

Precision Strategy ProgramSM

An overview of the Prime investing model



PRIME INSTITUTIONAL GROUP



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Securities offered through Crescent Securities Group, Inc. Member FINRA, SIPC.



Prime Institutional Group oversees strategic and tactical decisions for its Precision Strategy ProgramSM, a highly structured bond management strategy for institutional investors. This innovative, actively managed program utilizes U.S. government agency-backed collateralized mortgage obligation securities that offer notable yield advantages over other fixed-income securities with similar credit qual-



Investment Objectives

The Precision Strategy Program is specific and measured, focusing on three main objectives.

1. Consistent improvement of current yields utilizing proven bond structures
2. High credit quality by using only U.S. government agency securities
3. Predictable returns and greater cash-flow certainty

The Program can be applied in conjunction with other investment vehicles to fit asset allocation requirements. Results are tracked and documented as a comparative measure with leading industry benchmarks. In addition, clients maintain full discretionary control.

- There are no service fees and no hidden agendas.
- Clients do not have to commit to an exclusive relationship or contract.
- Clients maintain full ownership of bonds while Prime Institutional Group provides detailed monthly reporting.

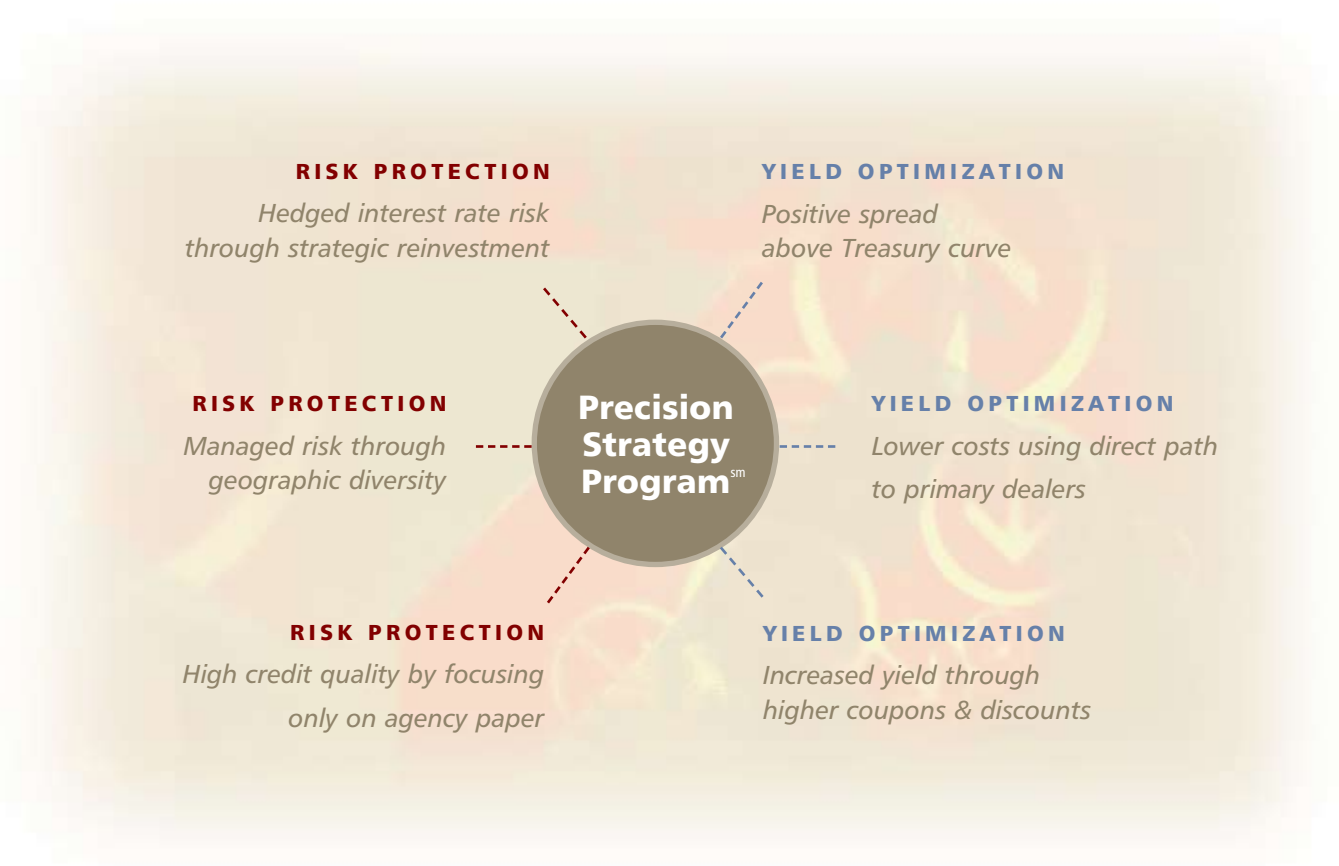


The Process

In structuring bonds, we use a protocol selection process to identify key indicators for price, timing and location. We select the geographic mix of mortgages and oversee the type of mortgage pools used to build CMO tranches. These highly structured bonds are designed to reduce prepayment risk while also addressing investment time frames and cash-flow needs. The process is continuous and actively managed for optimal results.

Strategy Focus

The Precision Strategy Program strives to consistently deliver high-yield performance while also using proven strategies to hedge against known risks, even during challenging market cycles.



Structured for Yield Optimization

Performance above Treasuries

Our strategies are designed to deliver yields superior to Treasuries and other fixed-income investments with comparable credit quality. Our objective is to provide consistent performance over multiple interest rate cycles resulting in the long-term income potential sought by many institutional investors.

A direct line to primary dealers

The Precision Strategy Program offers a better price advantage as investment dollars are not subject to multi-dealer markups. From the earliest stages of planning, we work directly with leading primary dealers, including:

■ Credit Suisse ■ Merrill Lynch ■ Bear Stearns ■ UBS ■ Lehman Brothers

Core strategies

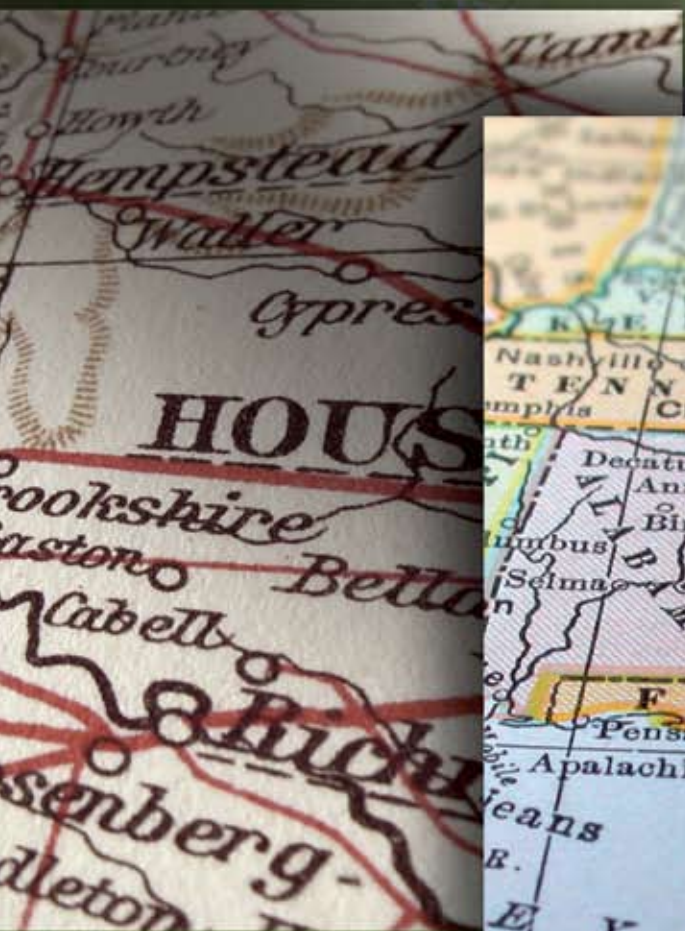
In order to maximize yields, bonds are structured to provide either higher initial coupons or reduced costs. By analyzing actual current and historical prepayment speeds and custom building CMO tranches to achieve focused objectives, we can structure bonds with price advantages over many other fixed-rate vehicles.

Unlike typical CMOs that avoid early prepayments, the Precision Strategy Program targets mortgage pools with shorter durations. These pools are structured into CMOs at a discount—thus improving yield potential.

Furthermore, we continually reinvest monthly principal paydowns back into like bonds. This crucial component of the Precision Strategy Program creates a dollar-cost averaging effect that is designed to keep portfolio durations short and current through the interest rate cycle. The average life of a companion tranche may vary widely, increasing when interest rates rise and decreasing when rates fall. To compensate for this variability, companion tranches offer the potential for higher expected yields when prepayments remain close to or, in the case of discount bonds, exceed the rates assumed at purchase.

While some CMO tranches are specifically designed to minimize the effects of variable prepayment rates, the average life of the security is always a best estimate, contingent on how closely the actual prepayment speeds of the underlying mortgage loans match the assumptions.

If interest rates rise and prepayment speeds are slower, investors may find their principal committed for a longer period of time. ("extension risk").



Structured for Risk Protection

High credit quality – NAIC Class 1 rated

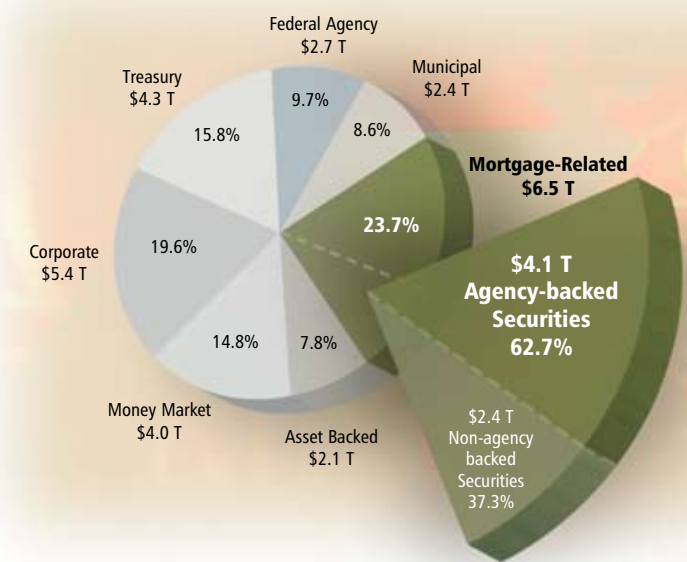
Prime’s Precision Strategy Program makes use of mortgage-backed securities guaranteed by U.S. government agencies GNMA, FNMA and FHLMC exclusively. The financial world places enormous confidence in U.S. agency-backed paper, which carries stronger guarantees, better liquidity and more favorable capital treatment than other fixed-income investments. Today, agency-backed securities remain one of the safest investment vehicles available, surpassed only by U.S. Treasuries. For an added level of protection, Prime Institutional Group does not utilize corporate bonds, convertible bonds, sub-prime mortgages or private label CMOs, which all carry higher levels of risk and/or volatility.

TODAY, AGENCY-BACKED SECURITIES REMAIN ONE OF THE SAFEST INVESTMENT VEHICLES AVAILABLE, SURPASSED ONLY BY U.S. TREASURIES.

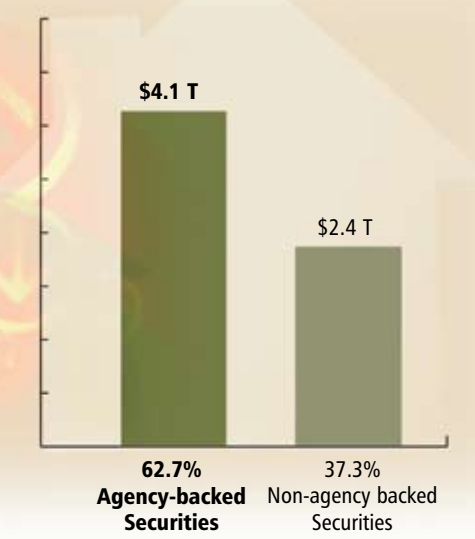
Geographic Diversity

Well-defined metrics identify geographic areas with desired mortgage market characteristics, thus resulting in CMO structures designed with better controlled cash flows. By also diversifying geographically in its selection of mortgage collateral, Prime Institutional Group delivers an added level of protection against regional fluctuations in mortgage turnover and corresponding prepayment speeds.

U.S. Bond Market Debt
Total: \$27.4 Trillion



Mortgage-Related Bond Market Debt
Total: \$6.5 Trillion



Since their debut, U.S. government agency-backed mortgage securities have been instrumental in creating a stable mortgage market. According to The Securities Industry and Financial Markets Association (SIFMA), the mortgage debt market represents nearly 24% of the total U.S. bond market, or \$6.5 trillion. Of that, 40% or \$1.6 trillion are structured CMOs – a significant innovation that has led to improved models with added risk protection.

Customized Repayment Model — Benefit of Diversity

Bonds are created using agency-backed mortgage pools with specific characteristics. Within the dynamics of the Precision Strategy Program, these CMOs are structured with prepayment features that help minimize exposure to fluctuations in the interest rate cycles.

Our strategies capitalize on known market behavior within various interest rate environments. When interest rates decline, bonds cost more but also enjoy faster payoff of principal, providing greater yield from accretion. When rates rise, prepayments slow, so bonds can be purchased at a reduced cost, benefiting from a larger discount and greater margin of profit. Because we continually reinvest monthly paydowns, the program has natural hedging features. *This should result in a steady bottom line and a diversified portfolio.*

Efficient Communications

Our management and staff walk, talk and breathe CMO strategies—performance models, formulas and managed returns. The strategies we apply require detailed planning and accurate execution, but we dedicate equal importance to keeping clients educated and informed throughout the process.

Clients receive monthly reports and real-time tracking systems with direct progress updates from our leadership team.

Monthly Performance Reports include:

- Outstanding securities holdings
- Total book and par values
- Principal prepayments (paydowns)
- Book yield, net spread and income earned for the month

At Prime Institutional Group, we provide the information you need to make wise investment decisions, so you'll know exactly where you stand at any point in time.

A Focused Strategy and CMO Expertise

Our singular focus delivers a higher performance standard,
one that is changing the face of CMO investing.

Because our strategy strives to outperform typical fixed-income
portfolios by a measurable margin, institutional investors
have the potential to enjoy solid growth opportunities
and positive returns.

For additional information, contact our corporate office.

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AGENCY GUARANTEES: Ginnie Mae guarantees the timely payment of face-value principal and interest on all of its mortgage securities, and its guarantee is backed by the "full faith and credit" of the U.S. Government.

Fannie Mae guarantees timely payment of both face-value principal and interest on its mortgage securities whether or not the payments have been collected from the borrowers. Freddie Mac also guarantees timely payment of both principal and interest on its CMOs.

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