

# SAGE

Capital Management LLC

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# Sage Capital Management - Team\*

- **Lawrence Busch** - CFA, MBA (New York Office)  
– President - Director of Investment Research and Operations
  
- **Howard Gottlieb** (New York Office)  
– Managing Director – Portfolio Management
  
- **Ronald Deutsch** - CFA, MBA (New York Office)  
– Managing Director - Portfolio Management and Alternative Investments
  
- **Geoffrey Kurinsky** - MBA (Boston Area Office)  
– Director – Portfolio Management and Alternative Investments

\* See appendix for biographies

# Sage Capital Management - Profile

- Established in 1999, Sage is an SEC **Registered Investment Advisor (RIA)** with approximately \$450 million of client assets for which we provide wealth management and financial planning services.
- Our 4 partners have an average of 20+ years of wealth management and financial planning experience, 25+ years of fixed income management experience and 15+ years with alternative investments.
- Two of our partners are Chartered Financial Analysts (CFAs).
- We provide **independent** investment advice. Unlike brokerage firms, we service our clients as a **fiduciary\*** and put their interests first.
- As an RIA we are compensated on a **fee only basis**. Unlike a broker-dealer we are not allowed to accept fees or commissions for the sale of any financial products.
- **Our philosophy is to minimize bear market risk while maintaining upside potential.**

\*See page 16 of this presentation for explanation of the difference between an RIA and a Broker Dealer.

## Client Benefits of Sage Relationships

- Each client is assigned a team that consists of no less than **two principals** of the firm.
- In addition to investment management, Sage will work with your existing professional relationships in a coordinated fashion. In addition, Sage has a network of highly qualified professionals in the areas of tax, insurance and estate planning.
- Through our relationships, we have access to **top tier** institutional products from the biggest Wall Street firms. We then research and screen all options to find the best ones for our client's needs.
- Sage has access to over **1,500** top ranked money managers and private investment funds.
- **RIA** status enables us to get "**load fees**" **waived** on load funds (unlike full service brokerage firms). We have access to over **30,000** mutual funds.
- **Sage has access to multiple Wall Street bond desks** and institutional bond dealers which eliminates commissions normally incurred with broker dealers.

# The Sage New Client Process

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1. Introductory meeting about client's investment management and financial planning needs.
2. Prepare comprehensive analysis of client's current financial situation and tolerance for investment risk.
3. Sage investment professionals present financial plan and explain it thoroughly.
4. Implement the agreed upon financial plan.
5. Plan coordinated with specialists as needed (i.e. insurance, tax and estate professionals).
6. Monitor the plan and provide client with timely reports and periodic meetings.

# Cash Flow Analysis: The Starting Point

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- Integrate client's financial data including income, expenses, assets and liabilities using Sage's proprietary software to produce long term projection of cash flow.
- Identify the investment plan that achieves desired financial objectives.
- See page that follows for sample cash flow analysis.



# Cash Flow Detail (1 of 1,000 Simulations)

	% Tax	Balances	Jan '07	2008	2009	2010	2015	2020	2025
John's Age			56	57	58	59	64	69	74
Jane's Age			56	57	58	59	64	69	74
Sources of Cash									
John's Wages (Attorney)	100%		1,000,000	1,035,000	1,071,225	1,108,718			
John's Wages (Judge)	100%						150,000	150,000	150,000
Jane's Wages	100%		229,167	268,750	288,506	310,574	445,869		
Rental Income	100%		22,917	25,875	26,781	27,718	32,920	36,069	46,437
Social Security	100%						26,336	31,279	37,150
Social Security	100%						19,752	23,459	27,862
(3a) IRA Distribution (John)	100%								
(3b) IRA Distribution (Jane)	100%								
<b>Total Sources</b>			<b>1,252,089</b>	<b>1,329,625</b>	<b>1,386,912</b>	<b>1,447,010</b>	<b>674,878</b>	<b>243,837</b>	<b>261,449</b>
Uses of Cash									
Living Expenses (+3.0%)*									
Mortgage (NYC)	80%		120,000	120,000	120,000	120,000	120,000	120,000	120,000
Mortgage (LI)	80%		90,000	90,000	90,000	90,000	90,000	90,000	90,000
Taxes (NYC)	100%		25,000	25,875	26,781	27,718	32,920	36,069	46,437
Taxes (LI)	100%		15,000	15,525	16,068	16,631	19,752	23,459	27,862
NYC Maintenance			120,000	124,200	128,547	133,046	158,017	187,675	222,869
LI Maintenance			60,000	62,100	64,274	66,523	79,009	98,887	111,449
Children Support			100,000	103,500	107,123	110,872			
Vacations			50,000	51,750	53,561	55,436	65,840	78,198	92,874
Charity	100%		50,000	51,750	53,561	55,436	65,840	78,198	92,874
Insurance			25,000	25,000	25,000	25,000	25,000	25,000	25,000
Personal			75,000	77,625	80,342	83,154	98,761	117,297	139,312
Entertainment			50,000	51,750	53,561	55,436	65,840	78,198	92,874
IRA Savings									
(3a) John P/S	100%		40,000	40,000	40,000	40,000			
(3b) Jane 403(b)	100%		15,000	15,000	15,000	15,000	15,000		
Taxes									
Federal Income (@35%)			328,679	362,122	406,368	358,479	130,678		22,833
State Income (@10%)			93,908	112,310	119,859	112,423	37,337		12,082
<b>Total Uses</b>			<b>1,257,588</b>	<b>1,348,506</b>	<b>1,400,074</b>	<b>1,400,153</b>	<b>1,003,994</b>	<b>590,960</b>	<b>1,096,497</b>

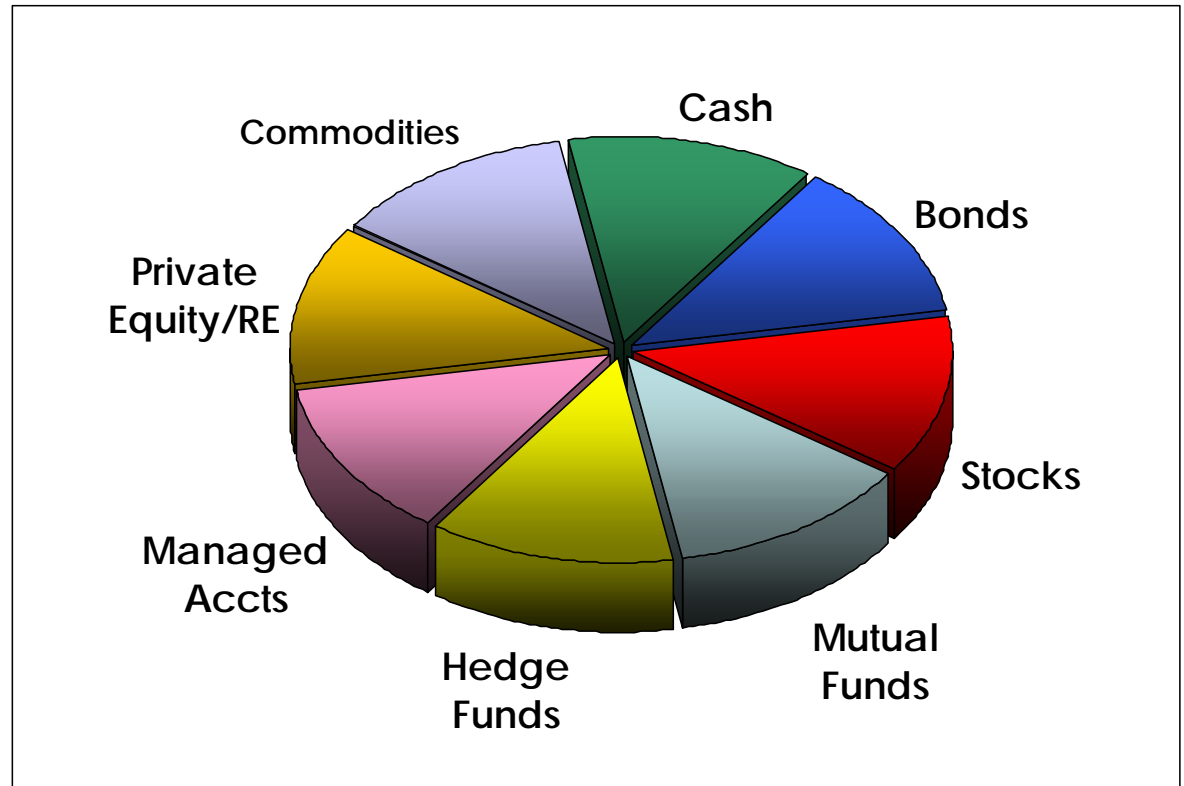
# Cash Flow Detail (1 of 1,000 Simulations)

	% Tax	Balances	Jan '07	2008	2009	2010	2015	2020	2025
John's Age			56	57	58	59	64	69	74
Jane's Age			56	57	58	59	64	69	74
Net Cash Surplus/(Deficit)			-5,504	-61,367	-29,115	-44,889	-329,116	-687,123	-636,747
Investment Balances									
(1) non-IRA Accounts			4,500,000	5,418,530	6,063,834	7,089,244	7,433,719	4,717,973	2,463,210
Contribution/(Distribution)**			-5,504	-61,367	-29,115	-44,889	-329,116	-687,123	-636,747
Ending Balance		4,500,000	5,418,530	6,063,834	7,089,244	7,711,216	6,677,385	4,573,431	1,784,190
(3a) IRA Accounts (John)			1,000,000	1,409,294	1,756,660	2,321,872	3,631,159	3,202,431	3,000,496
Contribution/(Distribution)			40,000	40,000	40,000	40,000			-229,216
Ending Balance		1,000,000	1,409,294	1,756,660	2,321,872	2,668,273	3,063,702	3,898,159	2,534,752
(3b) IRA Accounts (Jane)			250,000	359,099	411,862	474,999	647,001	628,236	534,044
Contribution/(Distribution)			15,000	15,000	15,000	15,000	15,000		-36,192
Ending Balance		250,000	359,099	411,862	474,999	517,954	616,750	681,864	479,650
<b>Total Investments</b>		<b>5,750,000</b>	<b>7,186,923</b>	<b>8,232,356</b>	<b>9,880,115</b>	<b>10,927,443</b>	<b>10,357,837</b>	<b>9,153,454</b>	<b>4,758,632</b>
Return on Investment (1)	xMIC	Year --->	Jan '07	2008	2009	2010	2015	2020	2025
% Equity Allocation (1)	6.63%		22.63%	13.19%	17.37%	9.56%	-6.01%	13.46%	-2.31%
	50%		50%	50%	50%	50%	50%	50%	50%
Return on Investment (3)	7.75%		39.30%	21.21%	29.29%	14.24%	-15.63%	21.73%	-8.53%
% Equity Allocation (3)	100%		100%	100%	100%	100%	100%	100%	100%

# Asset Allocation: The Next Step

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- Develop a long term target asset allocation mix by determining client's risk tolerance, time horizon and investment goals.
- Balance current needs with longer term objectives.



## Investment Selection: Equities

- Use of ETFs, closed-end funds, institutional money managers and no-load mutual funds enable us to create low cost, flexible and diversified equity portfolios.
  - Sage has access to over 1,500 top tier Money Managers through our institutional contacts.
  - All institutional managers pre-screened by Sage professionals.
  - Access to over 30,000 mutual funds with no sales charges or wrap fees.



# Investment Selection: Fixed Income

- Utilize Wholesale Network of Bond Dealers
  - Access to new bond issues and competitive secondary offerings from institutional dealers.
  - Wholesale prices passed on to client (no retail markups).
  - Member of electronic bond trading platform used by institutional dealers.
- Custom designed portfolios for clients.
- Use of ETFs, closed-end funds, institutional money managers and no-load mutual funds enable us to create low cost, flexible and diversified fixed income portfolios.

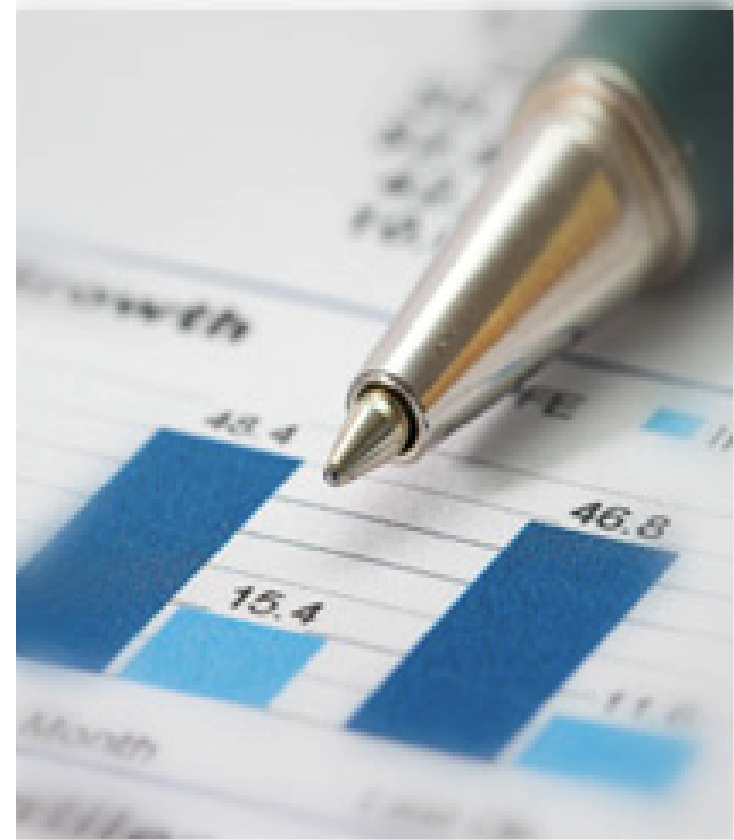
## Investment Selection: Alternatives

- Sage independently assesses the universe of hedge funds and other non-traditional investment products.
- Sage then provides qualified clients with access to top tier products identified by our research (some of which are currently closed to new investment).
- Sage Implements combination of traditional and non-traditional investments with the goal of providing superior returns and protection in bear markets.

# Performance Reporting

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- Overview of investment portfolio
- Total return calculation
- Comparison of returns to market indices
- Monitor deviation from investment plan
- Analysis of portfolio diversification
- Customized to Client



# Sample Client Performance Report

## Account Summary

	As of 09/31/09	
Reserve (Sweep) Acct	\$ 170,000	9%
ABC Fixed Income Mgt	760,000	40%
Conservative Equity Advisors	360,000	19%
Aggressive Equity Advisors	220,000	12%
Small Stock Specialists	210,000	11%
Global Investment Mgt.	175,000	9%
	<u>\$ 1,895,000</u>	100%
YTD 2009 Portfolio Return	3.78%	
YTD 2009 Benchmark Return	2.67%	

## Asset Allocation

	As of 09/31/09	
Cash & Equivalents	\$ 170,000	9%
Domestic Fixed Income (Municipal)	500,000	26%
Domestic Fixed Income (Corporate)	100,000	5%
Convertible Bonds	160,000	8%
U.S. Large Co. Stocks	580,000	31%
U.S. Small Co. Stocks	210,000	11%
International Stocks	175,000	9%
	<u>\$ 1,895,000</u>	100%

## Portfolio Statistics (red = historically higher risk sectors)

### Investment Gain by Source

Balance 12/31/02	\$ 1,825,000
Deposits	200,000
Withdrawals	(120,000)
Interest	150,000
Dividends	50,000
Capital Growth	420,000
	<u>\$ 1,895,000</u>
Balance 09/31/09	\$ 1,895,000

### Fixed Income Summary

	Short	Interm	Long	
	15%	60%	5%	AAA+
		15%	5%	BBB
				>BBB
Duration			5.2 yrs	
Avg. Credit			AA	
Current Yield			7.40%	

## Equity Sector Comparison

	Portfolio	S&P 500
Utilities	1.5	1.8
Energy	3.6	5.9
Financials	13.3	13.0
Indrl Cyclical	15.6	11.0
Cons Durables	4.9	1.9
Cons Staples	7.2	4.9
Services	8.4	13.6
Retail	9.3	6.0
Health	6.8	8.7
Technology	29.4	33.2
Total	100.0	100.0

## Equity Style Summary

	Value	Blend	Growth	
	20%	25%	15%	Large
	3%	15%	7%	Mid
	10%		5%	Small
		Portfolio	S&P 500	
P/E		32.4	37.1	
P/B		8.7	10.5	

# Credentials

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## **Lawrence C. Busch, CFA, President – Director of Investment Research & Operations.**

Larry is the founder and President of Sage Capital Management LLC. Previously, Larry was Director of Investment Research at Clarfeld & Company, P.C., a boutique personal financial planning firm servicing high net worth individuals. Prior to that, he was Manager of Investment Counseling for Ernst & Young LLP's national personal financial planning practice. Larry received a BS in Accounting from Brooklyn College and an MBA in Finance from New York University. He is a Chartered Financial Analyst and a member of the Association for Investment Management and Research and the New York Society of Securities Analysts. He is a contributing author of articles for several financial publications and has appeared on CNN. (212-584-4111; Lbusch@sageny.com)

## **Howard Gottlieb, Managing Director – Portfolio Manager.**

Howard is the Managing Director of Client Services at Sage Capital Management LLC. He has over 28 years of financial services experience specializing in strategic planning, marketing and client services. He joined us after managing his own financial services consulting agency. Previously, he held executive positions with Prudential Insurance Company, Burrell/DFA Advertising, Scudder Stevens & Clark and Citicorp. At Scudder, Howard assisted the AARP association in developing an investment program for their members. Howard received his B.A. from Brooklyn College. (212-584-4112; Hgottlieb@sageny.com)

## **Ronald Deutsch, CFA, Managing Director – Portfolio Manager.**

Ron is a Managing Director at Sage Capital Management LLC. He has over 25 years of financial services experience, specializing in fixed income and portfolio analysis. He worked in taxable fixed income trading and sales for Kidder Peabody from 1985-1990 and Prudential Securities from 1990-1992. He was a Senior Managing Director with Bear Stearns from 1992-2000 in the taxable fixed income department, specializing in credit products. Ron subsequently joined BNP Paribas where he formed a team to originate a corporate bond trading, research and sales unit. Ron received his BS in Accounting from Binghamton University in 1979 and an MBA from Northwestern University in 1981. He is a Chartered Financial Analyst and a member of the Association for Investment Management and Research as well as the New York Society for Securities Analysts. (212-584-4113; Rdeutsch@sageny.com)

## Credentials (cont'd)

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### **Geoffrey Kurinsky, Director – Portfolio Manager**

Geoff has over 30 years of experience in various investment, financial management and accounting roles. Since 2002 he has provided investment research services and been an independent investor, with a focus on fixed income, real estate, and alternative investment strategies. From 1990 to 2002, Geoff was a Senior Vice President and Portfolio Manager at MFS Investment Management. He was the lead portfolio manager and team leader for the MFS Bonds Fund, the firm's flagship fixed income offering. His earlier assignments at MFS included managing the portfolio of the MFS Government Securities Trust (1987 to 1990) and the MFS Limited Maturity Fund from its inception (1993 to 2001). From 1985 to 1987, Geoff worked for Thompson Financial as a bond market analyst. From 1977 to 1985 he was employed by the former Digital Equipment Corporation (now Hewlett-Packard Co.) in various financial roles, including Manager of Short-Term Investments. He was previously a CPA at Touche Ross & Co. Geoff holds a Bachelor of Business Administration in Accounting from the University of Massachusetts in Amherst, and an MBA in Management from Boston University. He is a member of the Board of Directors of the Greater Boston Food Bank. (339-225-0965; Gkurinsky@sageny.com)

## Definition of Fiduciary\*

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Investment Advisor (Sage) vs. Non-Fiduciary Advisor (brokerage firm)

**Investment advisors** are registered with and regulated by the Securities and Exchange Commission (SEC) and **are required** to be **fiduciaries** – that is, to act in their client’s best financial interest while brokers (Merrill, UBS, et al) have no such obligation. **SEC rule 202** requires **brokers** to let clients know that they **are not fiduciaries**.

“[broker dealers] have a legal right--and a strong incentive--to push [investments] with the bigger commission.” (SmartMoney 2007, pg. 89)

Independent registered investment advisors typically charge a fee based on a percentage of total assets managed. The fee structure does not give your advisor (**Sage**) an incentive to recommend one product over another so you can feel confident that your advisor is making recommendations based on what’s best for your situation.

\*See enclosures in marketing portfolio for a more complete description.

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# The Sage Promise

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**We will always put your interests first.**

**We will always be accessible to you.**

**We will always be truthful, objective and transparent.**

**We will watch over your assets as though they are our own.**

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You may reach Sage Capital Management LLC at:

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