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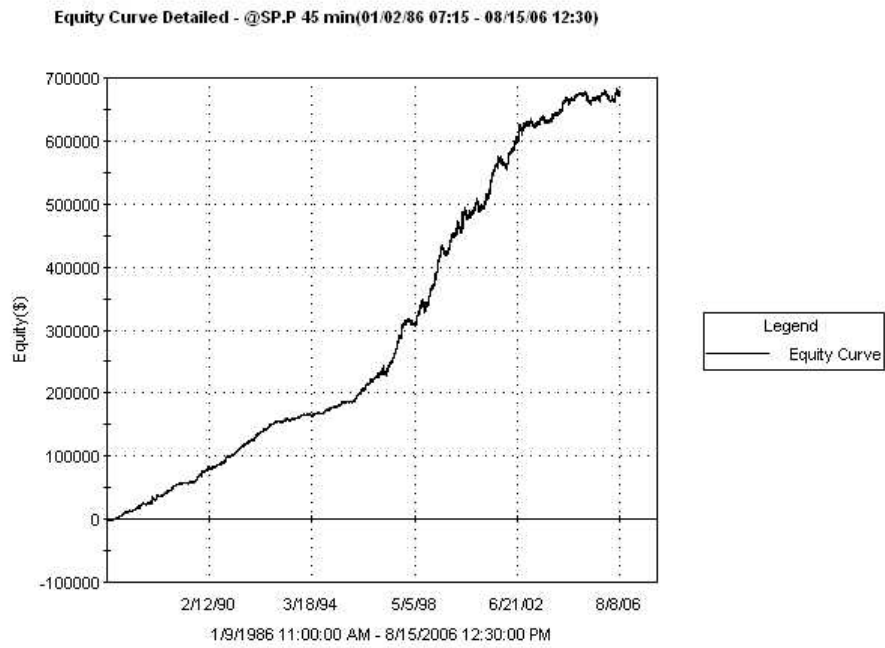
RMESA DAYTRADING SYSTEM DESCRIPTION S&P INDEX FUTURES RMESA 2, 3, 5

The original RMESA trading system was written by Mike Barna in 1996 during his research with adaptive trading systems, maximum entropy, intraday patterns and neural networks. RMESA1 was the original straw man development system which included many different testing modules and was not a commercial system. RMESA2 contains an implementation of John Ehler's Maximum entropy Spectrum Analysis (MESA) as a method to enhance the flexibility inherent in the system. This implementation resulted in RMESA to move to the highest ranking possible for daytrading systems as measured by Futures Truth (www.futurestruth.com) and still today (8/15/06), over 10 years since it was originally written, RMESA remains the #1 S&P daytrading system since release date. (<http://www.futurestruth.com/top10spsystems.htm>)

Over the following 10 years, various iterations were performed on RMESA. RMESA3 decreased the downside breakout trades since it was determined that short trades were being subject to substantially more slippage than were the long breakout trades. RMESA5 eliminated the MESA component completely, favoring a direct implementation of a neural approximation filter. Several other iterations were developed which were either client specific or market specific, however the basic RMESA approach has remained today a robust and easily tradable system as evident by the large commercial base.

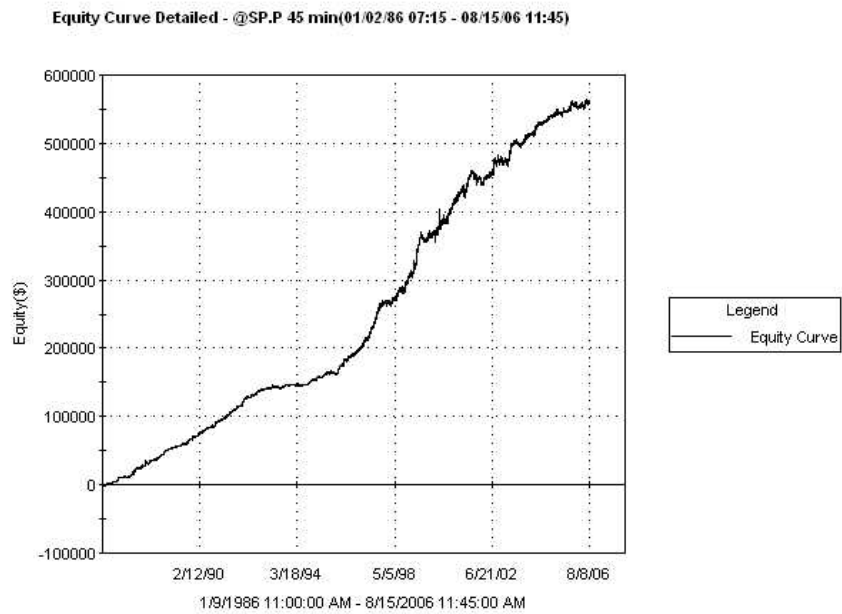
Several reasons have resulted in RMESA performance since 1996. First, ALL available S&P data was used during its development going back to 1982. Rarely will a daytrading system vendor test back to 1982 either because of poor system performance or the difficulty in performing tests back that far. For example, several times in the history of the S&P, trading times and point values were changed by the exchange. Proper inclusion and adjustments of these new price levels must be taken into account. Second, DOW index data prior to 4/21/82, when the first S&P futures contract traded, were used to validate "far back" historical performance. Parameters were carefully chosen so as to not over optimize the system to any one particular market period. Filter mathematics were carefully developed so as to not increase the chance of curve fit. Stop levels were carefully developed so as to be wide enough to minimize double losing trades, but tight enough to limit excessive losses. The initial and subsequent RMESA development process took many months of analysis, coding and data reduction with most of it being accomplished in 1996.

Performance Graphs - Equity Curve Detailed



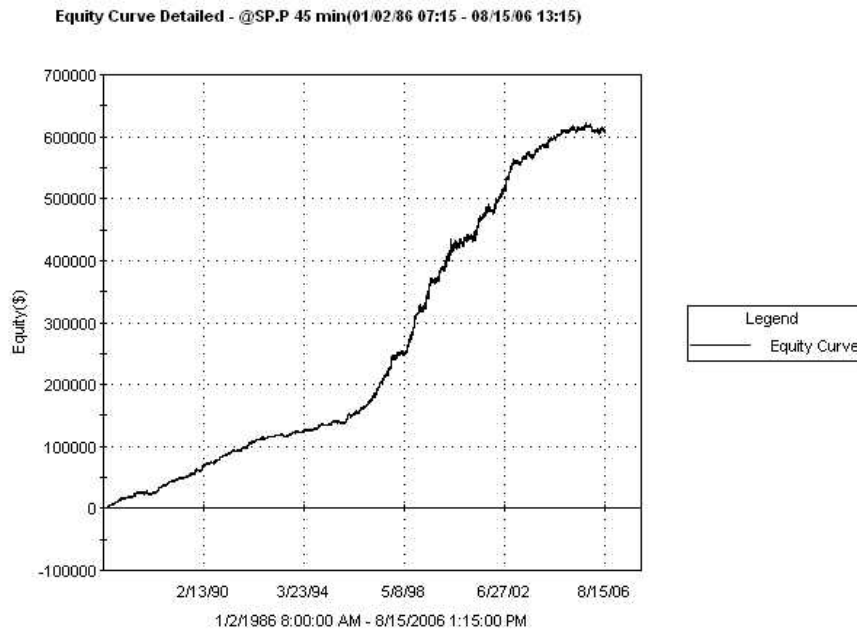
20 year RMESA2 equity curve (system written in 1996)

Performance Graphs - Equity Curve Detailed



20 year RMESA3 equity curve (system written in 1997)

Performance Graphs - Equity Curve Detailed



20 year RMESA5 equity curve

TradeStation Performance Summary Expand ▾			
All Trades			
Total Net Profit	\$677,087.50	Profit Factor	1.48
Gross Profit	\$2,087,875.00	Gross Loss	(\$1,410,787.50)
Total Number of Trades	3909	Percent Profitable	46.89%
Winning Trades	1833	Losing Trades	2053
Even Trades	23		
Avg. Trade Net Profit	\$173.21	Ratio Avg. Win:Avg. Loss	1.66
Avg. Winning Trade	\$1,139.05	Avg. Losing Trade	(\$687.18)
Largest Winning Trade	\$16,375.00	Largest Losing Trade	(\$1,300.00)
Max. Consecutive Winning Trades	9	Max. Consecutive Losing Trades	15
Avg. Bars in Winning Trades	5.86	Avg. Bars in Losing Trades	3.91
Avg. Bars in Total Trades	4.83		
Max. Shares/Contracts Held	1	Account Size Required	\$20,750.00
Return on Initial Capital	677.09%	Annual Rate of Return	9.95%
Return Retracement Ratio	0.13	RINA Index	13818.46
Trading Period	20 Yrs, 7 Mths, 4 Dys, 2 Hrs, 15 Mins	Percent of Time in the Market	6.24%
Max. Equity Run-up	\$685,412.50		
Max. Drawdown (Intra-day Peak to Valley)		Max. Drawdown (Trade Close to Trade Close)	
Value	(\$27,950.00)	Value	(\$20,750.00)
Net Profit as % of Drawdown	2422.50%	Net Profit as % of Drawdown	3263.07%
Max. Trade Drawdown	(\$1,300.00)		

TSL_SP_0.1_RMESA2. System Summary Report
 Note: Full report available at: www.TradingSystemLab.com

**S&P FUTURES RMESA 2, 3, 5
SYSTEM SPECIFICS**

Entry Type System:	Multi pattern
Trade to Parameter Ratio:	Over 400:1 (RMESA3)
Protective Stops:	Volatility and Pattern
Development Data Size:	14 years (1982-1996)
Bar Interval:	45 min
Hold Duration:	Daytrade only
TSL Data Set used:	S&P Price Data
TSL Fitness Function:	N/A
Out of Sample Period:	N/A
Walk Forward Duration:	Approximately 10 years
Created in:	1996-1998
Example Orders:	

Intraday Stop based entries updated no faster than once every 45 minutes.

No trading on 3rd or 4th Fridays or FOMC days.

No trading for 1st 45 minutes and no new entries last 45 minutes of every day

RMESA trades from 2 to 4 times per week

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.