

WHAT IS DIRECTED-BROKERAGE AND SPREAD RECAPTURE?

- A process whereby pension plans, endowments, and corporate treasuries receive cash or pay for services with rebates from the brokerage transactions of their investment managers.

BENEFITS:

- Offset plan expenses such as consultant services and seminar registrations.
- Receive best-execution from CCM's highly experienced senior traders.
- Gain extra layer of fiduciary control.

# Directed Brokerage/ Spread Recapture



**Recapture Credits • Offset Expenses • Increase Cash Flow • Increase Returns**

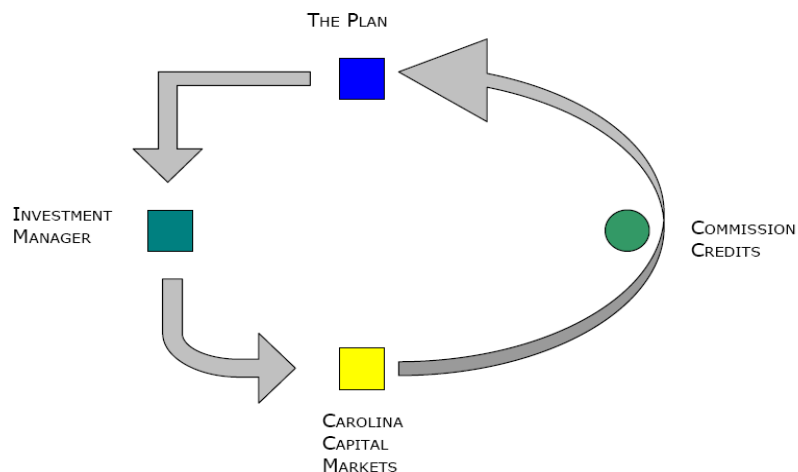
Carolina Capital Markets' Fixed-Income Directed Brokerage/Recapture Program provides an ideal solution for plan sponsors, endowments, insurance companies, bank portfolios, and corporate treasuries who want to reduce costs and improve investment returns. CCM's Brokerage Recapture Program allows plan sponsors to receive a rebate in cash or services from the markups or markdowns in their fixed income principal trades. The trading process is focused on best execution and is totally

transparent to the plan sponsor.

While commission recapture from equity transactions is a well-established practice, it is less commonly understood that similar benefits are available to plan sponsors from fixed income transactions in which the broker acts in a principal capacity [See Investment Company Act Rel. No. 21221 (July 21, 1995)].

CCM's fixed income Brokerage Recapture Program requires simply that the plan's asset manager

put CCM in competition for its fixed income trades; best execution is a prerequisite of every transaction. All trades are executed on an agency or riskless principal basis with fully disclosed commissions or markups. CCM's Brokerage Recapture Program is easy to set up and there are no fees or minimums. The plan may trade as little or as much as needed and still receive brokerage credits to offset fund expenses, conserve assets, and improve performance.



## Expense Reduction

Brokerage credits may be rebated directly to the Plan or sent to service providers such as consultants and custodians.

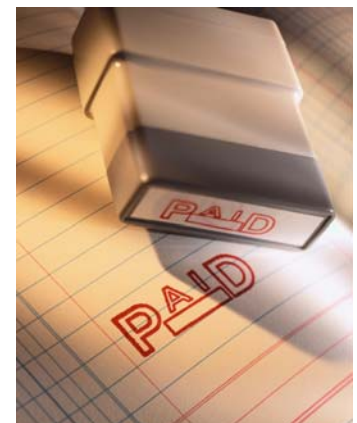
Plan sponsors may also use commission credits for registration fees at seminars and conferences for managers and trustees. Of course, credits may also be deposited back into the pool of invested plan assets, increasing the overall return.



## Fee Reduction

Directed Brokerage Recapture Arrangements can help reduce:

- *Consultant Fees*
- *Investment Fees*
- *Management Fees*
- *Legal Fees*
- *Trustee Training/Due Diligence*
- *Custody Fees*
- *Research Fees*



## Experienced Traders Providing Best Execution

“Best execution” is a prerequisite of every directed brokerage transaction. CCM relies on a desk of senior bond traders, including former head traders from firms such as Goldman Sachs, Bank of America, Wachovia, Prudential, Alex Brown, Oppenheimer and others. Our traders have the benefit of a proprietary database of over 25,000 bond offerings updated daily, allowing them to identify price disparities and locate specific bonds that investment managers are looking for. They know how to move discreetly in the fixed income markets, getting the trade done while protecting clients’ anonymity.

CCM traders aggressively pursue the best bids and offers in the interdealer market, and thanks to our cost-effective business model we are able to transact with clients at an all-in cost equal to or better than our competitors ... and still rebate a portion of each trade to the plan sponsor.

All trades are executed on an agency or riskless principal basis with fully disclosed commissions or markups/markdowns.

