The A. B. Nicholas Securities-based Lending Facility

A Value Proposition

Version 4

ABNicholas

www.abnicholas.com

Summary

- A. B. Nicholas Securities Finance LLC offers a proprietary lending facility featuring icensed, public, U. S. major brokerage & bank executive advisors who have agreed to provide competitive interest rates and terms to our securities-owning clients. Our goal is to obtain the best credit line the market can offer for our clients, with the highest possible cash release rate, so that clients can avoid having to sell or liquidate their holdings in order to obtain cash from their investments.
- Our program is on average far quicker to fund vs SBA or hard money loans, with cash in hand possible in as little as half the time of these other options. The persosnal approach is featured.
- Our lending facility works with all stock, mutual fund, REIT, and bond portfolios as long as they are publicly trading securities and not part of an IRA. Good trading vol important. Price per share above $5. (Private stock is not accepted, must be trading)
- Company has been in business for over 15 yearswith no client complaints and a Better Business Bureau rating of A+ for 8 consecutritve years.

Summary (Continued)

- We call our lending facility Leverageline, and it can be used for a wide variety of business or personal purposes, franchise acquisition, franchise fees, master & area development costs (ineligible for SBA lending), commercial or private real estate, refinancing of existing loans, college tuition, working or startup capital, a down payment on a future SBA loan, or may be freely combined with SBA or conventional/ alternative such as equipment leasing (as long as the LeverageLine is obtained first.)
- Same day quotes for all eligible partners in the network are standard.
- Limitations: Our financing cannot be used to purchase more marginable securities per federal regulations. It can be freely used for any other purpose. Program is not a margin loan but a credit line or fixed rate asset loan (client 's choice.).

Summary (Continued)

- A. B. Nicholas has also developed a proprietary lending program for UPREIT (tax free unless converted and sold REIT stocks) clients, which we call REITLine.
- REITLine allows you to obtain a credit line against your tax-deferred UPREITS, normally impossible as they cannot trade freely until converted to taxable status..
- Only by converting the tax deferred UPREITS to full trading REITS does the law allow the portfolio to be used as leverage.
- But in doing so, clients who have large amounts of tax-deferred UPREITS will have to first convert those UPREITS into free-trading REITS first, thus triggering a taxable event.
- CONVERSION NOT REQUIRED with our A. B. Nicholas REITline.
- Clients thus may leverage their UPREIT portfolios fully. THere are some requirements, particularly size of position.

Problem 1

- Most clients of major brokerages assume that their only option is a standard margin loan from their existing stock brokerage or advisor. These margin loans, however, are capped at 50% LTV to minimize risk to banks/brokerages. IF you need more cash, a traditional margin loan cannot deliver it to you.

Why?

- The SEC Act of 1934 created a distinction between ”purpose credit” and “nonpurpose credit” stock loans to deal with market instability after the 1929 crash. A common margin loan was intended by bank regulators to be used to purchase more securities, not to fund anything else. The cap is set at 50% for this purpose by law.

Problem 2

- The typical stock brokerages, whether the account includes a “personal touch” from a dedicated advisor or the account is all online, charge high interest rates in order to allow you to borrow ½ of the value of your stocks to purchase more stocks. 7-8% is not uncommon in 2024.

Why?

- Most stock brokerages/banks will use your status as a ‘captive customer’ to slip in miscellaneous costs and charges, plus interest on money they lend you to buy more of the same stock – a major revenue generator. Online accounts just makes it easier to slip these costs in, sometimes unnoticed.

Problem 3

- Clients who have turned to SBA loans usually have all/most of their assets, including their stock portfolios, included as guarantee/collateral for their SBA business loans, placing their stock portfolios essentially off limits for any significant borrowing in most cases.

Why?

- By not using your portfolio first to obtain, for example, a LeverageLine from ABN <u>before</u> applying for your SBA loan, you are likely to be forced to include this asset for the purpose of obtaining the SBA loan you need and thereby foregoingf your LeverageLine. If your asset already has a credit line against it, the SBA will not typically include it as an asset for their purposes.* 7

Problem 4

- Those who feel that selling their stocks is the only solution to obtaining cash may do so of course, but will be removing themselves from any future growth. Portfolios/securities that have risen in value since purchased will potentially be subject to stiff capital gains taxes that often are very costly, particularly if one has invested well and their portfolio has risen in value.

Why?

- Capital gains tax rates have fluctuated over the years and have been affected by policies in Washington as new administrations arrive, but always are due to the IRS at the time you sell your stocks on the open market. Borrowing does not involve such capital gains taxes -- until and unless you sell them with gains in the future.

Problem 5

- No-alternative, automated margin calls that require you to immediately put up more cash or sell enough stocks to repay your margin loan, immediately, if your portfolio falls dramatically in value. These systems are 100%computerized; no human intervention.

Why?

- Since 1929, brokerages have been very strict in reducing their risk of loss to the absolutely minimum, and quickly. With the advent of online brokerages, this inflexible rule is typically automated to instantly force-sell some or all of your stocks. Human intervention -- unlike with A. B. Nicholas' lenders, is rare.

Problem 6

- Client owns stocks, but does not have sufficient other assets, or has some other factor that does not allow them to qualify for an SBA loan.

Why?

- The SBA, like banks and other lenders in the private sector, has been criticized since 2008 for lax lending policies that have resulted in loans not being repaid as agreed, like in the mortgage industry. Thus the SBA has often demanded more collateral, not less, to approve loans, and many owners of securities portfolios may not want to sell but still need the cash to buy their business.

Problem 6

- SBA and its lender can offer advice if asked, but are not incentivized or in some cases authorized, to provide strong customer service or other ancillary finance development services, like establishing standalone credit for your new business or franchise.

Why?

- The entire thrust of SBA lending has always been to get more new businesses off the ground and thereby give new entrepreneurs a chance to succeed by providing initial capital. But like FHA lending, all govt lending has been rocked by cost overruns, waste, high rates, and even fraud. Though some other services may be offered, they are not the main mission of the SBA.

Problem 7

- Agents brokering or interpreting loan offers, services, or other deal-specific information by inserting themselves between lender and client. A broker undertaking these duties but not properly registered may aslo be violating state law and confusing clients, which can create a liability.

Why?

- Costs to lenders increase and misunderstandings or miscommunication increase when one or more individual, licensed or otherwise, inserts themselves between the client and the actual lender. Only direct communication from the start between client and licensed lender - as at A. B. Nichoas - provides clients the assurance that they have the facts right.

Our Solution Overall

- Have each client's portfolio confidentially reviewed, in one sitting quickly, so as to derive the best interest and release rates (LTV) that the market can offer, to the extent of our abilities, for our clients.

- Do so entirely via cconfidential, onvenient online resources and the careful selection of advisors/executives at these institutions to ensure no other fees beyond low, standard interest are required for our clients; and that they are ready to offer no-frills lending as this is most commonly their primary goal.

Our Three GOALS

- ✓Get clients the lowest interest rates possible through multiple quotes if possible.
- ✓Enable clients to leverage their stock portfolios to the <u>maximum,</u> if they so desire
- ✓Get the most cash resources for client business investment even with SBA loan applications.

And...

- ✓ **Recruit only top advisors with solid FINRA backgrounds from top institutions.**
- ✓ **Charge nothing if a client does not accept the offer our ABN network has generated.**
- ✓ **Ensure that clients from the start are conversing DIRECTLY with their licensed lender, not anyone else**
- ✓ **Monitor the transaction to completion and satisfaction of every client.**

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