VOLATILITY ARBITRAGE PROGRAM

INFORMATION FOR LICENSEES

PRIVATE AND CONFIDENTIAL

Prepared for:

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NOTICE:

INVESTMENT ANALYTICS (BERMUDA)LTD.
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SUMMARY

Investment Analytics has developed a highly successful proprietary investment program based on sophisticated econometric models that are used to forecast asset volatility and identify option arbitrage opportunities. These models provide the basis for the statistical arbitrage strategies implemented by Mr Jonathan Kinlay in the quantitative hedge fund Caissa Capital, which he founded in 2002. Investment Analytics is now offering a limited number of additional licenses to investment institutions wishing to extend their range of investment strategies in the volatility arbitrage asset class.

INVESTMENT ANALYTICS

Investment Analytics (Bermuda) Ltd is an investment strategy consulting firm formed by Mr Jonathan Kinlay in 2003, which succeeded a partnership of the same name that existed since 1998. Investment Analytics provides independent research focusing on applications of sophisticated mathematical and financial modeling techniques to problems of strategy development and repair, performance analysis and risk management for clients in the investment management industry in Europe and North America. Further details of the firm and its services is to be found on the web site: www.investment-analytics.com.

Beginning in 1998 Mr Kinlay researched and developed a number of sophisticated econometric models used for measuring and forecasting the volatility of financial processes such as asset returns. In 2002 Mr Kinlay formed a hedge fund, Caissa Capital LP, and invited two associates to join him in that venture as partners. The models were licensed to Caissa Capital to provide the basis for the firm's volatility arbitrage strategies. The strategies proved very profitable and assets under management quickly grew to over $160M. Having established the underlying concept within Caissa Capital, Mr Kinlay has decided to focus on his work in Investment Analytics and to start a new hedge fund, the Proteom Fund.
Investment Analytics is now seeking to maximize the economic opportunities afforded by the firm's ownership of valued proprietary intellectual property which has a proven track record of investment performance. Specifically, the firm now wishes to license use of the technology (more precisely, the use of the output of the modelling systems) to banks, financial institutions, hedge funds and investment management firms that wish to develop or enhance their own volatility arbitrage investment strategies.

JONATHAN KINLAY

Jonathan Kinlay founded Caissa Capital in 2002 and it was his work on econometric modelling and volatility arbitrage that provided, and continues to provide, the basis of the Fund's strategies. He is the founder and CEO of the investment consultancy Investment Analytics and a general partner of the Proteom Fund. Mr. Kinlay is editor of the Investment Research Report, an e-journal with subscribers in over 70 countries world wide. He has consulted with leading investment funds and financial institutions in Europe and North America for over 20 years in the areas of financial engineering, investment strategy, quantitative analysis and risk management, initially with NatWest and Chase Manhattan banks and subsequently as the head of quantitative analytics and proprietary trading in a European hedge fund, where he traded US and European equities, fixed income and OTC & exchange traded derivatives. Mr. Kinlay has lectured at postgraduate level at a number of leading universities including, Carnegie Mellon University in New York, and Oxford, Cambridge and

Reading Universities in the UK. He has postgraduate degrees in economics, statistics, and business administration from the universities of Bristol, Sheffield and London Business School.

THE INVESTMENT PROGRAM

The Investment Analytics program comprises proprietary econometric models that produce forecasts of future volatility of exceptional accuracy. One measure of the ability of the models, direction prediction accuracy, shows that, on average, the models enable the correct timing of the volatility market approximately 75% of the time. This extraordinary level of forecasting performance accounts for the exceptional trading results achieved by the Caissa Capital Fund since 2002.
The modelling system analyses stock and option data at the end of each trading day, updates volatility forecasts, and identifies new arbitrage opportunities using sophisticated proprietary option pricing models. Applying complex portfolio construction algorithms, the system produces a trading sheet which contains detailed recommendations specifying the quantities of each option be bought or sold, the theoretical edge of the trade and the hedging requirement. The trading sheet is emailed automatically to traders and risk managers before the start of each trading session.

Full details about the program, including information on the strategies and performance results are available in the document entitled **Description of Modelling System and Investment Program and Due Diligence Questionnaire.**

INVESTMENT PROGRAM PERFORMANCE

Caissa Capital operated a number of volatility statistical arbitrage strategies based on the Investment Analytics program. The investment returns from those strategies are shown below:

Strategy	2003	July 2004 Year-to-Date
A100 Strategic Volatility Fund	15.22%	2.52%
B000 Volatility Opportunity Fund	1551.58%	13.18%
B500 Volatility Opportunity Fund	N/A	15.05%

ADVANTAGES OF THE PROGRAM

- Unique approach to statistical arbitrage with proven track record of success within a $160M hedge fund.
- Strategies based on the program produced returns of between 15% and 1600% in 2003.
- Stable, low-risk alpha generator, uncorrelated to cash and derivative markets.
- Methodology provides the basis for a broad range of volatility arbitrage strategies, yielding investment returns from 10% per annum upwards.

- Adaptable to a wide variety of equity markets and asset classes.
- Substantial unutilized strategy capacity in the $Billions.
- Non-discretionary, systematic approach that is independent of trader capability and other idiosyncratic factors.
- Robust and reliable methodology capable of adapting to changing market conditions.
- Redundant delivery platforms guarantee fail-safe automatic delivery and backup.

PROGRAM LICENSEES

The company intends to grant a limited number of licences to use its investment program to investors in three geographic areas: Europe, USA and Asia. Licensees are likely to be amongst the following categories:

- Major money center banks and financial institutions wishing to license the technology for their in-house proprietary trading operation.
- Hedge funds and alternative asset managers wishing to create new strategies in the volatility arbitrage space.
- Hedge funds and alternative asset mangers seeking to improve the performance of their existing volatility arbitrage strategies, such as convertible arbitrage programs.
- Investment institutions seeking new direct investment opportunities who are wiling to "seed" a start-up fund based on the Investment Analytics technology.

To qualify for consideration for the licensing program, the prospective licensee must be prepared to agree to:

i. Pay a non-refundable commitment fee of €100,000 and sign a comprehensive confidentiality agreement at the outset of license negotiations.
ii. Maintain a minimum investment equivalent to €100M in notional capital throughout the license period.
iii. Pay substantial up-front licensing fees, annual management fees and ongoing royalties based on an agreed % share of investment returns.
iv. Allocate appropriate financial, trading, risk management, operational and other resources to implement the trading strategy.

APPLICATION PROCEDURE

Prospective licensees should contact Mr Kinlay in the first instance stating their interest in becoming a licensee. Applicants will be expected to sign a comprehensive confidentiality agreement at the outset of license negotiations. After preliminary discussions, licensees will be required to pay an initial commitment fee of €100,000, which can be offset against the initial license charges if the license is granted.

Meetings with prospective licensees will be held in London and New York over the remainder of 2004, with the aim of completing the process by January 2005.

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