Background to Private Placement Programs

Project funding by use of Private Placement Programs (PPP's) first began immediately after the end of World War 2. It was at that time a major international initiative by the US Government and top West European Banks. At that time the objective was rapid reconstruction of Europe after the war. The reconstruction of Europe using funding from PPP's was a major success. Many of the details of how PPP's work and why they exist are still the same today. The need for reconstruction of Europe has passed many years ago. However this is now replaced by funding of humanitarian projects located in any country of the world as long as the IMF/UN and World Bank deem that country as appropriate.

At the beginning everything to do with PPP's was strictly (by US Government decree) confidential and entry was only available to the "super wealthy" of society at that time. Today PPP's are still surrounded by a great deal of confidentiality. It is fair to say however that as it has become easier for a wider range of people and/or corporations to participate in PPP's.

Entry to PPP's is still restricted by minimum entry levels of what is usually $100M cash at bank (or equivalent in Euro) as well as all entries (regardless of amount) being by "invitation only" of licensed traders. In some instances small amounts are available to be taken up; periodically sums of $5,000,000, $10,000,000 and above are accepted by specific Traders for a brief period, pooled and traded with slightly lower returns. The most successful trade arrangements are based on $100M and $500M.

All applications have to pass due diligence undertaken on the applicant (no present or prior criminal or terrorist connections) and also on the funds (the funds do exist and are on deposit at a leading world bank (Top 50), the funds are under the rightful control of the applicant, etc)

After (not before) an application has been received and due diligence has been completed without problems and the licensed trader is ready to invite the applicant into the PPP there will be direct communication between trader and client. It is at that time that the specifics of particular PPP's available to that client will be discussed between trader and client/ investor - including how long the PPP will run for, how long the funds need to remain "blocked" at the clients present bank account (ownership of those funds never changes), and the likely weekly, daily or monthly expected returns. When all key aspects have been discussed between the two principals (trader and client) the trader will make available to the client/ investor/ applicant a trading contract. It is only when trader and client have both signed the trading contract that either party has committed to anything. The total application process from arrival of an application at the trader's computer to trading starting for the client typically takes from between one and two weeks assuming full and accurate information has been supplied.

The higher the amount of investment funds blocked by the client the wider the range of PPP's that will be open to that client. Usually (not always) the returns available to a client blocking say $100M (or equivalent in Euro) or more will be higher than for the usual minimum of $10M

Strictly speaking as an intermediary between the client and the trader should not discuss detailed PPP returns (that should be discussed by trader after due diligence). There are more PPP's open today to investors than at any prior time. As a guide it can be said that for a 40 week PPP with a minimum investment of $100M the net returns to the client (after all fees) can be expected to be in the range of 25%/week to 50%/week. By comparison a 40-week program with a minimum $10M the net returns can be expected to be between 15% a week and 25% a week.

At no time does the ownership of investment funds pass from the client/investor. However typically the clients "invested" funds must be "blocked" during the term of the PPP or for slightly longer than the term of the PPP. For example for a 40 week PPP funds will usually need to be "blocked" for 12 months. Funds being "blocked" mean that the funds cannot be moved, assigned, pledged or dealt with by the investor/ client during the blocking period. At the conclusion of the PPP and after the blocking period has passed the client/ investor has total freedom to use the "invested"/ blocked funds in any way the client/ investor wishes. Weekly profits are usually unrestricted and can be paid by the trader to any bank account nominated by the client/investor

For standard PPP's the clients funds will not need to be moved from the clients own existing bank account at any time, except in the case where small amounts are “invested” then the Bank may require them to be lodged, in the client’s name at the Trader’s bank. This condition is usually available if the funds are on deposit at a top world bank. If funds are on deposit at a lower rated bank (less than AA rating) funds may need to be moved. When they are moved to a new bank account, established for the client/ investor (with the assistance of the PPP principal/trader) at the new bank, this account in the sole name of the client/ investor and funds at all times totally under the control of the client/investor. Concepts concerning returns always relating to risk in this instance are not really true when it comes to PPP's. Returns are exceptionally high while risk of loss of funds is exceptionally low.

In keeping with the overall objective of PPP's (funding of large scale humanitarian projects) there is with all PPP's a large amount of funding moving into these projects from PPP's . As well as the client receiving very substantial returns the trader will also be receiving very substantial returns from any PPP. Clients in all cases may not easily see what the trader is actually receiving (it must not be more than the client). What also may not be readily apparent to the client is the common scenario where the trader has been directed by the banking authorities to put a large part of what a trader receives into humanitarian projects. In all cases the client is encouraged to also put a substantial part of clients earnings into humanitarian funding.

For some PPP's (paying particularly high returns) this is mandatory - however usually humanitarian funding by the client is encouraged rather than being mandatory. Assuming humanitarian funding by client for a particular PPP is not mandatory then if the client does put all or part of clients earnings toward a humanitarian project - the choice of project is in this situation totally at the client’s discretion

An obvious question is how can it be possible for such huge returns to be generated so quickly from PPP's and as well - zero risk to clients funds?? It is difficult to give a complete explanation here of exactly how it works. I will simply say that it relates to special issue Medium Term Notes being issued by the top

West European banks to licensed traders at an extremely low price. The contract between trader and issuing bank is typically several hundred billion dollars face value of MTN's. The trader must according to the rules have a back to back "water tight" contract in place with an exit buyer to whom the trader will sell within a few hours (or in some cases minutes) of purchase at a much increased price.

In summary there are massive amounts of MTN's traded extremely quickly with arbitrage profits locked in before the trader buys anything. To keep everything "fair" and to meet project-funding objectives the USA Government tightly controls the actions of all licensed traders - including insisting that there must be a client receiving a minimum of 50% (usually more) of the profits. The client needs to show that they own the minimum funds for the particular PPP and those funds are "blocked" for the duration of the PPP at the client's own existing bank account at a top world bank.

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