

Managed Variable Rate Demand Notes (MVRDN) What is a MVRDN?

A Managed Variable Rate Demand Note (“MVRDN”) is an interest-only, debt-based financial instrument derived from the application of a new proprietary financial technology. It is specifically designed to meet the needs of institutions, funds and asset managers operating within the alternative investment market. In certain key aspects, a MVRDN behaves comparably to a conventional Variable Rate Demand Note (“VRDN”) as currently available in the capital markets. Those similarities give the MVRDN a definitive appeal with an established segment of the institutional investment community. However, unlike the VRDN, the MVRDN is able to meet the needs of the institutional subscriber while offering substantial value and opportunity to borrowers from within the alternative investment arena; a market segment to which the VRDN has very little crossover or application.

By taking advantage of a proven approach to coordinating a remarketing mechanism and 7-day put/call option, the MVRDN is able to qualify for very short-term, adjustable interest rates on the Notes [indexing just basis points over 30-day LIBOR], while still enjoying a financing life of as long as 25 years. The MVRDN is engineered to secure interest and principal with investment grade undertakings, generally, giving the Notes an investment grade rating. That high quality rating qualifies the Notes for purchase by institutional and money market investors and better assures best possible interest rate pricing.

In order to provide the necessary flexibility within the alternative investment and hedge fund marketplace, the MVRDN utilizes an innovative form of cash and investment-supported credit enhancement to secure principal— the Reserved Tender Advance Facility, or RTAF. Alongside the use of a letter of credit to secure interest payable on the MVRDNs, the RTAF provides both liquidity and credit enhancement to the operation of a MVRDN. Because of how the RTAF is engineered, Note proceeds may be applied throughout the full term of the Notes to any one of a number of RTAF-approved and sanctioned investment management strategies. These strategies, when properly formulated, can not only serve to generate income sufficient to cover interest payments due on the MVRDN proceeds, but may generate excess yield that increases returns and enhances investment performance. The MVRDN provides an exceptional alternative to conventional leverage or credit facilities.

The issuance of a MVRDN Series provides an asset manager or fund as the Note Issuer with maximum credit structuring flexibility. An MVRDN can be applied as a surrogate for a Collateralized Fund Obligation (“CFO”) or can be utilized as an innovative tool in facilitating investment in qualified and select hedge funds or asset management vehicles. The MVRDN makes low-cost, debt-based financing readily available for investment by asset management professionals and constitutes a means by which financing can responsibly move from institutionally-minded investor to qualified funds in the alternative investment market.

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