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Company Lends Against Securities

By Rebecca Patrick

Have investments, but in need of hard cash? Even better, like the option of being able to get back that investment or an equivalent at the end of the loan term? That's what Indianapolis-based Equities First Holdings LLC (EFH) offers its clientele.

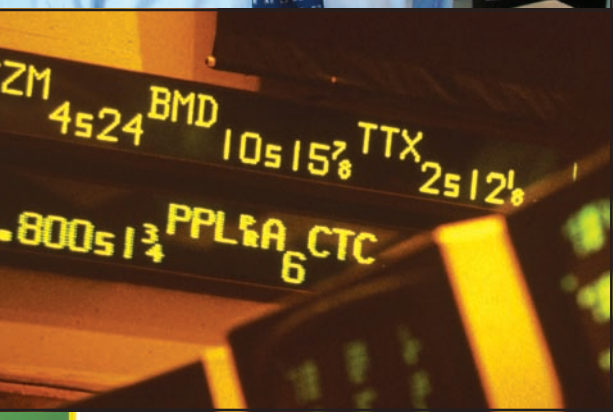
A company or individual can work with EFH to turn stocks, bonds or U.S. Treasuries into real money within five to seven business days.

EFH is the only firm in the state that lends money against securities, and according to founder and president Al Christy, Jr., nobody in the country runs a full-service operation exactly like it.

"Our lending process is quite simple. The potential borrower shows us a statement, and then we give them an offer on the asset (based on evaluation of it and future performance expectations). That offer is in written form called a term sheet, and if they like that, we go to a contract (handled by the Ice Miller law firm). And from there, we go to closing," Christy explains.

"The borrower uses the money as they wish at a low cost – between 3% and 5% fixed interest. Payments are made quarterly, and we manage the payment from beginning to maturity," he adds.

Al Christy and Equities First Holdings allows borrowers to get back their stock shares and all the benefits of ownership once the principal is paid.



How the borrower uses the proceeds runs the gamut.

"An individual wants to pay off a mortgage – or buy a home or a boat. A private equity company wants to get debt relief. A publicly traded company needs liquidity to offset its risk or to buy another company. There are a wide variety of uses," Christy describes.

At the end of the standard lending term of three years, the borrower has several options. One is to refinance for a longer term (up to 10 years) with a new interest rate based on payment schedule and history. If the stock(s) or other securities have gone up, EFH can offer more liquidity or money against that to the borrower. The original, or similar, investment in whole can also be returned to the customer after the principal is paid back.

Borrower Benefits

Regardless of the performance of the securities, the borrower is covered. For example, if the price of a stock has gone up from the strike (deal) price, then the borrower still gets back all shares. Conversely, "if the current price is less than the strike price, the borrower can walk away from the loan," Christy notes.

"A lot of goodwill is spread because of our practices and efficiencies; we get a lot of repeat business."

Customers come from across the country and throughout the world, including places such as Australia, Dubai and England.

Christy says "very sophisticated software allows us to do anywhere between 8,000 and 10,000 loans a year," thereby seamlessly handling the recent surge of new and returning customers. As traditional lending has become more complicated this year, EFH has seen its business increase 10 to 1, Christy estimates.

"That goes to the idea of people wanting to get their liquidity today versus tomorrow. The behavior of our end-user is that they are afraid it (the value) might go away. They want to get their cash now, but they also like the idea that this market is going to rebound, which it will. We provide that option," Christy maintains.

He points out that what also separates EFH from other lenders is that "we are heavy cash basis. Other entities use leverage; that's what creates a lot of risk. When I built this company, I based it very much on being risk averse, whereas cash is king."

INFORMATION LINK

Resource: Al Christy, Jr., Equities First Holdings, at www.equitiesfirst.com