

The Restricted Loan

Restricted Stock Loan Program

Stock Loan Overview

Shareholders wishing to access the liquidity of their publicly traded securities traditionally have two options: Bank Loans or Broker Loans. If the borrower uses their securities as collateral, the only option is a Margin Loan.

Executives now have a way to access the liquidity of their Restricted Securities.

Margin loans involve the creditworthiness of the individual, subject shareholders to Fed calls, require full recourse and margin maintenance, and limit LTV (Loan-To-Value) to 50% of the asset value.

Access to liquidity is especially problematic for corporate ex-

ecutives because they are limited to selling shares in a manner that is highly constrained by the SEC.

Furthermore, when sales occur, so does a tax consequence. These two variables often make it nearly impossible to enjoy any near-term benefits from one's compensation package.

Publicly-traded entities are similarly limited in their financing options. The few options that have previously been available to a public company are undesirable, and may ultimately lead it to a financial demise.

In light of the trade-offs and downsides to these loans, it is understandable that a majority of executive and retail shareholders, as well as many publicly traded companies, have been looking for other means of compliant financ-

ing. Many of them have set their sights on what has come to be known as the "Stock Lending Industry."

Certain Stock loans can pro-

The Restricted Loan program is fully Compliant

vide an individual with LTV's greater than 50%, require no maintenance, enforce no Fed Calls, and do not rely on anyone's creditworthiness.

The most captivating factor of this service is that such loans can be Non-Recourse, meaning that borrowers can walk away from their obligations without any personal liability.)

This Restricted Is Based On Your Securities

"The Restricted Loan Program is designed to offer shareholders the ability to meet their financial objectives with less risk and exposure, while adhering to regulatory compliance."

We offer a compliant and ethical financing program, (for both affiliates and non-affiliates), that is collateralized by your securities, allowing you to access the liquidity of your shares without the transfer of ownership, and within a Non-Recourse type of environment.

Restricted Loan transactions allow shareholders to keep their stock

entirely in their own names, without personal credit checks or similar reviews. The assets pledged are the collateral for the loan, without any further collateral guarantees necessary. Corporations also have the ability to use their Treasury or Registered Securities as collateral for the stock loan which can be used for debt restructuring, expansion, etc.

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Benefits At A Glance:

- Immediate access to liquidity
- Shares remain in your name, in your account
- Full SEC, FRB, and U.C.C. Compliance
- Completely private transaction
- Maintain dividends and voting rights
- Avoid or defer taxable events
- Limited or No liability
- No personal or credit reviews necessary
- Excellent hedge in event of a market decline
- Excellent LTV's and interest rates

Benefits of the Stock Loan

Access to Liquidity

Generally, restricted stock cannot be margined or receive financing based on its own merit. Due to Rule 144, even selling restricted stock is not an easy option.

However, with this loan, any Affiliate or Non-Affiliate holding restricted shares on an approved exchange now has the ability to legitimately leverage restricted securities in bona-fide Non-Recourse type transactions.

Stock Remains In Your Name

Most stock lenders require that you transfer ownership of your collateral or possibly place your stock into escrow. Although escrow is presumably safer than the full transfer of ownership, in both cases the borrower has relinquished control of their assets to another party.

With this Loan, the securities are fully protected based on the fact that the shares remain in the borrower's name, within their own accounts. In addition, there is a nationally recognized custodian (such as Merrill Lynch), who has been approved by the lender and shall oversee the entire transaction, from the delivery of the term sheet to the end of the loan term.

SEC, FRB, and UCC Compliant

With many stock loans, securities rules are often violated in some form, and where

Affiliates are concerned, if restrictive legends are lifted and the ownership of the shares are transferred, these are absolute violations of the law. This restricted loan is fully compliant with SEC, UCC, and FRB bodies of law primarily because there is absolutely no transfer of ownership.

Maintain Control of Voting Rights

Most stock lenders force the shareholder to relinquish all actual voting rights, by requiring a proxy vote to be granted to the lender. With this loan the shareholder retains the actual voting rights simply due to the fact that the stock is never transferred from their possession.

Maintain Dividend Income

Most stock lenders require that dividends shall be used to pay down the interest or principal on their loan. The lender allows a shareholder to not only keep their dividends, but make their own decisions on how they'd like to utilize them.

Completely Private Transaction

Loans are generally private transactions. However when an Affiliate is involved, the transaction only remains private as long as the Affiliate does not transfer their shares out of their names. With this loan the shares are maintained in the name of the borrower and within the borrower's own account

the transaction remains totally private (even when an Affiliate is involved).

Limited or No Liability

This loan provides for Non-Recourse and Limited-Recourse transactions based on both the status of the shareholder and the program methodology that is chosen.

Avoid or Defer Taxes

Money received from a loan is not considered income, and therefore does not cause a tax consequence (unless in the event of default).

Hedge Against Market Downturns

One of the general principles of all stock loans is that it serves as a perfect hedge against potential market downturns, particularly if the loan is non-recourse.

Use of Proceeds

The borrower is free to use the loan proceeds in any fashion or transaction legally allowable.

No Margin Call or Maintenance

The loan is not subjected to any margin requirements.

Excellent LTV's

LTV's can place as high as 80% on restricted securities and 90% on Free trading shares.

Low Interest Rates

The Restricted Program offers rates starting as low as 4%. (Other fees and costs may apply)

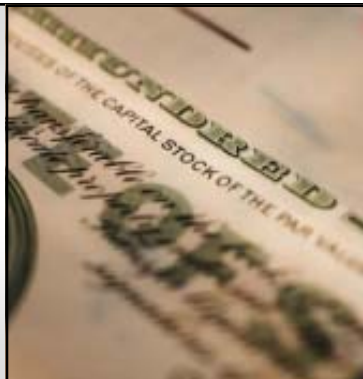


Restricted Stock Lending Criteria

Securities must trade on the NYSE, AMEX, or NASDAQ Exchanges.

The Share Price must reflect a dollar amount of \$2.00 or greater, (stocks priced less than \$2.00 will be considered on a case-by-case basis).

The Gross Asset Value must equate to \$1,250,000 or the Net Loan Value must reflect approximately \$1,000,000.



Issuing company must reflect a minimum market cap of \$250MM

If the stock is Restricted, it must have been held for at least six months.

Freshly cut new issues may be considered under specific circumstances.

Free-Trading shareholders & aged Non-Affiliates receive Non-Recourse loans, whereas Affiliate & Restricted Non-Affiliates receive

Frequently Asked Questions

Who is the lender?

Our lending partner is consulting and management company specializing in private lending consulting services. Our management of this program is but one product that has allowed them to dominate private lending by primarily providing product and service solutions to lenders, borrowers and agents alike as it pertains to loans against restricted securities. This lender has offices in California and New York with a large number of agents located nationwide.

Do you provide references?

No. All of our transactions are private, and we do not divulge our client's identities or the details of their loans to unrelated parties. Should the reader engage in a stock loan with us, they may be assured that we will afford them the same protection.

Can a similar loan be provided by a Bank or Broker/Dealer?

Traditional bank financing or broker loans are heavily regulated and cannot offer the higher LTV's that you may want. These institutions generally will not finance Restricted Securities based on their own merit, and unfortunately include Full Recourse Liability for the borrower. The Loan focuses on this Restricted Stock Loan, featuring the highest possible LTV's, on NonRecourse.

Why not just get a margin loan?

Margin loans have a maximum 50% LTV, are full recourse, require the borrowers personal credit and finance history, and are subject to margin calls and maintenance requirements. Typically, broker dealers will not margin against Restricted Securities.

Is there a minimum or maximum amount I can borrow?

The minimum loan amount is \$1,000,000 on an asset value of at least \$1,250,000. There is no maximum loan amount. LTV's may range up to 80% for restricted securities and 90% for free trading securities. It is possible for two or more borrowers of the same issue to combine assets less than \$1,250,000 to total the \$1,000,000 loan minimum.

Does it matter whether my shares are restricted, or freely trading?

The restricted loan program was specifically designed to accommodate Affiliates holding Restricted Securities. However, Free Trading shares may be used as well.

Is my personal credit a consideration with a stock loan?

No. This type of transaction generally does not require this information. However, this parameter can vary depending on the lender using the platform. Overall, the risk analysis for any Stock Loan is based solely on the value and performance of the stock asset. Should you choose the Non-Recourse feature and later voluntarily default on the loan, the company nor lenders using the loan report that fact to any financial reporting agency, including D&B, the credit bureaus, or Hoovers.



Are there restrictions on the proceeds?

The proceeds cannot be used to purchase securities on a margin basis. Otherwise, the client is totally free to use the proceeds without restriction.

Can I prepay the loan?

Yes the loan can be pre-paid with the specific terms of pre-payment being determined at the inception of the loan.

Is there a pre-payment penalty?

In some programs, no. Generally, there are pre-payment penalties, however these fees are reasonable and scalable.

What are the closing costs and fees?

The fees associated with closing include funding, origination and holding & inactivity fees.

Closing costs vary based on the structure of the specific transaction. A few of the factors to be considered are stock price, market cap, beta, trading history, number of shares, and exposure.

How do you make money?

We earn money on interest, options that the borrower may exercise on the loan, licensing fees and the proprietary use of other associated debt and investment vehicles.

What interest rate should I expect?

Stock Loan rates are fixed and will vary between 4% and Prime+3, based on the loan structure.

What are my options at the end of the loan term?

The Borrower may pay off the loan, request an extension, or refinance.

Do you short or sell the stock?

No. The shares are held at a brokerage account in your name, (not in Street name). The shares are completely untouchable, and cannot be traded, sold, shorted, pledged, or hypothecated. The shares never leave your sight!

Do you use any "offshore" vehicles?

No. The entire transaction is handled domestically.

What if my shares drop significantly in value?

Should the shares decline past a predetermined point (the default trigger), the shares may be required to be sold to pay off the loan.

What if the shares increase significantly? Can I sell the shares and pay off the loan?

Depending on the type of loan and your shareholder status, True Loan™ provides options that allow for the sale of the securities at predetermined periods.

Is this really a private transaction?

Yes. Because there is no need to lift any restrictive legends and there is no transfer of ownership, no filings are required.

How long does it take to close a transaction?

From start to finish, the process takes about 15 business days, minimum.

History of the restricted stock loan

To meet the demand of shareholders seeking liquidity from their shares without selling, private lending companies began lending on free trading and restricted securities in the early nineties with some degree of success.

However as the industry grew, problems began to arise, as some lending firms began to use hedging strategies that were risky, and often would result in the inability for a borrower to reclaim their shares once the loan had been paid off.

Another problem that developed was that these loan programs caused many suits and began to come under scrutiny by the IRS or SEC, resulting in governmental litigation and a lot of unclear opinions as to what constituted a loan, what constituted a sell, and how one should be able to borrow against their restricted securities.

Because of these problems, the stock lending industry began to lose its luster and the search was on to create a better loan product that could give borrowers what they required, yet at the same time meet and exceed every regulatory and compliance hurdle that faced the borrower, lender and agents alike.

In October of 2006, a new loan program emerged that would change the face of the industry and solve every problem that lenders, borrowers, and agents had faced in the past. Creating this new loan product wasn't an easy task...

Four years in development, this new loan product has been now supported by a number of contributions from SEC, FRB and U.C.C. specialty attorneys, IRS and tax consultants, investment advisors, and even a former assistant deputy director of the SEC's New York Enforcement Branch.

Aptly named for its performance by its creator, Ajene Watson, this new loan product is the only bona fide fully domestic stock loan program available by private lenders that can be obtained against restricted shares in a Non-Recourse type environment and still allow the shares to remain in the borrowers name, and all parties remain in full compliance with Federal Reserve Board (FRB), Uniform Commercial Code (U.C.C.), and most importantly, SEC regulations.

Corporations can now leverage their Registered and Treasury Securities to obtain financing and liquidity without using precious bank lines or public disclosures.

This Stock Loan platform is flexible enough to meet the needs of all borrowers, both individual and corporate using either Freely Trading or Restricted Securities.

The Stock Loan Process Step-by-Step

1. Data Collection

Once you have become familiar with the various aspects of the True Loan™ program, we will ask you to provide some basic information in order to generate the terms for your loan. Your decisions regarding the specific loan characteristics that work best for your situation, will affect the loan terms.



2. Term Sheet

Upon receiving the required information, we will prepare and deliver a Term Sheet (Good Faith Estimate) to you. The Term Sheet is valid for three business days.

3. Compliance Check

When you sign (execute), the term sheet, you are required to open a "cost free" account with our Stock Loan approved broker, who will serve as Custodian. By opening this account and meeting the requirements, all of the required compliance checks and due diligence regarding your financial eligibility are automatically performed.

4. Contract

You will receive loan agreements within 72 hours of your account being funded. At that point the Loan Closing may occur at your convenience, similar to the process of closing a mortgage.

5. Funding Your Account

You will be required to move the assets to be pledged as collateral, into your newly created account. This account is in your name, and at no time during this process will you lose control or possession of your pledged securities. (Note: This step can be performed prior to or during Step 5 to expedite funding.)

**For more information,
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