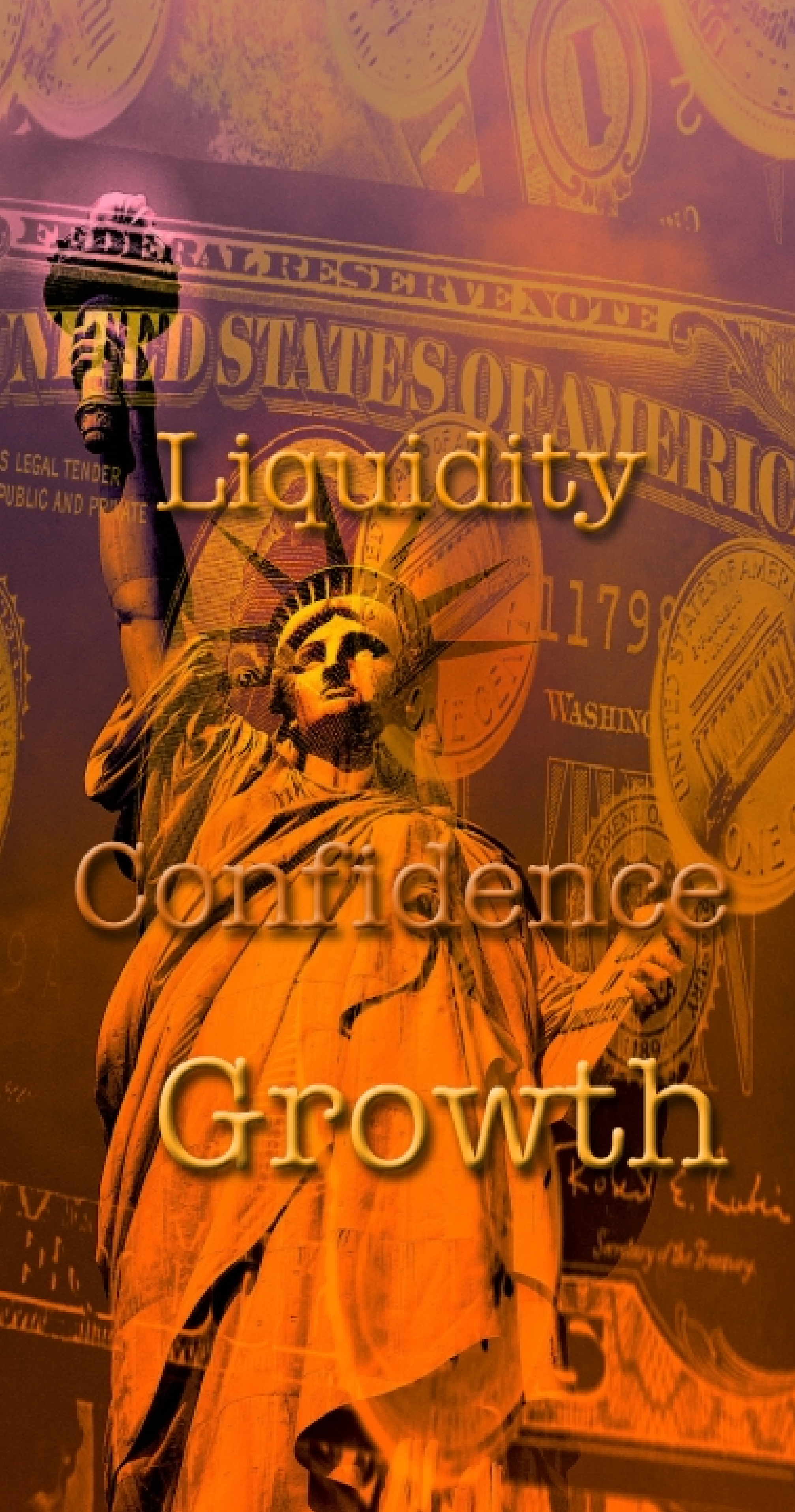

Exchange Notes™

The Power to Attract and Retain High Net Worth Clients

As financial markets move to reclaim investor confidence and profitability, investment managers continue to seek new strategies to attract, engage and retain high net worth clients. Opportunely, many high net worth individuals desire a viable solution to reduce risk, diversify holdings and derive liquidity from highly concentrated stock portfolios. Successful entrepreneurs and venture capitalists often face the challenge of transferring wealth from restrictive publicly traded 144 securities, and many of these investors would benefit from an affordable investment vehicle that delivers substantial liquidity without initiating capital gains.

Currently, to meet the investment needs of clients in concentrated market positions, four alternatives exist:

Alternative 1: The client can sell a percentage of his or her securities and diversify, but low-cost-basis stock may present serious tax liability. Additionally, the client may find it disadvantageous to sell, or may be restricted from selling, his or her holding in the company.

Alternative 2: The client can borrow a percentage, but would incur interest cost at LIBOR plus 2.00 basis points or more and additional market risk.

Alternative 3: The client can collar and monetize his or her position which minimizes risk but may reduce upside potential on the stock.

Alternative 4: The client can deposit the securities into an exchange fund for improved diversification, but restrictions exist and liquidity has not been established.

Exchange Notes™

A New Alternative

Exchange Notes is an innovative investment strategy alternative for high net worth clients whose wealth is largely concentrated in security holdings.
Exchange Notes is designed to provide investors with tax-deferred liquidity while the underwriting investment management firm achieves market outperformance and the retention and growth of high net worth clients.

The Exchange Notes Solution

A Case Example*

Sarah has a $10 million 144 control position in XYZ Corporation.

Sarah contracts for Exchange Notes to receive tax-deferred liquidity.

She deposits her securities into an exchange fund.

Underwriter accepts an assignment of up to 65% of the current market value and extends interest-free credit to Sarah.

Underwriter/investor receives market performance, plus 100 basis points with a principal guarantee at maturity in eight years.

Underwriter packages multiple loans and sells as Exchange Notes.**

Sarah is obligated to repay loan if performance is not up to par.

Exchange Note investor receives no less than initial contribution plus 100 basis points at maturity.

Profitability Overview		Distribution of Fees	
Initial Cost (one-time fees)			
Set-up fee	200 b.p. of loan amount	Underwriter	100 b.p.
		Creator	100 b.p.
Warrant fee	10 cents per share transaction fee	Underwriter	10 cents per share warrant fee
Annual Fees			
Exchange loan fee	200 b.p.	Underwriter	50 b.p.
		Exchange Note investor	100 b.p.
		Exchange fund	25 b.p.
		Creator	25 b.p.

**The case example used is a hypothetical scenario of the Exchange Notes vehicle and is intended for illustrative purposes only.*
***Based on the maturity of the underlying exchange fund.*

The Innovation to Restore Confidence

In a time of relatively low M&A activity, Exchange Notes creates the incentive for investors to act. The development of such a confidence-restoring vehicle is likely to result in the adoption of Exchange Notes as a standard strategy when peak market activity is restored. The underwriting firm will be seen as an innovator in new product development and as a beacon to Wall Street for reclaiming investor confidence.

The Power to Retain High Net Worth Clients

Studies indicate that investment management firms are as much as 60 percent more likely to retain a client to whom they have lent money. Exchange Notes' unique promise of low-cost, daily liquidity can enable firms to attract high net worth clients and subsequently benefit from a guaranteed eight-year relationship at a time when the potential for significant reinvestment and portfolio growth exists.

Key Benefits

Clients	Brokers	Underwriting Firm	Exchange Note Investors
Low-cost liquidity	New, innovative tool to attract HNW	Recurring revenue source	Low-risk, high return potential
Tax-deferred diversification	Guaranteed eight-year relationship with HNW	Low-risk, high return potential	Will receive no less than initial contribution plus 100 basis points at maturity
Market outperformance potential	High reinvestment potential	Deliver consistent performance to investors	Restoration of confidence
Expert money management	Attractive commission schedule	Be seen as a product development innovator	

Exchange Notes, LLC
4130 Wake Forest Rd, Suite 300
Raleigh, North Carolina 27609

Tel: 919.815.0102

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