

Marshall Capital Management

Low Cost Global Index Funds

Angel Investor(s)



Matt Marshall
Founder and Manager

matt@mcmarshall.com

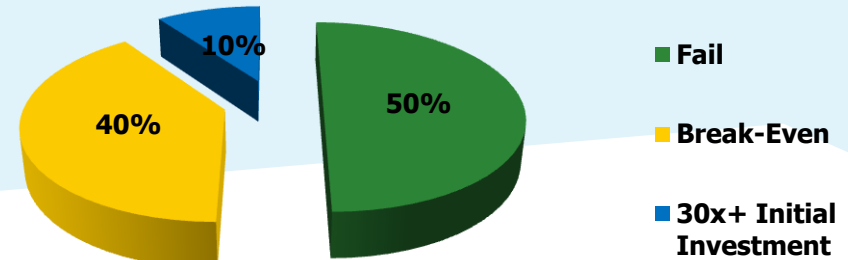
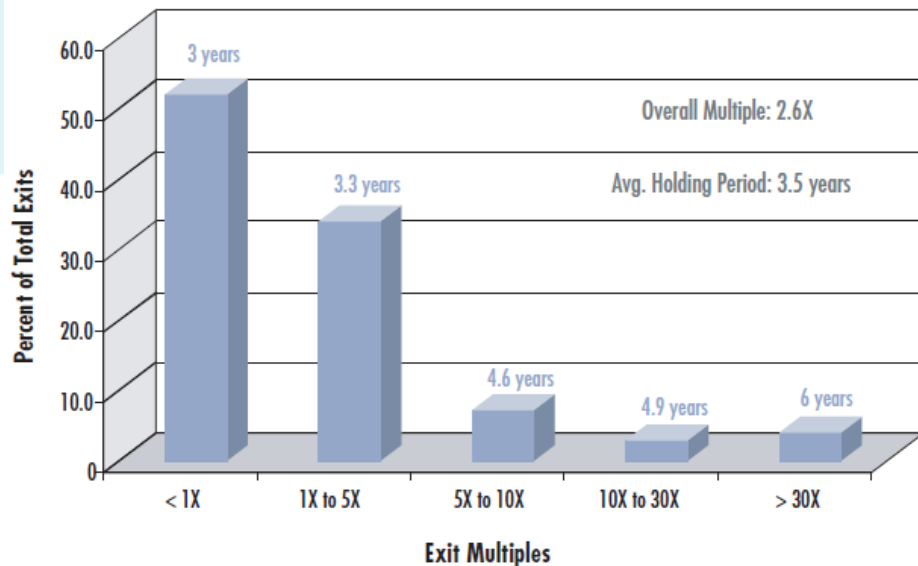
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Start-Up Statistics

Start-Up statistics are based on an analysis of Angel Investors. Angel investors are the earliest stage investors. They invest an average of \$200,000 per venture and have an average ROI of 2.6 in 3.5 years or an IRR of 27% annually. A good rule of thumb is five out of ten start-ups will fail, four out of ten will break-even, and one out of ten will return 30x+ the initial investment and account for all the returns.

Distribution of Returns by Venture Investment



All assumptions about Angel Investors are taken from "Returns to Angel Investors in Groups," which is a survey of 539 Angel Investors experiencing 1,137 exits. The study was completed in November 2007 by Dr. Wiltbank of Willamette University and Dr. Boeker of The University of Washington. It is the largest study of returns to Angel Investors to date. The complete study can be found at:

http://sites.kauffman.org/pdf/angel_groups_111207.pdf

A spreadsheet containing all samples and data can be found at:

http://sites.kauffman.org/aipp/request_download.cfm

Bio



University of Wisconsin – Milwaukee

- Specialization: Investment Management Certificate Program
 - 14 students start a fund, manage a real portfolio, and perform the duties of an investment firm
 - Information technology analyst specializing in software

Dana Investments

- Researched and traded stocks, private equity, and fixed income

Raveling Companies

- Managed the startup of company selling earth moving buckets
 - Tasks included financial forecasting, market research, business planning, branding, idea consultation, extensive legal matters, site selection and cost controlled implementations

Only Designer Fragrances

- Managed the startup of a drop ship company selling cologne and perfume
 - Tasks included tracking the fastest growing online industries, differentiation research, scenario analysis, website design, Google advertising, market research, branding, financial forecasting and business planning

Deal Lot

- Managed the startup of software firm selling used cars online
 - Tasks included tracking the fastest growing online industries, differentiation research, scenario analysis, financial forecasting, market research, business planning, branding, idea consultation, fundraising, software design, location renovation and cost controlled implementations

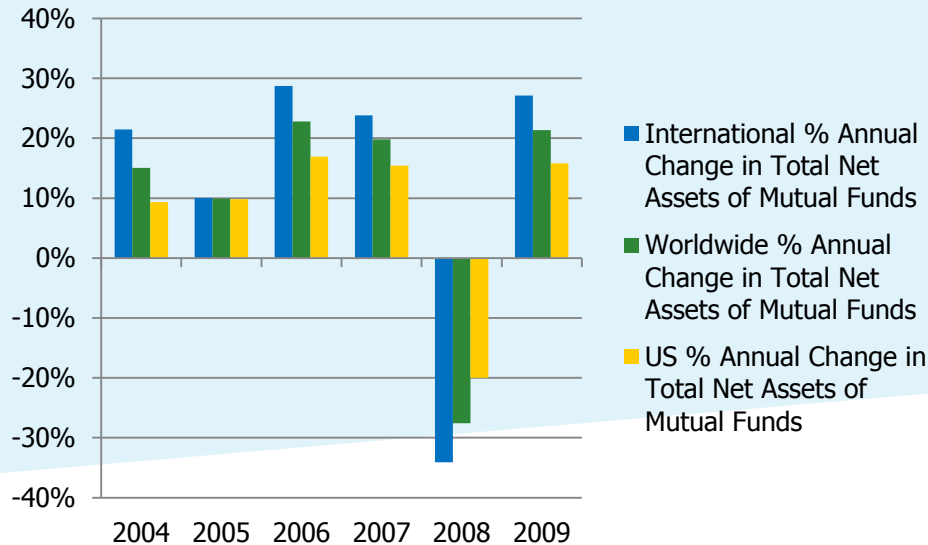
University of St. Thomas

- Major: Entrepreneurship

Marshall Enterprises

- Managed the startup of a company selling various products such as pillows, duvets and toys at flea markets and festivals at the age of 15.
 - Tasks included scouting locations, purchasing inventory, pricing products, selling products, employee management and travel

Investor Capital is Flowing into Global Funds



Due to the inherent risks in single economies, it makes sense to diversify globally. The global nature of MCM is what differentiates it from other low cost index funds. The data shows, in the past, changes in domestic mutual funds' total net assets have been magnified by changes in international and global mutual funds' total net assets.

MCM's success is not reliant on a global bull market. It is reliant on investors' continuing to

move their capital into global economies. As the manager of the lowest cost global funds, MCM caters to investors' seeking all levels of global diversification.

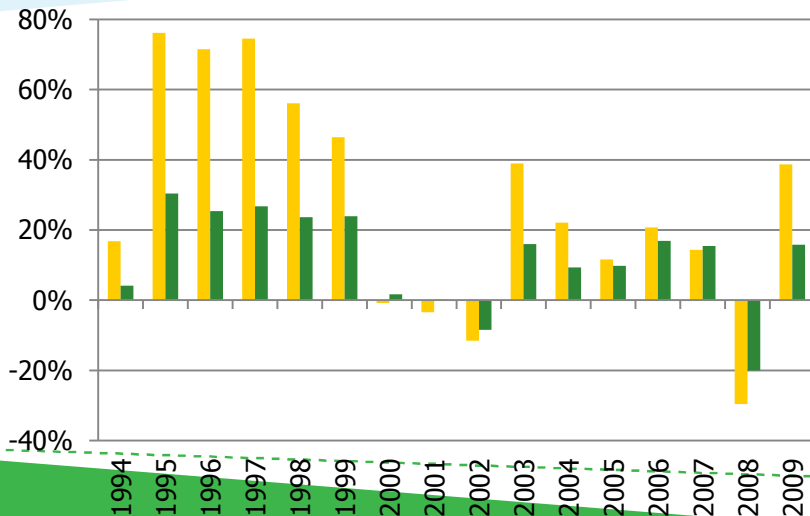
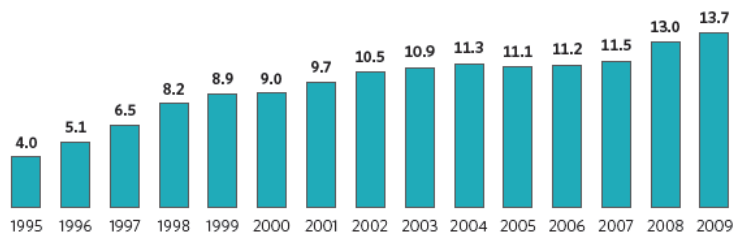
Year	International % Annual Change in Total Net Assets of Mutual Funds	Worldwide % Annual Change in Total Net Assets of Mutual Funds	US % Annual Change in Total Net Assets of Mutual Funds
2004	21%	15%	9%
2005	10%	10%	10%
2006	29%	23%	17%
2007	24%	20%	15%
2008	-34%	-28%	-20%
2009	27%	21%	16%
TOTAL	79%	64%	50%
AVERAGE	13%	10%	8%

Investor Capital is Flowing into Index Funds

FIGURE 2.11

Equity Index Funds' Share Continued to Rise

Percentage of equity mutual fund total net assets, 1995-2009

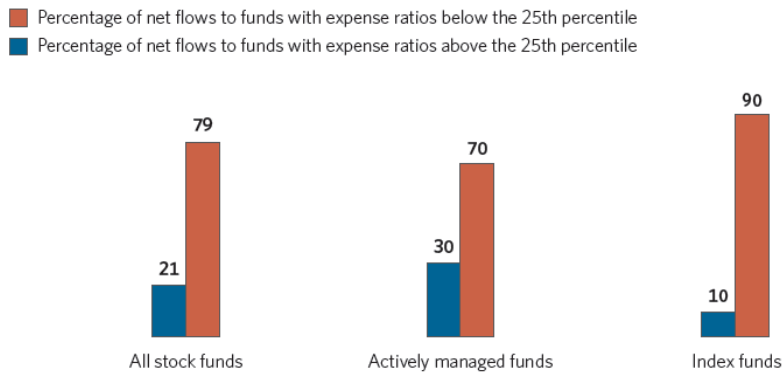


It should be noted that an index fund is a kind of mutual fund. Therefore, the chart and table comparing the two include index funds in the mutual fund calculations. If available data allowed for the calculation of index vs. actively managed funds, it would display more favorable results than shown pertaining to the recent growth of index funds.

Year	US Index Funds % Change in Total Assets	US Mutual Fund % Change in Total Assets
1994	17%	4%
1995	76%	30%
1996	72%	25%
1997	75%	27%
1998	56%	24%
1999	46%	24%
2000	-1%	2%
2001	-3%	0%
2002	-12%	-8%
2003	39%	16%
2004	22%	9%
2005	12%	10%
2006	21%	17%
2007	14%	15%
2008	-30%	-20%
2009	39%	16%
TOTAL	3,046%	504%
AVERAGE	28%	12%

Investor Capital is Flowing into Low Cost Funds

FIGURE 5.4
Least Costly Stock Funds Attracted Most of the Net New Cash^{1, 2}
2000-2009

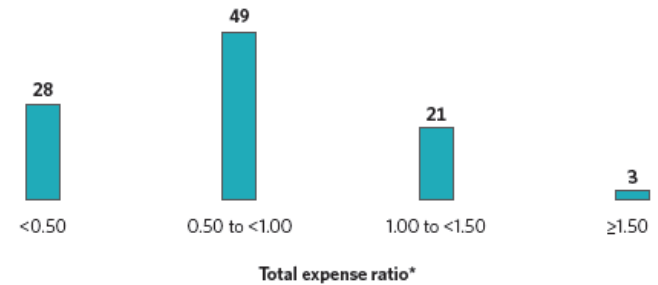


¹ Figures exclude mutual funds available as investment choices in variable annuities and mutual funds that invest primarily in other mutual funds.
² Stock funds include equity and hybrid funds.
Sources: Investment Company Institute and Lipper

Actively managed funds are more expensive than index funds because of the extra costs of labor of the portfolio managers and all of their analysts.

A study by Vanguard found that 85% of funds underperform their benchmark in a given year (due to extra labor costs). The same study concluded that of those actively managed funds that beat their benchmark, only 42% were able to do so two years in a row and 10% were able to do so three years in a row

FIGURE 7.12
401(k) Stock Mutual Fund Assets Are Concentrated in Lower-Cost Funds
Percentage of 401(k) stock mutual fund assets, year-end 2008



*The total expense ratio, which is reported as a percentage of fund assets, includes fund operating expenses and 12b-1 fees.
Note: Figures exclude mutual funds available as investment choices in variable annuities. Components do not add to 100 percent because of rounding.
Sources: Investment Company Institute and Lipper. See ICI Fundamentals, "The Economics of Providing 401(k) Plans: Services, Fees, and Expenses, 2008."

Why Low Costs Benefit Investors

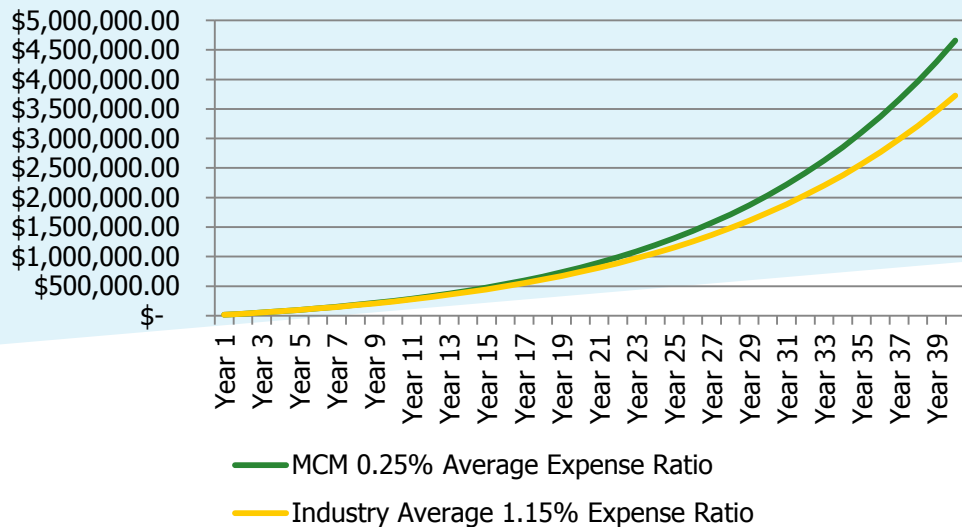
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
MCM	\$ 16,500	\$ 34,529	\$ 54,205	\$ 75,656	\$ 99,019	\$ 124,443	\$ 152,087	\$ 182,124	\$ 214,739	\$ 250,131
Industry Average	\$ 16,500	\$ 34,380	\$ 53,735	\$ 74,666	\$ 97,281	\$ 121,695	\$ 148,031	\$ 176,421	\$ 207,006	\$ 239,935
	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
MCM	\$ 288,516	\$ 330,126	\$ 375,211	\$ 424,039	\$ 476,903	\$ 534,113	\$ 596,006	\$ 662,947	\$ 735,325	\$ 813,563
Industry Average	\$ 275,371	\$ 313,484	\$ 354,458	\$ 398,488	\$ 445,784	\$ 496,571	\$ 551,086	\$ 609,585	\$ 672,342	\$ 739,647
	Year 21	Year 22	Year 23	Year 24	Year 25	Year 26	Year 27	Year 28	Year 29	Year 30
MCM	\$ 898,114	\$ 989,468	\$ 1,088,151	\$ 1,194,733	\$ 1,309,825	\$ 1,434,086	\$ 1,568,228	\$ 1,713,016	\$ 1,869,275	\$ 2,037,893
Industry Average	\$ 811,813	\$ 889,172	\$ 972,080	\$ 1,060,918	\$ 1,156,091	\$ 1,258,033	\$ 1,367,208	\$ 1,484,112	\$ 1,609,273	\$ 1,743,259
	Year 31	Year 32	Year 33	Year 34	Year 35	Year 36	Year 37	Year 38	Year 39	Year 40
MCM	\$ 2,219,830	\$ 2,416,117	\$ 2,627,866	\$ 2,856,276	\$ 3,102,637	\$ 3,368,341	\$ 3,654,888	\$ 3,963,892	\$ 4,297,093	\$ 4,656,368
Industry Average	\$ 1,886,672	\$ 2,040,159	\$ 2,204,410	\$ 2,380,162	\$ 2,568,203	\$ 2,769,375	\$ 2,984,577	\$ 3,214,770	\$ 3,460,982	\$ 3,724,310

Figures Assume

- An industry average expense ratio of 1.15%
- A Marshall Capital Management expense ratio of 0.25%
- An 8% rate of return compounded annually
- The contribution limit will rise \$250 per year (accounting for inflation)
- The investor contributes the maximum 401(k) limit (currently \$16,500) annually

Why Low Costs Benefit Investors

Theoretical 401(k) Plan



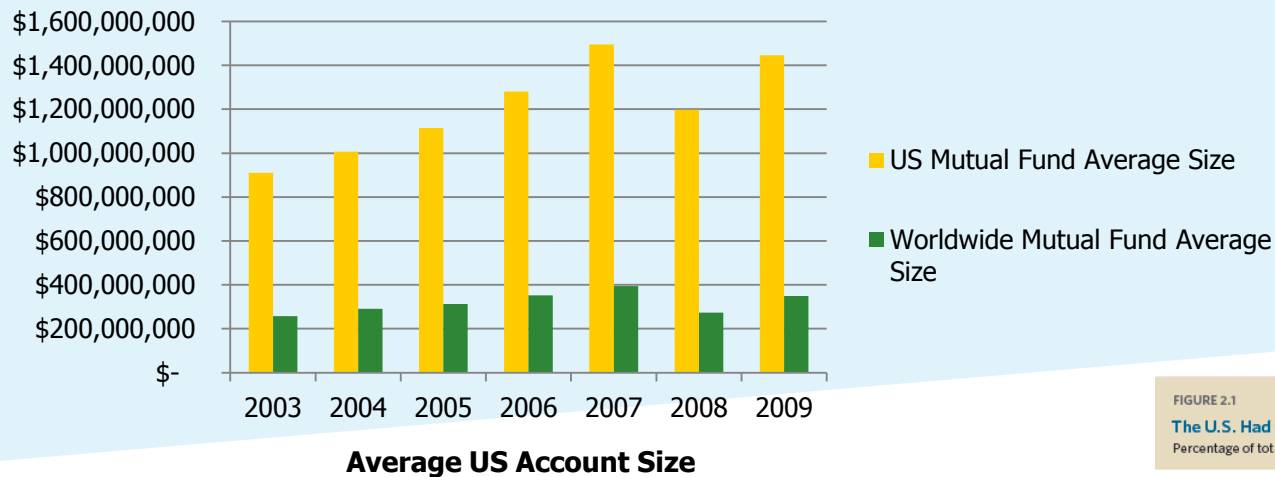
Low Costs significantly benefit investors as time increases due to the effect of compounded returns. Each dollar an investor saves is compounded at the rate of return of the fund in which they are invested. The industry average expense ratio (percentage of AUM taken annually by the fund) is 1.15%. MCM has an average expense ratio of 0.25%.

If the annual rate of return is 8% (as projected for the theoretical investor's 401(k) plan) and an investment management company is taking 1.15% of the investor's portfolio annually (industry average), the investor is paying the management company **15%** of his/her gains annually to manage the portfolio. Using MCM (and the same example) the investor is paying about **3%** of

his/her annual gains to manage the portfolio. Lower expense ratios make investors' significantly more money

Marshall Capital Management	Year 10	Year 20	Year 30	Year 40
\$ Gained Over Industry Average	\$ 10,195	\$ 73,916	\$ 294,635	\$ 932,058
% Gained Over Industry Average	4%	10%	17%	25%

US – The Target Market



MCM's primary goal is to maximize AUM. This will control the company's revenues. Because the US has the largest average fund size, most AUM, and the largest average account size, MCM's target market will be US investors.

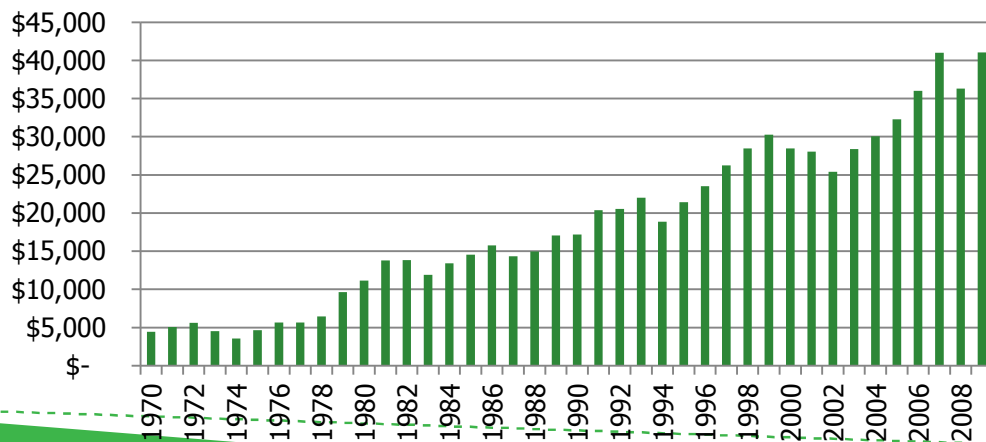
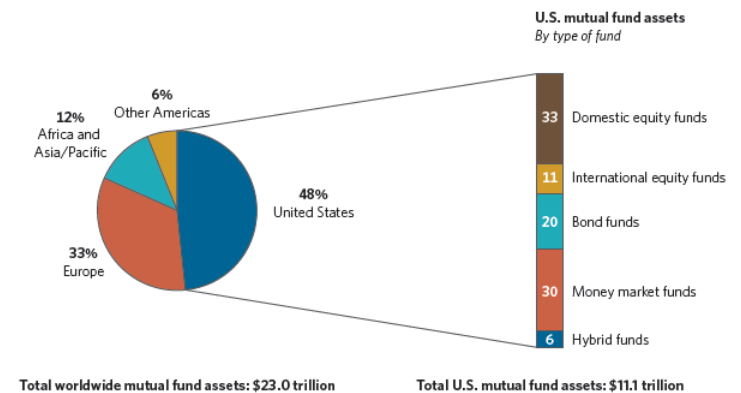


FIGURE 2.1

The U.S. Had the World's Largest Mutual Fund Market

Percentage of total net assets, year-end 2009



Total worldwide mutual fund assets: \$23.0 trillion

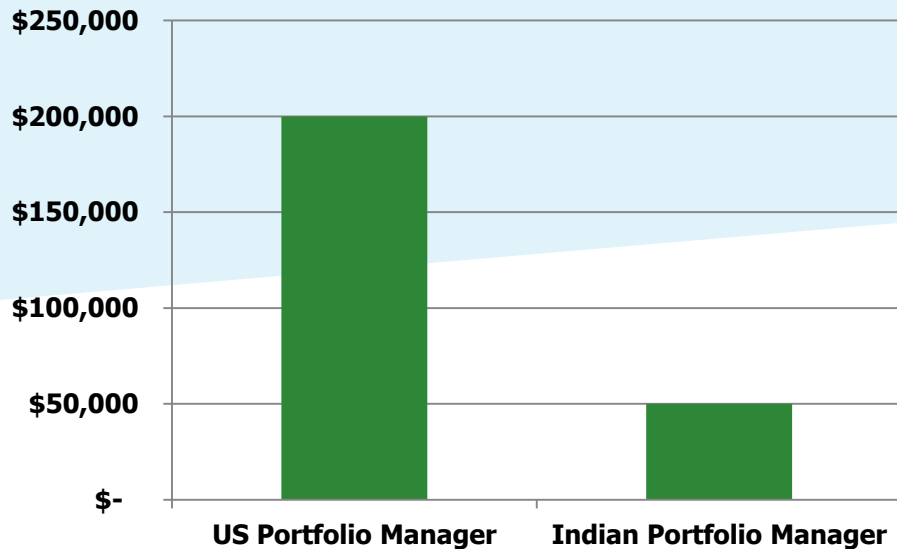
Total U.S. mutual fund assets: \$11.1 trillion

Note: Components may not add to 100 percent because of rounding.

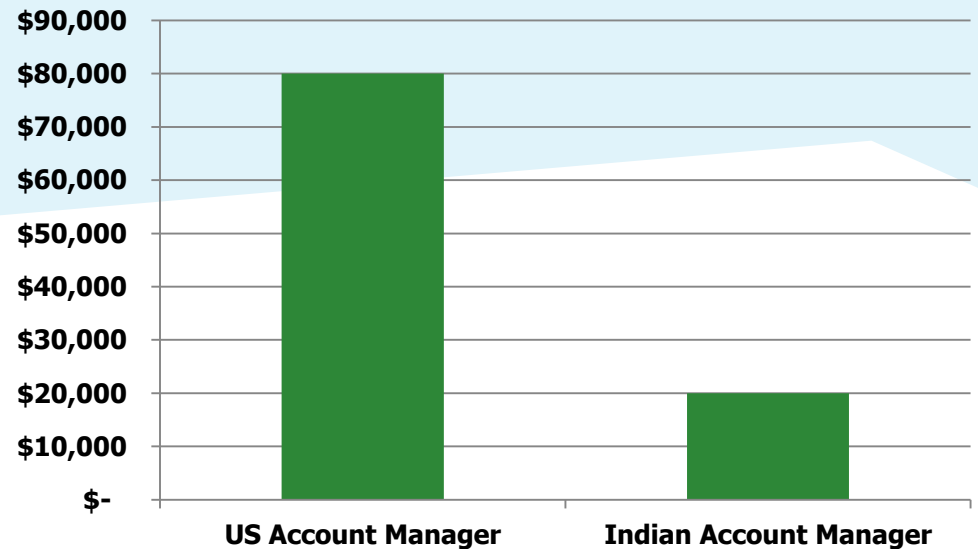
Sources: Investment Company Institute, European Fund and Asset Management Association, and other national mutual fund associations

Competitive Advantage - Indian Labor

MCM will be capable of managing the funds at industry low costs due to outsourced labor to India. India's cost of labor is roughly one-fourth of the same labor in the US.

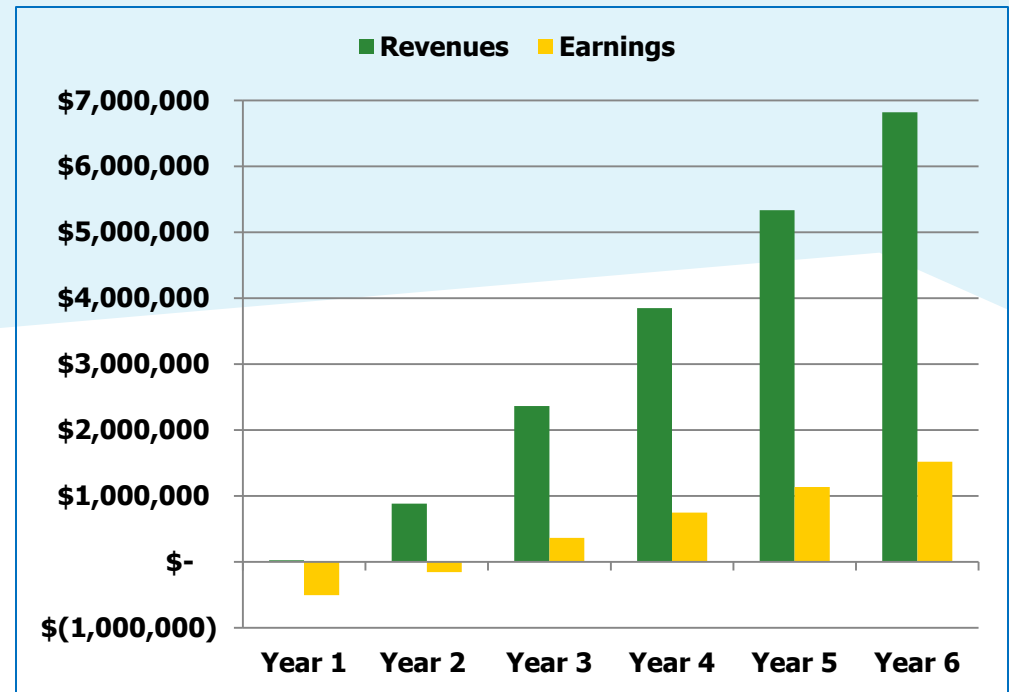
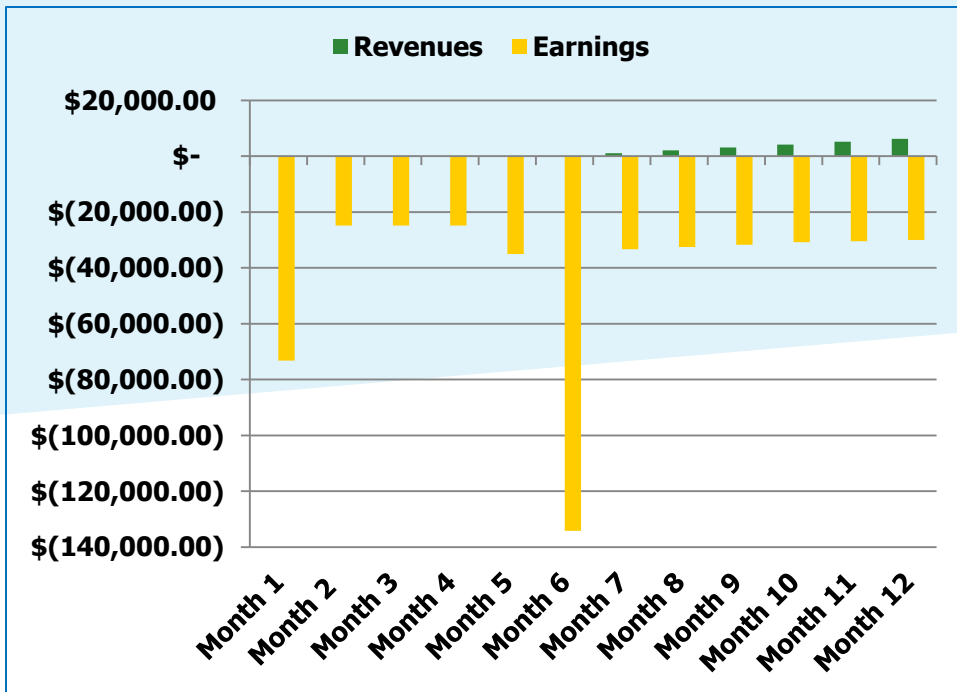


Portfolio Manager purchase the securities that make up a fund.

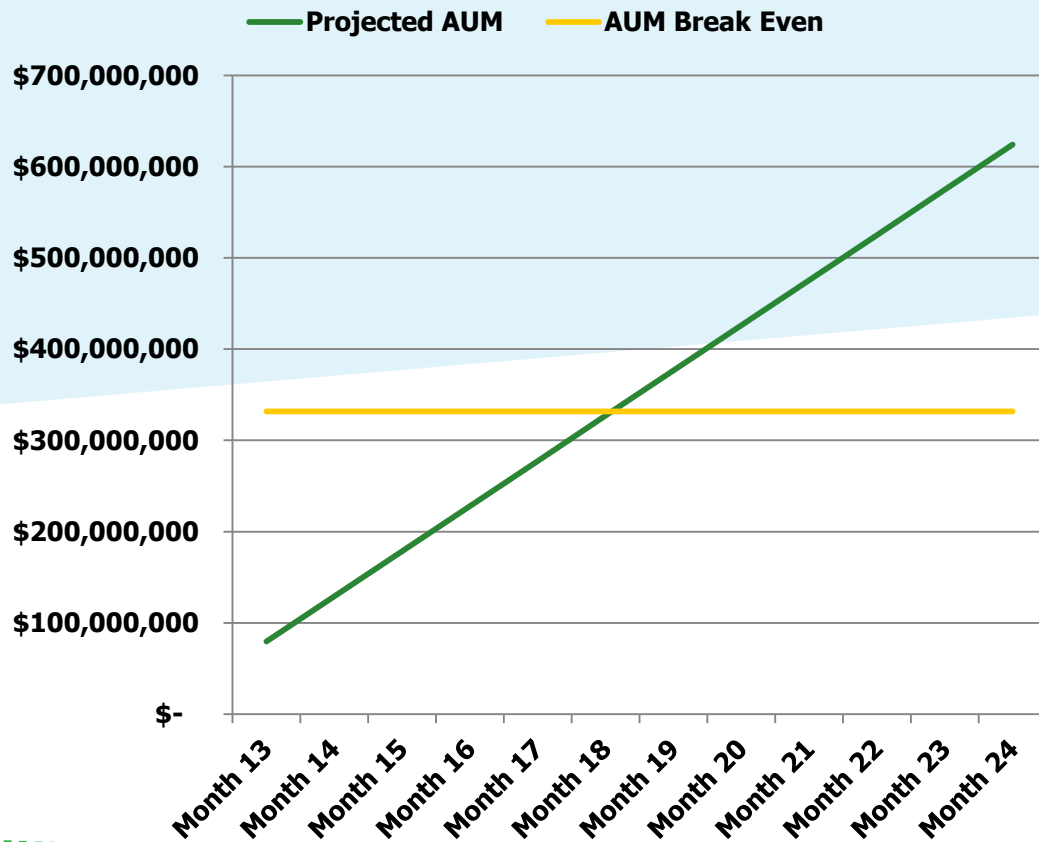


Account Managers handle accounting, taxation, and investor communications.

Revenue & Profit Projections

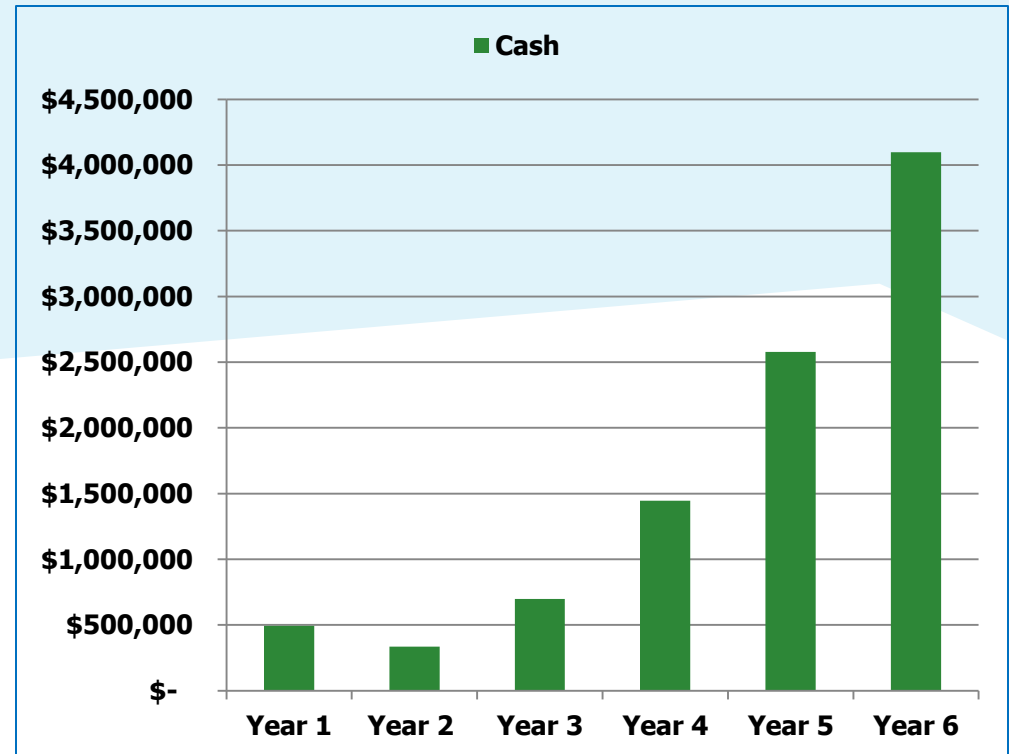
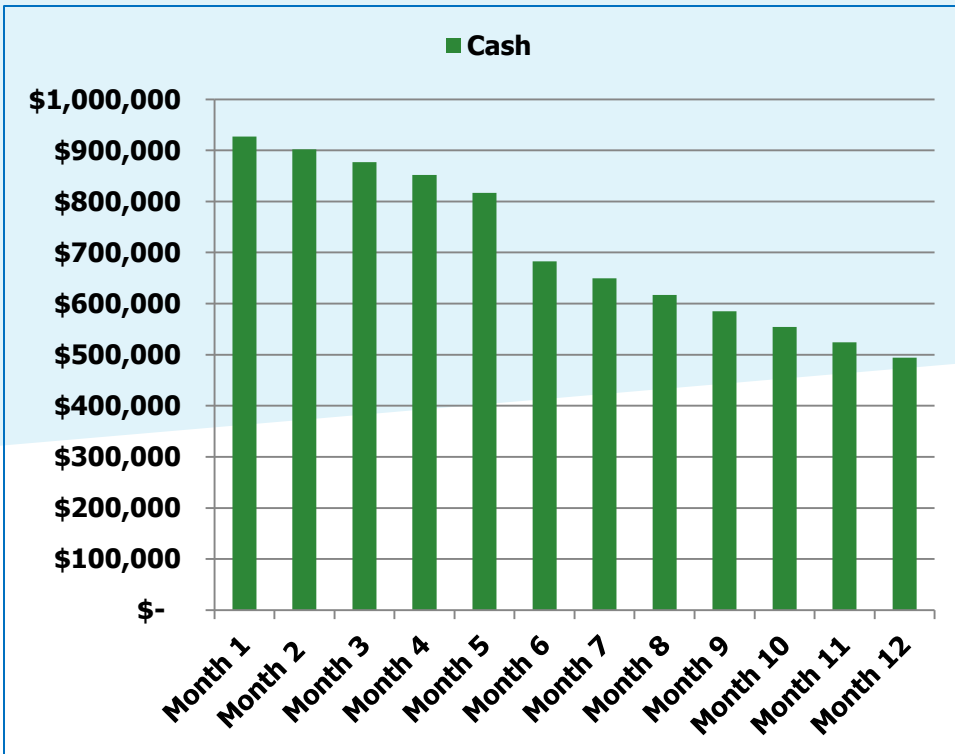


Break Even Analysis



AUM & REVENUE BREAK EVEN	Year X
AUM	\$ 331,725,000
Revenues	\$ 829,313
Expenses	
Equities Mutual Fund Corporation	\$ 100
Fixed Income Mutual Fund Corporation	\$ 100
Mutual Funds Management LLC	\$ 250
Management LLC President/Manager	\$ 100,000.00
Contracts	\$ 50,000
Trademarks	\$ 1,000
Domain Name	\$ 5,000
Travel to India	\$ 20,000
Office	\$ 25,000
IT Employee/Webpage	\$ 12,000
Equities Portfolio Manager	\$ 50,000
Fixed Income Portfolio Manager	\$ 50,000
Account Managers	\$ 100,000
MSCI Software	\$ 70,000
Barclays Capital Software	\$ 30,000
CFP Sales Managers	\$ 50,000
Financial Advisor Commissions	\$ 165,862
Various	\$ 100,000
Total Expenses	\$ 829,312
EBT	\$ -
Projected B/E (Time)	18.1 Months

Cash Projections



Ratio Valuation

ROI	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
10.6	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,634,442	\$ 5,423,565

IRR	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
48%	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,634,442	\$ 5,423,565

NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
\$2,534,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,634,442	\$ 5,423,565

Figures Assume

- NPV is discounted at 27% (the average return to angel investors)
- AUM of 3 trillion (average US fund size is 1.5 trillion & there are two funds)
- MCM is sold for 7x earnings (1/2 the stock market average P/E ratio)
- MCM is sold in six years (the average sale time of an angel investor home run)
- Earnings are \$1,519,206 in year six

Discounted Cash Flow Valuation

Entire Business	Returns to Investors (51%)
\$15,192,060	\$7,747,951

10% (2x the stock market WACC) is used as the discount rate of the entire business

ROI	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
15.2	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,192,060	\$ 7,747,951

IRR	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
57%	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,192,060	\$ 7,747,951

NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)	Returns to Investors (51%)
\$3,620,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,192,060	\$ 7,747,951

Figures Assume

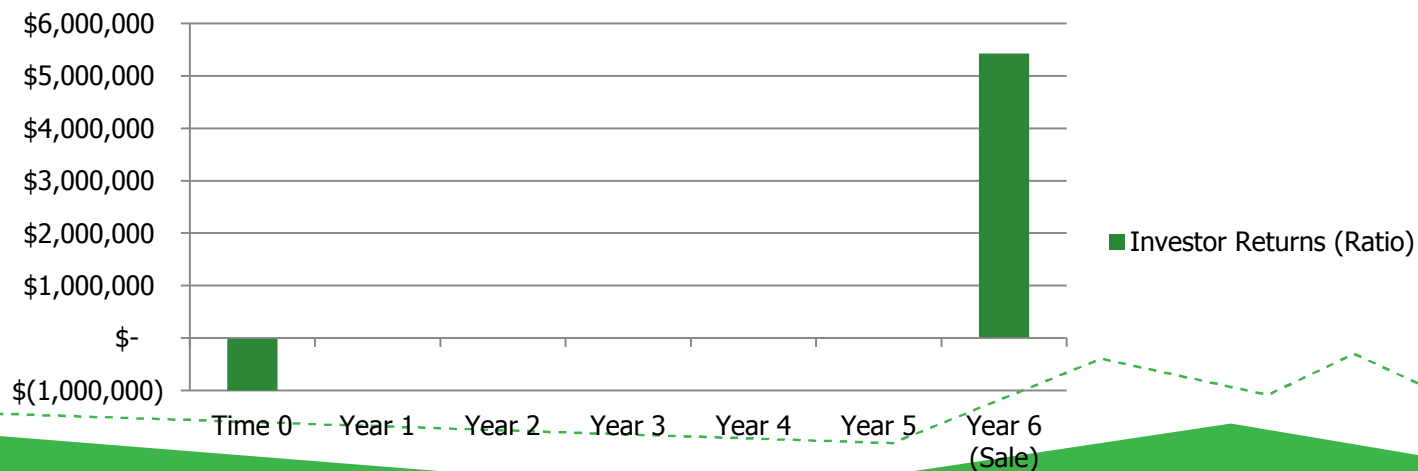
- MCM will earn \$1,519,206 in perpetuity (calculated for 200 years from time of sale)
- Net profits equate to cash flows due to no increases in fixed assets or accounts receivable
- Other assumptions (discount rate, AUM, sale time) are the same Ratio Valuation

Ratio Valuation – Returns to Investors

ROI	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
5.4	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,423,565

IRR	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
33%	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,423,565

NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
\$ 1,292,595	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,423,565

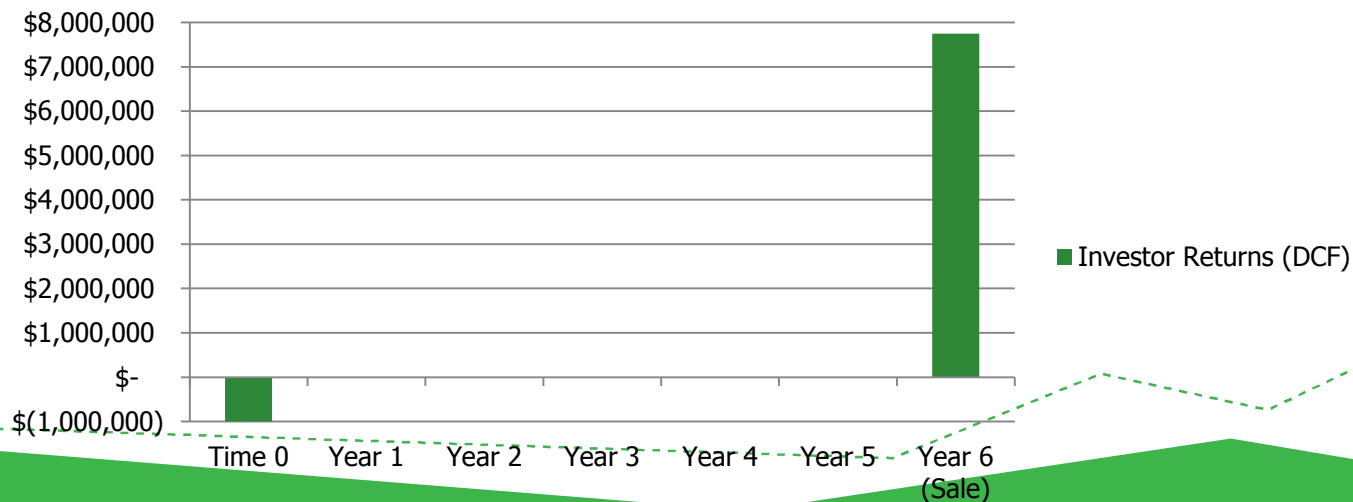


Discounted Cash Flow Valuation – Returns to Investors

ROI	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
7.7	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,747,951

IRR	Time 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
41%	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,747,951

NPV	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6 (Sale)
\$1,846,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,747,951



Exit Strategy

Upon reaching 3b or more in AUM, MCM would like to sell itself to Vanguard. Vanguard manages over one trillion in assets. It is the low cost leader in mutual and index funds. MCM feels Vanguard would be interested in purchasing the company due to a working business model that outsources portfolio and account management to India. These measures could further decrease Vanguard's overall expense ratio.

The Offering

Although the NPV of MCM is between \$2,534,500 and \$3,620,715, the founder is willing to sell a controlling interest (51%) in the company for \$1,000,000. 51% equity in MCM equates to a NPV of between \$1,292,595 and \$1,846,565. The founder realizes that entrepreneurs often want to keep a company instead of sell it against better judgment. Because of this factor, the founder would like the decision to sell or keep the company in the hands of Investors. The founder believes this will maximize his gains as well as those of angel investors.

Equity	Investment
51%	\$ 1,000,000