaking, and what they typically would charge.

2) Send the draft instrument to your In3 representative via Email or text message.
There may be feedback or questions if the template is not completely filled in, so strive to include all relevant details, starting with the proposed face value in US$ or Euros.

3) Upon approval, supply the remaining "essentials" to pre-qualify for funding
Once this unsigned draft copy of the instrument verbiage gains approval by In3's Family Office partner (they will select an approving bank to fund the project), we will then request the remaining project information, including monthly draw schedule and issuing bank's "Ready, Willing & Able" (RWA) letter as evidence of their intent to do their part, when the time comes.

Instrument delivery is the last step before reaching Financial Closing, after all contracts are entered. If there are challenges, see also guide to "*Communicating with Bankers*".

Tips for Securing a Completion Assurance Guarantee

For mid-market CAP funding ($25M+), developers without adequate cash (needed for the next-best alternative funding), or that lack income history or sufficient asset depth, the best strategy is to put your project in front of a party that has such depth (access to assets) **that stands to benefit from backing it**. We call this party a "sponsor" or "backer."

First, consider what party or parties have an interest in the project such that they could be willing, if properly approached and incentivized, to help secure an enabling guarantee.

CAP funding's differences make it "faster, easier, and better".

Completion Assurance Guarantee Instructions – cont'd

GUARANTOR PATHWAYS:

There are three pathways to arrange completion assurance guarantees:

1. Project developer/owner facilitates with their bank, if security is available
2. Project developer or their agent invites a sponsor/backer to arrange with their bank
3. In3 arranges it, as a premium "done for you" (DFY) service package. Explore this

To qualify for CAP funding's advantageous terms, developers must be able to arrange, on their own (pathway 1) or via a sponsor (pathway 2), a qualifying Standby Letter of Credit (SbLC), or bank-endorsed Promissory Note (stamped "per Aval"), or bank-confirmed Sovereign Guarantee (SG), per our template. How to decide

Pathway 2 Sponsors can be a private investor, a well-established Engineering, Procurement & Construction (EPC) firm or General Contractor (GC), integrator, or Original Equipment Manufacturer (OEM), etc., responsible for a significant portion of the project's budget.

How Sponsorship Works

In3 and some developers work with private, outside investors (pathway 3) – including High Net Worth Individuals (HNWIs), other single or multi-Family Offices, asset managers, funds, sovereign governments or NGOs – to pledge assets underlying a guarantee and/or to cover the bank's fee (called "margin"), reimbursed upon first draw of funding.

The sponsor's main contribution is a financial guarantee, or partial one, often with enhanced upside to them. Some will ask for a modest equity carried interest to start, to align incentives, though most do not want this. Overall cost of capital remains quite competitive, with faster and more certain closings once pre-qualified.

To date, here are the guarantor types ordered by those most often successful on top:

- **Involved Service Providers / Vendors**, such as EPC firms, OEMs, EPCM or GCs
- **Sovereign Governments and Multilateral Finance Institutions** (when working in countries that need to stimulate investment, such as the developing world)
- **Private lenders** – proceeds of a senior loan can be deposited in a bank account and then used to issue a guarantee ("blocked funds" instrument MT-760)… or pooled alongside other assets in an account that can be used as pledged guarantee collateral.
- **Private or Public Asset Owners, or Not-for-Profit Organizations** — companies can sponsor or otherwise support projects they see as mission-aligned in order to realize their inherent social and/or environmental impacts, or for "earned income" if the NGO wishes to use sponsorship for their own fundraising. This purpose-driven imperative has caused some NGOs to step forward as guarantors or to involve their benefactors.

The types of assets that can be used vary widely, so find out **what the issuing bank is willing to accept**, ranging from cash on deposit (not usually required), to public equities, a corporate balance sheet (basic creditworthiness of the sponsor) to off balance sheet assets like developed property, buildings, precious metals, bonds or other forms. This is between the sponsor and their bank.

What SBLC/BG assets can be pledged?

Bank Guarantees most often use a Standby Letter of Credit (SBLC), which are "cash backed" via any of the following assets:

✓ **Public equities** ✓ **Government bonds** ✓ **Corporate balance sheet**
✓ **Bank line of credit** ✓ **Minerals, precious metals (e.g., gold), gems, etc.**

The guarantor and their bank will together determine any fees and qualifying assets for issuing a Bank Guarantee via SWIFT.

Guarantee Tips & Techniques

Pathway 2: Using an Involved Service or Equipment Provider as Guarantor
A well-established EPC firm, OEM or General Contractor, for example, can bring forward a completion assurance guarantee to "win" the contract, ensuring that all the funding for the project will be pre-committed, while obtaining other benefits from the developer as can be arranged. Ask for our sample EPC agreement or pitch deck to help.

Pathway 3: Involving an investor or asset manager to sponsor projects they wish to support without playing an active contractor or subcontractor role, in exchange for a return-on-assets pledged, and/or modest piece of the project's equity (rights to a small portion of the operating cashflows). This is a "capital preservation strategy" for developers can be a maker/breaker for ambitious projects worldwide, but are particularly helpful in developing countries, or with project developers that have no remaining seed capital to get projects financed, where In3's program enables 100% of the project funding, at any reasonable stage, to flow reliably, quickly and at quite favorable terms.

Got Cash? Some banks will allow direct purchase of a guarantee (putting their own assets on the line) for a much larger fee. In3's partners can use such guarantees, but it probably won't make economic sense: if you had sufficient cash reserves (12%-20%) to buy and/or co-invest in your own project, you would probably be better served with alternative funding. Let your In3 representative know if you have access to such cash.

NEXT STEPS: Make a list of potential CAP funding guarantee sources and request In3's PowerPoint materials to make a proper introduction, Highlight your impact project's strengths, history as a developer and proposed terms and select the best offer.

The guarantee is being secured for a precise purpose, namely project construction completion security, with our Family Office as the Beneficiary (in the unlikely event of default by the developer), and reliably sent bank-to-bank, controlled by SWIFT.

The guarantee cannot be arbitrarily called or cashed; it is used to filter out fraud (running off with the project funding instead of finishing/commissioning the project).

Problem Solving – see [Troubleshooting Guide (PDF)] for any of the following challenges:

- **Guarantor does not yet know the funder**, is without a direct relationship. See guide.
- **Concern that payments to the sponsor/vendor (EPC/GC) won't start on schedule**, that subsequent payments could be delayed, or that payments will not be forthcoming at all.
- **Concern that the guarantee could be or will be called**, or that its issuance could cause undue or uncontrolled risk exposure to the sponsor/contractor.

<u>Conclusions</u>: You as the developer may have more power than you realize. You have already gained a better understanding of In3's CAP funding, and when you do things right, following these best practices, and select partners that perform, you will be rewarded. With CAP funding you can explore available terms & conditions without obligation. Once satisfied, we will enter funding contract; for now, find out where you stand without risk.