

# SAGE HILL

Advisory & Management

## **Plan Design, Financial Independence Analysis, Investment Implementation & Management**

### **Our Commitment to You**

Long before we begin the process of quantifying and analyzing data in an effort to optimize your lifestyle goals, we spend a lot of time listening. We understand that our role is to help you create the life you want, and therefore, our first responsibility to you is to have a clear understanding of your goals. Believing that strong and lasting client relationships are built on trust, we do our best to place ourselves in your shoes; only then can we effectively serve you. We will always offer independent and unbiased advice; and will deliver on our commitments.

### **Our Approach**

We serve as friend and counselor to our clients and their families, well past the traditional relationship that you may have had with other financial advisors. Our advice is not based purely on the numbers. Your goals, family values, financial philosophy, family relationships, and traditions are all integral and vital elements towards making sure your financial and social capital is used to create the life you want to have. When an opportunity comes your way or a dilemma is placed in front of you, we are here to guide and help you make the best decision.

### **Plan Design**

Sage Hill guides families to take advantage of the full range of opportunities that arise from realizing, protecting, growing and transferring wealth.

- Multi-generational estate planning
- Business family succession and capitalization
- Family wealth governance
- Philanthropic plan design and management
- Investment portfolio management
- Income tax planning and management
- Financial risk management
- Insurance

Sage Hill has sourced the best-in-class software, planning tools, and strategic alliances to ensure that we can bring our clients a range of solutions and expert advice. We have chosen these resources and partners for their ability to help us design unique and customized solutions for each client.

The Sage Hill client family experience is a thorough, thoughtful, individualized, comprehensive process. Our client relationships emphasize a communicative experience whereby our clients truly understand the strategic and tactical picture, gain awareness of their financial independence and understand how it will be maintained; while a manageable family philosophy is set in place with appropriate governance for future generations to benefit from.

Our relationship with you is focused on getting it done and is based upon the value provided for you and your family in an objectively delivered manner.

### **Financial Independence Analysis**

We make it a priority to understand your cash flow requirements through the remainder of your lifetime, we analyze your income tax situation, and we make sure we understand your tolerance for risk. Acknowledging your objectives may go beyond your own needs, we also identify your objectives as they relate to financial support of family members or charitable organizations.

Through this process we quantify (please see attached summary) and earmark assets to provide you with ample income to meet your current and future lifestyle goals as well as funds needed for special purposes like new business ventures, grandchildren's college education or the purchase of a secondary residence. The completion of our analysis of your lifestyle goals allows us to thoughtfully craft and manage your portfolio.

### **Stewardship of Your Assets**

To be entrusted with the management of a client's investments is a great privilege and a great responsibility. We seek to honor your commitment to us by providing the service, stability, and performance that our clients both expect and deserve. In every aspect of our operations - from the money management firms we hire for our client portfolios, to the strategic relationships that we build, to the people in our organization - our focus is on quality, dependability, and integrity.

### **Investment Management Services**

Hiring someone to help you manage your money is a difficult decision. As an investor you receive mixed messages from financial outlets, and marketing hype which focuses solely on past performance. Our approach is different; we focus on you first and then the investments.

### **Investment Management Process**

Our analytical work is centered around your goals. We will identify assets that fit within your risk comfort zone and combine them in order to minimize risk and maximize potential return. Our arm's length access to a multitude of financial intermediaries and managers enables us to apply the best fit from a performance, risk, and discipline approach to each element of the portfolio. The performance of your portfolio will be carefully monitored and reported to you in a way that is clearly understandable. Our commitment is to keep you informed and to maintain an open dialogue about your priorities so that we can make adjustments as warranted due to changes in your circumstances. As your Chief Investment Officer we will proactively adjust your portfolio due to market conditions or in the event a sector manager fails to deliver expected performance.

## **A Strategy for Success**

A successful investment strategy requires that you understand where you are going and if you are on track. At Sage Hill we define a return objective for your composite portfolio that reflects your personal objectives. Although we hold individual investment managers to the standard of beating their respective benchmarks such as the S&P 500 or Russell 2000, when it comes to a client's total portfolio our benchmark is much more strategic. The benchmark we hold ourselves up to most often is preserving our client's financial independence and making sure they are able to honor the commitments to their family...thus our emphasis is on proper portfolio design to meet real world objectives more so than tactical focus on beating market indices.

## **Risk Reduction**

To achieve financial success clients must be able to stick with their investment program even through the difficult markets that come along periodically. At such times, emotions can undermine a client's efforts to reach their financial goals. For that reason we pay special attention to how portfolios perform in poor market environments. Declines in portfolios can't be avoided entirely. However, we can design portfolios that limit losses relative to the markets in general. This helps clients weather the storm and ultimately reach their long-term investment goals.

Outlined below is an example of the potential return characteristics of a portfolio utilizing some of the investment techniques we have deployed for our clients. It should not be assumed that any projected returns incorporated herein are guaranteed or that past performance is in any way a prediction of future results. The information provided is for illustrative purposes only and should not be construed as providing a specific recommendation in any particular investment vehicle. The indices used, while thought to be representative of a specific sector, are not guaranteed to achieve similar future results.

For a real world example we invite you to contact us for a complimentary consultation and review of your portfolio so that we can demonstrate how our investment approach lowers potential risk and focuses your investments on your objectives.

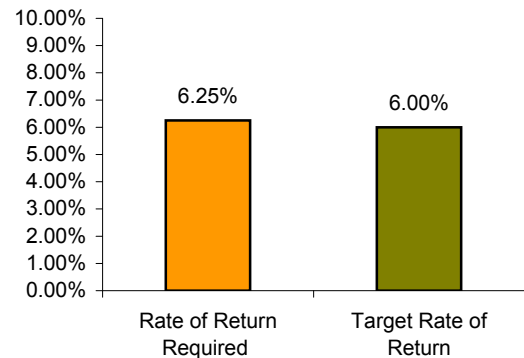
# Objective: Lifetime Income for Sample Client

| Objectives                 | Market Value |
|----------------------------|--------------|
| Annual Income after taxes: | \$400,000.00 |
| Inflation Rate:            | 3%           |
| Continue Income until Age: | 100          |

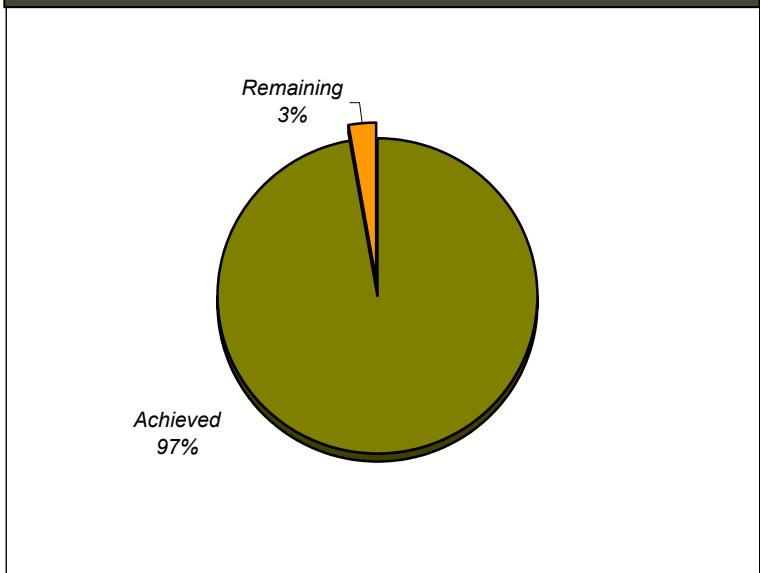
| Time Horizon Data                       |    |
|---|----|
| Current Age:                            | 59 |
| Retirement Age:                         | 62 |
| Time Horizon to meet objective (Years): | 3  |

| Target Growth Rate Data |              |
|-------------------------|--------------|
| Target Rate of Return:  | 6.00%        |
| Assumed Flat tax rate:  | 26.07%       |
| Target Asset Value:     | \$10,290,355 |
| Current Market Value:   | \$10,000,000 |

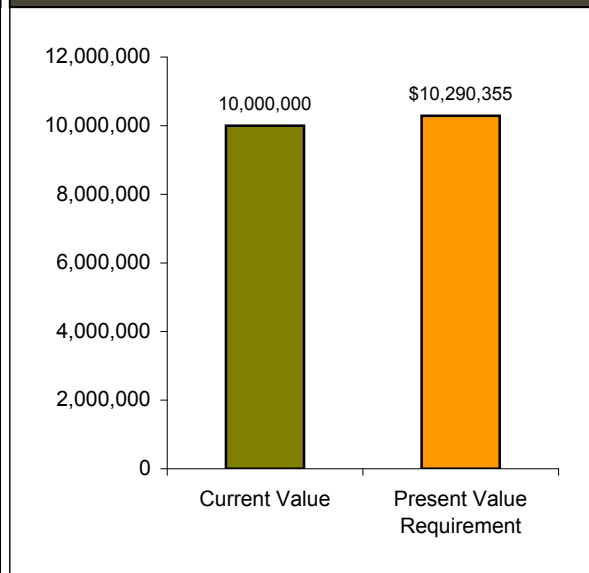
## Rate of Return Required vs. Target Rate of Return



## Percentage of Objective Accomplished vs. Percentage of Objective Remaining



## Current Market Value vs. Present Value Requirement



| Payment Requirements      | Value     | Objective Status                           |
|---------------------------|-----------|--|
| Monthly Payment Required: | \$10,752  | <h1>Asset Deficit</h1> <h2>-\$290,355</h2> |
| Annual Payment Required:  | \$132,853 |  |

| Objective Funding Data    |                               |                     |
|---------------------------|-------------------------------|---------------------|
| Description               | Source                        | Market Value        |
| Retirement Funds          | 401k, Deferred Comp           | \$3,500,000         |
| Personal Financial Assets | Municipal Bonds, Stocks, etc. | \$6,500,000         |
| <b>TOTAL</b>              |                               | <b>\$10,000,000</b> |

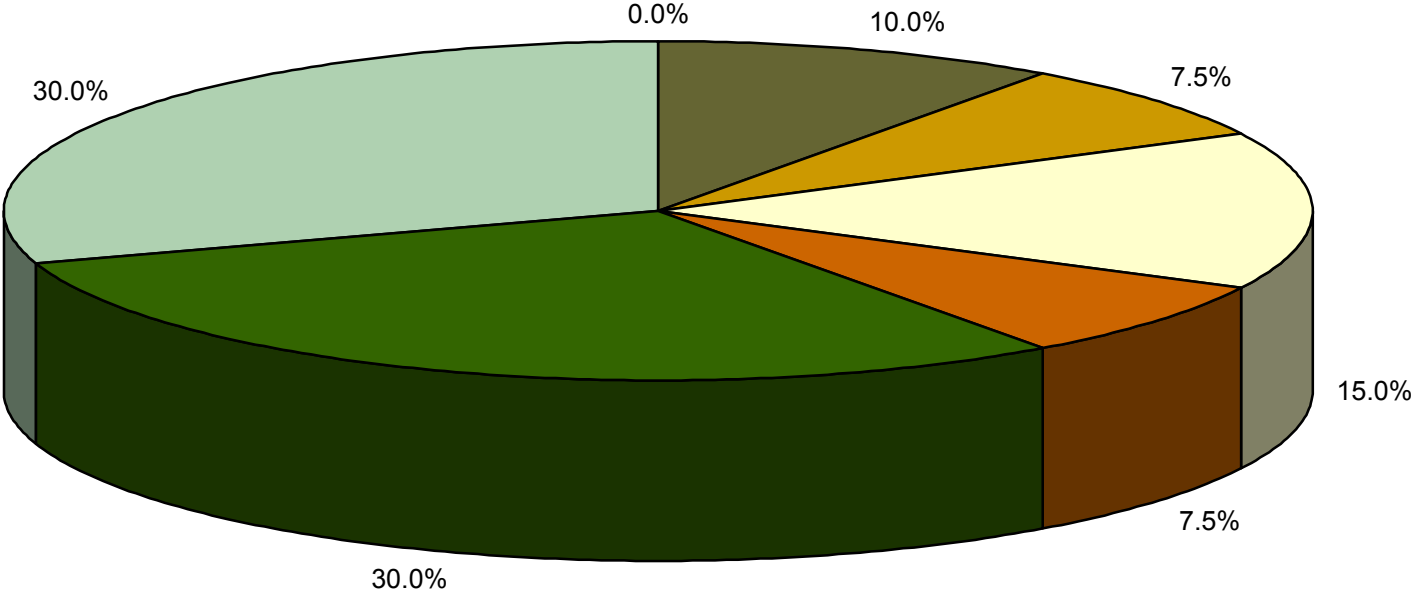
# Portfolio Allocation Proposal

|   | <b>Anticipated Return of Strategy</b>   |   |   |
|---|---|---|---|
| <b>Anticipated Return of Strategy assuming Index return of:</b> | <b>Current Portfolio</b>  | <b>Conservative Portfolio</b>   | <b>Moderate Portfolio</b>   |
| -50%  | -28.7%  | -13.9%  | -19.1%  |
| -45%  | -25.7%  | -12.3%  | -17.0%  |
| -40%  | -22.7%  | -10.6%  | -14.9%  |
| -35%  | -19.7%  | -9.0%   | -12.7%  |
| -30%  | -16.7%  | -7.4%   | -10.6%  |
| -25%  | -13.7%  | -5.7%   | -8.5%   |
| -20%  | -10.7%  | -4.1%   | -6.4%   |
| -15%  | -7.7%   | -2.5%   | -4.3%   |
| -10%  | -4.7%   | -0.8%   | -2.2%   |
| -5%   | -1.7%   | 0.8%  | 0.0%  |
| 0%  | 1.3%  | 2.5%  | 2.1%  |
| 5%  | 4.3%  | 5.9%  | 6.6%  |
| 10%   | 7.3%  | 8.2%  | 9.3%  |
| 15%   | 10.3%   | 10.7%   | 12.2%   |
| 20%   | 13.3%   | 13.3%   | 15.0%   |
| 25%   | 16.3%   | 15.8%   | 17.9%   |
| 30%   | 19.3%   | 18.3%   | 20.8%   |
| 35%   | 22.3%   | 20.8%   | 23.6%   |
| 40%   | 25.3%   | 23.3%   | 26.5%   |
| 45%   | 28.3%   | 25.8%   | 29.3%   |
| 50%   | 31.3%   | 28.3%   | 32.2%   |
| <b>Risk Characteristics of Strategy:</b>                        |   |   |   |
| Liquidity   | \$1M Cash, Majority of securities provide daily liquidity, \$1M deferred comp will be paid in ten annual installments | Cash reduced to \$500k, \$500k tied up for 4 yrs, \$1Mk tied up for 2.5 yrs, \$1.5M subject to surrender charges for 10 yrs | Cash reduced to \$1M, \$1M tied up for 4 yrs, \$1Mk tied up for 2.5 yrs, \$1.5M subject to surrender charges for 10 yrs |
| Market Risk   | 60% of portfolio is subject to Equities Market Risk, Heavy concentration (30% of equities) in two Common Stocks       | 46% of portfolio is subject to Equities Market Risk, 10% has no downside risk, 15% protected by income guarantees           | 53% of portfolio is subject to Equities Market Risk, 10% has no downside risk, 15% protected by income guarantees       |
| Credit Risk   | Diversified Municipal and stock holdings, Hevy concentration in two stocks  | \$1M to Investment Bank 1, \$500k to Investment Bank 2, \$500k to Investment Bank 3, \$1.5M to Insurance Co.                | \$1M to Investment Bank 1, \$1M to Investment Bank 2, \$1M to Investment Bank 3, \$1.5M to Insurance Co.                |
| Index Risk  | Short-term interest rates, Intermediate Municipal Bond Market, US Stocks, International Stocks                        | \$1M to S&P100, \$400k to EAFE, \$400k to Russell 2000, \$200k Commodity  | \$1M to S&P100, \$800k to EAFE, \$800k to Russell 2000, \$400k Commodity  |

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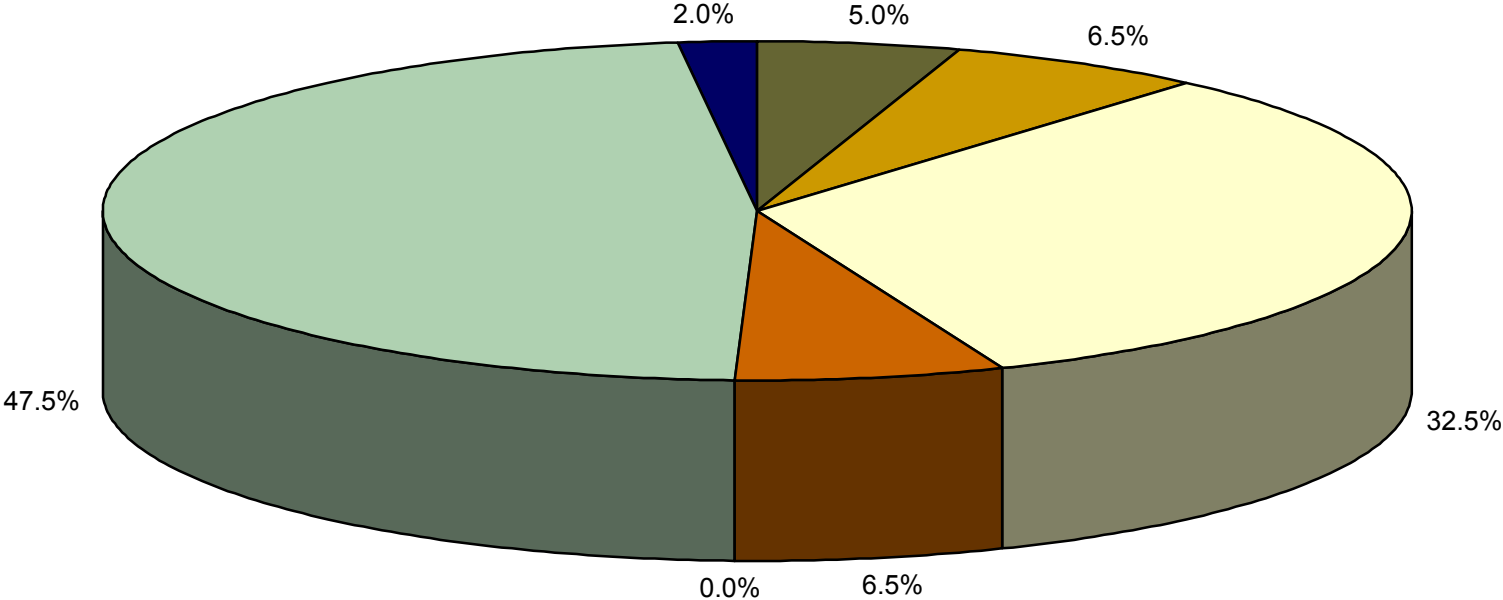
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# Current Portfolio 5/31/10



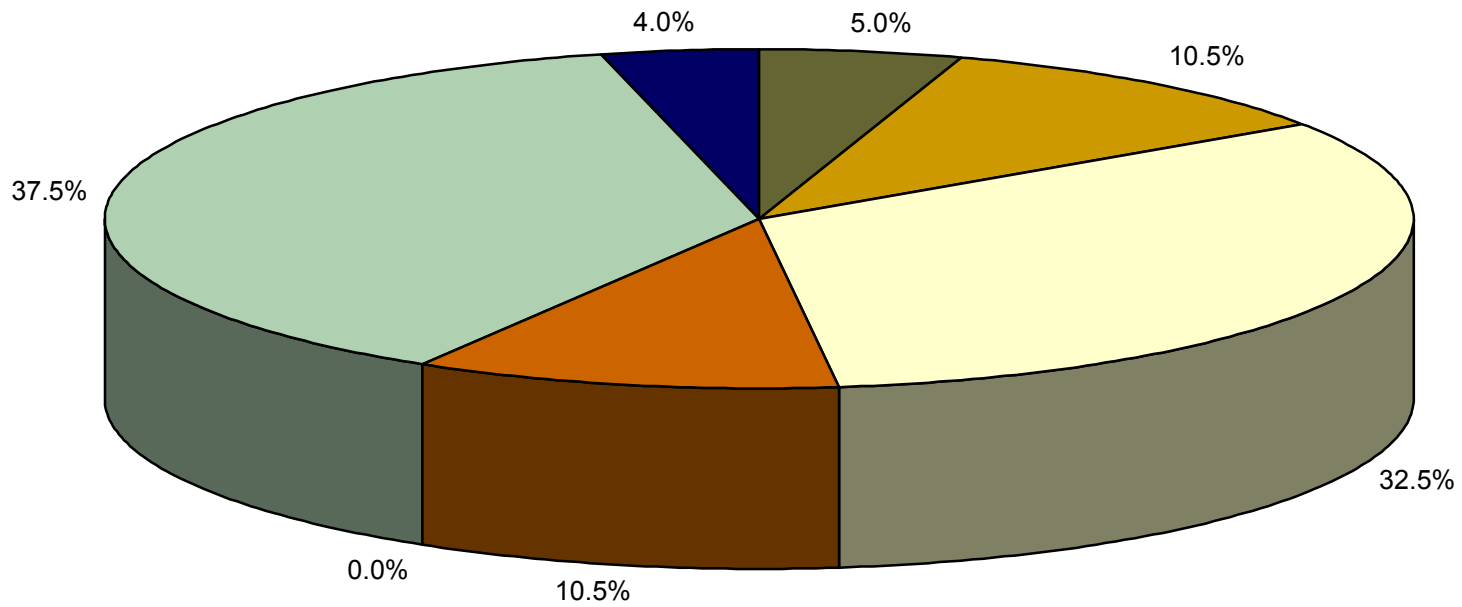
■ Cash & Equivalents ■ Small Cap Equity □ Large Cap Equity ■ International Equity ■ Individual Stocks ■ Fixed Income ■ Commodity

# Proposed Portfolio Conservative 5/31/10



■ Cash & Equivalents ■ Small Cap Equity □ Large Cap Equity ■ International Equity ■ Individual Stocks ■ Fixed Income ■ Commodity

# Proposed Portfolio Moderate 5/31/10



■ Cash & Equivalents ■ Small Cap Equity □ Large Cap Equity ■ International Equity ■ Individual Stocks ■ Fixed Income ■ Commodity

# Allocation Proposal by Account

| Values as of 12/31/09   | ALLOCATION<br>Current | CONSERVATIVE<br>Proposed | MODERATE<br>Proposed |
|-------------------------|-----------------------|--------------------------|----------------------|
| <b>Large Cap Equity</b> | 4,500,000 45.0%       | 3,250,000 32.5%          | 3,250,000 32.5%      |
| Common Stock 1          | 2,000,000             | 0                        | 0                    |
| Common Stock 2          | 1,000,000             | 0                        | 0                    |
| Managed Account 1       | 1,000,000             | 750,000                  | 750,000              |
| Mutual Fund 1           | 500,000               | 250,000                  | 250,000              |
| SH Strategic Portfolio1 | 0                     | 750,000                  | 750,000              |
| Structured Note 1       | 0                     | 1,000,000                | 1,000,000            |
| ETF's                   | 0                     | 500,000                  | 500,000              |
| <b>Small Cap Equity</b> | 750,000 7.5%          | 650,000 6.5%             | 1,050,000 10.5%      |
| Managed Account 2       | 500,000               | 250,000                  | 250,000              |
| Mutual Fund 2           | 250,000               | 0                        | 0                    |
| Structured Note 2       | 0                     | 400,000                  | 800,000              |
| <b>International</b>    | 750,000 7.5%          | 650,000 6.5%             | 1,050,000 10.5%      |
| Managed Account 3       | 500,000               | 250,000                  | 250,000              |
| Mutual Fund 3           | 250,000               | 0                        | 0                    |
| Structured Note 3       | 0                     | 400,000                  | 800,000              |
| <b>Fixed Income</b>     | 3,000,000 30.0%       | 4,750,000 47.5%          | 3,750,000 37.5%      |
| Municipal Bonds         | 2,000,000             | 3,000,000                | 2,000,000            |
| Deferred Comp           | 1,000,000             | 1,000,000                | 1,000,000            |
| SH Strategic Portfolio1 | 0                     | 750,000                  | 750,000              |
| <b>Commodity</b>        | 0 0.0%                | 200,000 2.0%             | 400,000 4.0%         |
| Structured Note 4       | 0                     | 200,000                  | 400,000              |
| <b>Cash</b>             | 1,000,000 10.0%       | 500,000 5.0%             | 500,000 5.0%         |
| <b>Total</b>            | 10,000,000 100%       | 10,000,000 100%          | 10,000,000 100%      |