

CHAPTER 2

DOMESTIC SOURCES OF FINANCE AND INTERNATIONAL FINANCIAL MARKET : EURO ISSUE AND ADR, GDR

Broadly speaking, the long-term sources of finance can be classified into debt and equity. Although the distinction between debt and equity is often made in terms of bonds and shares, its roots lie in the nature of the cash flow claims of each type of financing. The debt and equity may be differentiated as follows:

Characteristics	Debt	Equity
1. Claim on Profits and assets	Fixed claim	Residual claim
2. Tax treatment,	Tax deductible	Not tax deductible
3. Priority in repayment	High priority	Lower priority
4. Maturity	Fixed maturity	Infinite life
5. Voice in management	No management control	Management control

Features of Equity Shares



- 1. Permanent Capital**
- 2. Fluctuating Dividend**
- 3. Rights**
- 4. No preferential right**
- 5. Controlling power**
- 6. Risk**
- 7. Residual claimant**
- 8. No charge on assets**
- 9. Bonus Issue**
- 10. Right Issue**
- 11. Face Value**
- 12. Market Value**

Warrants



WARRANT



BUY IT FOR **\$10** IN THE NEXT **10 YEARS**

Stock Warrant

YOUR COMPANY NAME

Date of Issue: _____

Warrant Number: _____

Face value of stock: _____
per share at time of issuance

Investment amount: _____

This warrant is given because you: _____

On condition of: _____

Total shares assigned at time of
issuance: _____

Share numbers: _____
for: _____

SHARES
ISSUED TO

SHAREHOLDER IDENTIFICATION NUMBER: _____

TYPE OF INVESTMENT

- I MONEY, Preferred
- II TIME, Common
- III IDEAS, Common
- IV COMMISSION, Common
- Warrant No.: _____
- V VALUE, Common
- VI TRANSFER, Common or Preferred
- VII BONUS @ _____ PER SHARE
- VIII VALUED ITEM
- IX PROVIDED INFORMATION
- X OTHER

TRANSACTION TYPE

- Original issue
- Consolidates previous warrants
- In addition to previous warrants
- Replaces and supersedes previous Warrant No. _____
- May be sold back to issuer for cash after Funding is obtained

This warrant is a promise for issuance of stock in lieu of official stock certificates. This warrant will be replaced with stock certificate in the near future after company's official SEC filing. Holder is guaranteed purchasing a membership in company equivalent to value of contribution relative to all that is contributed. This share issuance is conditional on holder's acceptance of Industrial Cooperative Standard Agreement contract. Bonus shares are not subject to stock splits. All common share investments of time or ideas are subject to reevaluation based on comparison with others. Preferred shares, exchanged for capital, pay 3.0 dividends of Common shares. No cost to issuer in making stock transfer. Not transferable except through Issuer. Bearer should provide company with all changes of address. No public market for these securities currently exists. All stock issuances are a private deal between the investor and the issuer. This is a private stock issuance and not approved by the SEC or other government agencies.

Founder/Title

COMPANY ADDRESS:

Name
Street
City, State, Zip
Phone

Issuer/Title

We founders agree we will work on this project day and night until it is done, and we will continue it no matter what. As founder, I promise we will return major dividends and increased valuation for your investment. The founder and the issuer agree without reservation that failure is not an option, only eventual success is an acceptable outcome.

As issuer, I intend to grant all shareholders special grade or "Founder's" options, to not show signs of company growth or personal benefit to any founder. As issuer, I will maintain a complete list of all investments made, which can be released to you upon request. The company agrees to send periodic newsletters to keep investors informed.

Different types of debts



SECURED LOANS

Protected by an asset,
known as collateral

Typically lower
interest rates and
longer terms

Examples:
Mortgages,
Auto Loans,
Home Equity Loans

UNSECURED LOANS

Not protected by
an asset

Often offer higher
interest rates and
shorter terms

Examples:
Credit Cards,
Personal Loans,
Student Loans

TIME FOR
QUESTIONS