

# The Revolutionary Way to Trade Power and Gas

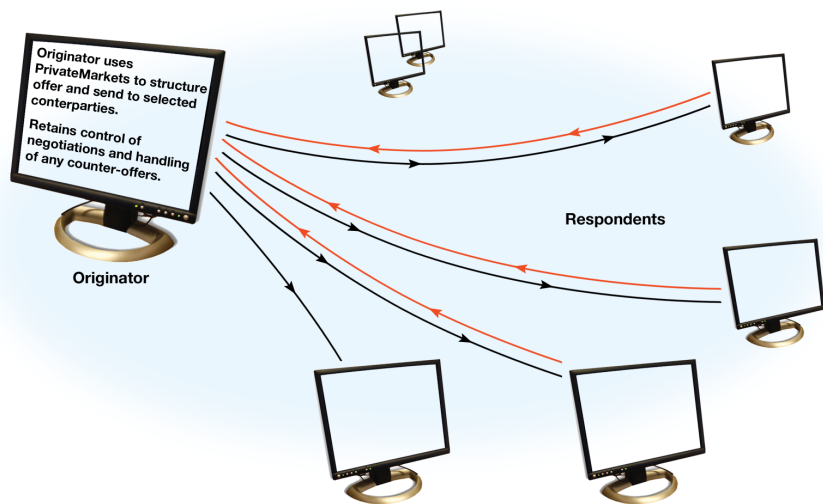
## Introduction

PrivateMarkets, Inc. was created to serve the significant untapped market for electronic automation of bilateral structured trading for energy commodities, a portion of the market where exchange-based trading methods are not applicable and reverse auction alternatives are inefficient.

PrivateMarkets enables a trader to flexibly structure complex offers for power and/or gas energy commodities, and then control the negotiation process between closed groups of known, selected, counterparties.

Such structured trades reflect the unique requirements of the trader that cannot be satisfied by standardized offerings available on exchanges. An example would be load shaped transactions for electricity that reflect the unique hourly demand curve of a particular organization.

Typically, structured energy transactions have been negotiated through a non-automated process of involving voice negotiations via phone and the exchange of paper with known counterparties. At times, spreadsheets are used in place of paper, email or IM (instant messaging) to replace voice negotiations, but the process remains largely manual and not automated. This practice is inefficient and subject to a number of operational risks. It is a time consuming process that limits the number of counterparties with which an originating trader can effectively deal, limits the trader's ability to react to fast



moving market conditions, and limits the complexity of the offers that can be structured. Physical hedgers seek more rapid, efficient, auditable negotiation of trades, sometimes referred to as Requests for Proposals ("RFP").

In addition, working capital and financial operations constraints have led to concerns about exposures from the margining requirements of exchange-based markets. Bilateral transactions afford credit terms without these requirements.

The Company's product is a software-based service that creates a marketplace for the negotiation of contracts between known, prescreened counterparties. A transaction executed through the Company's service will be a bilateral transaction between the counterparties – PrivateMarkets is a facilitator of, not a participant in, the contract. The bilateral nature of the marketplace is designed such that pricing information is known only to the parties to the transaction.

## Benefits

- Replaces less effective voice, email, or IM trading
- Makes shaped transactions easy to specify and trade
- Achieves a better price over alternative methods
- Better control of your trading process
- Enables integration with your existing systems
- Provides records to support market conditions at time of trade
- Sarbanes-Oxley compliant audit trail of all activity
- Efficient access to portions of the market not accessible now

## Functionality

### Trade Types

PrivateMarkets supports a wide range of basic trade types that can be combined to create complex structured trades.

- Physically Settled Trades
- Fixed for Floating (multiple indices)
- Options – puts, calls, collars
- Locational spreads (Production versus delivered zone in one trade)
- Time spreads (storage injection and withdrawal trades in one trade)
- Financially Settled Trades
- Ability to create any simple or complex financial structure in a single trade
- Ability to layer a financial settled trade into a physical transaction

### Trader & Trader Organization Functionality

- Trade Management
- Trade Blotter Management
- Customizable Trade Templates
- Simple and Complex Trade Structuring

## Negotiation Management

- Firm and Indicative Orders
- “Held” Order Capability
- View & Respond to Trade
- Counteroffer
- One Winner
- Linked Trades/One Cancels Other
- Trade Clock/Expiring Trades
- Kill Trade
- Winning Counterparty Notification

## Administration/Risk Management

- Counterparty Configuration
- Counterparty Contracts
- Restrictions/Counterparty Hold
- Credit Department ability to control Counterparties
- Management ability to kill trades
- Trader Role Profiles (Trader, Risk Manager, etc.)
- Trader Restrictions
- Confirmation Configuration
- Confirmation Delivery Independent of Trader
- Audit Log
- Security log

## For More Information

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