Derivatives Trading Solution for the Logistics Industry

FutureFreight provides a trading platform that introduces the first Freight Container Derivatives Market (futures and options) to the Logistics industry. The result of three years of design and testing with Manufacturers, Forwarders and Airlines, the platform is getting readied for a live pilot.

FutureFreight™

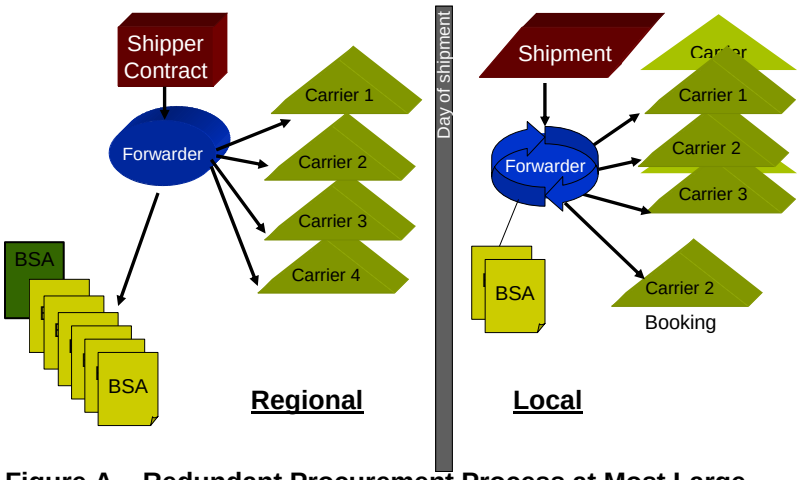

Figure A – Redundant Procurement Process at Most Large Forwarders

When a light switch is turned on, rarely do we wander whether there will be power and what its price will be. This is because the power industry continuously works to adjust distribution to meet the unpredictable changes in demand driven by weather and other events. Power and Freight share many similarities. Both are perishable commodities. Supply of capacity whether kilowatts or tonnes available on an aircraft are finite. Actual demand varies and cannot be completely predicted. Outages are very costly to users in both cases, while at the same time producers must make long range decisions such as biding for landing rights, buying aircraft or establishing new power plants. The risks of oversupply for the producers, under supply for the users and general rate volatility are similar in both markets. Yet the power industry has been generally more successful in lowering the cost of these risks and managing them.

Resulting Risk Management Strategy

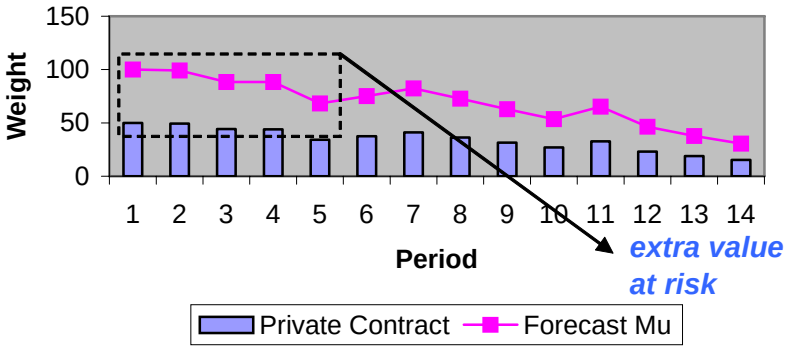

Figure B – Current Processes Lead to Sub-Optimal Risk Management

The power markets around the world have worked to establish, ahead of the sport market, powerful long term contractual arrangements and Futures exchanges to manage risks and reduce costs. On the transportation side, the airfreight industry has focused its efforts on the spot market, using ineffective loosely committed and enforced contracts for long term planning. When demand materializes this loose planning fueled by the lack of information, makes it too late for arrangements that would save money or reduce buyer's and seller's risks. This lack of efficient pre-shipment processes is preventing the air cargo industry from reducing costs and making airfreight a reliable service. Consequently, for many airlines airfreight has remained an afterthought rather than a reliable source of income and Manufacturers are forced into higher costs or higher risks.

The FutureFreight trading platform allows buyers and sellers to purchase freight capacity ahead of the shipment in a safe, committed, open manner. It provides visibility over future demand, supply and rates. This allows both buyers and sellers to make better plans, avoid costly surprises and lower costs. Specifically, Freight Forwarders can implement risk management processes and planning ahead of shipments while airlines can better utilize their capacity. Ultimately, Manufacturers can lower their cost and risks and make air freight a reliable and economical component of production planning. Upgrading today's sub-optimal pre-shipment and risk management process with the FutureFreight Future and Option trading platform can save an estimated 11 % of industry revenues for Air Carriers, 9% for Forwarders and save up to 7.5% of freight cost for participating Manufacturers.

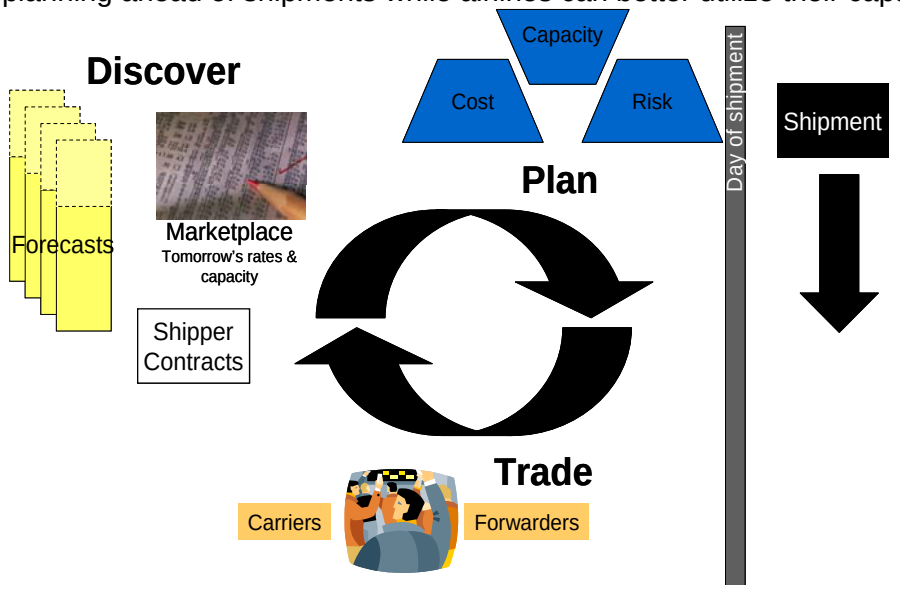

Figure C - FutureFreight Platform enables planning ahead of shipment

Futures & Options Usage Scenario

Adjusting for Future Demand

Today a few Forwarders commit in advance with Block Space Agreements (BSA's) in exchange for lower rates for a small portion of the demand and typically with a symmetrical Manufacturer's commitment. This is a sub-optimized usage of contracts and leaves a great amount of uncertainty that is only relieved with spot purchases.

A better procurement strategy aims at balancing commitment and price in a more flexible way using Freight Futures and Options.

For example, Futures can be resold when forecasts indicate a downward trend or if information indicates excessive supply (lower rates).

Call Options can be exercised when demand or rates are higher than expected. Put Options can be exercised against excess Futures when

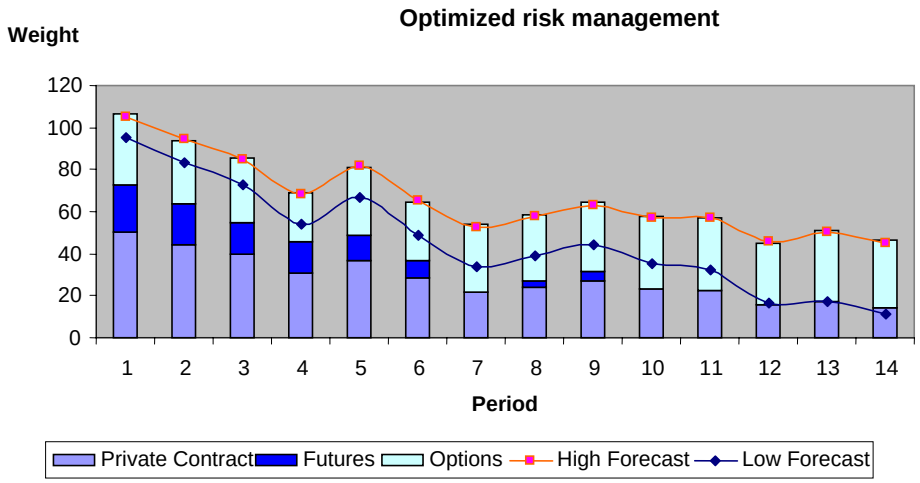

Figure D - Derivative Markets Enable Better Planning to Minimize Costs and Value at Risk

demand or rates are lower than anticipated. Both guarantee a fixed price.

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PIERRE LAURENT: Pierre has 15 years experience introducing new to the world products. He worked at Microsoft for 8 years and Intel (3 Years). He has consulted with transportation companies in three modes including air, rail and truck. Pierre's academic and business experience have given him a deep knowledge of economics and the principles of risk management.
Pierre holds a MBA from Kellogg Graduate School of Management at Northwestern University and a BS in Computer Science from Institut Polytechnique, Toulouse France.

PETERE MINER: Petere Miner spent 20 years at HP starting in Electrical Engineering, evolving into her real passion for Logistics and Transportation. She worked for the high-tech consortium, Converge as the Dir. of Logistics Solutions, and has served as a consultant in Logistics and Supply Chain. She was the first in HP to address logistics risk management through the use of a trading platform for auctions and bidding, and as well pioneered the value of logistics forecasting. Petere holds a BS in Electrical Engineering from the University of Illinois and was a participant of the Accelerated Development Program at HP.