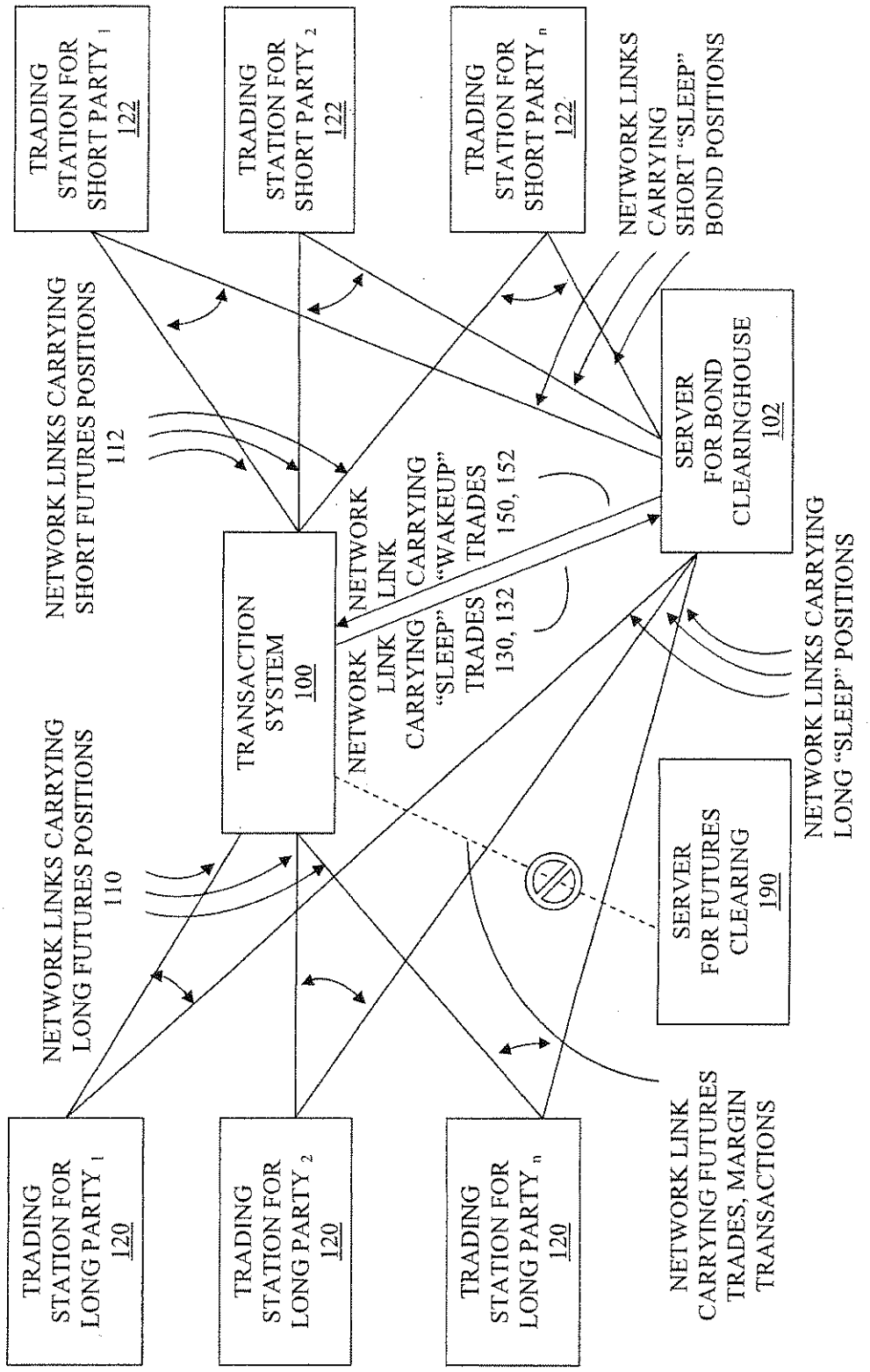

TRADING STATION FOR LONG PARTY 1 120
TRADING STATION FOR LONG PARTY 2 120
TRADING STATION FOR LONG PARTY n 120
NETWORK LINKS CARRYING LONG FUTURES POSITIONS 110
TRANSACTION SYSTEM 100
NETWORK LINK CARRYING "SLEEP" TRADES 130, 132
NETWORK LINK CARRYING "WAKEUP" TRADES 150, 152
NETWORK LINKS CARRYING SHORT FUTURES POSITIONS 112
TRADING STATION FOR SHORT PARTY 1 122
TRADING STATION FOR SHORT PARTY 2 122
TRADING STATION FOR SHORT PARTY n 122
NETWORK LINKS CARRYING SHORT "SLEEP" BOND POSITIONS
SERVER FOR BOND CLEARINGHOUSE 102
NETWORK LINKS CARRYING LONG "SLEEP" POSITIONS
SERVER FOR FUTURES CLEARING 190
NETWORK LINK CARRYING FUTURES TRADES, MARGIN TRANSACTIONS

FIG. 1A

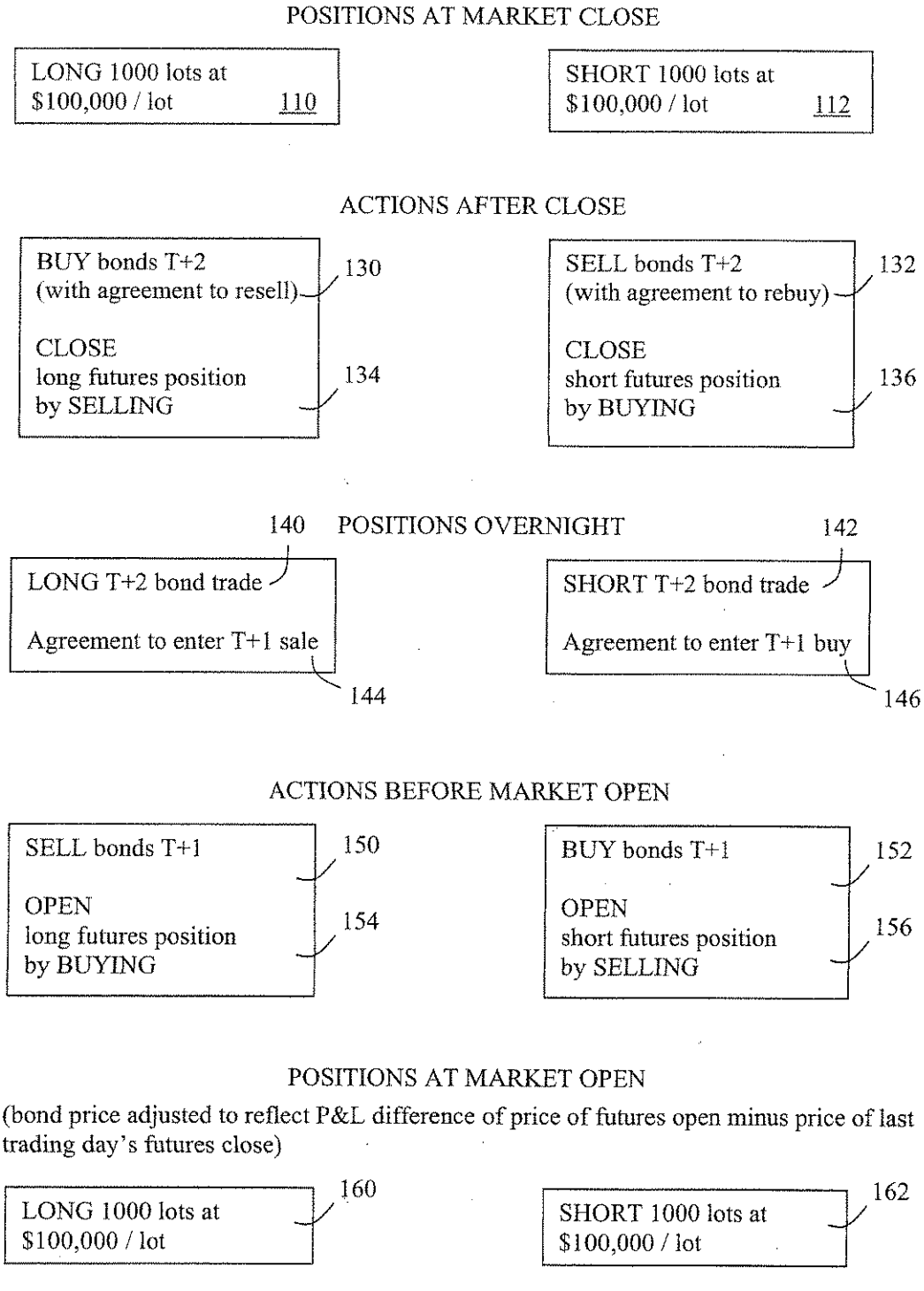

POSITIONS AT MARKET CLOSE
LONG 1000 lots at $100,000 / lot 110
SHORT 1000 lots at $100,000 / lot 112
ACTIONS AFTER CLOSE
BUY bonds T+2 (with agreement to resell) 130
CLOSE long futures position by SELLING 134
SELL bonds T+2 (with agreement to rebuy) 132
CLOSE short futures position by BUYING 136
140
POSITIONS OVERNIGHT
142
LONG T+2 bond trade
Agreement to enter T+1 sale 144
SHORT T+2 bond trade
Agreement to enter T+1 buy 146
ACTIONS BEFORE MARKET OPEN
SELL bonds T+1 150
OPEN long futures position by BUYING 154
BUY bonds T+1 152
OPEN short futures position by SELLING 156
POSITIONS AT MARKET OPEN
(bond price adjusted to reflect P&L difference of price of futures open minus price of last trading day's futures close)
LONG 1000 lots at $100,000 / lot 160
SHORT 1000 lots at $100,000 / lot 162

FIG. 1B

Basis sweeto

		↑BidX↓	Market		↑OfferX↓	Conversion	Hedge Ratio
▸	2Y/5Y	Bid	1869.6 – 1870.0	250 x 1355	Offer	0.418	0.418
▸	2Y/10Y	Bid	2481.2 – 2481.6	456 x 575	Offer	0.233	0.233
▸	2Y/30Y	Bid	2866.0 – 2867.2	512 x 150	Offer	0.12	0.12
▸	5Y/10Y	Bid	1456.6 – 1457.0	288 x 308	Offer	0.556	0.556
▸	5Y/30Y	Bid	2388.0 – 2389.0	275 x 250	Offer	0.286	0.286
▸	10Y/30Y	Bid	1661.0 – 1662.2	360 x 50	Offer	0.514	0.514

FIGURE 3

Basis sweeto

		BidX	Market			OfferX	Conversion	Hedge Ratio
▸	2Y/5Y	Bid	-3.10+	– -3.102	250 x 1355	Offer	1.000	0.418
▸	2Y/10Y	Bid	-5.24	– -5.23+	456 x 575	Offer	1.000	0.233
▸	2Y/30Y	Bid	-7.04	– -7.032	512 x 150	Offer	1.000	0.12
▸	5Y/10Y	Bid	-2.102	– -2.096	288 x 308	Offer	1.000	0.556
▸	5Y/30Y	Bid	-3.262	– -3.252	275 x 250	Offer	1.000	0.286
▸	10Y/30Y	Bid	-1.16	– -1.15	260 x 50	Offer	1.000	0.514

FIGURE 4

Cash vs ESX 5Y - Sweeto

5Y

N11/Sep 07	2.6-	2.7	512
D11/Sep 07	4.7-	5	288
112/Sep 07	9.1-	9.2	
212/Sep 07	11.3-	11.4	
312/Sep 07	13.3-	13.4	275
412/Sep 07	18.0-	18.1	430
512/Sep 07	19.2-	19.3	208
612/Sep 07	22.5-	22.6	550
5Y/Sep 07	28.3-	28.4	

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Command Line:

FIGURE 5