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FEA ANNOUNCES SECOND VALUE-AT-RISK PATENT

Berkeley, California, September 19, 2000 — Financial Engineering Associates, Inc. (FEA) announced today that it has received a second U.S. patent on its Value at Risk (VaR) technologies. The newest FEA technology was termed the “Watershed Method.” The importance of the recent invention is that it will allow market risk to be more accurately allocated to accounting periods.

Tracie Rowson, Executive Vice President of FEA, lauded CEO & Chief Scientist Mark Garman on the recent achievement, “This is actually the fourth U.S. patent awarded to FEA for which Mark has served as inventor. Our prior patent in the VaR arena pertained to the calculation of “marginal VaR” or “Component VaR,” which allowed risk managers to “slice and dice,” or dissect enterprise-wide VaR into its constituent components. I am very proud of the FEA patents and the accomplishments of the FEA Financial Engineers in demonstrating their ability to translate these cutting-edge inventions into powerful software.”

U.S. patent number 6,122,623

The new FEA technology was termed the “Watershed Method for Controlling Cashflow Mapping in Value at Risk Determination,” according to U.S. Patent and Trademark Office records. Inventor Mark Garman commented, “The significance of this technology is that it improves the accuracy of attributing the origins of market risk, whereas previous analytic VaR methodologies suffered from distortions due to ignoring pertinent time boundaries. The Watershed Method augments traditional methods by creating a ‘watershed’ division at the ends of accounting (and other arbitrary) periods, so that the cashflow mapping process cannot cross these divisions. A major benefit is that risk managers can now be much more confident about the allocation of market risk to their companies’ accounting periods, including the allocations made via the FEA Component VaR technology. This benefit is of particular importance in the emerging corporate VaR market, where the SEC has mandated registrant risk disclosure.”

FEA Risk Technology Licensing Available to All End-Users

“Having good risk management technology is like having good seat belts in your automobile,” stated Laurent Birade, FEA’s Global Sales Manager. “And like the patent holders of seat belt technology, we feel rather morally obligated towards making this technology widely available to all end users on a very attractive basis. For this reason, FEA will license its risk technology to all end users under a simple, open, and direct pricing structure. Licensees of our software may always employ the FEA technologies embodied their FEA software, but I expect that some customers will choose to immediately license the Watershed Method separately, in order to incorporate this important innovation into their proprietary VaR systems. Some of our FEA/Alliance Partners and other vendors will wish to integrate the FEA technologies into non-FEA products. Existing FEA users may choose simply to wait for FEA to integrate the Watershed Method into subsequent releases of the FEA products VaRworks[®], VaRlib,[™] and VaRworks SE (‘Server Edition’).”

Berkeley-based Financial Engineering Associates, Inc.’s mission is to provide the trading and investment community with high-quality analytical tools for the valuation and risk management of derivative securities. The company aims to be the primary purveyor of, and authority on, models for derivative products. Clients include approximately 600 institutions, including energy firms, money center banks, Fortune 500 companies, trading enterprises, and other cutting-edge financial firms worldwide.