



Fiscal Holdings Ltd



Lyn House, 3rd Floor, 39 The Parade
Oadby, Leicester, UK LE2 5BB
Tel: +44 116 271-7888
Fax: +44 116 271-6116

UNDERWRITING

A Unique Opportunity

Fiscal Holdings provides this information to assist "Accredited Investors" and "Qualified Purchasers" in making a fully informed decision about joining the lucrative underwriting syndication arena.

The following three pages explain the methods Fiscal Holdings employs to control the risks associated with conventional underwriting. Protecting investor's funds at all times and generating significant earnings is the primary objective of Fiscal Holdings.

Fiscal Holdings has developed proprietary contractual relationships with primary underwriters and syndication experts who make it possible for qualifying individuals and corporate investors to gain access to this highly profitable business usually enjoyed only by financial institutions.

The structure that must be used to accomplish this for investors and conform to governing regulations requires that the corporate name we use from bank to bank to conduct this business cannot not always be the same. Regulations restrict the number of investors that can be represented by any single managing corporate entity. Therefore, once a certain number of investors are represented, a new company is formed to accommodate new investors. We have used a number of corporate names in past years to remain in regulatory compliance and will use more in the future, however the professionals behind our organization remain the same, and the investor always receives the same service.

We have major world class custodian banks who are currently willing to accept qualified investor funds into a Cash Management Agreement and Custody Agreement established for the benefit of the investor. In some cases where the investor has a strong relationship with his bank officers who are currently holding his funds, we are able to establish such Agreements within the investors own bank. In those cases, the investor is not required to move his funds to one of our custodian banks.

After reading the following pages and you feel you need additional information, please feel free to contact us at the numbers shown above. Ask for Mike Steptoe.

THIS IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT AN OFFER TO BUY SELL OR INVEST IN ANY SECURITY.

MSH

HOW TO PROFIT FROM THE UNDERWRITING SYNDICATION ARENA

Background: Banking Regulations and Underwriting

Pursuant to long-standing banking industry regulations, each bank is limited as to the amount of credit it may extend to any one of its customers. The per customer credit limit (the "Credit Ceiling") varies for each bank and is calculated based on the value of the bank's assets. Although determining a bank's Credit Ceiling in this manner is logical given the regulations' goal of maintaining the stability of the bank as a whole, it often has the effect of preventing a bank from being able to make very large loans or commit large amounts of funds to one of its customers who, based on the customer's size and creditworthiness, would otherwise meet any applicable requirements.

In order to avoid disappointing their clients and potentially losing valuable business, banks have developed a system of syndicating or "laying-off" the difference between the funds needed by the customer and the funds the bank can make available without exceeding its Credit Ceiling. Generally, after becoming aware that it may exceed its Credit Ceiling, a bank will begin contacting additional banks and financial institutions in order to obtain commitments ("Forward Commitments") from such entities to provide the funds necessary to cover all or a portion of the amount that exceeds the bank's Credit Ceiling, which has the effect of satisfying the banking regulations necessary to permit the customer's bank to handle the transaction.

The scenario described in the prior paragraph is also utilized by officers of financial institutions that have developed additional internal guidelines. That is, in order to prevent the institution from becoming dependent on a small number of customers for a significant percentage of its income, the governing body of many financial institutions have adopted additional guidelines which prevent the bank from keeping more than a specific percentage or set amount of a transaction on the bank's books after the transaction closes. Because these guidelines are often even more restrictive than the application of the Credit Ceiling, they often force the institution to syndicate an even larger percentage of the funds that will be needed by its customer.

Due to the significant size of many of today's debt securities offerings, it has become increasingly common for banks and other financial institutions to obtain Forward Commitments in order to be able to handle such underwriting transactions for their customers. Although our organized Trusts will participate in transactions involving various types of debt securities, as described herein, the following description of a bond underwriting transaction is a helpful illustration of the typical syndication of the underwriting of a debt securities offering. On large bond offerings, the primary underwriting institution (all such primary underwriters of any debt securities being referred to herein as the "Underwriter") generally earns its profit on the transaction by issuing the bonds at a price below the market, which the Underwriter negotiates with its customer prior to accepting the transaction. Once the Underwriter tentatively negotiates its discount, the Underwriter will begin to contact other entities in order to determine whether it can successfully obtain sufficient Forward Commitments to cover the portion of the offering the Underwriter is unable to underwrite due to its Credit Ceiling or internal guidelines, as applicable. In order to induce other banks and financial institutions to make the necessary Forward Commitments, the Underwriter must offer the bonds to such entities at a price lying somewhere between the market price and the discounted price the Underwriter has negotiated for itself, thereby decreasing the Underwriter's potential profits on the portion of the bond issuance it must syndicate. However, the Underwriter is willing to accept this situation because the Credit Ceiling or internal guideline, as applicable, would otherwise prevent the Underwriter from handling the transaction for its customer, who generally only wants to negotiate with one institution.

Our Investment Strategy

The strategy for entering into transactions involving the syndication of the underwriting of debt securities, which is discussed in detail below, was developed to satisfy two primary goals:

- Maximizing the protection of the investors' investments; and
- Simultaneously maintaining a level of profitability which will enable our Trusts to provide the investors with an adequate return on their investment.

A Syndication Transaction in Action. At the time the Manager (of the Trust formed for the benefit of the investor) is asked by the Underwriter to issue a Forward Commitment on behalf of the Trust, the Manager will be given a firm deadline for accepting or declining the request. If the Underwriter has not received a response from the Manager upon expiration of the applicable time period, whether it be a day or, more commonly, less than a few hours, the investment opportunity is lost and the Underwriter will move on to the next institution on its syndication list. If the debt securities being underwritten qualify as Permitted Investments and sufficient funds are available to the Manager to issue a Forward Commitment on behalf of the Trust in the amount requested by the Underwriter, the Manager will begin negotiating with third parties in order to resell, at a profit, the debt securities the Manager would technically be purchasing on behalf of the Trust upon the issuance of the Forward Commitment. If the Manager obtains an irrevocable purchase order requiring a third party to purchase the underlying debt securities within the time frame required by the Underwriter, the Manager will issue the Forward Commitment on behalf of the Trust to the Underwriter. At the time the underwriting transaction is actually cleared, as required by the Manager's agreement with the third party purchaser, the purchaser will wire the purchase price directly into the Trusts' account with the Underwriter, who will then remove the amount of the Forward Commitment from the account. This method allows the Manager to satisfy the Forward Commitment on behalf of the Trust without actually removing any of the cash from the trust account established at the investors bank, which is the most important security feature of the investment strategy.

The Mechanics of Our Strategy. The provisions of the finalized Trust Agreements will enable us to aggregate the funds in the various trust accounts of various banks for the purpose of making very large Forward Commitments. However, as Trustees under the Trust Agreements, the banks are prohibited from releasing the funds in such trust accounts unless the debt securities which would be deposited in such accounts by the Manager constitute "Permitted Investments." Therefore, because the Manager is also prohibited from basing a Forward Commitment on deposits which the Manager cannot withdraw if necessary, the Manager is effectively prohibited from issuing Forward Commitments on behalf of the Trust if the underlying debt securities do not satisfy the limited definition of Permitted Investments pre-approved by the investor.

The general definition of "Permitted Investments" contained in the Declaration of Trust and Cash Management Agreement means any U.S. dollar-denominated investment that, at the time it, or evidence of it, is delivered to the custodian bank (investors bank) meets one or more of the following criteria:

Certificates of Deposit; Banker's Acceptances; other obligations of banks rated not lower than A-1 by S&P or P-1 by Moody's; or money market funds maintained by custodian bank investing in the authorized securities identified above; and registered debt securities bearing interest or sold at a discount issued by any entity that has a long-term credit rating of at least "A+" by S&P or A1 by Moody's at

the time of such investment or contractual commitment providing for such investment; provided, however, that Permitted Investments shall not include any interest-only security, any security the yield to maturity on which is less than 7% per annum, any security with a final maturity of more than 10 years, and provided, further, that the maturity of an investment shall be the date on which the holder of such a security may put the security to the issuer thereof for redemption if such put is either to the issuer of such security or to another entity rated at least "A+" by S&P or A1 by Moody's; or

On the date such securities are delivered to the custodian bank, such securities are the subject of an irrevocable purchase order obtained by the Manager, on behalf of the Client, from a qualified creditworthy third party purchaser acceptable to the custodian bank, and such purchase order obligates the third party to purchase such securities at a price greater than the price the Trust, on behalf of the investor, paid for such securities.

The limited definition of Permitted Investments is designed to increase the Trust's ability to achieve its primary goals of protecting the investors' investments while simultaneously earning a profit. That is, requiring a preexisting third party purchase order should, except in very limited situations, alleviate any need for funds to be withdrawn from the trust account established by the Trust at the investors bank. Additionally, each purchase order will provide for a margin of profit which is pre-calculated to be more than sufficient to meet the investors expectations.

Lastly, even in those limited situations in which a third party purchaser is unable to satisfy its purchase obligation and the Trustee becomes required to actually purchase the debt securities on behalf of the Trust in order to satisfy the Forward Commitment, the requirements of a discounted purchase price and very high rating of the debt securities should allow the Manager or the investors' banks, as applicable, to resell the debt securities on the open market, thereby restoring the trust accounts to a cash position. In such situations, which would only occur if a financial institution was closed by regulators during the few hours the Forward Commitment is outstanding or a third party otherwise refuses to complete the purchase, which rarely occurs due to the obvious consequences to such party's reputation in the syndication market, the most likely consequence would be that the Manager or the investor's banks would resell the securities to a new buyer for a price less than the price of the original purchase order, thereby decreasing the expected profit margin on that single transaction.

We have proprietary relationships with underwriting institutions which, due to our willingness to accept less than the customary discount price, have added us to their syndication networks. Although we earn a slightly reduced profit on each transaction despite providing the same services as other entities in the Underwriters' syndication networks, our investment strategy should continue to be uncommonly profitable for the following reasons:

- Due to the utilization of a preexisting irrevocable purchase order, funds will remain pledged on an outstanding Forward Commitment only for a short period of time, thereby increasing the frequency at which such funds will be permitted to be utilized for another Forward Commitment; and
- Lower operational costs and expenses.

Handwritten initials