# SECURED CREDIT FACILITY
# Up To $100,000,000

This is a draft for the intention of discussion purposes only

# EXECUTIVE SUMMARY

**Introduction**

Novus Acquisition & Development Corp, a Nevada Corp, (symbol NDEV or Novus) along with its subsidiary, WCIG Insurance Service, LLC, (California Insurance Entity) is the nation's first healthcare insurance plan in the medical marijuana field ("MMJ or Cannabis"), and property and casualty sector. Our objective is to expand from a wholesaler to a carrier of our own policies in a diverse surplus business lines outside the MMJ space.

Novus' goal is to procure funding up to $100 million, file as HMO in the United States and finalize our insurance charter

## SUMMARY OF FUNDING

**Collateralization**

Our annuity lines in California will position Novus the right to sell its own secured annuities. Then file with Department of Insurance (DOI) in California as an HMO and then file reciprocity in every state nationally as an insurer.

Novus' corporate annuity program is a fixed annuity, where institutional investors will put funds into Novus, have the principal protected with collateral by purchasing zero coupon treasury bonds (5-7 years), then Novus can offer to the financial institutions the following:

a) Straight 4-5% interest per year with a 18% profit sharing on net proceeds, or;

b) The financial institution has the option to convert to common stock or warrant at a pre-negotiated value with proper regulatory approval.

Contained herein, Notes 4-6 demonstrates how Novus will use the allocated funds for our underwriting efforts in our specific insurance lines of business. In addition, Novus can attain this by taking advantage of our recent entry into Lloyds of London as a United States broker and up-lift our status as a direct Lloyds Broker and place business directly with any Lloyd's managing agent subject to terms of our business agreement.

This is the predominant route to place business into the market in the United States, by positioning Novus with the ability to write our own 100% secure corporate annuities fund that will give Novus the leverage to move risk to other reinsurance carriers in their respective business sectors.

**Technology**

Novus has developed a fully automated web portal *http://www.getnovusnow.com*. This portal design makes Novus the online one-stop insurance entity, giving insurance agencies the ability to sell direct to consumers and give instant and easy access to a range of insurance solutions tailored specifically to their insurance profile.

To meet this consumer demand, Novus' portal has established a footprint in the institutional insurance business where it has positioned itself to generate up to 40 insurance lines of business, plus automation of API gateways tied to 24 of the world's most prominent insurance/reinsurance carriers.

There has been a significant increase in the number of insurance contracts completed via the Internet. Seventy-Two percent of consumers use the internet as their primary source of insurance information and procurement. Novus' assessment concluded that very few insurance companies use up-to-date technology, which leads to lower satisfaction rates and lower customer retention. Novus' portal will give consumers ease of benefits selection, premium payments, and binding of policies.

Value added: Wall Street institutional investment firms and the insurance industry complement each other with the integration of insurers and investment banks, who are both constituents to leverage capital market positions with the nation's largest insurance carriers, to take advantage of any revenue opportunity.

## Expand to Multiple Lines of Business

Currently Novus' management has developed multiple lines of healthcare services for mid-market consumers and institutions that are not insured or under insured with just over 220 providers online covering over 20,000 zip codes nationwide. Our current benefit packages cover, in addition to medical cannabis, physician visits, dental, Lasik, hearing, diabetic supplies and lab services.

Novus' portal was designed to attract, convert, optimize and retain customers, and deliver high consumer satisfaction with the right message to the right customer at the right time. According to Bain and Co., financial services and insurance research shows that each customer who is satisfied will bring 6.3 new customers per year on an average with a loyalty renewal rate of 97%.

## Medical Marijuana Competitive Assessment

In the current environment major insurers won't cover MMJ for at least the next 3 years, leaving Novus the market share of a national consumer base of close to 45 million consumers. The reason health insurers won't cover MMJ is:

a) MMJ is not approved by the FDA, and that approval depends on clinical studies conducted within the US that measure efficacy, safety, effectiveness and side effects, and;

b) Major carriers don't want to jeopardize their lucrative federal agreements with Medicare and Medicaid that can reach into the billions of dollars annually

Since over 60% of American approve of this alternative treatment it will be inevitable that the federal government will be initiating some form of legalization in the next 3 years.

## Medical Marijuana Health Revenue

Insurance is the staple of Novus' business model, mainly in risk oversight, our revenue is realized on a per member per month or "PMPM" basis, derived from an HMO term, which is based on the number of members being current on their premiums.

Novus offers cost-savings health plans for patients and businesses domestically and internationally, focused around, THC Plans that are sold in legal states and CBD Plans which are sold nationwide

Ultimately, as new state and federal determinations are made in the MMJ industry Novus intends to integrate this insurance infrastructure into its quality of care model, providing added value to the entire sector as a unified national brand. With this infrastructure we are expanding into an HMO component, once federal statutes approve MMJ on a national level. Then, whichever direction the MMJ industry regulatory protocol goes Novus will be there with the most important part, compliant integration of patients into their preference of treatment through our network.

**Why Diversification**

Novus acquired WCIG Insurance in late August of 2015 with the knowledge that the insurance industry plays a vital role in the economy of the United States. Novus' attraction to the insurance industry's $1.4 trillion market share with a global reach and the ability for us to sell our own annuities (described below) positions Novus to leverage funds and our net asset value to write our own polices.

U.S. based insurers are also significant participants in the global financial markets. As of year-end 2014, the Life Health and Property and Casualty sectors reported $7.3 trillion in total assets, roughly half the size of total assets held by insured depository institutions.

**Growth Opportunities in Emerging Insurance Markets**

Also alluring are emerging markets in Asia and Latin America, which present growth opportunities for U.S. insurers. Between 2000 and 2007, three-fourths of global insurance premium growth was generated in North America and Western Europe. Since 2007, the majority of global premium growth has shifted to Asia and Latin America. Similarly, the MMJ market growth will be over 7% per annum. The health insurance industry is expanding rapidly, internationally, the sector will grow from a revenue base of $1.2 trillion to $3.7 trillion by 2023

**Valuations of Insurance Companies**

Another frequently cited metric for publicly traded insurers (and other financial institutions) is price to book value, which compares the market value to the book value on the balance sheet of an institution.

Many off-shore investment firms are leaning towards insurance because of this metric and that valuations consistently trade higher than 15-20 times multiple, making the global insurance market a rapid expansion, particularly in emerging markets within Asia and Latin America.

By way of comparison, while total global premium volume grew by 90 percent from $2.4 trillion in 2001 to $4.6 trillion in 2011, U.S. premium volume only grew by 33 percent, from $904 billion to $1.2 trillion. Projections estimate by 2030 the U.S. market share will fall to seven percent globally, taking a distant third place behind India (23%) and China (18%), and there embeds future institutional investors and our market share as an emerging growth insurance entity.

**Management**

The Company has assembled an executive management team comprised of individuals with strong analytical skills in the equity markets, marketable cap structuring, healthcare controlled risk technology, finance and management experience in market consolidation and roll ups.

**Frank Labrozzi-CEO**
Mr. Labrozzi is a Wall Street veteran for the past 28 years. A results-oriented, analytical executive in mergers and acquisitions. Mr. Labrozzi has a diverse and investment firms with specialty of focus on:

- Mergers and Acquisitions
- Turnaround/ Reorg
- Corporate Start Ups
- Corporate Finance
- Public Offerings
- Strategic Planning

Mr. Labrozzi has consulted and negotiated contractual terms with many industry leaders with increased market capitalization, corporate cap structure and market assessment with over 100 private and public companies. His area of discipline is healthcare, insurance, accountable care and risk management.

**Andrea Lopez, Director**
Ms. Lopez’s fifteen-year tenure of global operational experience has included many

facets of compliance and roll out of the healthcare delivery processes. Specifically, creating and maintaining healthcare policies under the performance standards and scrutiny of Medicare, and Fortune 500 Companies. She is an active member of the Global Healthcare Anti-Fraud Network, the National Health Care Anti-Fraud Association, the European Healthcare Fraud & Corruption Network, and the Health Care Compliance Association.

As a member of the Board of Directors and President and CEO of Novus Medical Group, Inc. d/b/a Novus MedPlan, Ms. Lopez will develop medical plans putting Novus on the path of a Health Care Insurance program called the “MedPlan” program. The MedPlan program will seek to deliver a health insurance format to patients interested in using medical marijuana in the states where it is legal.

## Funding Initiatives

Currently the company seeks to get an institutional Letter of Credit, that will allow us to gain the market cap to underwrite policies, initially in California, then generate reciprocity throughout the country, gain dry powder and move on to international marketplace.

**Novus Acquisition & Development Corp**
**Profit and Loss Proforma**

| | | | | | |
|---|---|---|---|---|---|
| **Policy Reserve To Underwrite** | **$75,000,000** | **$132,437,500** | **$238,957,031** | **$373,930,176** | **$656,622,882** |
| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| **Revenues:** | | | | | |
| ***Insurance and Other:*** | | | | | |
| Insurance premiums Health | $18,750,000 | $33,109,375 | $59,739,258 | $93,482,544 | $164,155,721 |
| Insurance premiums P&C | $22,500,000 | $39,731,250 | $71,687,109 | $112,179,053 | $196,986,865 |
| Insurance premiums Life | $7,500,000 | $13,243,750 | $23,895,703 | $37,393,018 | $65,662,288 |
| Interest, dividend and other investment income | - | $500,000 | $750,000 | $1,000,000 | $1,500,000 |
| | | | | | |
| Gross Revenue | $48,750,000 | $86,584,375 | $156,072,070 | $244,054,614 | $428,304,873 |
| | | | | | |
| ***Finance and Financial Products:*** | | | | | |
| Specialty | $2,000,000 | 2,400,000 | 4,000,000 | $7,000,000 | 35,000,000 |
| Interest, dividend and other investment income | $1,000,000 | 1,000,000 | 1,000,000 | $1,000,000 | 2,000,000 |
| Investment gains/losses | - | - | - | | |
| | | | | | |
| Total Finance and Financial Products | $3,000,000 | 3,000,000 | 3,000,000 | $3,000,000 | - |
| | | | | | |
| **Gross Finance and Financial Products** | $6,000,000 | 6,400,000 | 8,000,000 | $11,000,000 | 37,000,000 |
| | | | | | |
| **Total of Revenue and Financial Products** | $54,750,000 | $92,984,375 | $164,072,070 | $255,054,614 | $465,304,873 |
| | | | | | |
| **Costs and expenses:** | | | | | |
| Insurance and Other: | | | | | |
| Insurance losses and loss adjustment expenses | $12,187,500 | $21,646,094 | $39,018,018 | $61,013,654 | $116,326,218 |
| Insurance underwriting expenses | $2,325,000 | $5,230,000 | $10,250,000 | $17,500,000 | $26,000,000 |
| Commission Paid | $9,750,000 | $17,316,875 | $39,018,018 | $48,810,923 | $85,660,975 |
| Interest expense SBLC | $4,000,000 | $4,000,000 | $4,000,000 | $4,000,000 | $120,000,000 |
| | | | | | |
| **Gross Expenses** | $28,262,500 | $48,192,969 | $92,286,035 | $131,324,576 | $347,987,193 |
| | | | | | |
| **EBITDA** | $26,487,500 | $44,791,406 | $71,786,035 | $123,730,038 | $117,317,680 |
| | | | | | |
| **Cash Reserves** | $26,487,500 | $47,791,406 | $74,786,035 | $131,324,576 | $117,317,680 |

*Note Proforma is blue lined whereas the Financial Statements are green lined*

Notes to Proforma

1. **Policy Reserve to Underwrite**: This is the maximum amount of insurance to write to stay compliant with most DOI's and the corresponding Department of Revenue based Net Asset Value of reserves.

2. **Revenue recognition:** Insurance premiums for prospective property/casualty, life and health insurance are earned over the loss exposure or coverage period in proportion to the level of protection provided. In most cases, premiums are recognized as revenues ratably over the term of the contract with unearned premiums computed on a monthly basis. For the purposes of this report it is computed on a yearly basis.

3. **Insurance Premiums Health**: This amount represents the amount of revenue that will be generated by underwriting Health Insurance. This represents the second highest profit margins in the industry; our projections are that Novus will underwrite 25% of total gross revenue of the Policy Reserve.

4. **Insurance Premiums P&C:** This amount represents the amount of revenue that will be generated by underwriting Property & Casualty Insurance. This represents the highest profit margins in the industry; our projections are that Novus will underwrite 30% of total gross revenue of the Policy Reserve.

5. **Insurance Premiums Life:** This amount represents the amount of revenue that will be generated by underwriting Life Insurance. This represents the fourth highest profit margins in the industry; our projections are that Novus will underwrite 10% of total gross revenue of the Policy Reserve.

6. **Interest and Dividends:** Represents management's ability to offer financial consulting to clients in mergers, acquisitions, health plan development and actuarial services.

7. **Specialty Insurance:** This represents necessary items not covered by your ordinary homeowners or automobile insurance. This can include but is not limited to flood coverage, identity theft insurance, data breach, mobile home coverage, motorcycle insurance, personal watercraft coverage, boat insurance, pet insurance, private mortgage insurance, travel insurance, title insurance or renters insurance.

8. **Interest Dividends:** Management is experienced traders and will purchase secure financial instruments to continue to increase our ability to secure funding so it can increase underwritings

9. **Insurance Losses:** The excess, if any, of the estimated ultimate liabilities for claims and claim settlement costs over the premiums earned with respect to retroactive property/casualty reinsurance contracts is recorded as a deferred charge at inception of the contract. Deferred charges are subsequently amortized using the interest method over the expected claim settlement periods. Changes to the estimated timing or amount of future loss payments produce changes in unamortized deferred charges. Changes in such estimates are applied retrospectively and are included in insurance losses and loss adjustment expenses in the period of the change. Losses and loss adjustment expenses, Liabilities for losses and loss adjustment expenses are established under property/casualty, life and health insurance issued by our insurance subsidiary WCIG for losses that have occurred as of the balance sheet date. The liabilities for losses and loss adjustment expenses are recorded at the estimated ultimate payment amounts, except that amounts arising from certain workers' compensation contracts are discounted. Estimated ultimate payment amounts are based upon (1) reports of losses from policyholders, (2) individual case estimates and (3) estimates of incurred but not reported losses.

10. **Interest Expense LETTER OF CREDIT:** LETTER OF CREDIT is paid off in year 5.

11. **Cash Reserves:** Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which insurance entity's banks have to hold as reserves either in cash or as deposits. CRR is set according to the guidelines of the State Insurance Commissions.

## Use of Proceeds:

To demonstrate how Novus will deploy the Use of Funds we will be giving the viewer a step-by-step assessment of what we will do with the funds and what the result of the fund will do the company's valuation and the ability to repay the funds at maturity.

The use of proceeds will cover business lines in Life, Property, Liability, Casualty and Health and the costs over ten different products within those lines. While the benchmarking covers both operational costs and sales and commission costs, this report is concerned exclusively with operational costs, marketing and product development.

The areas of,

- Product Development
- Marketing
- Sales Support
- Policy issuance
- Policy servicing
- Claims Management
- IT
- Facilities (Miami Los Angeles)

| **Expenditure** | **Cost Per Year** | **Percentage to** | |
|---|---|---|---|
| | | **Use of Proceeds** | |
| Health Line Development | $500,000 | 3.33% | **Funding** |
| Life Development | $150,000 | 1.00% | $15,000,000 |
| P&C Development (optional) | $500,000 | 3.33% | |
| | $300,000 | | **Leverage To Write** |
| | | | **Policies** |
| | | | **5 Times** |
| Marketing | $200,000 | 1.33% | |
| Sales Support | $250,000 | 1.67% | **Total Policies** |
| Policy Servicing | $150,000 | 1.00% | **Underwriting** |
| Claims Management | $150,000 | 1.00% | $75,000,000 |
| Facilities | $125,000 | 0.83% | |
| | $2,325,000 | 15.50% | |
| | | | |

*Notes to Use of Proceeds*

**Introduction**

The reader should note that the business complexity relating to brands, sales channels, product mix or customer-facing processes is an important driver of operating costs and limits insurers' ability to leverage economies of scale. One example is that Novus already has over 200 independent insurance agent applicants identified and pending, leading to high diverse priced contracts.

**Note 1: Admin/Operating Model.**

Many insurance operational models are consolidation of within one back-office function in the Miami office where the sales funnel will be in numerous locations. This eliminates difficulties managing workload as a result, experiencing both backlogs as well as underutilization, to mitigate a decline in customer satisfaction and deteriorating financial performance. This cost will cover:

- Sales Support
- Policy issuance
- Policy servicing
- Claims Management
- Postage Logistics
- Facilities (Miami, Los Angeles)

*Note: Offices will be in Miami where admin will be consolidated and Los Angeles where sales will be implemented*

**Note 2: IT Model:**

A fragmented legacy IT landscape is often a root cause for failing to leverage economies of scale, driving high IT costs as well as mushrooming operational costs. The IT Model facilitates efficiencies and new business opportunities, for example from improved pricing or underwriting techniques. Consolidating and modernizing the IT landscape simplifies operating processes, allows higher levels of automation, and significantly reduces the time to market for new products. We find that insurers with complex legacy systems tend to have both a high IT spend and low productivity, while players with streamlined IT manage to achieve high productivity with limited IT expenditure. There is no "one size fits all" solution – what optimization means will inevitably depend on the context, IT streamlining is directly correlated to cost reduction.

**Note 3: Officer/Management/Admin Model**:

Performance management is the key to an insurer's success. Performance management drives cost outcomes across all areas. From our operational standpoint one of the most striking findings is without management incentives there is a lack of rigorous performance in management. The result is that costs rise again after just a few years even after the implementation of cost reduction measures. Our management will be given a salary versus a draw based on the new business that is acquired, this way performance levels are easily attained through the income statement.

Having examined the cost challenges facing the industry and the greatest levers, what are the implications for CIOs and COOs? What are the imperatives for a sustainable and continual cost reduction effort?

Curb business complexity. We consistently find that reducing business complexity is a key lever for reducing costs.

## HOW THE COLLATERALIZATION WORKS

**Note 4 LETTER OF CREDIT FACE VALUE ASSESSMENT**

Below is a demonstration the Face Value of a Standby Letter of Credit:

| Face Value | Term | Rate | Maturity | Maturity | Total Due |
|---|---|---|---|---|---|
| Letter of Credit | In Months | Yield | Principal | Including Interest | Maturity |
| 100,000,000 | 60 | 4% | $100,000,000 | 20,000,000 | 120,000,000 |
| | | | | | |

**Note 5 Letter Of Credit Collateralization**

Zero-coupon bonds are issued by the U.S government or other financial institutions and are bought at a deep discount. It is the intention to purchase U.S treasury zero-coupon bonds because they offer the entire payment at maturity; zero-coupon bonds tend to fluctuate in the discount price much more than coupon bonds, making this a 100% guaranteed.

| Zero Coupon | Face Value | Time to | Maturity | Net P&I |
|---|---|---|---|---|
| Bond | | Maturity | Total | |
| 35% | $100,000,000 | 60 | $35,000,000 | $135,000,000 |
| | | | | |

## Note 6 LETTER OF CREDIT MONETIZATION ASSESSMENT

a) **Available Proceeds**: Once funding is procured, the funds from the Net Principal and Interest owed on LETTER OF CREDIT will be $20 million US Dollars. Conversely, the maturity of the Zero-Coupon Bond will be $35 million U.S. Dollars. Netting $15,000,000 for Novus to capitalize their business structure.

b) Novus' $15 million in operating capital to underwrite their insurance policies. See below for the use for the Use of Proceeds.

| Zero Coupon | Total Due LC | Available For | Excess Funds |
|---|---|---|---|
| Bond Maturity | at Maturity | Use of Proceeds | Per Year |
| $135,000,000 | 120,000,000 | $15,000,000 | $3,000,000 |
| | | | |

c) **STOCK PRICE VALUATION:** In addition, since Novus is a publicly traded company insurance entities trade higher, around 20 times multiple and the stock price is valued on a "Book Value" basis. By monetizing the Letter of Credit we can project the stock price at $2.73 per share giving the company a Market Capitalization of $300 million. During year 1.

| Stock Valuation | Shares Issued | Book Value | Multiple | Market |
|---|---|---|---|---|
| Book Value | | Per Share | 20 | Capitalization |
| $15,000,000 | 110,000,000 | $0.1364 | $2.73 | 300,000,000 |
| | | | | |

d) **Earnings From Insurance Underwriting Activities**: This will give Novus the ability to leverage underwriting activities to 5 times our net asset value which is estimated of up to $650 million in policies by year 5. Having 100% of funds tied up in policies is unrealistic, since we are a conservative company; the projections are based on a 50-65% placement of policies and the EBIDTA of 20% in net earnings in year five.

| Underwritten of | Actual Funds For | Net Proceeds |
|---|---|---|
| Policies (Gross) | Policy Underwriting | EBITDA |
| $650,000,000 | $420,000,000 | $117,000,000 |
| | | |

| Stock Valuation | Shares Issued | Earnings | Multiple | Market |
|---|---|---|---|---|
| Earnings | 25% Dilution | Per Share | 20 | Capitalization |
| | Factor | | | |
| $117,000,000 | 150,000,000 | $0. 78 | $15.60 | 2,300,000,000 |
| | | | | |

**Cap Structure**
Authorized 200 million
Insider Rest 70.1 million
Float 30.8 million
Total Issued 101.9 million

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**Safe Harbor Statement**
This submittal includes forward-looking statements, which are based on certain assumptions and reflects management's current expectations. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Some of these factors include: general global economic conditions; general industry and market conditions and growth rates; uncertainty as to whether our strategies and business plans will yield the expected benefits; increasing competition; availability and cost of capital; the ability to identify and develop and achieve commercial success; the level of expenditures necessary to maintain and improve the quality of services; changes in the economy; changes in laws and regulations, includes codes and standards, intellectual property rights, and tax matters; or other matters not anticipated; our ability to secure and maintain strategic relationships and distribution agreements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. It also brings to the attention of the reader that Novus or its subsidiaries will not be handling, sell or broker the sales of, receive funds from any marijuana or any illegal substances that the Federal government has not approved. Novus will as regulatory issues arise, modify its business model.