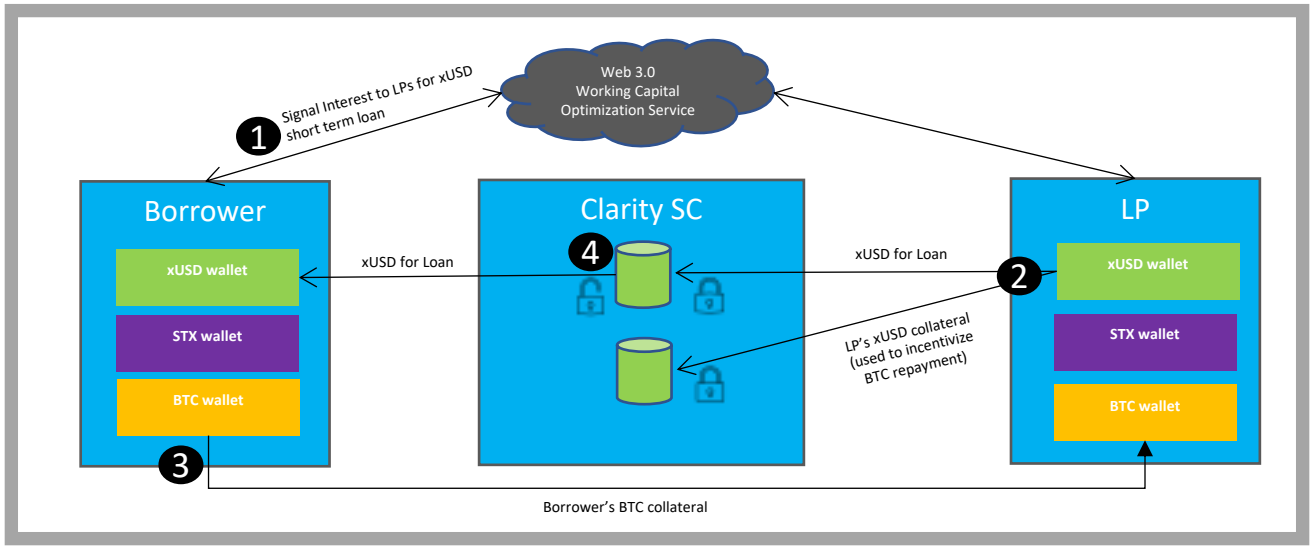
USING LAYER-1 BTC AS COLLATERAL TO ACCESS STABLE COIN LOANS

Steps 1-4:

Establishing a smart contract and initializing the loan



Not Pictured:

Service finds a match b/w Borrower and LP based on acceptable loan terms.

Web Service generates the Clarity SC code, and the LP pays STX to deploy the on the **Stacks blockchain**.

2xOvercollateralization:
If xUSD loan amount = A,
Then BTC collateral >= 2A,
& LP's xUSD collateral >= 4A

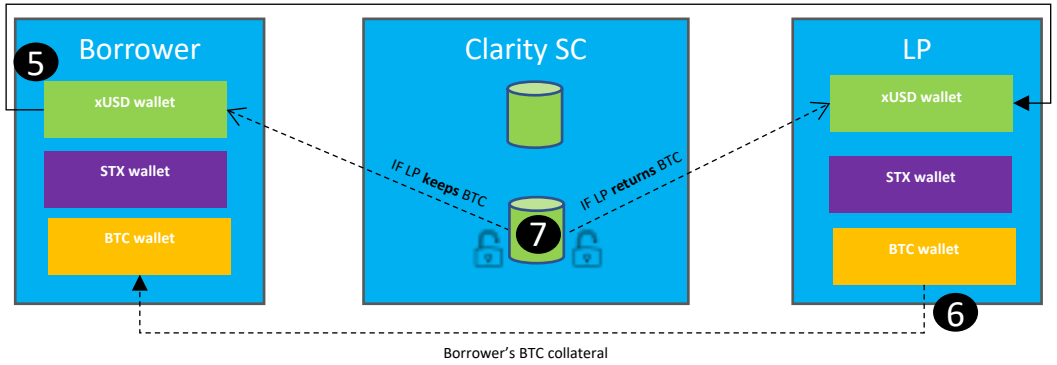
Between Steps 2—3, if the Borrower's BTC collateral isn't sent to LP by block X, all xUSD is returned to LP

To help protect against price volatility, if the BTC/xUSD value drops below some agreed upon threshold sometime between Steps 4 – 5, then Scenario 2 will play out except the xUSD in the SC is sent to the Borrower.

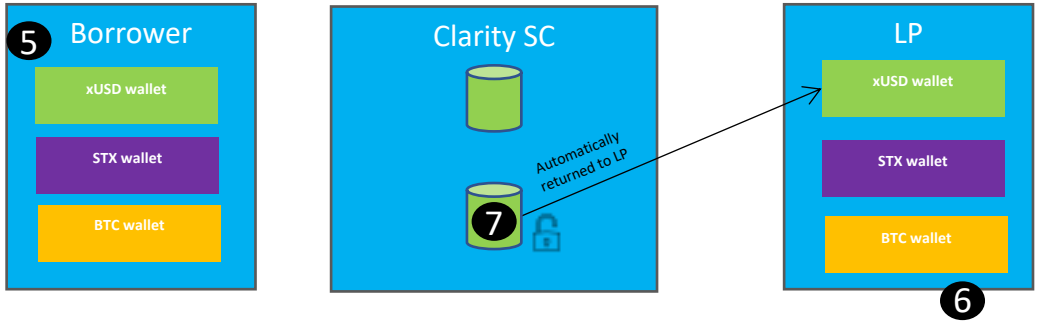
Steps 5-7:

Handling repayment and loan termination

*Scenario 1: Borrower **repays loan** to LP by block, B*



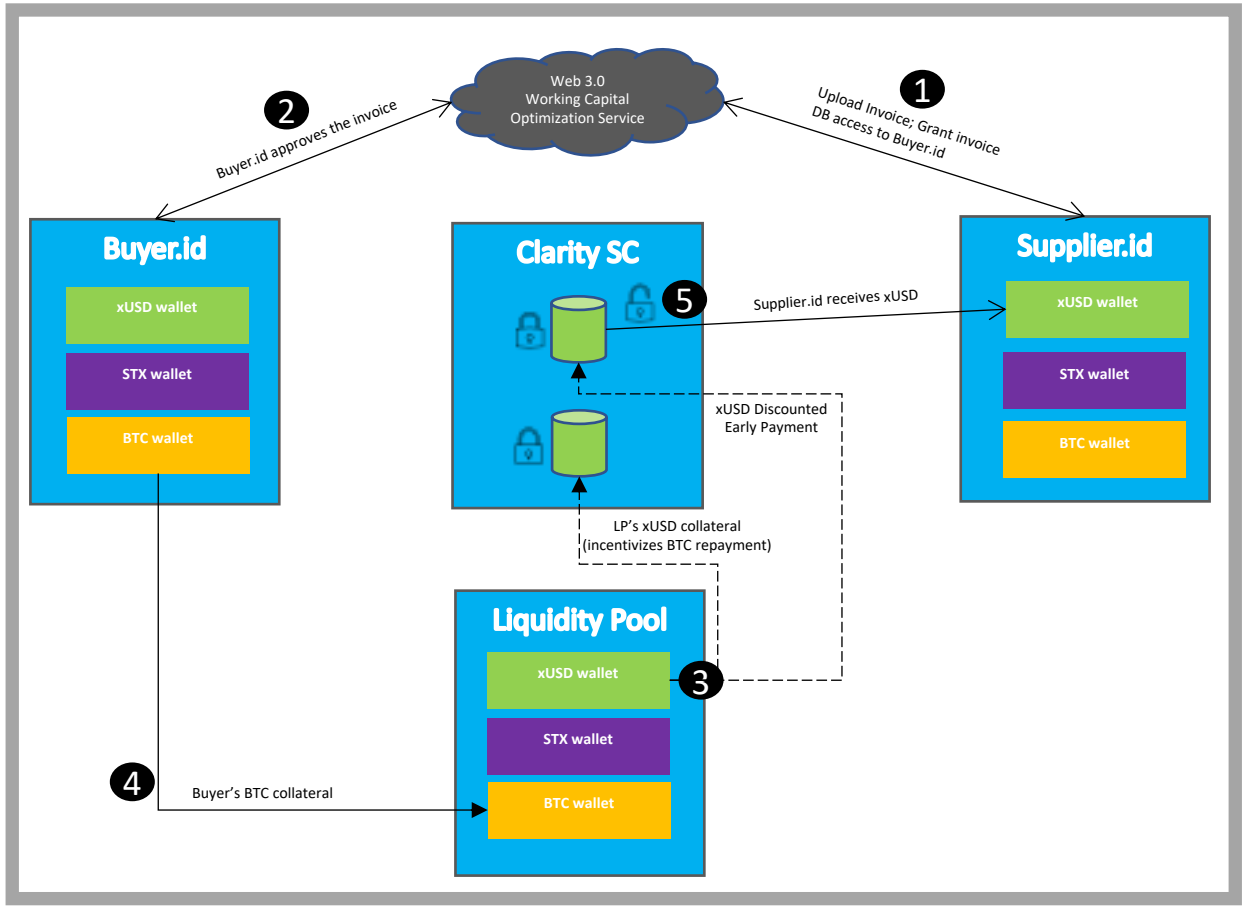
*Scenario 2: Borrower **fails to repay loan** to LP by block, B*



OPTIMIZE SUPPLY CHAIN FINANCE USING LAYER-1 BTC AS COLLATERAL

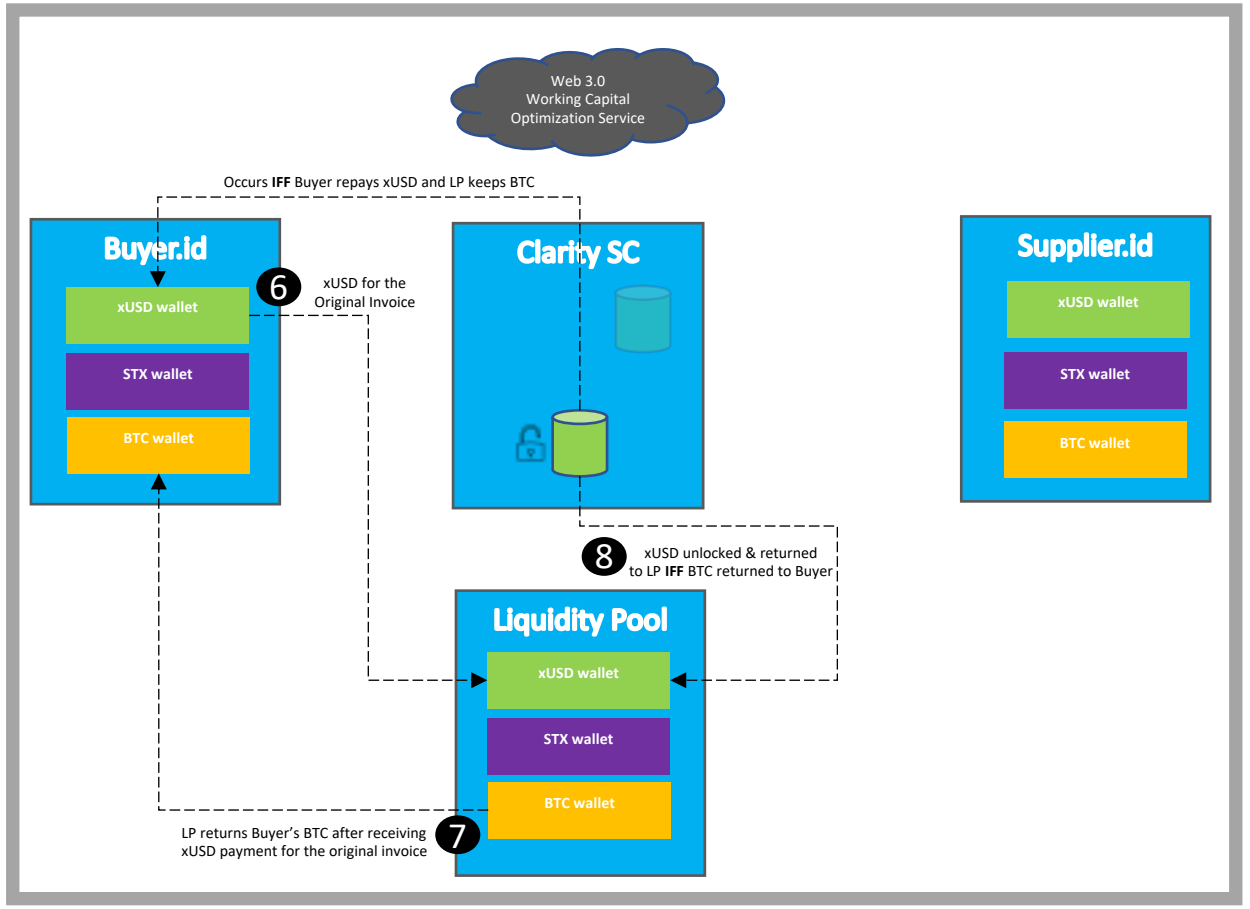
Steps 1-5:

Bitcoin collateral unlocks early payment on invoices for Supplier's receivables



Steps 6-9:

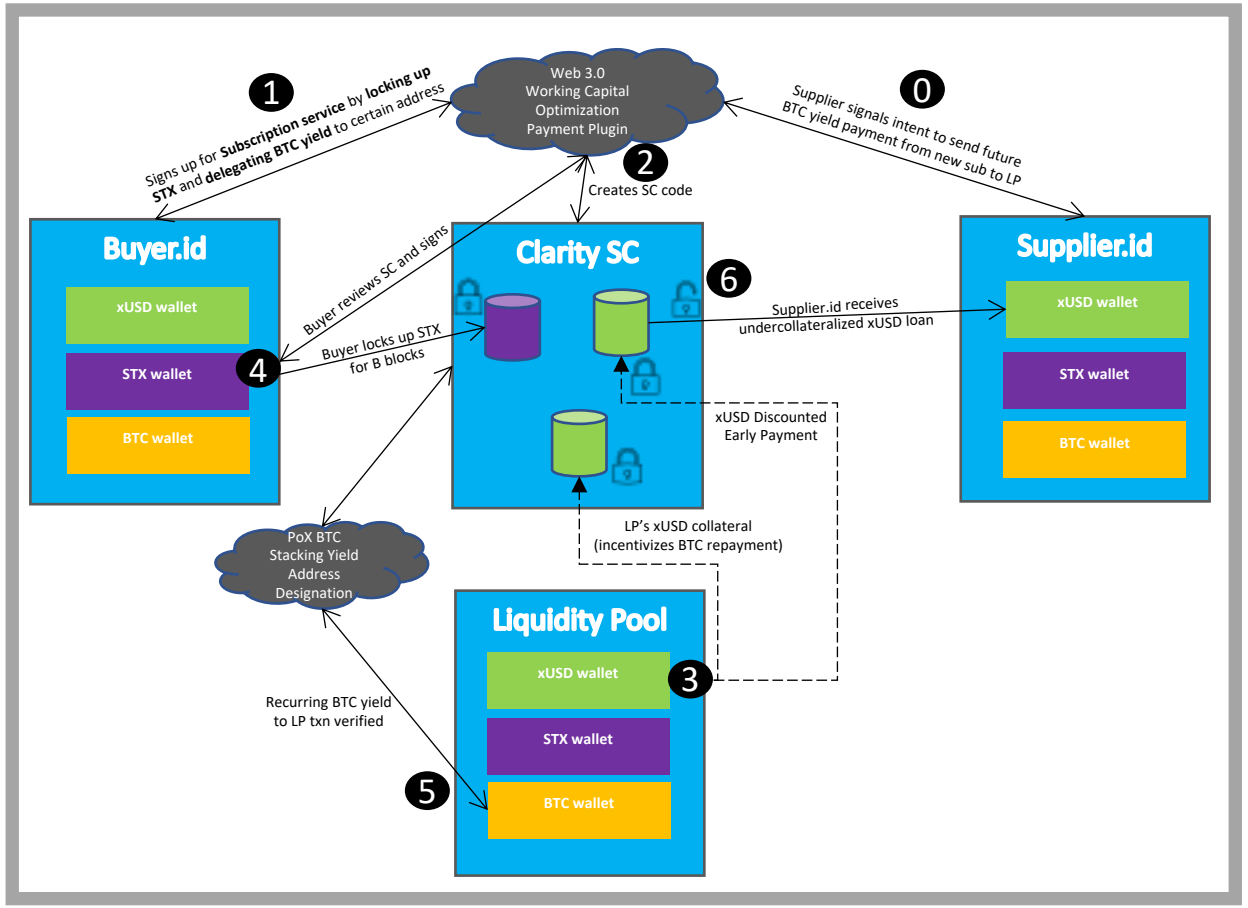
Bitcoin collateral allows buyer extended repayment terms for the original invoice



OPTIMIZE SUPPLY CHAIN FINANCE USING LAYER-1 BTC AS COLLATERAL FOR UNDERCOLLATERALIZED LOANS BASED ON FUTURE EARNINGS

Steps 1-6:

Buyer signs up for subscription service, Supplier gets BTC backed loan based on estimated BTC yield revenue from the Buyer's locked up STX (locked up for B blocks)



Steps 7-9:

Supplier repays the loan + interest to the LP in return for the BTC yield