THE WORLD OF PRIVATE PLACEMENTS

FULL EXPLANATION

INDEX

I. INTRODUCTION

Private Placement Programs (PPP), also known as Private Placement Opportunity Programs (PPOP), Private Placement Investment Programs (PPIP), as well as a few other acronyms, remains a tight-lipped "fraternity" that is offered by invitation only to a select few.

The following synopsis is a guide for those fortunate few who may be invited to participate with this "fraternity".

II. TOPICS

Before speaking of PPP opportunities, there is a need to question some basic fundamental criteria for the existence of this business. It is essential to understand the true meaning of currency.

A. What is currency?
B. How is currency created?
C. How can the demand for currency and credit be controlled?
D. What is the evolution of events escalating to a debt being issued (through a note) which is discounted, sold and then resold in an arbitrage transaction?

With these basic questions in the forefront of your mind, it will better help you understand the Essence of PPP's.

III. WHAT SUBSTANTIATES A PPP?

Following are some basic principles to understand:

MONEY CREATION

These programs first and foremost were conceptualized to create money. The best way money is created is by debt and the ensuing relationship debt has with money creations. Following is an example:

Imagine you have $1,000 (U.S). You are presented with an opportunity to lend out your $1,000 and make the arrangement for it to give you a return of $1,150 (U.S). You became a debt instrument with an interest rate of 15% (interest only) for a year. This is an instance, though a small one, where money has just been created. While the $150 isn't realized instantly, it is important to focus on the creation part and not the legalities of it.

Banks are doing this every day at levels that are from millions to billions of dollars more. Banks, in the same way, are creating money where previously there wasn't any. Since PPPs involve trading with ***discounted bank issued debt instruments,*** money is ***created*** because such instruments are d***eferred payment obligations*** (debts). Hence, money is created by debts. Theoretically, any person, company and/or organization can issue debt notes.

Debt notes are deferred payment liabilities.

Example: A lawful person (individual/company/organization) is in need of $100 so he writes a debt note for $120 that matures after one year, which he then sells for $100 (this is called "discounting"). Theoretically the issuer is able to issue as many such debt notes at whatever face values he wants – as long as there are those that believe that he's financially strong enough to honor them upon maturity, and thereby is interested to buy such debt notes.

Debt notes like Medium Term Notes (MTN), Bank Guarantees (BG) Stand-By Letters of Credit (SBLC), etc. are issued at discounted prices by some of the major world banks. These transactions surpass billions of dollars.

Generally speaking, banks "create" such notes (debt notes) "out of thin air", so to speak. Once the note is created, the money is created. With this philosophy comes a key issue: While issuing such a debt note is very simple, the issuer would have a problem to find a buyer unless the buyer "believes" that the issuer is financially strong enough to honor that debt note upon maturity. Any bank can issue such a debt note, sell it at discount, and promise to pay back the full face value at the time the debt note matures. The question lies in whether that issuing bank is able to find any buyer for such a debt note without being financially strong enough.

Here is another example:

You have $1 million (U.S.) and had the opportunity to buy a debt note with the face value of $1 Million issued by one of the largest banks in Western Europe for let's say $800,000 (U.S.). Being a debt note that matures in 1 year, wouldn't you then consider buying it if you had the chance to verify it?

Imagine a second scenario:

ABC Corp. approaches you and asks if you want to buy an identical debt note issued by an unknown bank.

Would you consider that offer? You should be emphatically shaking your head form the left to right.

As you can see, it's a matter of trust and credibility only. It is understandable, though not appreciated, of why fraud, lies and distortions are so prevalent from the few who grasp these concepts buy don't truly adhere of understand them.

LARGE DEBT INSTRUMENTS MARKET

From what we have divulged as of yet, you can imagine how substantial the daily market of discounted bank instruments (MTN, BG, SBLC, Bonds, PN) there are. These transactions involve issuing banks and long chains of exit-buyers (Pension Funds, large financial institutions, and the list goes on) in an exclusive Private Placement arena.

All such activities on the bank side are done as "*Off-Balance Sheet Activities*", and as such, benefits are realized in many ways. *Off-Balance Sheet Activities* are contingent assets are liabilities where calculations depends on the outcome upon which the claim is based. This is similar to that of an option. *Off-Balance Sheet Activities* appear on the balance sheet only as memoranda items. The inception of these *Off-Balance Sheet* Activities materializes when bank(s) cause a cash flow that will appear as a credit or debit in the balance sheet. The bank doesn't have to consider binding capital constraints, as there is no deposit liability.

NORMAL TRADING VS. PRIVATE PLACMENT

All trading programs in the Private Placement arena involve trade with such discounted debt notes in one way or another. To bypass the legal restrictions, this can only be done on a private level. This is the reason why this type of trading is so different from "*normal*" trading, which remains highly regulated. This business can be done and restricted on a private level only (the Private Placement level). This private level is categorized as a special regulation without the usual strict restrictions present on the securities market.

The normal trading known by the public is the *Open Market*, also referred to as the Spot-Market. This is where discounted instruments are bought and sold with bids and offers very similar to an auction. For participation to occur the *Traders* must be in full control of the funds, otherwise they can not buy the instruments and sell them on. There are no *arbitrage buy-sell transactions* in this market because all participants can see the instruments and their prices.

However, besides this *Open Market*, there's a *Closed, Private Market* where a restricted number of *Master Commitment Holders* (MCH) is the inner circle. These *MCH* are Trusts with huge amounts of money that enter contractual agreements with banks to buy a certain number of fresh-cut instruments at a specific price during a specific period of time. The *MCH's* job is to continually sell these instruments. This is done by contract sub-commitment holders, who contract exit-buyers.

These "*programs*" are all based on *arbitrage buy-sell transactions* with pre-defined prices, and as such, the *Traders* never need to be in control of the *Investor's* funds. The caveat, if it could even be considered one, is that no program can commence until there is enough currency behind the *buy-sell* transaction. This is where the *Investors* are needed because the involved banks and *commitment holder* are not allowed to trade any currency unless they have reserved enough funds on the market. This is the initial currency which is brought in by the investor which is neither pulled out of the account nor ever at risk.

The involved banks (*Trading Banks*) can lend out money to the *Traders* at a typical leveraged amount of ten to one. During certain conditions, this can be as much as twenty to one. So, if the *Trader* can "reserve" $100M the leveraged amount would be $1B. In reality, the bank is giving the *Trader* a line of credit based on how much money the *Trader* and the *commitment holder* has since the banks don't lend out that much money without collateral. This is in direct conjunction with what the *commitment holder* has secured in an account.

Following is where much of the headaches and malevolent sources can be squashed. When a *Trader* says the he much be "in control" of the investor's funds, **be wary!** The implications are that he's not one of the "big boys" but plays on the open-spot market. In the market lots of different "instruments" are traded. Bear in mind this is much more different than when the trader only needs to reserve the investor's funds, and doesn't need to be in control of the funds. This is the true tight-lipped niche known as the *Private Market.*

Because lots of bankers and other people in the financial world are well aware of the open market, as well as the so-called "MTN programs", they remain segregated from the private market and find it hard to believe that it exists. By reading this, it now becomes your responsibility to wisely delegate who is invited to participate, as principals as well as those who bring them, are blacklisted if truths are not spoken.

ARBITRAGE AND LEVERAGE

The real core of the trading and its safety is due to the fact that the traders arrange the *buy-sell transactions* as arbitrage. This means that the instruments will be bought and sold at the same time with pre-defined prices. A chain of buyers and sellers are contracted, including the exit-buyers who often are institutions, other banks insurance companies, big companies, or other wealthy individuals.

The issued instruments are never sold directly to the exit-buyer but to a chain of up to seven (occasionally up to fifty) investors. The involved banks can not, for obvious reasons, directly participate in this as "in-between" buyers and sellers. The banks are still profiting from it indirectly because they are lending money (with interest) to the trader, or to the investor as a line of credit. This is the leveraging aspect of this PPP. Furthermore, the bank(s) profit from the commissions involved in each buy/sell transaction of debt bank instruments in the trading circle. The true beauty of these platforms is that the investor(s) assets/currency doesn't have to be used for the transactions and is only reserved as a compensating balance (mirrored) against the credit line. The credit line is then used to back up the arbitrage buy-sell transactions. Since the trading is done as arbitrage, the money (credit line) doesn't have to be used, but it must still be available to back us each and every buy-sell transaction. Such programs never fail because they don't start until all entities have been contracted, each entity knows what role to play and they understand how they will profit from the transactions.

<u>These are real PPPs!</u>

While it has already been discussed, for some reason many clients, and their representatives we talk to fail to grasp the true security of this type of platform. We feel that it is such an important aspect that we must go over it one more time.

A trader that is able to leverage is able to control a credit of typically ten to twenty times that of the principal. Although the trader is in control of that currency/asset, he's not able to spend the currency/asset. The trader only needs to show that the funds are secured, that the trader is in control of the money, and that the money is not used somewhere else at the time of the buy-sell transaction.

The money is never spent. The reason again is that the trading is done as *arbitrage transactions*

Following is a perfect example of how this works:

<u>Buy-Sell Scenario:</u> Let's stay that you're offered the chance to buy a commercial building for $5M. You also find another buyer that is willing to buy it from you for 5.5M. If the buy-sell transactions are done at the same time, then you don't have to spend $5M waiting to sell the $5.5M. Since this is being done concurrently, your funds are not at risk and you immediately get $500,000 in profit. The case needs to be pointed out though that there must still be secured funds that are held in control for this to transpire.

Arbitrage transactions with discounted bank instruments are done in a similar way. The involved *Trader* never spends said currency though they remain in control of said currency. The *Investor's* principal is reserved in order for the *Trader* to leverage (example: he's using a credit line that is ten to twenty times of the principal, and is thereby able to trade with ten to twenty as much money).

Confusion is both rampant from who are indirectly involved and *Investor's* who are stifled with "half-truths" from sources that weren't fully educated on PPPs. Many seem to believe that the money must be spent. Even though this is the traditional way of trading and also the common way to trade on the open market for securities and bank instruments, it's possible to set up arbitrage transactions if there's a chain of contracted without any trading of other risks excepts\ for the normal bank system risk (which is so heavily regulated, mandated and bailed out that it is an irrelevant point).

HIGH YIELD

When compared with the common yields of traditional investments, PPPs get a much higher yield. Most organizations, corporations and individuals do not believe that a yield of 50%-100% per week is possible. It is again a problem of knowledge of working programs and this example can shed light on the matter.

Assume a leverage effect of 10:1 (common place in the MTN market). Let's say that the *Investor* has $100M (this is the minimum the *Trader* is able to work with). Let's then assume that the *Trader* is able to do 1 *Buy-Sell Transaction* per day, three days per week for forty banking weeks (this equates to a full year), and that the profit is 5% in each *Buy-Sell Transaction.* That makes 5% x 3 = 15%. With the leverage effect, the profit will be ten times as high or 150% per week for the *Investor*.

This return will then be split between the *Investor* and the *Trading Group*(for projects) but the final *net yield* for the *Investor* will still be a double-digit weekly yield! Bear in mind that the above example can still be seen as conservative because *tier one level Trading Groups* can get a much higher single spread for each transaction as well as a markedly higher number of weekly trades. This greatly enhances the final yield!

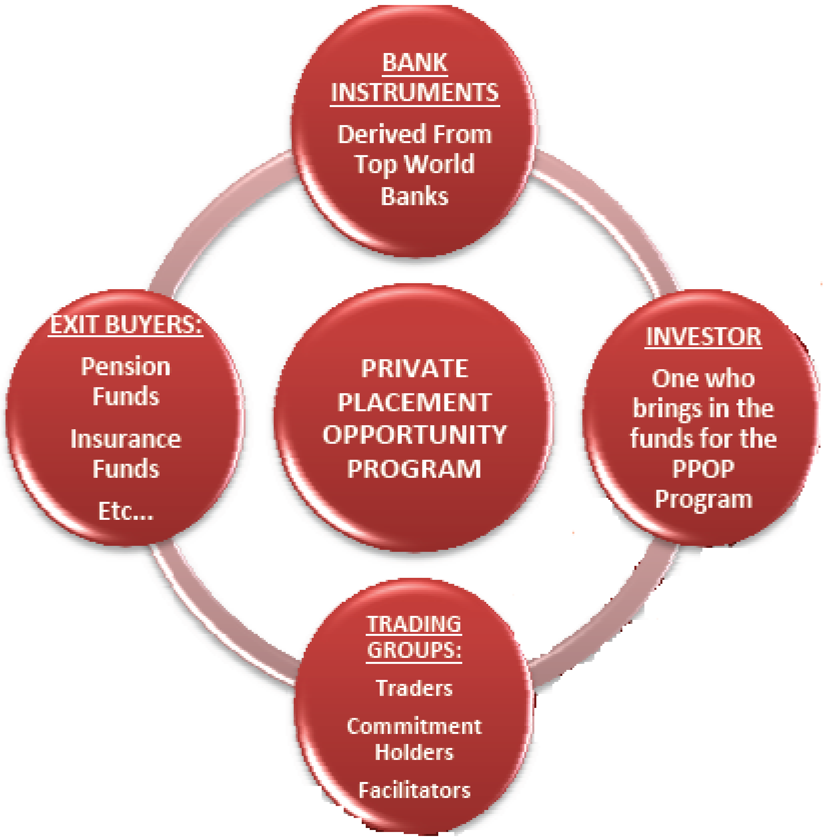
We understand that such a high yield might seem ridiculously high, but that is because it's compared to traditional ways of investment and trading..

INVESTORS

The involved *Investor(s)* (the *Program's Investors*) are no the end-buyers in the chain. The real end-buyers are financially strong companies who are looking for a long term and safe investment (pension funds, trusts, insurance companies). Since these companies are needed as end-buyers, they are not permitted to participate "in between" as Investors. The Investors who participates in the *Private Placement Investment Program* is just an individual entity in the picture amongst many other entities.

Look at the chart on the following page for the

Breakdown of entity classifications:



The *Investor* usually does not see most of the entities involved in the process because dealings are typically with the Head Broker, with introductions thereafter to the *Facilitator* (if not already the head broker), then the *Platform* and the *Trader* direct.

PROGRAMS STRUCTURE

Usually, a *trading program* is nothing more than a prearranged *buy/sell transaction* of discounted banking instruments made as an *arbitrage transaction*. An investor with sizeable funds/assets (on the level of $100M to $5B U.S.) could arrange for his own program by implementing the buy/sell transaction. This is easier said than done for those who believe they can facilitate this venture. The *Investor* would need to gain control of the whole process making contract with the *Provider Banks* for the bank instruments and at the same time for the exit buyers. This is no a simple task at all considering that there are many federally mandated restrictions to be passed while at the same time it is very difficult to get the strong necessary connections with the related parties (the issuing banks/providers for the bank instruments and the exit-buyers).

Investors who understand time valuations and *contract association relationships*, realize the absurdity of being led by the wind. For an *Investor*, it is much simpler (and usually more profitable) to enter a program where the *Trader* with his *Trading Group* already has all aspects and criteria in place (the issuing banks, the exit buyers, the contracts ready for the arbitrage transaction, the line of credit with the trading banks all of the necessary guarantees/safety for the investor, etc.). The *Investor* need only agree with the contract proposed by the *Trader*. With an aligned group, the *Investor* is further ensured of a smooth flowing process when the *Trader* will meet the *Investor* directly (at the Investor/Trader request) to finalize the trade documents.

Yet another advantage for the *Investor* is the ability to enter a program with a substantially lower amount of money due to the indirect advantage the line of credit the Trading Group has. This fact alone qualifies this type of platform above doing it on your own or working with those less informed.

NON-SOLICITATION AND NON-DISCLOSURE

A direct consequence of the Private Placement environment is that the Non Solicitation regulation has to be strictly followed by all the involved parties. This factor strongly influences the way all entities can deal with each other along with the way they can make contact. Unfortunately, this is capitalized upon in several instances where the *Investor* has an established relationship with his directives, it is best to stick with one of the few groups that are already secured with viable platforms.

This is another reason why so few environment *Facilitators* talk about these transactions. Virtually every contract involving the use of these high-yield instruments contains very explicit *non-circumvention* and *non-disclosure clauses* forbidding the contracting parties from discussing any aspect of the transaction for several years. Subsequently, it is very difficult to locate experienced contacts that are both knowledgeable and willing to talk openly about this type of instrument, the profitability of the transactions in which they are involved and the relationships built. These programs involved tightly closed doors, is not advertised anywhere and is not covered in any publications or media outlets. This program can not be open to anyone but the most connected and most wealthy entities that can come forward with substantial cash funds.

HOW BANKS AND FACILITATORS EARN

Banks are not allowed to act as *Investors* in such programs; however, they are able to profit from it indirectly in different ways. This permits <u>some</u> private entities (*brokers, Trading Groups* and *private Investors*) to take part in this business that otherwise would be a banking matter only. The private assets coming from private clients are necessary to start the process. These private, large cash funds are the mandatory requirement for the *buy/sell transactions* of banking debt instruments and as a consequence, also the mandatory requirement for the programs through the *Trading Groups. Brokers/Intermediaries* are sometimes necessary to introduce the *Investor(s)* to the *Trading Groups.*

From this process, each of the involved entities takes their part in the sharing of the benefits (commissions for banks/brokers and proceeds for *Trading Groups* and *Investors*).

PROJECTS

There is usually an involvement with a particular *Project. Projects* are usually involved with these programs. In needs to be made clear though that the purpose of this type of trading is not to finance humanitarian projects. While it's true that projects (not just humanitarian projects) can be funded as a result of this trading, and that this type of trading generates such huge amounts of money on the market, it is imperative, and often insisted upon, that measures be taken to keep inflation low.

One of the main ways is to finance many different projects. While we are just touching the tip of the iceberg with relation to inflation and all the economic variances that support itself around this topic, essentially, when too much money is created the result is the threat of inflation. In order to be able to continue creating debt, different measures must be taken to keep the inflation low. One way is to adjust the interest rates. For this kind of trading however, this is not possible; it has little or no effect. A better way is to let some of the profit be used for different projects that need funding, for instance to rebuild the infrastructure in regions fo the world that have experienced catastrophe. This creates a huge economic stimulus which among many other things creates jobs for people in those regions.

So, the reason for project funding is primarily not to support humanitarian organizations, though that is an indirect benefit, but to fight against inflation.

IV. PROCESS SYNTHESIS

The complete process involving the issuing of *debt notes*, the *arbitrage transaction*, the *programs*, the *Projects* and everything else which makes this a complete solution, is a result of combined market forces. Banks have a method of increasing their revenues and profits, *Investors* are able to finance different ventures, borrowers are able to access loan funds. There is a supply and demand for such instruments, and as long as the supply and demand exists then also this kind of trading will exist. Through experience and market conditions we would expect to see these programs available for a three to five year period.

Following is a summary indicating the process involved to enter such a program:

A. An *Investor* with \$100M (U.S.) up to \$5B (U.S.) can be an *applicant* for a *Private Placement Program*.

B. This business is entirely private. To get access to these investment programs, the *Investor* needs to send his preliminary documentation to the *Facilitator* who the *Investor* trusts to be in direct contract with the *Trading Group*. There is no other way for the *Investor* to get in contract with the *Trading Group* at this stage.

C. After the *Investor* has sent his own paperwork, the *Trading Group* will proceed through its Due Diligence phase on the applicant. When the diligence phase clears, then the *Program Manager* in the *Trading Group* will contact the *Investor* by phone and/or fax and invite the *Investor* to a face-to-face meeting. However, usually, if the *Investor* is not willing to travel, everything can be done via email, fax, phone, and courier mail. If not cleared, then the *Program Manager* will contract the *Facilitator/Broker* and advise that the *Investor* did not qualify. Here is where we have seen, on occasion, the *Investor* discrediting the *Facilitator(s)* through due diligence boards on the internet, by emails and other means. It is important to remember that a *PPP* is by invitation only and must meet these certain criteria for the *Platform's* acceptance of the *Investor*.

D. Once the *Investor's* paperwork is complete and verified, *Investor* is contracted by the *Facilitator* and a meeting is arranged for the *Investor* to speak with the *Trader*. The *Trader* will explain the program terms and conditions, the guarantees, the contract details as well as the next step required to start the program. Then, if necessary and required by the program terms, the *Investor* will get instructions to open a new *sole signatory bank account* at the *Trading Bank* for transferring the funds there. The *Trader* has prepared this process before the *Investor's* institutional bank is one of the approved platform banks, the *Investor* will be required to prepare his own bank to *block/reserve* those apportioned funds for one year with no transfer or interest accrual allowed.

E. The *Investor* will receive a contract which states the total gross yield, the percentage of the gross profit reserved for *Projects*, the percentage for the *Trading Group* and the percentage for commissions/fees to be deducted for any and all *Facilitators.* The net return to the *Investor* will be wired to *Investor's* return account located in any bank worldwide. When the *Investor* accepts the contract, the contract is signed and the program is ready to start.

F. The *Trader* is now able to leverage the *Investor's* reserved money ten times (on average) backing up the *arbitrage transactions* with that fund's currency enabling a credit line that remains in the bank account. This account is screened before each *arbitrage buy-sell transaction.* Trading now continues, and the profit is paid out once per week (or per day or per month or whatever the program terms stipulated) to the *Investor.* The *Investor* instructs the bank to wire out the commissions part to the *broker's bank coordinates.* The program continues the above loop for each week until the end of the program (usually forty banking weeks via one solar year).

These programs work with cash only. This fact does not mean the *Investor* will only be accepted in the case funds are not fully liquid. The *Investor* can be accepted by some *Trading Groups* as well as financial assets like *MTN*, *BG*, *CD*, *SBLC*, *SKR*, *etc.* that the *Trader* will then use for getting his own line of credit at the *Trading Bank* to run the program. In this case the *Investor* will have the advantage of profiting both from the program as well as the yield coming from the instrument (i.e. the scheduled interest of a *CD* or *MTN*).

VI. ANALYSIS OF RISK INVOLVED IN PPP CONTRACTS

While we have seen this process move expeditiously and with little fanfare, sometimes finalizing *PPP* contracts with *Investors* can be a strenuous process.

We will be focusing on the two (2) underlying sink holes that can and do affect these transactions on the following criteria:

A. The *Applicant Investor (AI).*
B. The *Facilitators* (head facilitators, brokers, intermediaries)

A. FROM THE INVESTOR'S SIDE

With the initial contact meeting, the *AI* will not be able to meet the *Trader* in this *qualifying* stage without the proper introductions. As such, an introduction requires that the *AI* be qualified as well as verifying the appropriate funds are able to enter this platform. The main reason why there's a *Facilitator-broker* "chain" is because the people in the *Trading Groups* (we use the term "*trading group*" because there's always a small group of people that work closely together, alongside the *Trader*) have neither the time nor the desire to prequalify *speculators* who many times are looking for nothing more than a greater interest in what these platforms offer while having no intention or capability to perform.

Should you be an *AI* with no *PPP* home (or looking for another one), we encourage you to establish contacts with *intermediaries/brokers* and hopefully they will be able to place you in contact with a performing *Trading Platform*. Don't chase around trying to find "a real trader", most so called *Traders* in the financial world are not involved in this kind of trading. From what we have been involved in a *Trader* has never spoken to an *AI* who hasn't been cleared first.

When it comes to non-performance, in most cases the delay is on the *AI* side. The *AI* doesn't quality, usually because of several reasons:

A. A lack of verified funds;

B. The bank in which he has the money is too small and/or is located in a non-accredited country;

C. Funds cannot be moved, or they are a bank instrument that cannot be used;

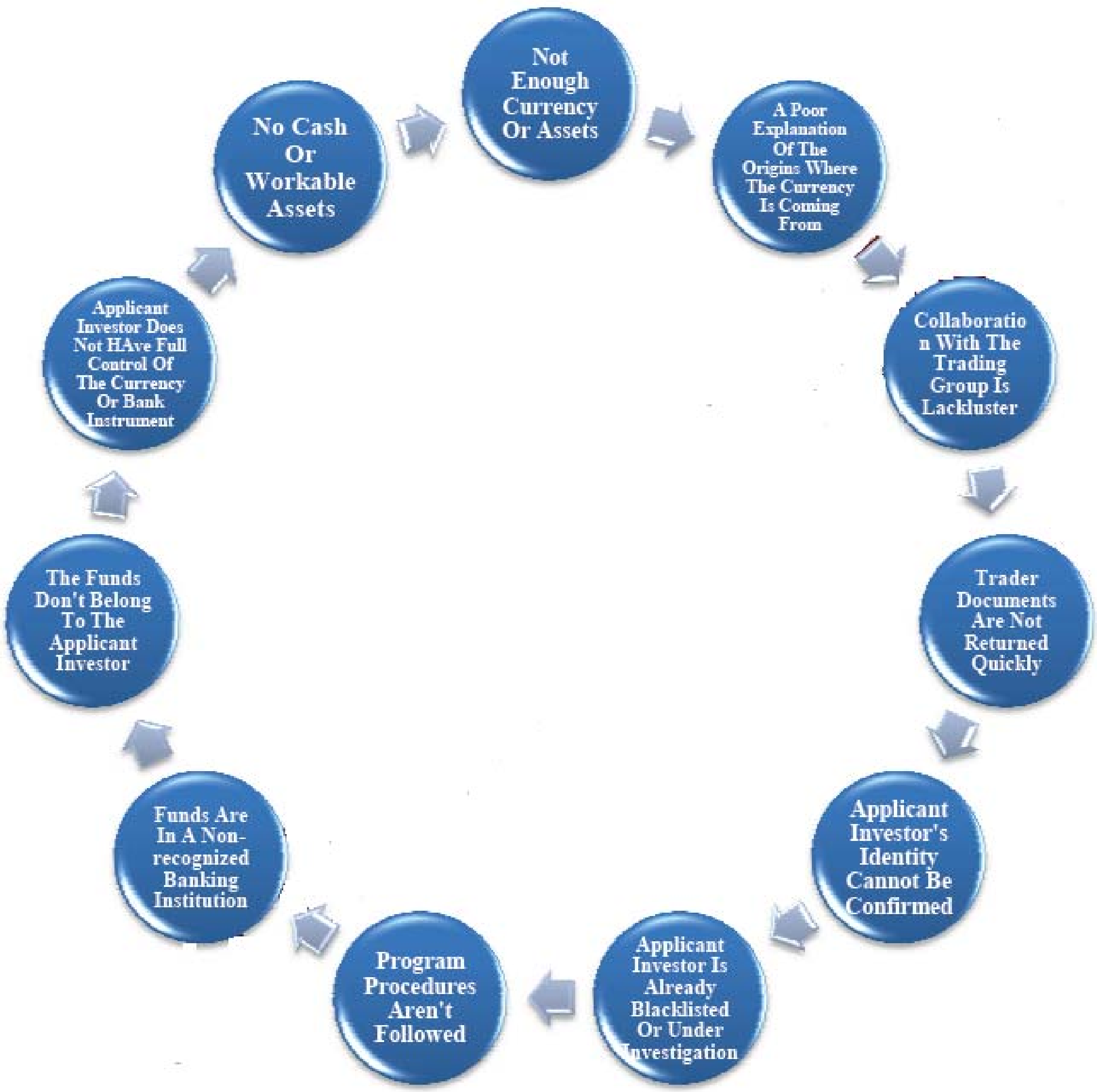
D. *AI* tried to proceed according to his own procedures, rules and beliefs. Most of the initial *AI* documents we receive at inception are not in compliance with the program regulations.

E. Sometimes deals are killed because a member of the *Facilitator* didn't understand what steps needed to be followed.

F. The single-handedly worse that can be done is when a member of the *Facilitator* or *AI* "shops" trying to find the best deal. It's better to get 50% per month from a program that performs than having to wait for 200% per week from a program that was supposed to work (but never will).

We have met *Brokers* and *Investors* that have chased around for years for "better" alternative, consequently without being able to find an open door. It all spans from lack of credible sources.

The chart on the following page shows some additional reasons why many *AI's* are never able to enter into these funds:



Remember that the *Trading Group* doesn't need to give any explanation why the *AI* doesn't pass through the clearance. We, along with a few other *Facilitator Groups* already have an *Investor Network* which gives our platform the ability to be more subjective with who we bring to the *Trading Platform.*

<u>Things to remember:</u>

A. Investors should understand what is required to qualify:

1. A minimum of $100 million (U.S.) in cash located in a major bank in Western Europe, USA, Canada, or Australia. Money that is clear, can be traced back, and has a non-criminal history.

B. That the *Investor* himself (and the company he represents) be cleared. For individuals this is an identity control that the person exists. Note: Individuals coming from certain countries will never qualify.

C. *Investors* are invited and might be accepted. They can never demand to be accepted just because they have lots of money, and/or they believe they are prominent people. Most associates in the different trading groups are at what is referred to as a "*one-pass*" managed applicant. If the *AI* becomes contumacious, usually a non-involvement decree is issued shortly thereafter.

D. The *Investor* himself must be the one and only person that the *Trading Group* deals with. *The Investor* is not allowed to let his attorney or any other associates contact any person in the *Trading Group*, notwithstanding the *Facilitator(s)* and *Trader*. If the *Investor* doesn't speak English and needs assistance, then a *Limited Power of Attorney* must be signed for such a person. A *LPOA* will only be accepted for communication purposes. The *Investor* must still sign the documents.

E. *Investor(s)* who have the least money are always placed last in the queue. An *Investor* with $500M will get more attention than an investor with $100M. Investors who have assets other than cash will also always be placed last in the queue. This means that sub $100M clients must be patient while we put their queue in place in the system. This process may take several weeks to a month.

F. It's not easy for an *Investor* to be sure that he meets the right people (*intermediaries* and *brokers* who know what to do, and who are working with a performing trading group). The best that can be done is to become educated and not be lured by those who claim that their program will give the highest yield.

   Trust and patience are the key. These two facets can be the greatest initial problem from the *Investor's* point of view. However, there's no other way to come into contact directly with the *Trading Group* before initial steps have been cleared (which requires passport copy and proof of funds). *Investor* might be able to talk with someone in the group, or at least with the *Facilitator* once the required documents have been sent in.

G. If the *Investor* for any reason is unsatisfied with the *Facilitator's* broker and/or intermediary, then he can try another one after having first sent a Cease and Desist order. Instances where an *Investor* is already blacklisted in the system, is usually an indication that *shopping* had taken place in the past or consummation of a fund already in place was dissolved by *Investor*. The *Facilitator* and its members cannot be blamed in the *Investor* is shopping around. Concurrently, those brokers/intermediaries who make the mistake of shopping around will soon be blacklisted as well.

<u>These are some of the main risks the investor can meet and easily overcome:</u>

- Nothing will come out of the trade; no contract and no profit, just frustration after weeks/months of waiting.

- *Investors* or their *Intermediaries* and/or *Brokers* are “shopping around” with client documents, which sooner or later will result in blacklisting.

- The *Investor* is told funds must be moved out of *Investors* control to an escrow account. This is <u>never</u> done in a legitimate PPP and relationships should be terminated immediately with the group(s) responsible.

- The *Investor* is told that a bank instrument for his money must be bought. In the worst-case scenario this instrument is fake, or impossible to use.

- The *Investor* is told to pay upfront fees, because a leverage of his funds must be done, or some bank instrument must be discounted, or banking fees must be paid, etc. The upfront fees paid are lost, and nothing more will happen.

B. FROM THE BROKER’S & INTERMEDIARY’S SIDE

There is a common misuse of such terms as brokers, intermediaries, facilitators, etc. and the fact is that they are not official terms in banking or finance. Such terms are used within *Trading Groups* and in their communication between each other. The problem is that sometimes a broker or an intermediary claims they are in direct contact to a person with that title. As evidenced in the REO market, this doesn’t guarantee anything, because any person can call himself a trader, or a commitment holder. Since such positions cannot be verified (at the first stage) such titles can be meaningless as seen from an *Investors* point of view.

Many times, there is a chain for particular *Trading Group.* Here are two reasons where you may seen a chain:

First, *Trading Groups* are not allowed to solicit, nor are *Brokers* and Intermediaries. However, an Intermediary might know an Investor with money, who knows a *Broker*, who works in connection with one or several Trading Groups.

Secondly, to protect the involved parties on the side of the *Trading Group*, *Trading Groups* work through several *Brokers* and sometimes the *Brokers* work through several *Intermediaries*.

The additional tasks of a good *Broker* is to screen the potential *Investor(s)* filtering out the least qualified applicants while at the same time collecting from them the right documentation. This helps expedite the future interactions of the *Head Facilitator* to the Trader and validates your position within the group.

<u>The most common risks or problems that a broker, an intermediary or a facilitator can face during their own work in the business are:</u>

A. They need to handle a few dozen to hundreds of clients before finding a right *Applicant Investor;*

B. They could get just a part of the truth regarding the asset of the *Investor* at an early stage that may be discovered later to be unworkable after weeks of months of efforts;

C. They may have difficulty qualifying themselves with new *Investors* because they can not show any past performance or past contract and the relationship with the *Investor* is just a matter of trust at an early stage;

D. There could be a long list of *brokers* and or *intermediaries* between the *Investor* and the *Trading Group*. In this case, a broker in the middle can destroy the deal by not giving the right information to the *Investor* to the trading group and/or making problems with the fee agreements;

E. There could be several levels involved for the intermediaries: the closest one to the *Trading Group* (the facilitator) is the most important person. This person usually has a direct contact with someone in the *Trading Group*. Any other broker beneath the above *Facilitator* has a lower value in the hierarchy. The broker and/or the intermediary can have problems showing the Investor his level in the hierarchy at an early stage.

This really is a fairly simple process though. You just need a solid Investor with minimum funds of $100M (U.S.) in one of the top twelve accredited banking institutions, a Broker in direct contact with a real strong Facilitator/Trading Group and a right Applicant Investor who can follow the procedure in a risk free position. However, form a practical point of view the above ideal situation is somewhat hard to come by. First of all, most the Applicant Investors sometime experience holdups with their funds, are not in full control of them, they can not or do not want to move their assets, they are not cleared or they are not collaborative enough to deal with the *Trading Groups* and/or with the *Brokers.*

The *Broker's* job is very a stressful activity and someone looking to get into this niche "fraternity" could have a hard job for many years educating himself before getting the right attitude (frustration and patience are a "must" here).

VI. SCAMS

From time to time you may hear about scams (or potential scams) in the *High Yield Investment Programs* arena. As you are now probably aware, one of the conditions that facilitates and encourages such scams is the embodiment of the non-solicitation environment and the private approach required. Such followed protocol forces most of the insider information shared between the *Head Facilitator* and the *Trader* to remain as pure conjecture through the mouths of the outside world. This “facilitates” a propagated level of ignorance in this matter. Those intent on forcing their way into this tightly guarded niche and sabotaging *Investor/Broker* relationships causes undue duress to those truly looking to help qualified individuals.

The Internet in now full of different money-making opportunities that promise to return a high yield on the small investor’s money. In most cases such programs are disillusioned enchantments. Even if a few might be managed by honest people who are trying to compile enough funds in order to enter this kind of trading, failure is high on the ladder.

First, in many countries it’s illegal to pool money with promises of a high return.

Secondly, we have the problem with the high number of participants to be managed.

Thirdly is the time factor, unless the program is hyped on the net, it will take years to aggregate that amount of money.

Fourthly is the management aspect. How can they be trusted? If they manage to compile $100M from thousands of participants they will not pass the clearance, because compiled/pooled money like that is not allowed to enter this type of trading.

However, rest assured. This is the few, not the norm. As is obvious, most Investors who are in the upper echelon of wealth are already in a position with a team in place able to protect themselves both legally and financially with regard to their wealth management.

VIII. CONCLUSION

We can not stress the importance of becoming aligned with groups that understand the process of PPP’s, BG’s, MTN’s and all the other facets of these little known investment instruments. Do your research, qualify your sources and rest assured that there are ethical, viable groups out there willing to secure another position within this “fraternity”.

Remember, you must be invited into the world of PPP’s. Strict protocols must be maintained, confidentiality is a must and due diligence is required. Once the steps outlined throughout this document are followed, it is just a matter of time before the next trade is an arbitrage buy-sell transaction.

We hope this expose has generated more of an understanding with the offerings PPPs can generate. With diligence and resourcefulness, it is just a matter of time before you find a Trading Platform that will integrate efficiently within your investment strategies.

Please contact us if you have any questions.

God Bless.