

FACTUAL INFORMATION FOR CONSIDERATION APRIL, 2008

The following factual information is provided for your consideration and that of your clients. If you or the client chose to ignore or disbelieve this information, that is your choice. However, we can tell you that all of this information is factual and that without the consideration of this information, you will not achieve success in this business. The below information is presented in no particular order. We ask that you read and consider this information. If you have any questions, please do not hesitate to ask.

- Euroclear and DTC are Screen and Settlement Services. When an instrument is “posted” to these screens, the instrument is not physically on the screen, it is still in safekeeping at a bank (with a SKR) or a securities house (with an Account Statement). So, when people tell you that there is NO SKR or Account Statement, they are wrong and they are telling you that because they are not the owner and cannot prove ownership of the instrument.
- Instruments that are Euroclear Eligible including MTNs, Bonds, Stocks, Treasury, Freddie Macs, Fanny Maes and, very rarely a CD or SLOC. But, generally the CDs and the SLOCs are NOT on Euroclear.
- BGs are NEVER, EVER on Euroclear and they do not qualify for an ISIN Number or a CUSIP Number. So, when someone tells you that they have a BG on screen (any screen) you already know that they are lying to you.
- There is no such thing as a “Grey” or any colored screen, period. This is just broker nonsense.
- Only instruments that are registered with the United States Securities and Exchange Commission can be on DTC. And, this does not include MTNs or BGs, period.
- Euroclear and DTC are screen services. They are not “parking lots” for instruments or for cash funds. When someone tells you that you can screen and validate their cash funds on Euroclear or DTC, you know that they are lying to you.
- The U. S. Treasury does not issue post-dated checks, as it is against the law to do so.
- The Federal Reserve is not a bank that is available to any client, period, regardless of their claims. This means that the FED cannot receive funds on deposit, cannot issue POFs, and cannot be a repository for instruments and then issue a SKR. Anyone making any of these claims is just lying to you.
- The Chairman and CEO of Bank Holding Companies do NOT sign any bank documents, including BGs, MTNs, CDs, SLC, Certificates of Gold Deposit or SKRs. This is all just the nonsense of brokers that have fabricated fraudulent documents and are trying to pass them off as something real that was issued by the bank.
- All instruments that are presented for hypothecation must (after the Agreement is signed) move to the funding location. If the instrument is on Euroclear, it must move Euroclear Free Delivery. If the instrument is not on Euroclear, then it must move by SWIFT MT 7XX (depending on the type of instrument).
- We do not desire to transact on Third-World instruments, as their banks and central banks are problematic and will not perform. However, we will consider these instruments on a case-by-case basis.

- No one can block an instrument on Euroclear for the purpose of hypothecation, period.
- No funding source can “take down” an instrument from Euroclear. The instrument must be sent Euroclear Free Delivery to the funding location. This is done for the protection of the actual owner of the instrument.
- In a transaction involving the buying and selling of an instrument (spot or contract), neither the Seller nor the Buyer are allowed to fabricate the rules and procedures that must be deployed. If the instrument is on Euroclear, then the transaction MUST be completed via the Standard Euroclear DVP Protocol Settlement Procedures, officer to officer, and no other way, period. If the instrument is NOT on Euroclear, then the transaction MUST be completed via the Standard NON-Euroclear DVP Protocol Settlement Procedures, officer to officer, and no other way, period. Anyone with any other procedures is just broker that has never completed such a transaction and never will and, most likely, does not have the instrument.
- The Indicative Value of an instrument and, subsequently, the Loan to Value, are determined by the Provider and their Funding Source, not by the clients or the brokers. And, not all instruments have the same Indicative Value or Loan to Value.
- Do not make the mistake of thinking that the Rating of the issuing bank is the same as the Rating of the instrument, as they are not. The bank and the instrument are rated separately.
- The Laws of Perjury do not apply to any commercial documents, period.
- There is no law, act (including the Patriot Act), rule, regulation or ordinance that requires that any buyer of any seasoned instruments must provide a Proof of Funds. This is just the nonsense of the brokers. The Standard and NON-Standard Euroclear Procedures set forth that the validation of capabilities (both sides) is accomplished in the officer to officer call, after the Agreement is signed between the Buyer and the Seller and before the first invoice can be issued.
- No one is going to pay +2% for their acquisition of seasoned instruments. This is NOT the requirement of any Seller and is only the greed of the brokers involved.
- There is no such thing as a “Program”, defined as the client leaving their funds at their own bank and the trader trading on the funds from the client’s bank and then paying the client hundreds of percents per week. This is all the nonsense of the brokers in this business.
- Clients with Cash Funds that want to participate in a Buy/Sell Transaction, have three (3) choices:
 - Move the funds to an account that will be established for the client at one of the Provider’s Fiduciary Banks; or,
 - Have the current Bank block the funds for 13 months in favor of the Funding Source and then issue a SWIFT MT 760 for this transaction (this option is not available from a U. S. Bank); or,
 - Acquire a financial instrument from the bank and come forward with the instrument, not the cash fund.
 - Banks in Mainland China (and other selected countries) cannot send a MT 760 (for cash funds or for an instrument) without applying to the Central Bank of China for permission, on a case-by-case basis, which may take months. While there is a great deal of cash in China, the client cannot move the funds or move an instrument or use a MT 760, without the express written permission of the Central Bank of China.

- There is no such thing as a “Mandate”. Something can be mandated, but not someone. The only way that a corporation can pass authority to someone (regardless if they are an officer of the corporation or any outsider) is via a duly issued and authorized Corporate Resolution, signed by the Secretary of the Board and containing the seal of the corporation or the signature of a Notary Public. So, when someone tells you that they are the client/seller’s “Mandate”, all this really means is that they are the broker closest to the client/seller, and not that they have any authority to do anything, period.
- Banks operating in the Western Banking World do NOT perform “undertakings” for their depositors/clients, as this would be a violation of banking rules and regulations. This means that the banks are not going to endorse the financial obligations of the client, period. Banks do not endorse Fee Agreements or Payment Orders or guarantee the safe return on an instrument/asset that is the subject of hypothecation. Banks are only allowed to act upon the owned assets of their depositors, and only based on the assets that are in that client’s account at that bank, period.
- United States Banks do NOT issue MTNs or BGs.
- United States Banks cannot send or receive a BG.
- United States Banks do NOT issue SWIFT MT 760 against Cash Funds.
- Securities Houses/Firms are Members of Euroclear and DTC, but are NOT Members of SWIFT. Accordingly, they CANNOT send or receive SWIFT Messages.
- Banks and Securities Houses do NOT contract to sell instruments, period.
- The terms “FED Program”, “High Yield” Investment’s, “Private Placement Platform (PPP)”, “FED Trader”, “FED ID Numbers”, “FED Pool” are all just broker-created terms and have no meaning and none of these items exist. There are just Traders who has a Licence of the FED, but they work for themselves and the investment is always a “Project Finance (Funding) Investment” to finance Projects of the Authorities and the Investor.
- If your client has Gold Bullion (Au) and you want us to hypothecate it, the first step is that they must have the bank that is responsible for the Gold Bullion (Au) issue OUR Conformation of Gold Bullion (Au) Letter, with full bank responsibilities. If they cannot obtain this Letter, then we are not going to be interested in the transaction. And, for the record, Precious Metals Concentrate, is not Gold Bullion (Au) and no one is going to hypothecate the Precious Metals Concentrate.
- The following assets are NOT assets for hypothecation, unless the client has already obtained a Financial Guarantee Bond, from a “A” Rated or better insurance company: Precious Metals Concentrated, Uncut Stones, Timber, In-Ground Mines, Copper, Coal, Oil and Gas, Real Estate, Land, Non-Rated Bonds, etc.
- Certain Bonds and Stocks are acceptable for hypothecation, but only if they are on Euroclear and are Rated by one of the acceptable Rating Services (Moody’s, S & P, Fitch). And, just because the Term Sheet says that they are Rated, does not mean that they are Rated. We need to see the Bond on Moody’s, than we know that it is Rated.