PRIME INSTITUTIONAL GROUP
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PRIME INSTITUTIONAL GROUP

Singular focus. Powerful results.

INTEGRITY
STRENGTH
INTELLIGENCE
EXPERIENCE
COMMITMENT
SERVICE
FOCUS

PRIME INSTITUTIONAL GROUP

is a Houston-based investment banking firm specializing in structured Collateralized Mortgage Obligation (CMO) securities. Our Precision Strategy Program℠ offers institutional investors, insurance companies and advisory firms a conservative, highly structured bond management strategy that has consistently delivered above average yields through multiple interest rate cycles.

What sets us apart?

Client-driven controls

The Precision Strategy Program[sm] offers full client discretion with no service fees, no long-term contracts and no exclusivity commitments. Clients maintain control from start to finish.

A specialized approach

The Precision Strategy Program[sm] targets the needs of institutional investors and falls well within acceptable risk tolerance thresholds. To accommodate the strict investment constraints of our clients, the Program maintains AAA, NAIC Class 1 credit quality standards within specified asset allocation models, time horizons and asset-liability management requirements — while also exceeding return objectives.

Structured for higher yields

Prime Institutional Group's Precision Strategy Program[sm] has been extensively researched, modeled and tested through the most challenging interest rate cycles, resulting in above average yields.

Better price advantage

Prime Institutional Group is not dependent on secondary markets, thus investment dollars are not subject to multi-broker markups or third-party bureaucracies. From the earliest stages of the CMO structure process, Prime Institutional Group works in partnership with many of the largest and most influential primary dealers on Wall Street, such as Credit Suisse, Merrill Lynch, Bear Stearns, UBS and Lehman Brothers.

To be the best, you need to do one thing better than anyone else.

ALLEN R. PAKSIMA
Principal and Co-founder
Prime Institutional Group

An American Historical Perspective

The strength of CMO securities can be traced to early economic developments of the U.S. bond market. Bonds are one of the oldest and most widely distributed securities in the world. As of year-end 2006, bonds represented $57.771 trillion worldwide. Of that, 47% are US bonds.

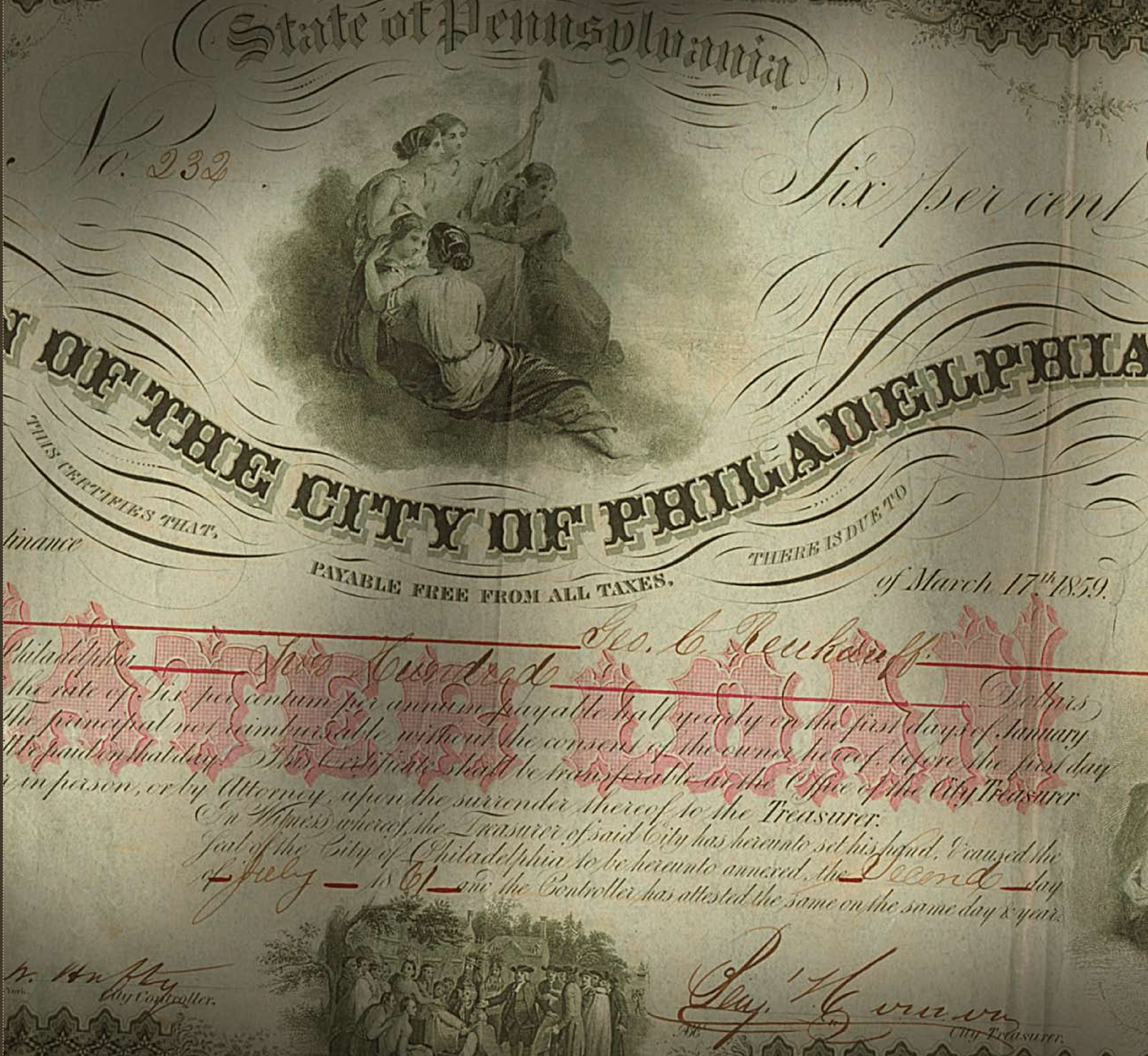
COLONIAL AND EARLY AMERICA

- *The first publicly traded securities were U.S. Government bonds issued to help finance the Revolutionary War.*

- **In 1789,** *Congress established the U.S. Department of Treasury, which provided a means to raise money by selling Treasurey securities. Today, after undergoing numerous transformations, U.S. Treasuries are considered the strongest safety guarantee in the world, and because of their overall stability serve as a universal benchmark against which all other bonds are measured.*

- **In 1792,** *24 Wall Street merchants met under a buttonwood tree and agreed to trade securities on a common commission basis. This date is recognized as the founding of The New York Stock Exchange, which predominantly traded government bonds.*

- **Municipal Bonds,** *most of which receive certain tax exempt status, were first issued in* **1812** *by New York City and have long been considered a low-risk investment for institutional investors. However, recent events and regulatory changes have contributed to the perception of increased credit risk.*



WE ARE 100% DEDICATED TO OUR GOAL OF CONSISTENTLY HIGH YIELDS WITH VIRTUALLY NO CREDIT RISK.

RAY M. GILLIAM
Principal and Co-founder
Prime Institutional Group

An American Historical Perspective

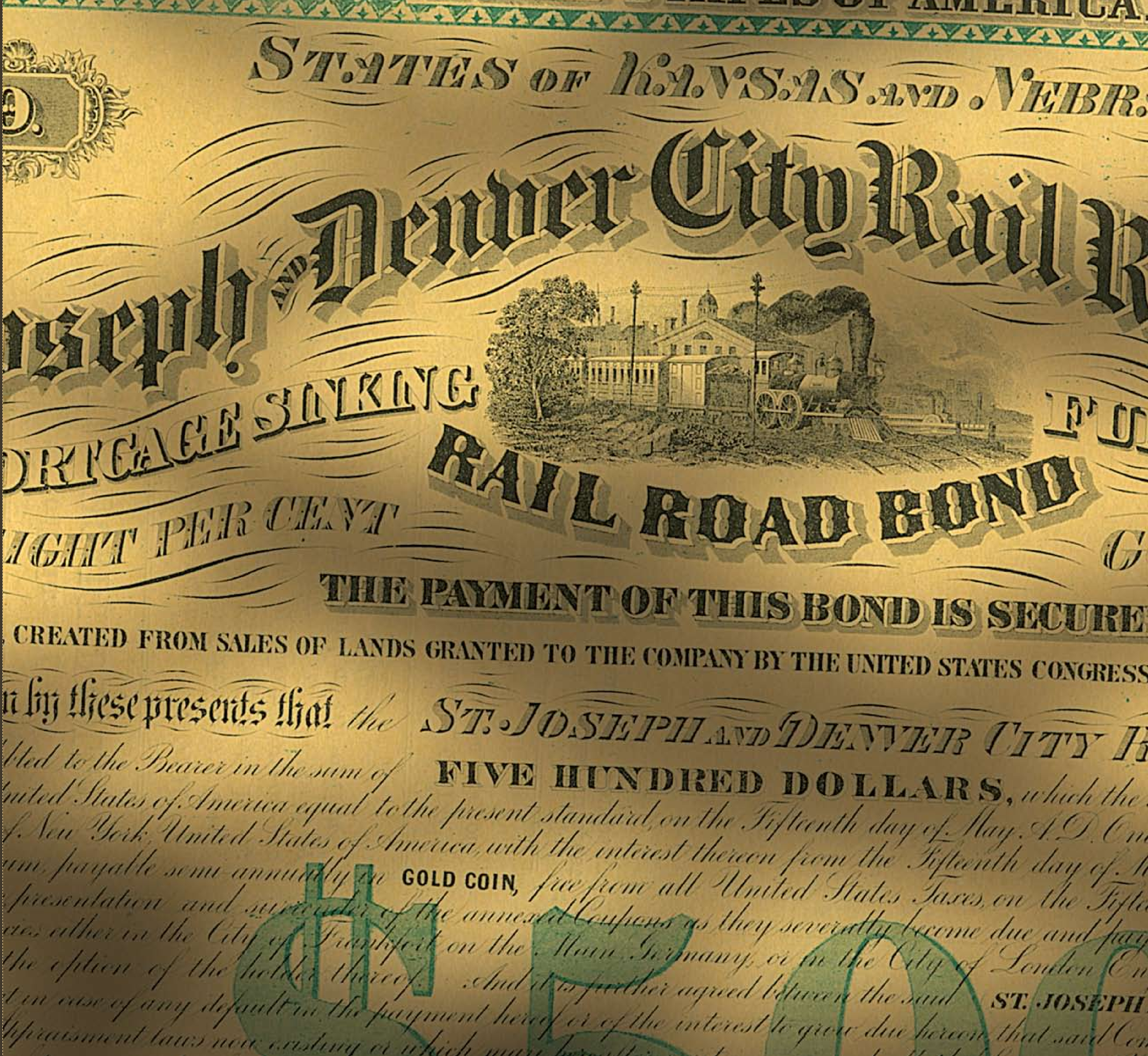
1850 TO 1970

- **Corporate Debt securities** *were introduced between* **1850 and the early 1900s** *as a means to raise funds for public utilities and manufacturing corporations. Today, U.S. corporate debt has transformed the global market and plays a significant role in the U.S. economy. The corporate debt sector carries with it the burden of credit quality. A number of corporate bonds that were rated AAA at issuance were later downgraded when the issuer's financial condition changed for the worse. An investor in this sector has to be cognizant of this risk.*

- **In the early 20th century,** *housing finance was fragmented, inefficient and illiquid, with rates and funds that varied greatly by region.* **In 1934,** *during the depths of the Depression, Congress passed the* **National Housing Act** *to strengthen the housing market and provide liquidity to the mortgage markets by insuring loans under its* **Federal Housing Authority (FHA) Agency**.

- **In 1938**, *Congress created* **Fannie Mae****, *an entity designed to help mortgage lenders gain access to capital for mortgage loans and to encourage growth in home ownership – thus leading to the growth of the secondary mortgage markets.* **In 1968,** *Fannie Mae was privatized, operating as a GSE and maintaining government taxation benefits as well as implied government backing. That year Congress also established* **Ginnie Mae****, *a government-owned corporation within the Department of Housing and Urban Development (HUD), which offered the first mortgage-backed securities with the full faith and credit guaranty of the United States government.* **Freddie Mac****, *a stockholder-owned corporation, was chartered by Congress* **in 1970**. *Today, mortgage-related bonds, at $6.6 trillion, make up the largest segment of the U.S. Bond Market and Agency backed Mortgage bonds represent 60% of that total, or $4 trillion.*

* Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac).



An Inspired Partnership...

and the only company of its kind.

The principle foundations of the Precision Strategy Program℠ were formed by general partners and co-founders Allen Paksima and Ray Gilliam. In 2000 Paksima & Gilliam were evaluating various investment strategies that could potentially add alpha to a portfolio without taking on undue risk. They were deeply entrenched in the CMO securities field when a client asked a simple question: "can we do better?" That question led to others, which inspired the pair to delve far beyond the surface. Over time, the two developed extensive forecasting tools and a strategy for structuring CMO bonds for higher yield potential – and the Precision Strategy Program℠ was born. Though many investment firms offer CMO securities as one choice among a maze of options, Paksima and Gilliam created a company solely focused on structured CMO securities. Taking it one step further, they developed a detailed tracking and reporting system for greater accountability. Today, the partners remain passionate about their work and dedicated to serving client needs, continually looking to optimize returns.

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A SIMPLE QUESTION:

"can we do better?"

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WHICH INSPIRED PAKSIMA
AND GILLIAM TO DELVE
FAR BEYOND THE SURFACE.

An American Historical Perspective

20TH CENTURY TO THE PRESENT

- *The* **first Mortgage Backed bonds**, *also known as* **Pass-Through Certificates**, *were issued* **in 1970**. *These new securities formed from agency-backed mortgage pools offer great appeal to institutional investors seeking low credit risk and yields that often surpass Treasuries.*

- *The development of the* **CMO (Collateralized Mortgage Obligations) in 1983** *expanded the market for mortgage-backed securities by appealing to investors with various investment time frames. CMOs offer more structure, predictable cash flow and higher yields while also maintaining the low risk standards of agency paper. Today, Agency guaranteed CMO bonds represent 40% of the total Agency Mortgage Bond market and is providing new opportunities for investors.*

- *According to The Securities Industry and Financial Markets Association, "CMOs, also known as Real Estate Mortgage Investment Conduits (REMICs), are one of the* **most innovative investment vehicles available today**, *offering regular payments, relative safety, and notable yield advantages over other fixed-income securities of comparable credit quality."*

Allen R. Paksima

General Partner and Co-founder

Allen Paksima oversees business development and industry analytics for Prime Institutional Group. He brings with him 22 years of experience in the finance and technology industries, including in-depth knowledge covering the structure, marketing and procurement of fixed income instruments. Paksima also founded several successful technology-based companies: Barron Micro Computer Corporation and NetDevices. Paksima is registered as a General Securities Representative (Series 7) and as a Uniform Securities Agent (Series 63).

Ray M. Gilliam

General Partner and Co-founder

Ray Gilliam oversees bond structuring and operational supervision at Prime Institutional Group. His deep knowledge of CMO bond structures has been instrumental in developing and implementing the firm's successful investment strategy. Prior to partnering with Allen Paksima, Gilliam owned and managed a group of 36 property and casualty insurance agencies, general agencies and premium financial companies with more than 170 employees and annual premiums of $50 million. Ray Gilliam is registered as a General Securities Representative (Series 7), a General Securities Principal (Series 24) and as a Uniform Securities Agent (Series 63).