

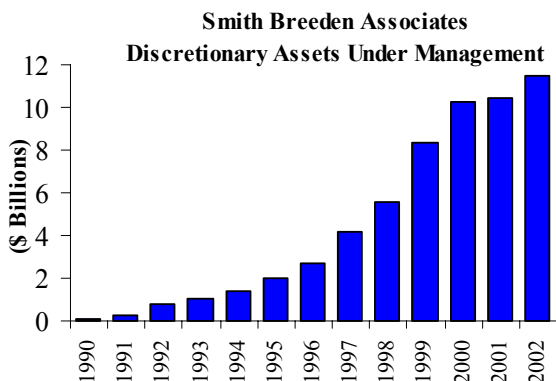
SMITH BREEDEN ASSOCIATES, INC.

INVESTMENT MANAGEMENT SERVICES

Background: Over the past 21 years, Smith Breeden Associates, Inc. has established a reputation as one of the premier research and trading firms in the fixed-income market. The firm specializes in the analysis and management of enhanced equity strategies and fixed-income portfolios. Smith Breeden Associates currently advises, or manages on a discretionary basis, assets exceeding \$27 billion. The firm employs approximately 65 people and has offices in Chapel Hill, North Carolina and Boulder, Colorado. Additionally, Smith Breeden retains key research professionals in Los Angeles, California.

Smith Breeden was founded in 1982 by Douglas T. Breeden, Ph.D. and Gregory L. Smith. Dr. Breeden has served as a finance professor, teaching MBA and Ph.D. level courses, at Stanford University, M.I.T., and Duke University. Dr. Breeden is now dean of Duke University's Fuqua School of Business. Mr. Smith was a marketing specialist who retired from the firm in 1988. Since its inception, Smith Breeden pioneered the analysis and management of fixed-income securities and interest rate risk, with significant research effort directed at better understanding prepayment options in mortgage securities, such as GNMA's and FHLMC's and credit options embedded in corporate bond securities. The firm's commitment to high quality fixed-income research is carried out by a staff of seven Ph.D.s and other talented professionals.

Today, Smith Breeden is an established and growing money management firm offering separate account investment management, alternative investments, and financial institution advisory services. Smith Breeden's discretionary assets under management exceed \$12 billion and financial institution assets under advisement exceed \$15 billion.



Characteristics of Smith Breeden Associates

- Experience. Senior Professionals have an average of 20 years of market experience.
- Research. Smith Breeden's research professionals are on the cutting edge of fixed-income research, where academic theory meets practical implementation.
- Performance. Smith Breeden has consistently exceeded client benchmarks across strategies over full market cycles of 3 to 5 years.
- Risk Management. The goal of Smith Breeden's investment strategies is to achieve high *risk-adjusted* returns, and considerable effort is directed at quantifying the risk of client portfolios.

Characteristics of SBA investment strategies

- Enhanced index management. Actively managed portfolios employ sector and security selection to achieve an alpha versus client benchmarks.
- No interest rate "bets". Alpha is not dependent on changes in interest rates.
- High credit quality in the U.S. domestic fixed-income market.
- Low tracking error of less than 1.5% across core strategies.

Strategies for the Three Major Asset Classes:

STOCKS

EQUITY MARKET PLUS

Benchmark: S & P 500

Product Assets: \$1.6 billion

BONDS

INVESTMENT GRADE CORE FIXED INCOME

Benchmark: Lehman Brothers Aggregate Index

Product Assets: \$2.5 billion

MORTGAGE INDEX PLUS

Benchmark: Citigroup Mortgage Index

Product Assets: \$4.4 billion

INTERMEDIATE INDEX PLUS

Benchmark: Lehman Bros Govt/Credit Intermediate

Product Assets: \$141 million

CASH

ENHANCED CASH

Benchmark: One Month LIBOR

Product Assets: \$2.7 billion

SMITH BREEDEN ASSOCIATES, INC.
INVESTMENT MANAGEMENT SERVICES

FOUNDERS

Douglas T. Breeden, Ph.D., Chairman of the Board
Gregory L. Smith (retired)

CORPORATE OFFICERS

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Chief Executive Officer
Michael J. Giarla, Chief Operating Officer
Stephen A. Eason, CFA, Director of Separate Account
Management
Daniel C. Dektar, Chief Investment Officer
Stanley J. Kon, Ph.D., Director of Research
Marianthe S. Mewkill, Chief Financial Officer

INVESTMENT PROFESSIONALS

Separate Account Portfolio Management

Eugene Flood, Jr., Ph.D., Chief Economist
Timothy D. Rowe, Senior Portfolio Manager
John B. Sprow, Senior Portfolio Manager
Daniel R. Adler, Senior Portfolio Manager
Gregory G. Seals, CFA, Senior Portfolio Manager
John P. Kerschner, CFA, Senior Portfolio Manager
Timothy J. Cunneen, CFA, Senior Portfolio Manager
Jonathon M. Duensing, CFA, Portfolio Manager
Anna L. Griffiths, CFA, Portfolio Manager
Teresa G. Walters, CFA, Portfolio Manager
David G. Gagnon, CFA, Portfolio Manager

Financial Institution Portfolio Advisory

Robert B. Perry, Director of Financial Institutions
Group
Geoffrey M. Hardin, Portfolio Manager

Research

Douglas T. Breeden, Ph.D.
Campbell R. Harvey, Ph.D.
Michael J. Brennan, Ph.D.
Eduardo S. Schwartz, Ph.D.
Sue Y. Chow
Joseph R. Prendergast, Ph.D.
Robert W. Aufdenspring, CFA
John A. Huff, CFA
Peter D. Nolan, Ph.D.
Daniel R. Adler*
John B. Sprow *

MARKETING/ CLIENT SERVICE

Stephen A. Eason, CFA, Director of Separate Account
Management
G. Kent Fleming, Marketing & Client Service
Kent Fisher, CFA, Marketing & Client Service
Charles C. Field, Marketing & Client Service

OUTSIDE BOARD OF DIRECTORS

John Appel, President & CEO (retired), Dain Rauscher
Lewis Jester, EVP, Chevron Corporation

**For more information on Smith Breeden's separate
account investment management services, contact:**

Stephen A. Eason, CFA
(919) 967-7221

**Client & consultant information services
requests for proposal / performance reporting:**

Kent Fleming
(919) 967-7221

**Financial institution consulting / portfolio
advisory services / separate account BOLI:**

Robert B. Perry
(919) 967-7221

Smith Breeden Associates Offices:

<u>Location</u>	<u>Function</u>
100 Europa Drive Suite 200 Chapel Hill, NC 27517 (919) 967-7221	Portfolio Management Research, Operations Marketing, Client Service Financial Institution Consulting (58 Employees)
1050 Walnut Street Suite 210 Boulder, CO 80302 (303) 440-5151	Portfolio Management Credit Research (7 Employees)

* dual responsibilities in research and portfolio management