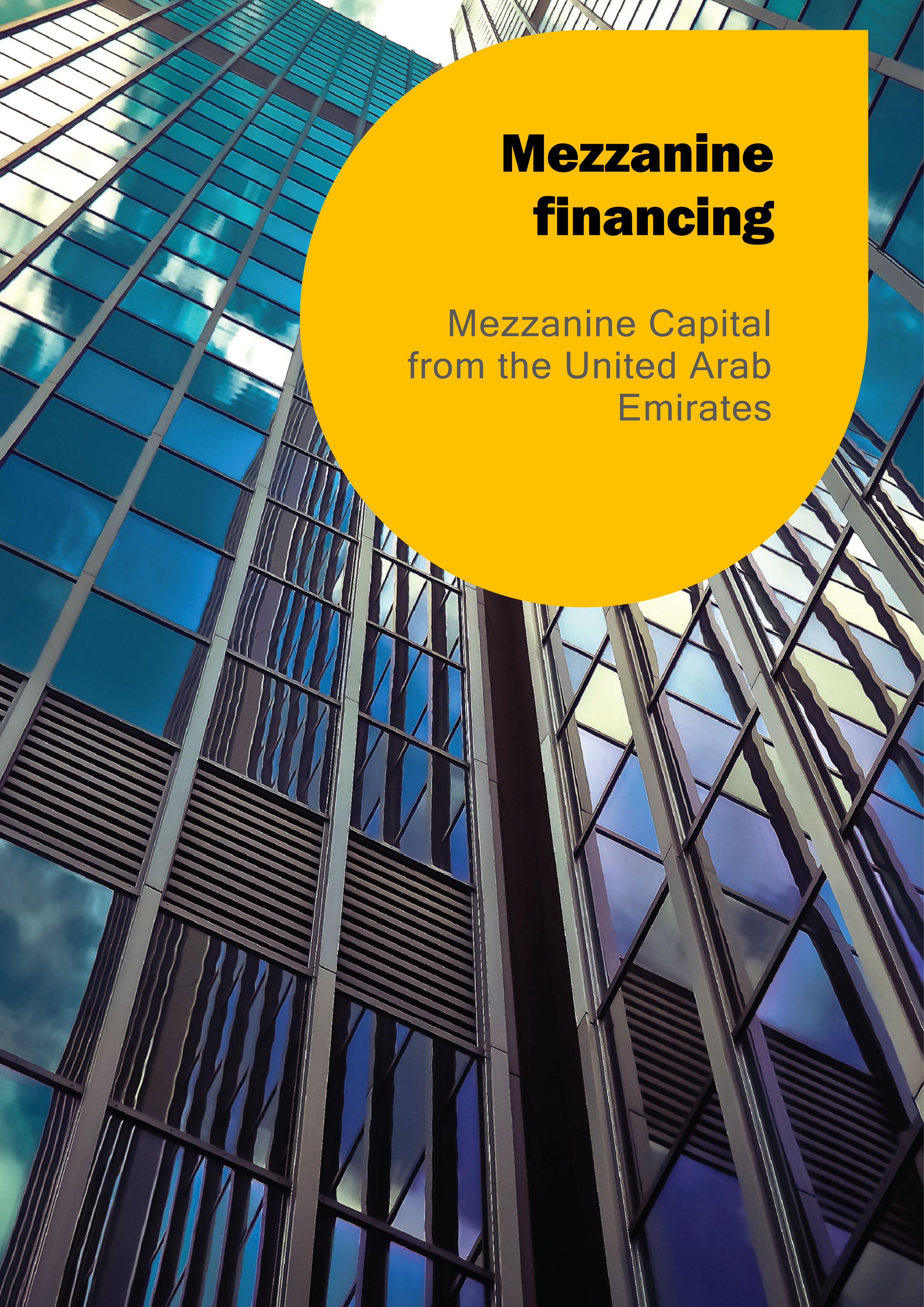
Mezzanine financing

Mezzanine Capital from the United Arab Emirates



Mezzanine
Capital

BRANDT & RADEMACHER

THE GLOBAL ADVISOR

Definition

Mezzanine capital (also: hybrid capital) has characteristics of equity and debt capital and is therefore often referred to as a mixed form. It can take different forms, for example as a subordinated loan or as a **silent partnership**. In the case of a subordinated loan, for example, the lenders are serviced by financing with debt capital subordinated to all investors. In the case of a **silent partnership**, the capital is contributed as equity.

The investor participates in the profits of the company for the capital contributed and receives interest but has no co-determination rights in the company.

Depending on the structure of the contract, mezzanine capital may appear on the balance sheet like equity. This has a positive effect on the company's creditworthiness, which in turn makes it easier and often cheaper to obtain financing with debt capital in the future. The investors of mezzanine capital are subordinated to the providers of debt capital. Mezzanine financing can be available via mezzanine funds, development banks, medium-sized investment companies and private investors on crowd investing platforms.

Even companies that are not (yet) able to offer collateral may be able to use mezzanine financing. The prerequisites are a stable market, good competitiveness, a good business model and high chances of realizing the sales and earnings forecasts.

These are the advantages of mezzanine capital:

Financing is often cheaper than the returns expected by investors for equity.

Investors of mezzanine capital are not given any say in the company, so that there is no interference in the management.

The capital amount is often up to 25 million euros, or even more if there is high growth potential.

Long terms of up to 15 years are often possible.

The modalities can be flexibly designed with regard to repayment and termination, among other things.

Please note: The contractual structure determines whether the mezzanine capital is to be assessed as equity or debt capital.

Mezzanine capital can have a positive effect on the creditworthiness of the company – if it is valued as equity on the balance sheet – which can also make debt financing easier and cheaper in the future.

Mezzanine capital may be granted without collateral, depending on the case.

These are the disadvantages of mezzanine capital:

Financing is usually more expensive than debt financing via a loan from a savings bank or bank.

Although mezzanine investors are served by debt financing after investors, they also have to be served. It should be carefully checked that the company does not over-indebted or take too high a risk.

In the event of a major success, the profit participation of the mezzanine investors may be judged by the company to be too high.

The time and effort required is usually higher than with a conventional loan. Due to the flexible design, contracts must be negotiated precisely and examined at great expense.

Mezzanine capital is not accessible to every company. Private investors via crowd investing platforms in particular often feel addressed by investments in areas that affect them more, for example, or that they emotionally consider worthy of support. More abstract projects may have a harder time finding investors, depending on the topic and presentation.

Result:

Mezzanine financing, which our clients offer as **SILENT PARTICIPATION**, may be an option, especially for fast-growing young companies if they do not yet have the collateral and creditworthiness for sufficiently high financing with debt capital. However, it is then important to take into account the disadvantages such as the often-high costs. In any case, check in advance whether you can finance more cheaply with borrowed capital. However, if you want to generate capital quickly and easily, we will be happy to review your application for mezzanine financing.

Offer + Procedure:

Brandt & Rademacher was mandated by an investment company based in the United Arab Emirates to examine applicants from Europe and their projects as part of a du-diligence process with the aim of examining whether or not the project could be financed as **a SILENT PARTICIPATION**.

Our client can offer the following conditions:

Funding amount: $1 million – $90 million per project

Duration: 10 – 15 years

Participation in the project company (SPV): 10%

Interest between 3.99% p.a. and 4.40%* p.a. * (*15-year term)

Repayment: none

Repayment: from 2nd year / quarterly

Security: SPV

Projects: Real Estate, Renewable Energy, Infrastructure

Brandt & Rademacher will do the KYC (Know Your Customer) and the due diligence and requires the following documents and documents from the applicant:

1. CIS (the form will be provided by us)

2. Company Certificate / Commercial Register

3. Proof of capital for the costs and fees

4. Project description with financial plan showing that the capital can also be repaid.

Cost:

1. Cost of KYC: 3,860.00 USD – Payable in advance

2. Costs for the project due diligence (50% payable in advance and 50% upon disbursement of the loan)

1 million -3 million: 1.8% | 4 million – 8 million 1.4% | 9 million – 12 million 1.2% 13 million – 20 million 1.0% |

from 21 million 0.5%