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# :HVWRQ +LJK UDQNHG 1R E\ %RVWRQ 0DJD]LQH

3RVW8XGXVW 30

%\ 0DWW 5RFKHOHDX \*OREH &RUUHVSRRGHQW

:HVWRQ +LJK LV WRS RI WKH FODVV DPRQJ \*UHDWHU %RVWRQ V SXEOLF KLJK VFKRROV  
DFFRUGLQJ WR WKH ODWHVW LVVXH RI %RVWRQ 0DJD]LQH EXW VFKRROV LQ RWKHU ZH  
VXEXUEV DUH QRW IDU EHKLQG

1LSSLQJ DW :HVWRQ V KHHOV LQ WKH PDJD]LQH V DQXDO UDQNLQJV DUH LQ GHVFLHQ  
RUGHU 6RYHUEUQ & BQDRVGH /H[LQJWRQ 1HZWRQ 6RXWK 1HZWRQ  
1RUWK :HOHVOH\ :DQDQGLQ\ /DQDQGLQ\GIRUG

5RXQLQJ RXW WKH PDJD]LQH V WRS DUH 6KDURQ 0DQFKHVWHU (VVH[ %URRNOLQH  
%URPILHOG LQ +DUYDUG :HVWZRRG :HWERURXJK %RVWRQ /DWLQ \$FWRQ  
%R[ERURXJK 1HHGKDP DQG &DPEULGJH 5LQGLQ DQG /DWLQ

7KH UDQNLQJV ZHUH FRPSXWHG E\ VWDWLVWLFLDQ \*HRUJH 5HFFN WKH GLUHFWRU  
WKH 0DWK 5HVRXUFH &HQWHU<sup>2</sup> DWFKDEW RCR WDOOHQR ODVPHQW  
SHXSLO VSHQGLVH VFKRROV DWLR 0&\$6 DQG 6\$7 UHVXOWV DQG  
JUDGXDWL?RZDV DQWKHUHG IRU DUHD VFKRROV E\ FRQVXOWLQJ VFKRRO RIILFLDOV  
DQG ZHEVLWHV DV ZHOO DV WKH 0DVVDFKXVHWWV 'HSDUWPHQW RI (GXFDWLQJ

:LWK WKDW LQIRUPDWLRQ 5HFFN FDOFXODWHG PHDQ VFRUHV IRU HDFK GDWD FDWHJUR  
DQG WKHQ UDQNHG VFKRROV EDVHG RQ WKHLU GLVWDQFH IURP WKH DYHUDJHV

2EYLRXVO\ VWDWLVWLFLDOV SHQWXUH EXW WKH\ VD\ D ORW VDLG %RVWRQ  
0DJD]LQH VWDII ZULWHU -DVRQ 6FKZDUW] LQ DQ LQWHUYLHZ

7KH UDQNLQJV FRQVLGHUHG VFKRROV LQ WKH HDVWHUQ SDUW RI WKH VWDWH ZLWK D  
H[FHSWLQJ WRZDUGV FHQWUDO 0DVVDFKXVHWWV KH VDLG

:H UH DOZDV SOHDVH WR EH UHFRJQLJHG VDLG \$QWKRQ\ 3DUNHU SULQFLSDO RI  
:HVWRQ +LJK %XW :H GRQ W DLP WR EH QXPEHU RQH :H DLP WR EH WKH EHVV  
VFKRRO ZH FDQ SRVVLEO\ EH JLYHQ WKH UHVRXUFHV WKDW ZH KDYH

:H UHFRJQLJH WKDW QRW HYHU\ VFKRRO KDV WKHVH UHVRXUFHV 7R VD\ WKDW WKHVH  
UHVRXUFHV GRQ W JLYH XV DQ DGYDQWDFKXVHWWV\ <RX KDYH ZHDOWK\ ZHOO  
SHRSOH ZKR OLYH LQ WKLV FRPPXQLW\ :H DFNQRZOHGJH WKDW ZH DUH KXJHO\  
EOHVVHG DQG DUH WKDQXOXO IRU WKH UHVRXUFHV ZH KDYH DQG ZH WKHQ WU\ WR XVH  
UHVRXUFHV WKH EHVV ZH FDQ

3DUNHU LV D 1HZWRQ UHVLGHQW ZKR VHQW KLV FKLOGUHQ WR WKH 1HZWRQ SXEOLF V

7KH PDJD]LQH WRSOLVW RI SXEOLF VFKRROV DFDGHPLF UDQNLQJV SODFHG  
%URRNOLQH ILUVW IRORZHG HVWRQV %RVWRQ /DWLQ /H[LQJWRQ  
1HZWRQ 6RXWK RYHUEUQ :H\PRXWK :D\ODQG DQG 1HZWRQ 1RUWK

7KLV \HDU WKH PDJD]LQH DOVR UDQNHG SULYDWH VFKRROV ZLWK WKH &RPPRQZHDW  
6FKRRO VQDJLQJ WKH WRS VSRW IRU ,Q VFRQG LV \*URWRQ 6FKRRO IRORZHG EY  
0LGGOHVH[ 6FKRRO 3KLOLSV \$FDGHP\ \$QGRYHU 1HZWRQ &RXQWU\ 'D\ 6FKRRO  
:LQVWU 6FKRRO %RVWRQ 8QLYHUVLW\ \$FDGHP\ 0RQWURVH 6FKRRO %HOPRQW +LOO  
6FKRRO DQG 1REOH DQG \*UHQXJK 6FKRRO

7KH DUHD V EHVW SULYDWH KLJK VFKRRO LQ WHUPV RI YDOXH DFFRUGLQJ WR %RVWRQ  
0DJD]LQH LV ORXQW \$OYHUQLD IROORZHG E\ &DWKHGUDO 0RQWURVH 6DFUHG +HDUW  
%LVKRS )HQZLFN 3RSH -RKQ ;:,, :RRGZDUG 0DULDQ \$UFKELVKRS :LOOLDPV  
DQG 8UVXOLQH \$FDGHP\

6HH %RVWRQ 0DJD]LQH V WRSUHQV DFRXOWH  
WKH FRPSOHWH SULYDWHV VFKRRO UDNQLQJV

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'RHV DQ\RQH WKLQN LW LV MXVW D FRLQFLGHQFH WKDW WKH PRVW DIIOXHQW WRZQV LQ W  
VWDWH KDYH WKH EHVW VFKRRO ZHDOWKLVW WRZQ DQG 'RYHU LV WKH  
VFRRG ZHDOWKLVW WRZQV DUH V DQG  
7KHVH WRZQV KDYH PRUH PRQH\ WR VSHQG DQG WKH SDUHQWV KDYH KLJK  
H[SHFWDWLRQV RI WKHLU FKLOGUHQ LQ UHJDUGV WR VWXG\LQJ JUDGXDWLQJ DQG  
DWWHQGLQJ FRXOG\LNH WR VHH D WRZQ WKDW LV QRW VR ZHDOWK\ PDNH LW WR  
WKH WRZQV ZRXOG WUXO\ EH WKH VLJXWIDU JUHDW VFKRRO V\VVHP  
FRXUVH WKDW ZRXOG GULYH WKH KRXLVQJ SULFHV XS LQ WKDW WRZQ

'LG WKH OLW DOVR PHQWLRQ WKHVH DUH VRPH RI WKH PRVW DIIOXHQW DUHDV , P VRU  
7+( PRVW DIIOXHQW DUHDV LQ 006 GRF HGXF DWLRQWKH  
VSKHUHV LV WLHG WR PRQH\ WRR"

DQG DUH 2EDPD YRWHUV

8QWLO \RX FKDOOHQJH WKH XQLRQV WR DGRSW D VWDWH ZLGH V\VVHP WKLW LV ZKDW \RX  
JHW\XW RI FRXUVH \RX OO QHYHU ZDQW WR FKDOOHQJH WKH <HV :H &DQ XQLRQ  
JRPELHV

PRUH DIIOXHQW KLJKHU SD\LQJ MRE PRUH H[SHQVLYH KRPHV KLJKHU  
SURSHUW\ WD[ PRUH PXQLFLSDO UHYHQXH VR \HV SXEOLF HGXFDWLRQ LV YHU\  
PXFK WLHG WR PRQH\

,W V D ZHOO NQRZQ IDFW WKDW SURSHUW\ YDOXHV DUH GHWHUPLQHG E\ D WRZQ V VFKRRO  
V\VVHP WRS WRZQV SD\ BRHS SHLSDWKLQJW UHDO  
HVWDWH WD[HV DQG WKHUHIRUH DIIRUGLQJ WKH EHVW IDFLOLWLHV DQG HGXFDWLRQ  
XS LQ 'HGKDP EXW IHOW SULYDWH KLJKVFKRRO ZDV D EHVWUHGXFWDWLRQ  
SDUHQWV ZHUHQ W FRQFHUQHG ZLWK VFKRRO V\VVHPV FKRRVLQJ 'HGKDP RYHU  
:HVWZRRG ZKHQ WKH\ ZHUH EX\LQJ WKLUVLQXVGRPH LQ WKH V  
KDYH ERXJKW LQ :HVWZRRG ZKHQ MKOLYDQW HVWZRRG  
QRZ KRSLQJ WR JLYH WKHLU IXWXUH JUDQGFKLOGUHQ D EHVWUHGXFWDWLRQ RQH GD  
VKRXOG , LQKULW WKH KRXVH

7KLV OLW GRHVQ W PRN BRKF & DHEULJH 5LQJH /DWLQ PDNH  
WKH WRS VFKRROV ZLWK LWV DFURXWVWKH ERDUG PHGLRFUH VFRUHV"  
VWXGHQW UDWLR DQG SHU VWXGHQW VSHQGLQJ LW SHUIRUPV ZRUVH WKDQ RWKHU VFKRRO  
EHORZ WKH WRSWKLVU DNQLQJ EDVHG RQ VSHQGLQJ DQG VWXGHQW WHDFKHU  
UDWLRZ GRHV WKDW PHDVXUH SHUIRUPDQFH"

'LG WKH\ GR D VWXG\ RI WKH WRZQV ZLWK WKH ZRUVW SXEOLF VFKRROV"  
0DWWDSQ  
'RUFKHVVHU  
5R[EXU\  
\QQ  
%URFNWRQ  
:RUFHVWU  
HWF HWF HWF

, ZRQGHU ZKDW ZRXOG EH FKHD SHU VHQQ \RXU NLG WR DQ SULDYDWH VFKRRO DQG OLYH LQ D PHGLRFUH WRZQ RU VHQQ \RXU NLG WR D IUHH SXEOLF VFKRRO DQG OLYH LQ DQ DIIOXHQW WRZQ 'RHV LW PDWWHU' RI WKH VWDWH RI OS GRHVQ W KDYH VXFK RSSRUWXQLW\ WR PDNH WKLW FKRLFH %RVWRQ \*OREH ZK\ DUH \RX FLWLQJ WKH FRPSHWLWLRLQ DQ\ZD\" 'R \RX OLNH GHPRUDOLJLQJ WKH RI XV ZKR GRQ W JHW WKDW RSSRUWXQLW\" 2K WKDW V ULJKW WKH ZHVWHUQ DIIOXHQW VXEXUEV LV ZKHUH WKH DUH EX\LQJ \RXU SDSHU

3HRSOH SD\ D SUHPLXP WR OLYH LQ DIIOXHQW WRZQV LQ EHOLHI RI DGYDQWDJHV IRU WKHLU FKLOGUHQ \$IIOXHQFH PDNHV LW HDVLHU EXW GRHVQ W JXDUDQWHH SDUHQWDO LQYROYHPPHQW ZLWK WKH VFKRROV WLPH ZLWK FKLOGUHQ DGGLWLRQDO WXWRULQJ DQG VXSSRUW , ZRQGHU LI WKHUH DUH PRUH VLQJOH ZRUNLQJ SDUHQW KRPHV LQ DIIOXHQW WRZQV 'RHV DQ\ RQH NQRZ LI D ODUJHU SHUFHQW RI SDUHQWV LQ DIIOXHQW WRZQV DUH EHWWHU HGXFDFWHG DQG KDYH D EHWWHU XQGUVWDQGLQJ RI WKH ZKDW LW WDNHV WR SUHSDUH NLGV IRU FROOHJH\" 'R WKH\ KDYH KLJKHU DFDGHPLF H[SHFWDWLRQV IRU WKHLU NLGV DQG GRHV WKLW KDYH D SRVLWLYH LQIOXHQQFH RQ WKHLU NLGV DFDGHPLF DFKLHYHPPHQW"

,YH ZLWQHVVHG LQGLYLGXDO FDVHV RI OHVV DIIOXHQW ILUVW JHQHUDWLRQ SDUHQWV SXVKLQJ WKHLU NLGV PRUH WKDW SULYEDORRG KDYH IXQGLQJ IRU EHWWHU FRPSXWHU DQG ODE HTXLSPHQW DQG GLYHUVLW\ RI FXUULFXOXP 6PDOOHU WRZQV PD\ EH IRUFHG WR FXW RXW ODQJXDJH PXVLF DQG VSHFLILF VSRUWV ZKHUH ODUJHU VFKRROV PD\ RQO\ QHHG WR FXW WKH VLJH RI WKRVH SURJUDPV

&DPEULGJH VSHQGV WKH PRVW SHU SXSLO E\ IDU \HW WKH WHVW VFRUHV DQG UDQNLQJV GRQ W IRUORZ DERXW WKH PXQLFLSDO PRQH\

7DNH DZD\ WKHLU IDQF\ FRPSXWHU ODEV DQG VWLFN WKHP LQ WUDLOHUV DQG , EHW WKH :HVWRQ NLGV ZLOO VWLOO GR IL ODERXW WKH NLG W DQG ZKDW WKH\ H[SHFW IURP WKH NLG WKHLU SDUHQWV ZHQW WR FROOHJH DQG KDYH VXFFHVIXO FDUHHUV DQG WKH NLGV VHH WKLW HYHU\ GD\ DQG VXEFRQVFLRXV\ VHW WKHPVHOYHV WR WKLW VWDQGDUG

3DXO ZURWH

PRUH DIIOXHQW KLJKHU SD\LQJ MRE PRUH H[SHQVLYH KRPHV KLJKHU SURSHUW\ WD\ PRUH PXQLFLSDO UHYHQXH VR \HV SXEOLF HGXFDFWLRQ LV YHU\ PXFK WLHG WR PRQH\

EHWWHU HGXFDFWLRQ KLJKHU SD\LQJ MRE PRUH H[SHQVLYH KRPHV KLJKHU SURSHUW\ WD\ PRUH PXQLFLSDO UHYHQXH EHWWHU HGXFDFWLRQ IRU \RXU FKLOGUHQ VR \HV SXEOLF HGXFDFWLRQ LV YHU\ PXFK WLHG WR PRQH\

7KHUH IL[HG WKDW IRU \D

EXGJHW GRHVQW HTXDWH WR VWXGHQW VXFFHVV VHH ZDVKLQJWRQ GF PRUH VSHQW SHU SXSLO WKDQ DQ\ZKHUH \HW FORVHLW ERWZHURWWRP LQ UDQNLQJV HDV\ ZH G WKURZ D EXQFK RI PRQH\ DW VFKRROV DQG DOO ZRXOG EH SHUIHFW HPSKDVLV RQ HGXFDFWLRQ D VWDXQW DWP RQ PH ZLOO FDKQJH WKDW

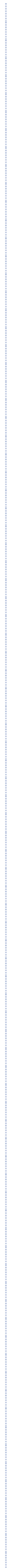
%7: PDQ\ SULDYDWH VFKRROV ZKR DUH QRW LQWR WKLW QXPELQJO\ VRSKRPRULF DQG WUDQVSDUDQW VWRU\ RI VXPPHU GR QRW VXSSO\ WKH ODPH PDJD]LQH ZLWK WKHLU LQIR 6R WKHUH DUH PDQ\ VFKRROV ZKR FRXOG EH RQ WKLW OLVW ZKR FKRRVH QRW WR IHG WKH EDHQ PDJD]LQH +RZ DERXW GLJLQJ D ELW IRU WKLQJV WKDW VRPHWLPHV GR PDNH WKH SRRUHU DUHD VFKRROV JUHDW" 2K WKDW ZRXOG UHTXLUH VRPH WKRXJKW DQG QRW D VWDW JX\ ZKR FUXQFKHV QXPEHUV 6WXGHQWV DUH QRW QXPEHUV 6KDPH RQ WKH \*OREH HYHQ SWRQLQJ WKLW QRQ

+HUH LV D VREHULQJ QRWHO IRU D DIOX VHW VHO VHEKURQW GR QRW GR SDUWLFXODUO\ ZHOORLQHQ DNLQDQDFKROH\ LQ VXEXUEDQ :DVKLQJWRQ '& IDUH PXFK EHWWHU

,W V D ZHOO NQRZQ IDFW WKDW SURSHUW\ YDOXHV DUH GHWHUPLQHG E\ D WRZQ V VFKRRO V\ VWHP 7KH WRS WRZQV SD\ PRUH SHU VWXGHQW

.....  
7KLV LV QPRUWHXPSOH :DOWKDP SD\V PRUH SHU VWXGHQW WKDQ :HVWRQ  
DQG .000.000.000 rg 0.00 Tc (&DPEULGJH VSHQGV WKH PRVW SHU DSW+Georgia\_2 UH GHWH16TdVVDFKXVH

















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