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# Global Stock Lending

Winter 2011

[Global Stock Lending Direct LLC](#) allows you to use your publicly traded stock as collateral for a low-interest, non-recourse loan without the risk of a margin call.

## Tax Court Ruling Impacts Stock Lending

Two tax court decisions in the second half of 2010 directly impact the stock lending business going forward. In [IRS v. Calloway](#) the court decided that Calloway had sold his stock at the time he took out a 90% non-recourse stock loan with Derivium. In [IRS v. Anschutz](#) the court decided that combining a pre-paid forward contract with a stock lending agreement constituted a sale for tax purposes.

I have put copies of both rulings as well as a [summary of the issues that I saw published in Investment News](#) on our web site for those who wish to do more research directly.

As a result of the tax rulings we have changed the way we market, sell and hedge our stock loan program. The highlights include:

- Collateral is held long as long as the loan is not in default
- The loan can be paid off at any time
- Dividends will be paid out to clients directly
- We will continue to offer high loan to value ratios up to 70%
- As always, there are no margin calls
- Interest rates will vary based on the prime rate and currently are at 5% to 9% APR depending on the volatility of the underlying collateral
- Interest payments are due monthly

We have always felt our loan structure would pass any test applied by the IRS and remain so. Our program is different from the Derivium program as we have put our own equity capital at risk on every loan plus followed a stock specific hedging strategy. However, given the tax court ruling, we are making changes to stay in line with the IRS and improve the features offered on our loan program.

It should be noted that we are a private asset based lending firm and do not provide any investment, legal or tax advice.

Our **value proposition** remains the same; Through our customized loan products and with a passion for service, we allow you to use your volatile liquid assets as collateral for illiquid investments at a great LTV and competitive interest rates.

## First Month Is On US

We were pleased with the response to our holiday special of a free

From the Founder



Optimism, Regulation, Change and Growth; that is the theme for the winter newsletter

### Optimism

Things are getting better in the world. It feels to me like we are slowly climbing out of a really big cave but indeed it does appear that the financial crisis is behind us for now. I see this locally when I talk to my friends, employees, vendors. I hear this when talking with our customers and prospects; and it makes me feel good.

### Regulation

Well technically this is the result of recent rulings from the US Tax Court. Two cases last year impact the stock lending business (see the article to the left) and we want our customers and prospects to know we are changing to meet the new requirements.

### Change

We are simplifying our product and making it more flexible going forward. This includes the ability to pre-pay the loan at any time and no caps on upside stock

month of interest so we are going to continue the effort through the first quarter of 2011. The market is up, the economy seems to be rebounding and we see entrepreneurs willing to take risks again. We want to do our part to keep this going. So if you are thinking about using the purchasing power of your stocks to make other investments, there is no better time than now.

appreciation or dividend payments.

#### Growth

With the changes we have made to the product in 2011 along with our access to cash for lending purposes we are prepared and excited about the opportunities we see going forward

## Freedom Stock Loan

Industry leading, customized loan program to create liquidity from your stocks today without having to sell the stock or hold the risk of a margin call



### Loan features

- Use the proceeds for anything you want
- High loan to value ratio (up to 70%)
- Low interest rates from 6%
- No margin calls
- Non-recourse other than to the collateral
- Loan terms of 2 or 3 years with renewal options
- No credit reporting
- Retain future capital appreciation
- Fast closing with NO closing costs
- Pre-payment is allowed at any time
- No selling or shorting of collateral as long as loan is not in default
- Dedicated sales and service team

[Click here to view our loan brochure](#)

### Roel Hoekstra

[www.globalstocklending.com](http://www.globalstocklending.com)

215.858.8659 or [Roel@globalstocklending.com](mailto:Roel@globalstocklending.com)

Philadelphia, PA

Boca Raton, FL

[Forward email](#)



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Global stock Lending Direct LLC | PO Box 332 | Essington | PA | 19103