

Derivative Mark-to-Market Services



Independent Derivative Valuation

- *Daily Mark-to-Market Values*
- *FAS 133 / GASB Compliance*
- *Risk Management*
- *Counterparty Accuracy Check*
- *Attestation Letters*
- *Curve Shocks and Sensitivity Analyses*



DerivActiv™

**Where
there are
controls,
there is
trust**

The Derivative Valuation Challenge

The relative newness of the derivative industry coupled with the ever-evolving complexity of derivative structures has created an imbalance. Investment banks enjoy sophisticated models and access to market information that users of derivatives often lack. Additionally, high profile derivative failures, like the bankruptcy of Orange County, California, have created concern over derivative volatility and risk exposure. In response to these concerns, the accounting standards boards (FASB and GASB) have issued new standards for financial reporting that require organizations to report the fair market value of derivatives on periodic financial statements. To meet these new guidelines, derivative users have had only two potential sources for valuations: 1) counterparties that lack independence, or 2) swap advisors that typically charge a premium price for manually calculated valuations.

Now there is a new source for derivative valuations — DerivActiv — able to provide independent mark-to-market valuations at an economical price.

" We don't have the knowledge about swaps that DerivActiv has and it doesn't make sense for us to try to staff that knowledge internally."

**— Richard
McCrillis, CFO,
MARTA**

The Independent Valuation Solution

DerivActiv is an Internet mark-to-market service that generates valuations for derivatives on a daily basis and serves as a data repository and centralized tracking system for every derivative trade in your portfolio.

Who needs the DerivActiv Service?

Anyone who is responsible for FAS 133/GASB compliant financial reporting for derivatives, including:

- Chief Financial Officers
- Treasurers
- Chief Investment Officers
- Controllers
- Auditors
- Financial Advisors

DerivActiv enables clients to:

- Determine daily mark-to-market values.
- Comply with FAS 133/ GASB guidelines.
- Track derivative trade parameters on an on-going basis for effective risk and opportunity management.
- Check the accuracy of counterparty generated cash flows and termination values.
- Monitor the impact market shocks could have on your portfolio.
- Manage counterparty spread through greater transparency.

Service ... NOT Software

DerivActiv is an economical valuation service that leverages both highly experienced derivative professionals and a robust swap pricing platform. The DerivActiv team assures that each swap is set up correctly in the valuation system by managing all data entry and modeling for you.

Daily Mark-to-Market Valuations

DerivActiv's unique pricing platform uses daily feeds from Bloomberg and other rate sources to calculate accurate mid-market derivative valuations. The numbers calculated are the same numbers that you will put into your financial statements. Daily mark-to-market values give you the core information necessary to practice hedge accounting.

Trade Analytics

DerivActiv allows clients to create customized reports that analyze up to 33 different parameters for each swap. Trade analytics empower you to better understand contract termination values and derivative volatilities.

Description	Initial Notional	Counterparty	Type	MTM
\$100,000 BMA Swap - Full Option Agreement	\$100,000,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$42,953,818.78
\$100,000 BMA Swap	\$100,000,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$8,252,033.08
\$100,000 BMA Swap - IBM right to terminate floating	\$100,000,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$8,750,750.00
\$111.7M 07% of Libor Swap	\$111,700,000.00	JPMorgan Chase Bank	SWP	\$1,872,818.40
\$10.0M 80% of Libor Swap - Full Option Agreement	\$10,000,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$4,042,384.61
\$24.8M 87% of Libor Swap	\$24,800,000.00	JPMorgan Chase Bank	SWP	\$3,877,279.82
\$350M 90% of Libor Swap	\$350,000,000.00	JPMorgan Chase Bank	SWP	\$1,090,804.07
\$45.47M 80% of Libor Swap - Full Option Agreement	\$45,470,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$15,840,484.32
\$45.47M 80% of Libor Swap - IBM right to terminate floating	\$45,470,000.00	Salomon Brothers Holding Company, Inc.	SWP	\$274,838.88
\$80M 80% of Libor Swap	\$80,000,000.00	Horgan Stanley Capital Services, Inc.	SWP	\$7,080,380.84
\$87.5M 80% of Libor Swap - 1	\$87,500,000.00	JPMorgan Chase Bank	SWP	\$1,048,430.88
\$87.5M 80% of Libor Swap - 2	\$87,500,000.00	JPMorgan Chase Bank	SWP	\$1,048,430.88
\$87.5M 80% of Libor Swap - 3	\$87,500,000.00	Wells Fargo Bank, N.A.	SWP	\$68,878.23
\$87.5M 80% of Libor Swap - 4	\$87,500,000.00	Washburn & Tomlin Trust	SWP	\$1,048,286.80

About DerivActiv

DerivActiv is a privately owned web-based company that provides a powerful portfolio risk management and hedge accounting service for organizations that use derivatives (swaps) as part of their investment portfolio. DerivActiv was conceptualized and founded as a spin-off from a well-established capital markets and derivatives firm when it became apparent that there was a need for an independent, mark-to-market valuation service for derivative instruments and hedging activities, particularly after the adoption of FASB Statement No. 133. Staffed by derivative market professionals with an average of 15 years industry experience, DerivActiv values billions of dollars in client swaps every business day.

DerivActiv is powered by a full derivative pricing system that was enhanced and refined to include the ability to generate mark-to-market values for derivative trades on an ongoing basis. The DerivActiv website has a dedicated server network that has power fail-safe measures to ensure that the system will not experience down-time. The website utilizes several features that assure the security and privacy of our clients' data.

As an independent mark-to-market service, DerivActiv is not affiliated with an individual bank, dealer, or financial product. DerivActiv has no relationships that can influence the integrity of the company's valuations.

SAS-70 Audit

Statement on Auditing Standards (SAS) No. 70, Service Organizations, is an internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SAS 70 audit or service auditor's examination is widely recognized, because it represents that a service organization has been through an in-depth, independent audit of their control activities, which generally include controls over information technology and related processes.

In today's global economy, service organizations or service providers must demonstrate that they have adequate controls and safeguards when they host or process data belonging to their customers. In addition, the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 make SAS 70 audit reports even more important to the process of reporting on effective internal controls at service organizations. DerivActiv is working with a qualified independent auditor to certify that its controls are consistent with SAS 70 standards.



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