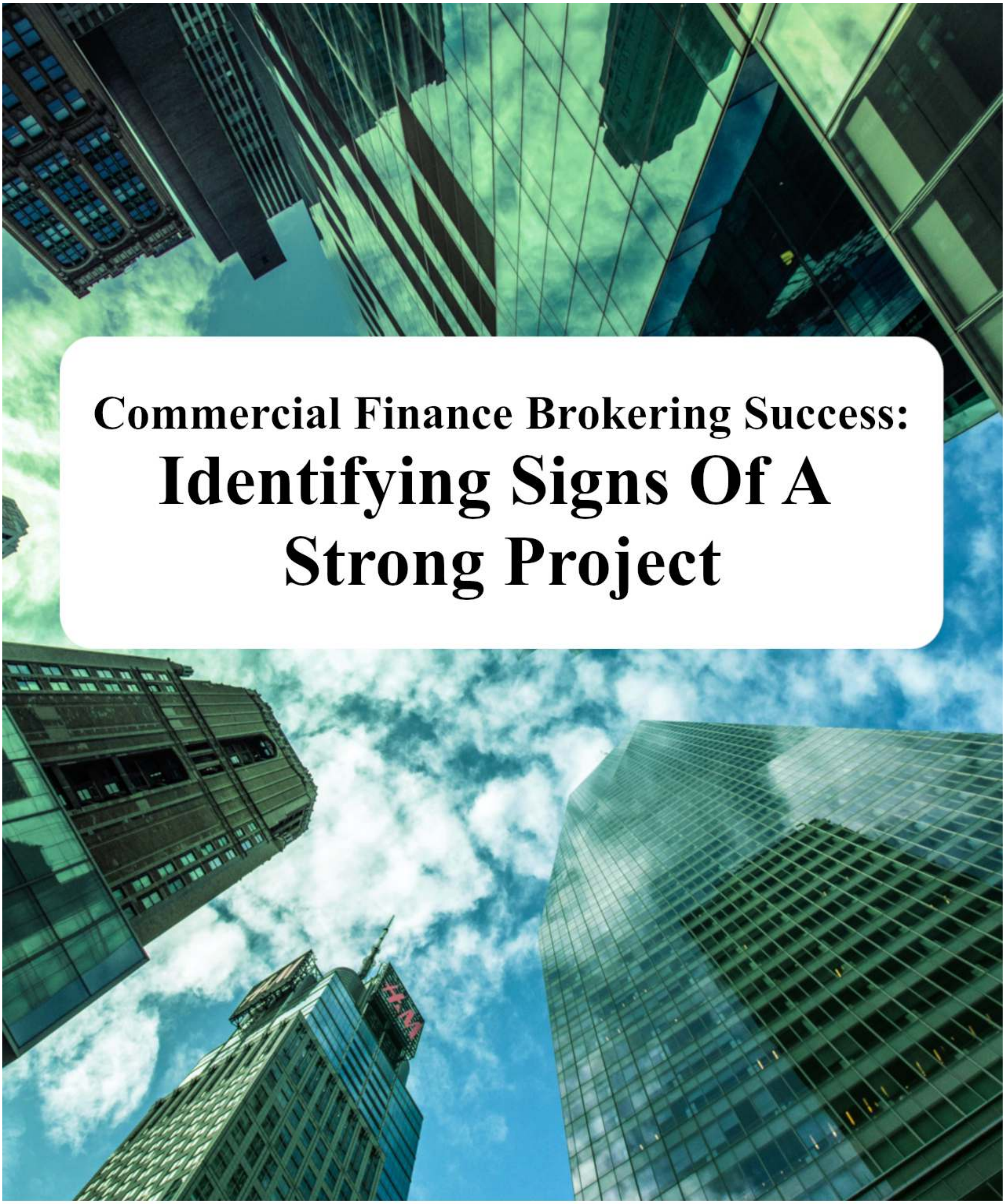
Commercial Finance Brokering Success:
Identifying Signs Of A Strong Project



Written from my experiences at

TITAN GLOBAL ASSETS

"Substantial expertise in the financial arts"

By Harry Dean

Contents

Overview

Brokering in the speculative, distress or global arenas of the finance industry is both an opportunity and quite a bit of work. With so many commercial projects in need of funding how can you decide which prospects are most worth your time? This guide will teach you how to pick out signs of a good project. These various teachings and criteria of a good project are based on my experiences as working at Titan Global Assets (TGA), who is a speculative commercial financier specializing in creative domestic, international and multi-national finance and joint ventures for sovereign & corporate commercial projects looking for high finance. You can find more about TGA at:
http://www.titanglobalassets.com/

Prioritize Your Time As Time Is Finite

As a broker/ finder/ consultant in the industry you likely have gathered an interesting assortment of contacts or will once you expose yourself more. They may come through your website, online networking, local networking, classified ads or other means, yet the dilemma is you find yourself with unlimited contacts & limited time. Many of these contacts will be other brokers & many will be actual prospects. You need to allocate your time wisely as to maximize your success with Commercial Finance brokering.

In the case of other broker contacts their value will be in how they may grow your own efforts with good prospects or otherwise. When evaluating other brokers & deciding who to spend your time on take into account the quality of their prospects & the challenges these other brokers present as either a sub-broker or even a partner. You will decide how beneficial they are by taking into account the quality of projects you gain with them and your realistic expectations of working with these other brokers. Even if some projects look prosperous if you have any fundamental disagreement with how the broker conducts themselves or believe any prospect will be impeded by the other broker's actions that broker is not the best investment of your time. In the end, you will find that some other brokers are just too inherently disagreeable, unmotivated or only produce low-quality prospects. Considering to work with a broker like this even if you put them in an insubordinate position rather than as a partner is not the best choice. You would be better advised to instead use that time further networking for better contacts.

Examining and ranking prospects is the true focus of this guide. Many of these prospects will be the other portion of your contacts and many will be through the previously discussed sub-brokers. It is in the little nuances of these projects where some will shine and others may need extra effort for there to be success. Projects which are more immediately fundable will generally find their finance somewhat easily with a bank or larger institution. These funding sources have too many prospects & in which case no need to acknowledge or welcome brokers. This means as a commercial loan broker, you will likely be dealing in speculative commercial finance and entertaining projects with attributes which make them unbankable often with only hard money loans being an option. These projects are very risky, possibly involving a project principal with poor credit, over-leveraged property, niche business propositions and more. This is an inherent truth that the commercial projects you may successfully broker to financing will be too messy for a bank, yet still may be financed with lenders such as Titan Global Assets. Your success as a commercial broker is largely a mixture of a numbers game and being proficient at straining the stronger prospects out. You need an assortment of prospects to have better chances of finding a preferable project and we will review how to interpret key information per project to help you decide how much time to invest in the various prospects for the best-expected result.

Collecting Information To Rank Prospects

In the following, we will focus on how to pick out the better projects for greater success. The tool I will reference is Titan Global Assets's Preliminary Application (Pre-App). While the Pre-App is specific for commercial funding submissions to Titan Global Assets the many fields to be reviewed are standard subjects for the industry. The Pre-App was designed by our

Senior Underwriter to be concise, simple and informative. I've included a Pre-App as the final page of this guide. It provides TGA with the minimal needed to compare all new project prospects and decide which are the best opportunity. If you're going to tactfully invest your time across the pool of prospects you need to know which projects are more likely to succeed and many indicators of a successful project or a project in need of additional assistance are easily identified in the Pre-App. Titan global Assets will always be happy to give you an opinion on a fresh, complete Pre-App from any of your prospective clients.

All the fields on this Pre-App are important, yet some can tell more information about a project than others. Some of the largest categories we focus on before considering if a potential new file merits further attention are the project's equity, collateral & repayment strategy. Beyond those items every field on the Pre-App is capable of teaching us valuable information about the project. Let's breakdown the many fields of the Pre-App.

** "Borrower" represents the entity which will officially be seeking the funding and allows us to see how the project principals are planning to structure their project and how along they are into incorporation when applicable.*

** "Address" is the best address available for contacting the borrower/principal(s). It also helps illustrate which region a project may be in allowing for a more informed approximation of the risk inherent to the project due to location.*

** "Principal(s)" & "Position/Title(s)" are sections where the actual people behind the project/ entity/ company are identified and their position presented. This information helps suggest what experience, strengths & weaknesses a principal may have in regards to the project. All principals should be presented on a Pre-App or the ones left off likely lead to answers as to why the project has fallen into the realm of speculative financeing.*

** "Funds Requested Amount" is potentially the most important field in the* *entire Pre-App as all other fields are used to make an informed decision over how justifiable this amount may be. This should be a number and not a range as a single value implies a well thought out business plan, while a range implies a principal has a broad idea they believe may be easily repeated any number of times as long as there's more money to fund such.*

**"Funding Category" is an opportunity for the principals to present what ways they are willing to find funding through. Being open to multiple types of funding is quite common.*

**"Term Requested" is where the principal may present their desired loan term. Their answer will help us understand how realistic the principal is about the time needed to complete their project and as well may make it apparent how versed they are in high finance. No prepayment penalty is a common request. When considering term and pending qualifications TGA is open on the subject.*

**"Interest Rate Requested" Just like the last field, what a borrower requests as an interest rate will help us see how in tuned with their project, high finance & the world in general they really are. Many will hope for bank rates and therefore show to be unacquainted with hard money or perhaps in denial that their project is not bankable. Others may seek rates which are unheard of for their region. A sensible rate shows the principal(s) recognize the standing of their project, its potential for risk and the norms for their region and industry. Moratorium (pre-paid interest) is also a common request by projects involving construction, and pending qualifications TGA is open.*

** "Principal's Cash Equity" represents what cash a Project Principal has invested in their project & are willing to in the future. It is an indication of shared risk & a must for winning the confidence of lenders.*

** "Use Of Funds/Project Summary" is a summary of how the requested funds will be used. It should be concise as to make clear what the project & opportunity is without being over explanatory to the point of losing interest.*

At the Preliminary Application-level an investor only initially cares to understand the broad strokes and would not like to dwell on every nut & bolt. A Pre-App will be skipped for the next one if the examining investor sees too much type, or has to read the description off of a separate attachment.

** "Collateral" represents security for a potential lender. Real estate is generally preferred, yet there are other assets out there worth using. Notably, mounds of smaller items that collectively add to a large value do not generally incite comfort, yet creates Underwriting complexities that may get a prospect passed over.*

** "Current Value" & "Upon Completion" are two very important fields as they quantify what protection the previously mentioned collateral can provide. Appraisals, BPOs, and other official evaluations are very strong yet well-informed estimates are also common and acceptable at the Preliminary stage. Current Value will help suggest what the initial Loan To Value (LTV) for a project may be, & Upon Completion helps show how that LTV will improve. Upon completion is also highly important when justifying the amount of funding & more complex loan arrangements involving phases. LTV is a risk-based ratio.*

** "Participation" is a field where the Principal can tell what percentage of ownership they are offering to achieve funding. This commonly confuses borrowers as they fail to realize that this field will commonly be "N/A" unless the borrower is seeking a JV. Borrowers should realize that if they enter "100%" participation does not mean they are fully participating in the project and giving it their 100%, it means they are offering 100% of the project's ownership to the potential funds-provider.*

** "Closing requirements" is an open-ended field where the borrower may inform of requirements/variables which may affect the project's ability to close & therefore need to be taken into consideration. The borrower does not need to enter obvious things here. We all know that a mutually accepted & executed offer between the borrower & a lender needs to happen & we all* *know funds will need to be made available for the project upon closing so none of these are requirements worth saying. The project principals should be entering requirements specific to their project. Common things to include would be important deadlines, if there is a need to buy out a partner in the company, if the project is dependent on the finalizing of a contract between the borrower and another third party, etc.*

** "Repayment Strategy" is very important as this field shows how the borrower plans to pay off the financing. If the repayment strategy doesn't make sense then there's no reason to think anything can be paid back so loans which can be closed have realistic repayment strategies.*

** "Existing liens" is where a borrower should show their honesty and assert any liens they have. A lien will not necessarily disqualify a borrower, but the behavior of hiding such might. It is also notable that if such information is not presented early on a lot of time may be lost to documenting and preparing a project for an offer only suitable for less risky finance.*

** "Credit Issues/ Property Issues/ Additional Information" is yet another section where the borrower should be completely honest and transparent for the benefit of both the finance process & so any offers may best fit the true situation. A principal wants to achieve the funding offer their project deserves and not the funding offer deserved by the idealized version of their project as it is in the principal's interest to be able to fulfill the conditions of their finance offer.*

** "Prepared By" & "Date" are both important as they allow us to understand the context of the answers given. Pre-Apps filled out by principals are likely more accurate than those of brokers.*

** "Originating Broker" & the fields beyond are very important to you as these are the fields where you make it very clear you were the source to produce the prospect & these fields as well provide a place where you can leave your contact information for maximum convenience. Always remember to enter yourself as an originating broker and always stay prominently in the* *middle of any sub-brokers & potential lending sources. Borrowers need to respect the chain of command and your position as a broker. Do not let sub-brokers below you circumvent your power or make you seem stagnant on the project. This will undermine your ability to have the project principals respect your requests & knowledge.*

The Pre-App is a powerful tool for seeing the strengths & weaknesses of a project. This is the exact reason our underwriting team at Titan Global Assets will not consider any project without one & why we use them to help comb through the mounds of prospects & pick out the most compelling projects for our examination & our investor's consideration. The prospects which will allow you success as a broker are these very same prospects we choose to focus on. You must ask, how do we look at the data on this pre-app and choose. With this small collection of data, how do we quickly determine if a project is of more interest?

What Makes A Strong Project?

There are many factors, but if we focus on some key ideas, we may begin to understand which projects have the best chance of qualifying for a loan. These factors may be easily analyzed off of a completed Pre-App.

No matter the season all over the globe heartbroken yet still hopeful entrepreneurs may be left reserving a table for one. They prepare for an introspective meal basking in the faint glow of candlelight wondering why their dream project hasn't landed an investor for that single empty chair across the table. How could this possibly happen to their project? Is their project less attractive than the other projects? Is this half completeness a culmination of their own unfortunate decisions? Does their business plan make their project's liabilities look fat? What can they do to find that investor that has been missing from their life?

Let's think about what a lender actually wants in terms of a project, and no, it's most likely not to share a Valentine's day dinner with the entrepreneur above. When an entity decides to invest money into anything believe it or not it is more complex than chucking trash bags of cash at whomever has the glossiest business plan and used the most exotic transition effect in a daunting PowerPoint. They do so with goals in mind and take cautious measures to choose which investments will conform to these goals.

Most investors are looking for what will produce the best-expected return for their funds. Other more complex motives may exist relating to personal causes or tax reasons, but the expected return is still most often the deciding factor. This in itself is a mixture of their feeling of risk for any particular investment and their expectation for return over what they put in. For lenders default on the loan is the most apparent risk and their funds plus interest is their return. A lender will fund a project because they feel it will prove to likely be a more lucrative opportunity despite associated risk than putting those funds in a savings account, the stock market or perhaps burying it in their backyard. The overall goal is to make a project more desirable, and a better candidate for funding so a lender feels excited about the opportunities it represents, becomes confident with the potential risk after some due diligence and then solidifies the relationship by making a funding offer for the project to a now ecstatic borrower!

Build Off Of What Makes You Unique

"Build off of what makes you unique" may sound like a message lifted from a cartoon rerun, but there is truth to this. Projects are unique and their associated borrowers are unique. Leverage these attributes and make sure they complement each other. A borrower doesn't just want to try to refine any old project they pulled out of someone's junk drawer, they want a project they will excel at. To truly transition from being a borrower to a successful entrepreneur the project will need to incite a strong sense of ambition and the project will need to succeed. The project must be unique beyond merely fitting the borrower. It must be unique enough to differentiate itself from competing projects, so it may stand out.

The project must utilize a borrower's skills to operate and generate wealth in a way beyond what a lender would care to do themselves or else why would the lender need the borrower at all? Most common examples of this I've come across are borrowers who essentially want to borrow money for reinvestment in other 3rd parties using their discretion. This is often stated as looking for a loan to re-lend. As much as a Lender would love the convenience of having less money to keep track of after the risk savvy borrower reinvests it in a roulette table the Lender knows they could likely do investments themselves and likely see better results if they did so. There's not a great deal of attraction for such funding as the borrower is seen as an unnecessary middleman that merely adds more risk and not any value. If the potential borrower has access to knowledge or resources the lender does not and can, therefore, create a return grander than the original lender could investing themselves, then it is a stronger project due to the value the borrower added by the input of their experience, and relevant specialized skills.

Any project that could be completed quite easily for an identical outcome without the associated borrower is a project which is not building on the borrower's strengths. An example may be if a borrower seeks to simply fund the purchase of the world's largest flea circus. The first notable point is that the lender probably doesn't want to own the world's largest flea circus or they'd already own it. The second point is now that the lender is aware of this attraction the more value the borrower adds by being involved the more desirable funding this project looks compared to alternatives.

The borrower having experience applicable to the project's industry adds value and makes the project more attractive for funding. One must be very honest about their definition of "applicable". Being an embalmer at a funeral home, for instance, may technically present many opportunities to work with people yet is not extensive experience in the hospitality business and as such might not be a precursor to successfully running a resort later in life. Naturally having no applicable experience has a negative effect. Useful experience can also be derived from potential employees and partners within a project, but then the principal borrower still needs to assert they are an essential component through legal contracts or better yet, the borrower's types of added value within the project. The value the borrower adds can also come from innovative ideas, however an unproven, unprotected idea no matter how innovative may still not be considered strong enough to build confidence. These ideas make the borrower an essential piece to a project and are a factor along with the related experience that suggests why a borrower would excel at a project and be a desirable funding when a lender would never bother doing such a project themselves.

To simplify a borrower should be adding value and making the project more desirable by building the project off of their strengths. For this reason an expansion of an already successful business can be a very attractive project if the expanded market can support it. Secondly, no matter how much value the borrower adds to the project if leaving the funds in an alternative investment is still ultimately more attractive the project may require massive revisions, or for extensive time to pass for it to become desirable to a lender if ever possible. Being exciting & being essential is the first step.

Have Shared Risk

Assuming the project is a good fit for the borrower we can dwell on the risk side of expected returns as it is this expected return which may win financing when competing against other projects and investment vehicles. When a lender funds a project they are taking a risk with real-life consequences. They are funding a project with the strong belief it will succeed and the knowledge that it may fail, leaving them somewhat short of what they put in. This undesirable event is always a prominent consideration with a project seeking funding as naturally, lenders invest to make money not lose it. Some strong considerations for the lender are “what is the borrower's motivation to make this project succeed?”, “Even if the borrower is highly motivated is this project likely to succeed?”, & “Can I recover if the projects fail?”.

To address that first question which is largely a question of shared risk a definition must be asserted. Shared risk is the idea that the borrower has something to lose just as the lender certainly will if they finance the project. The borrower's risk can often be regarded in a proportional matter. A borrower worth $1billion dollars who has a $100K in their project may appear riskier than a borrower worth $150k who has $50k in their project under the assumption that all other variables are kept constant for the two. That $100k isn’t that much proportionally to the first borrower's net worth so they are less afraid of losing that project equity and as such may make riskier decisions and overall are less afraid of the project failing and in ways less motivated to make the project succeed. The second borrower while having less on the line in absolute terms has proportionately 1/3 of their personal worth tied to the project so to fail will have a greater impact on their lively hood than the first borrower. Thus they are likely more risk-averse due to a greater fear of the consequences of failure and as such have greater motivation to succeed. Now that it has all been made to look relatively simple the endless rabbit hole must not be ignored and the most dreadful realization that risk is far more complex than the mere fabrication just presented. Numerous variables add and detract from what risk a borrower has in their project because the real world is beyond a single example, it is miraculously complex.

The lender’s risk is as well a consideration in this complexity. If the project overall took $4milion to get off the ground and the lender supplied

$3.9million of the cash to do so then while the risk is shared the Investor holds bigger stakes in the project's outcome. If however, the lender supplied only $3.9million of the cash to get a $7million project off the ground the shared risk is more equal with the principal so other variables withstanding the project is more desirable as the borrower's risk is closer to the lender's. The more a borrower puts into a project themselves the more favorable the lender's outlook will be on the shared risk due to greater incentives from fear of failing on the borrower's side.

To figure out what risk a borrower is taking on their own project a very important variable is cash equity. Lenders care about what cash equity a borrower has put in and what cash equity a borrower is prepared to put in. These will be what mostly constitutes the risk a borrower has in a project. Sweat equity is respected by many investors, but holds no weight compared to cash equity and should never be converted into a monetary figure in the hopes of being passed off as cash equity.

Cash equity put into the project gives a sense of current shared risk. The lender may be incited to put in the time to do due diligence towards financing the project as they already know the borrower has risk and investment in it. If the project applies for funding with no cash equity the investor will see a project with no monetary investment from the borrower and decide that there should be no monetary investment in the form of investor funds as well.

Cash equity which is prepared to be put in, but is available shows an investor a borrower is prepared and capable to continue seeking documentation and adjustments to either proves claims or improve attributes of the project. A project with all the equity already sunk into it certainly can have some level of shared risk, but has nothing to move it forward so lenders desire this unused cash equity to establish the project can achieve momentum forward and the used cash equity to establish a shared risk. For example with my company who deals with loans of $3,000,000 & up it is generally recommended to have 1-5% cash equity ready for the project.

It is important to remember that equity is a component of the motivations defining a shared risk and not absolutely the same thing. If a borrower has healthy spent cash equity, a respectable sitting cash equity, but through their business plan, presentations or interactions appear to have an alternative motive or appears disconnected with reality the project can then become undesirable for financing. The shared risk the lender desired is based on the motivation of project profit, & the fear of failure for both parties. A borrower appearing disconnected from reality due to the disregard of the chance of failure or other unrealistic expectations defines the risk highly different than the lender and as such may not be interpreted to truly share risk with a potential lender even with healthy equity figures. As well any motives driven by lapses of integrity make a project completely unfavorable and make shared risk impossible when hidden motivations are counter-intuitive to the lender's motivations.

To simplify a borrower must have their own cash already into an honest project and more ready to move the project forward if they want to establish a shared risk with a potential lender. More equity into the project generally looks better in terms of shared risk than less equity and often makes a project more desirable for financing, but it is notable that investors often have minimums for loan size or rates and as such to seek smaller funding amounts may on occasion limit options.

Success Is Proven, Not Assumed

With shared risk established it is time to return to a previous question, "Even if the borrower is highly motivated is this project likely to succeed?"

All the shared risk in the world will not entice a lender if the project at hand looks to have fatal flaws. Lenders want to know the project has payability so they can feel secure about their returns. This is why research is so important. All hopes of future prosperity for a project must be based on strong research-backed information and it all must be interpreted with sound logic. All details and information crucial to the project must be underwritten for the benefit of the borrower and an investor. I've heard of projects make their way quite close to funding only to be shut down by an obscure law. Details matter.

Another example of which I've seen many times over were projects where project principals claimed a certain amount of profit would be guaranteed due to previously acquired purchase agreements from third parties that would come into effect if the project became operational within a certain time span. These claimed guarantees eventually proved to be overstated and were ultimately just positive interest shown with no contractual obligation.

In all these examples the issues all came out during underwriting. Project flaws will be found and should not be hidden when such effort can instead be used for solving them. As well, important claims that are poorly backed will be underwritten to death so all important claims should be backed by strong research. The potential borrower needs to prove the project's success has the odds in its favor and not just expect glossy photos, buzzwords, and relentless sales pitches will force the project to achieve financing. The project should be a grandiose culmination of one's valuable experience, talents, and meticulous planning and as such deserves to be presented respectably and not like snake oil.

The borrower should understand the value of backing one's claims and exemplify that behavior themselves. If the project centers on a revolutionary product, has the product established that consumers want it, or better yet need it? Some products may not exist on the market because no one wants them not because no one ever thought of them before. Is any specialized technology to support the project proven? The idea of an invisible jet is an interesting dream that a lender can admire and even imagine the potential for profits of such, but an invisible jet backed by a functional prototype of such technology is what would make financing a serious conversation. Do demographics support claims for a project's sales? Do demographics suggest an expansion of a currently healthy venture is a worthwhile risk or is the market already too crowded? Are there any laws to impede the progression of the project? Does the borrower have any personal issues to get in the way of the project? Is anything to be potentially bought for the project going to be purchased at a reasonable price? It becomes apparent that being a potential entrepreneur is god forbid... actually hard work.

This hard work can be wasted work if not done in a manner constructive enough to move forward, so get demographic reports, do consumer research, ask for current appraisals. Think of what can become an obstacle and plan how to avoid and/or overcome it. This is naturally not an all-inclusive list of potential project pitfalls and documentation to help back claims, but it's a fair start.

So if the facts seem well backed and the profit is highly probable the project still needs to be profitable in the correct time frame. In general, such financing for a large project may be designed with a moratorium to help pay financing charges before the point of turning a profit, but if a project is seeking the wrong terms, to begin with, it will seem undesirable to lenders... No one should ask for a 5-year loan on a currently non-profitable venture that is expected to become profitable 10 years down the road. To do such looks poorly. What is being requested in terms of financing must make sense when compared to the expected returns of the project.

One more fictional example based on some projects I've seen would be a project, where $20,000,000 funds are sought to purchase, let's say a pet hotel currently valued at $10,000,000 to renovate it into a 5 star pet hotel. The value upon completion based off of strong research or preferably a professional appraisal suggests the hotel will be worth $15,000,000. The profitability of this already operating business is a component when these appraised values are derived so the issue here is that the project is offering to borrow $20million to end up with a value of $15million. It is true that if it remains successful the profits from the business can over time reach that $20,000,000 amount funded, but can they do so fast enough to offer payability to cover interest rates and everything else? This problem hints at the loan to value ratio and how an investor sees assets as security, a measure to help recoup losses in the unfortunate instance of a default and the ensuing recovery. Potential success may not be very easily relatable to the amount of security a project provides if a default occurs so such will be another subject to explore soon.

To simplify if a project wants to be funded it needs to show it has a high probability of success and that such success will happen in a timely enough manner to get a potential investor their expected return. As well the proof is a matter of research, and facts, not merely making up numbers and here-say. If a project makes any progress underwriting will happen and it will unearth to what degree that previous distinction was respected. If such research can not prove a project is likely to be profitable than it is often a project best abandoned.

Make The Project Secure

So the project looked profitable and was built upon the strengths of the entrepreneur who themselves had a considerable amount of assets already put in, so why did the Investor pass? Very possibly the investor recognized that despite probable profitability this is speculative financing and their desired outcome is an expected return not a guaranteed return. As such they asked “Can I recover if the project fails?” and upon calculation of the loan to value ratio they decide there is simply not enough security provided by collateral or otherwise to give them peace of mind so they decide to wait for a loan which provides more coverage in the chance of recovery.

The security a loan offers its investors is a very important factor in the desirability of a project. While the shared risk and probable success written about in days past offers security against an undesirable default, this type of security, commonly built upon collateral and/or contractual guarantees concerns how bad a hit an investor will take if such a default were to happen. Essentially if the loan to value ratio proves too top-heavy the investor may feel insecure about the project and ultimately disapproving.

Taking a closer look at the loan to value ratio we see it is a very simple division equation to help ponder over very complex real-world risks. The numerator is naturally the loan amount and is pretty set in stone once the proper amount of research has been undertaken. Most well-planned projects don't have a lot of wiggle room as to what it will take in terms of financing to complete them so this number can often not be lowered. On some projects even beyond construction however, it may be plausible to separate the overall project into phases lowering the loan amount needed for anyone specific phase. This can at times lower the risk overall if it is the kind of project to support such a change. The denominator, entitled value is the value available within the project while the loan is being made. Let us consider a loan of $2Million to purchase a Shark Petting Zoo currently valued at $1Million and let us disregard for now the penalties associated with asset liquidity that would be applied to the value portion of the ratio. This loan would have a loan value ratio of 2 to 1, also written as 2/1 or simply 2. As the ratio gets top-heavy the loan is more risky for an investor in the case of a default. Bottom heavy provides more security in the case of a default.

Now let us start to consider that my example above is oversimplified. The truth is that the value portion of the ratio takes many adjustments for various reasons and as such will likely be lower than the face value associated with the assets within the project. The investor is typically interested in making their expected return and doesn't want to gain ownership of the project assets after an unfortunate default. They want to be in the business of investing not bartering off pieces of a half-finished project in some sort of commercial garage sale. This does also naturally imply they usually want the borrower to succeed! So when deciding the value an investor will consider the liquidity of all the various assets and amount of time needed to recover funds compared to what is recovered. For these reasons, many different assets fall short of any value in the investor's eyes.

In a recovery from a very large loan, something small will often be seen as having no value as there is little return proportionate to the original lent funds considering the time to unload such assets. For this reason, only real estate and other assets relatively large considering the defaulted loan size are considered for valuation. Note that not all assets wrapped in a loan may not necessarily be of a tangible variety however tangible is usually easier to value. Quick sale value is applied in varying degrees depending on how liquid an asset is and how fast it is to be unloaded. Some assets are so specialized that despite a high face value it would serve no purpose for no others that could acquire it, thus such an asset has no demand and I'll jokingly say it is so illiquid that it might as well be solid. These can carry no value to a recovering investor. Most large assets are less extreme than this and only see a portion of the value stripped away to compensate for a slight level of specialization and to value the asset at an advantageous price for unloading it quickly through the current market. Even worse some assets have associated upkeep costs that can strip away most of the value from the equation or possibly even be considered undesirable, and/or ineligible as collateral wrapped in the loan.

If the loan to value ratio is top-heavy there are common supplements to correct such and regain desirability in a project. One common method is bringing in collateral in the form of real estate from outside the operations of the proposed project. This is usually done by project principals who roll their own properties or their other companies' assets in to help secure the loan. My company TGA has also had success with this ourselves providing real estate from outside the project and its principals through our collateralization system. Other methods to create security for an investor in the case of recovery could be contracts that enforce guarantees. In an acceptable ironclad guarantee promises can be made that will diminish the chances of failure by promising customers, sale contracts or similar. As well promises can be made to pledge security. If the contract is solid enough these can be almost as good as tangible collateral however contracts can be complicated, so it is recommended to do due diligence and get professional opinions before staking the security of a project on some sort of guarantee rather than real estate and more transparent collaterals. These are all various ways to make up for an unsatisfactory loan to value ratio. The more an investor knows they have backed their loan if things go South the more peace of mind they'll have that they can get out of an unforeseeable recovery unharmed.

To simplify the loan to value ratio says a lot about how hard it would be to recover from a given project in the case of default and the more value in the more desirable the project will be to potential investors. Even if the project itself is short on assets to be leveraged there are other options. A secure investor is a happy investor. Making a project attractive by showing greater security as well as all the points made previously will only work in the long run if these positive attributes are achieved and presented as they are true. Integrity is just as much a factor as all this before it.

Integrity Keeps A Project From Imploding

I pose a simple scenario. An entrepreneur decides to attend an art gallery grand opening and brush elbows with other very wealthy elbows. The entrepreneur notices potential investors near what must be an Andy Warhol piece and decides to capture them in conversation over the complexity of emotions exhibited by the piece for no less than 20 minutes before being informed that the “marvelous sculpture” was actually a drinking fountain. The entrepreneur, broken, embarrassed, and in panic hastily retreats to the bathroom to freshen up. While using the urinal a mysterious silhouette approaches from the shadows of the wheelchair-accessible stall. It is Bernie Madoff and he offers the entrepreneur to double their money within a year if they invest now. The entrepreneur is well versed in recent history and as such eloquently screams and runs away from Bernie for dear life never stopping to look back. That is what an absence of integrity will do. Untrustworthy individuals are avoided like the plague so naturally, no borrower or project would wish to be labeled as such.

This does pose the question of how to not be considered a deceitful, walking risk, a lie-ability you could say. Well, it is quite simple. Be honest! A borrower that doesn’t know an answer should politely admit such and do their best to research an answer promptly. If a borrower doesn’t like an answer than they must either accept it or work to make the answer they’d prefer to be able to give a reality. This applies to every factor I’ve written about previously. A project should be desirable to a lender, not merely appear desirable.

Choosing a project to build off of strengths? Being honest is a borrower admitting that while they wish to open a zombie-themed eatery their life experience does not include any restaurant experience, but they have had general managerial experience, are actively studying laws related to the industry and perhaps have a strong consultant from the industry locked in. They should not just project a false experience. Tell the truth and build a stronger case.

Proving shared risk? Being honest is presenting the true cash equity and not padding it by adding in sweat equity. Being honest is not claiming equity gained from other third parties as a borrower’s own cash equity. A shared risk comes from a borrower risking their assets alongside investors.

Proving payability? Being honest is presenting projections based on documentation prepared by neutral third parties and presenting speculative data as such. A borrower should not, for example, get acquaintances to fabricate documents to show interest in a project, blatantly make up supporting data and try to pass it as backed research or misrepresent the nature of how profitability will be achieved.

How to acceptably securitize the potential loan? Being honest is having to risk assets or other collateral into the project, because such a risk will likely payoff once the funded project blossoms. As well, be honest about the current standing of these collaterals. Property that is not free and clear or once valuable equipment which is currently non-operable may not suffice to securitize the project. Hiding such shortcoming may help get further into the process, but will not prospect to achieving a funding offer.

You want to make your project desirable, not merely make it look desirable. No matter how many words and examples I use this is all a very straight forward concept. Be honest and act with integrity. This is the most efficient way to pinpoint project shortcomings in the hope of fixing them and achieving financing.

Strong Projects in Summary

Good projects and your best chances at commission involve honest principals, with well thought out plans, realistic goals & respectable cash equity, thus a shared risk. Use the pre-apps to access their true opportunity through their shared risk, chances of repayment & ability to stay current. The project needs to have an expected value to entice lenders & it needs to mitigate enough risks to be worth lender attention. You may not be able to look at a pre-app and quickly determine if it is absolutely fundable, but using the information presented you should be able to quickly rule out many prospects as inherently flawed wastes of your time. You should also be able to at this point commonly rank many of the plausible prospects with each other so you can plan the best allocation your time.

If Your Prospects Appear To Be Unqualified

Now that you have a better idea of what to look for you may find that your eyes have truly been opened & the truth is the prospects you are finding are of low quality & unlikely to ever generate a commission to offset all your potential work. If this is true do not panic as this does not have to be a long term problem. You will often find your prospects are of low value if you're current networking is of limited scope. Whether you are only focusing on your country or a specific niche site, if you're not making contacts in a wide variety of places or through a wide variety of sources you are limited in the scope of what you may find. Remember we are all part of a global economy with potential highs and lows which may strike any industry or any region. If your prospects have consistent deficiencies we will work with them so long as everyone works in tandem. You may then start diverting some of your prospect sourcing energy away from your current sources and regions & look into others. Beyond the now ever-present & obvious LinkedIn which many new brokers will use as a sole source there are all sorts of venues digital, on paper or in-person to explore. You may find your best source is a newspaper ad, a niche website, connections to your local Realtor, or networking seminars. Networking in the right ways and places will grant you access to higher quality prospects and that adds up to a better chance at closing & success. Up & coming economies can have an even stronger allure as there's always that chance the economy will finally boom spurring on confident spending & numerous entrepreneurs with new & exciting projects.

Lead Generation

Finding the best projects is a game of numbers and quality. You need quality prospects to present to lenders or no finance will ever materialize, but if you are not reaching enough principals and/or sub-brokers you will never see the sheer number of prospects to have these diamonds in the rough, these quality projects.

Turndowns and abandoned Funding Commitments which have not looked into speculative financing yer are often fair prospects. Many need more collaterals, a stronger set of financials, a thicker balance sheet, and/or a more speculative investor. Commercial, international and domestic brokers have often provided borrowers that Titan Global Assets has closed.

Printed and internet advertising have always brought in the bulk of submissions. Many brokers are seeking certain types of projects. However, other types of projects inquire. These are either out of that broker's specialties, too confusing to process, or in areas of the world where many do not serve.

Projects seeking Bank Guarantees and alternative guarantees, often find the inclusion of a hard asset, such as real estate, can make the difference. Most lenders understand real estate. Guarantees are often confusing to collect upon in case of default. Credit Line Assets identify and utilize hard assets, appraised and entitled.

Word of mouth has brought in many files. It is in this way that your past success may help you find more prospects for the future. Such files are often referred to us by investors, publishers and financial advisors, as well as brokers. Remember projects need asset value for security and pay-ability from revenues in order to justify the investment and/or funding.

For all of the above it is most efficient to have the client or broker contact take a few minutes to fill out the concise Pre App. It is recommended that all agents remove the header and footer data on any form the prospective clientele are given access to. You should remove the TGA company name from the top and the contact information from the bottom. You have TGA's permission to insert your own name or company name and contact information on the pre-app under the condition that said preapp is being offered to TGA for first consideration. If TGA does not want the prospect, please do NOT use the TGA pre-app to submit to alternative sources.

Balance Sheet Enhancements (BSE) are inclusive of properties and alternative assets that may require development themselves. Such arrangements add value to a company's worth in every scenario, while building value for the investors and assets involved. There are companies that specialize in BSE. However, most do not add value or propose ventures with fresh and developable assets attached. This is often a method of adding value to existing circumstances, while TGA has the ability to induce fresh assets into the process.

The World Is Not Simply Black & White

As you've read through this guide you may be left torn in a few cases. A prospect you thought was a great opportunity you may now see as missing something, yet still, you, find some spike of excitement nagging in the back of your mind. This guide was written to help you sort your prospects into "good" & "bad", yet in reality, it is never that simple. Many project shortcomings can be realistically fixed allowing funding. Our Senior Underwriter, Eric Lerman is highly versed in fixing projects strangling under their own circumstances, but with true potential. He has been awarded a Peace Prize, Businessmen of the Year awards, Recognitions by multiple Presidencies, even being an Adviser to the current Presidency. His years of experience & tenacious spirit helped him build those relationships, the relationships which act as the foundation of TGA and all accumulate into a life of lessons molding him into what he is today. Eric makes the speculative in speculative commercial financing work and does so in ways revolutionary to the industry. For this, you may be interested in his thoughts over projects & their qualities. Please find the following material by Eric, our senior Underwriter exploring his views on modern commercial finance and the projects he sees.

“FUNDING IN A WETLANDS ECONOMY”

by Eric Lerman

We all hopefully know the importance of packaging with reliable documentation and disclosure. We all know we serve the investors' process or we are dismissed aggressively. However, the deficiencies of any given file can be addressed. For example, my companies are often able to fill those gaps, using hard assets. I am now working with TITAN GLOBAL ASSETS, as TGA has licensed my company's Assets and Investors, some of whom have me on contract as their exclusive Private Underwriter, and thus, I come with the package. I enjoy the personal contact and care working with this group of companies, and TGA, most of all. It is a solid company whose purpose is to document, process, and issue offers, conditioned by yours truly, assuming approval. TGA has great capacity. TGA does keep an In-House Asset Base and contracted as being underwriters for same, including currencies and Credit Line Assets for various purposes including joint venture, development and to use as additional collaterals to offset any investor's level of risk. We contract as a direct source. If the revenue, the completion value and/or the resale value are attractive, then a Joint Venture, of which we have many types, should be the simple solution to achieve a qualified funding package. In an investor's view, for example, be it by JV funds or hard assets (real estate is our best method proven); either can serve as additional collateral and a buffer from distress. It is like the wetlands that will, in proper ratio, protect the city from the landfall of the hurricane. This allows an investor to control the risk, and thereforee to focus on the opportunity.

That seems simple enough. However, there are items that can cause any file to shred. It is a matter of public record that one of my earlier clients *could not receive funding because of his impending federal jail sentence. Another client failed to regard a law in a foreign country that would not allow him to own a property there. The bottom line is that there are solutions for almost any problem in a file, for the motivated and for the willing.*

Common sense is best applied in these matters. Over leveraged proposals can be recalibrated with JV monies, and/or additional property of high value. Complications can be simplified with a flow chart. For every obstacle there is a way through. It is the dreams we pursue that motivate us. It is the investors who enable us. However, most of their interest would fade if not for those who write the offers, the contracts, and the commitments. Investors and projects need to be obligated to one another in order to achieve a closing. That's my goal for any proper project, is to obligate the assets, the principals all on a bilateral contract. That is how funding most often occurs."

We care about our clients and we protect our associates. For project or broker inquiries, our e-mail is best at titanglobalassets@gmail.com . As well do feel free to call us directly at (831)471-8444. TGA is here for Global transactions. We are here to help you succeed. I want to fund your project, the one that makes great revenues or resale values; the one that makes many jobs for that region, so long in waiting. It is time. Funding. Let us commence in firm order. We wish you all warmth and bountiful good fortune.

This guide was crafted often making generally true assumptions about the motivations of individuals and assuming transparent actions from the involved parties so take such with a grain of salt. Realize the complexity of the universe is beyond what can be generalized in this writing and as such always use due diligence when making major decisions and inspect abnormalities rather than disregard them as inconsequential.

Titan Global Assets specializes in creative international and multi-national finance and Joint Ventures and has diverse offerings such as our specialized Credit Lines, or our exclusive Balance Sheet Enhancement program. We offer solutions to most commercial financing needs of $3MM USD and above so feel free to contact TGA at 01-831-471-8444 or titanglobalassets@gmail.com. You may also find out more about us by visiting our website at www.titanglobalassets.com

All Our Fundings Start With A Pre-App

On the next page please find a Titan Global Assets Preliminary Application. This document is the first step for TGA to look over and consider any funding request and has been specifically designed for the presentation of commercial project funding requests. It is the document that was heavily dissected and talked about in the earlier sections and as presented is a great tool for learning about potential projects. If you wish to have a client fill out a Pre-App you will likely find the completely editable word version much more suiting to your brokering needs. You may find this version here:
http://www.titanglobalassets.com/apply%20application%20forms.htm

As you begin this journey, or perhaps continue, remember that brokering is an exciting way to brush across the true dreamers & motivated business owners of the world. Some ideas will be crazy, & some will be groundbreaking and you can be there to trip across it all. Use information from this guide well and never give up on your hunt for the high-quality prospect as with large projects come large closings & the right commission will make you feel quite certain all the effort was worth it.

TITAN GLOBAL ASSETS

Preliminary Application

Borrower:
Address:

Principal(s):
Position/Title(s):
Telephone Number:
E-Mail Address:
Funds Requested Amount: $ USD
Funding Category (Loan/Joint Venture/Venture Capital):

Term Requested:
Interest Rate Requested:
Principal's Cash Equity:
Use of Funds/Project Summary:

Collateral:

Current Value: (AS IS) $ USD (UPON COMPLETION) $ USD
Participation:
Closing Requirements:
Repayment Strategy:

Existing Liens: (Amount/Position/Status):

Credit Issues/ Property Issues/ Additional Information:

Prepared by: Date:

Originating Broker:
Broker Telephone Number:
Broker E-Mail: