This prospectus has been drawn up following the introduction of the federal Law on Stock exchanges and Trading in Transferable Securities (LSETTS), which came into force on 1 February 1997.

Although on the whole, the management policy of **SELVI & CIE SA** is of the usual type, we wish to remind our clientele of the objective of the Law and shall describe the risks associated with capital investment.

The main objective of the Law is to inform the clients of financial intermediaries of the risks associated with investing part of one's assets in transferable securities. It deals with the most usual transferable securities and the various types of transactions which relate to them. In addition, it quotes the obligations incurred by the investor as regards advertising shareholdings and presenting tender offers.

FEDERAL LAW ON STOCK EXCHANGES AND TRADING IN TRANSFERABLE SECURITIES (LSETTS)

The Law pursues two objectives :

- The protection of the investor.
- The proper functioning of transferable securities markets.

Among other basic points, the Law regulates the conditions which enable trading in transferable securities to be fulfilled in a professional manner and the demands placed upon traders in transferable securities.

More particularly and in Art.11, the Law stipulates:

I. The trader shall have towards his clients :

a) duty to inform them: he shall inform them in particular of the risks associated with a given type of transaction;

b) duty of diligence; in particular, he shall ensure that their orders shall be carried out as well as possible and shall see to it that they are able to replenish it;

c) duty of loyalty; he shall see to it in particular that they are not wronged due to any conflicts of interest.

II. The clients' experience and the level of their knowledge in the fields concerned shall be taken into account in the fulfilment of these duties.

Also, in performing the duty to inform which the Law has decreed, we shall describe below the nature of the significant risks which it is advisable to take into consideration during capital investment transactions.

1. *Risk associated with the debtor's solvency*

The deterioration of a debtor's solvency, indeed his bankruptcy, may result in the loss of part or all of the funds invested.

2. *Risk associated with inflation*

Inflation may lead to a depreciation of the investment. The purchasing power of the invested capital is reduced when the rate of inflation exceeds the product freed up by paper-securities.

3. *Risk associated with price trends*

The fall in the market value of an investment leads to an erosion of the capital.

In particular, the risks associated with solvency, political risks and the risks associated with the development of interest rates may be expressed by price variations. This risk is inherent in any investment.

4. *Risk countries*

Investments in politically unstable countries are subject to particular risks which may rapidly result in significant price variations.

Among these risks, we shall mention currency restrictions, transfer risks or moratoria.

5. *Market liquidity risk*

In the case of shares in small companies (secondary securities) in particular, it may happen that the market is not sufficiently liquid. This situation may result in the shares not being able to be traded on the desired date and/or in the quantities wished and/or at the anticipated price.

6. *Currency risk*

If the exchange rate falls, investment in foreign currencies loses its value; on the other hand, if it rises, the investment makes a profit. The currency risk may be avoided if one opts exclusively for investments in the national currency. Having said that, companies which are active internationally are all more or less dependant upon the exchange rate variation. The currency risk may thus indirectly affect the share price trend.

7. *Risk associated with the development of interest rates*

Interest rate variations on the money markets and those of capital have immediate effects upon the fixed-interest prices of securities. As a general rule, a soar in interest rates exerts a negative influence upon the stock market quotation of equity shares and upon those of bonds. A downward interest rate trend, on the other hand, has positive effects upon prices.

No type of investment is in a position to exclude any risk. This is why it is important to diversify investments so as to minimise the risks. Indeed, a sensible investor takes a multitude of isolated risks. On the other hand, he considerably reduces the overall risk to which he exposes his wealth.

Funds invested in a manner which is too unilateral create an accumulation of risks. That is, the capital invested may lose a lot of its substance due to the insolvency of just one debtor or the weakness of a given currency. That is why one of our fundamental tasks consists of assisting our clientele in choosing investments and minimising the current and future risks of a stock deposit.

8. The risk posed by the other party, in particular, should not be underestimated in the case of derivative financial instruments. There may be the danger there that the other party is no longer in a position to honour its obligations. The extent of the other party's risk depends largely upon the type of transaction.

List of the most current financial instruments

Type of share	*Chances*	*Risks*
Shares (Swiss and foreign; bearer shares, ordinary, preference, entitled to a preferential vote)	Equity share which representspart of the share capital of a PLC and which provides its holder with the right to have a direct share in the company's profits, among other things by means of price increases. (company rights and pecuniary rights)	- risk associated with the debtor's solvency - risk associated with the price trend - risk country - liquidity risk - currency risk - risk associated with the development of interest rates (indirectly)
Share certificate (share without the right to vote)	Like ➤ **share** (however, without any company rights)	Like ➤ **share**
Participation certificate (without the right to vote and without any nominal value)	Like ➤ **share** (however, without any company rights)	Like ➤ **share**
Company share	Equity share which resents part of the capital of a cooperative and which provides its holder with the right to have a direct share in the company's profits. (Company rights and pecuniary rights).	- risk associated with the debtor's solvency risk associated with the price trend liquidity risk - risk associated with the development of interest rates(indirectly) - according to the memoranda of association, the members may be obliged to proceed with making additional payments
Subscription right	Allows shareholders to subscribe to new shares during capital increases. (anti-dilution protection)	- limited to the duration of the rights issue - risk associated with the price trend - liquidity risk - currency risk

Type of share	*Chances*	*Risks*
Part of the investment fund (funds in share bonds, money market, mixed shares, precious metals, raw materials, property)	Incorporates part of the wealth of an investment fund. Its holder has a direct share in the profits from the fund.	Differ according to the type of investment (fund settlement): - risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - risk country - liquidity risk - currency risk - risk associated with the development of interest rates (indirectly)
Long-term bond	Incorporates a debt owed to the issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed- interest investment.	- risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - risk country - liquidity risk - currency risk (in the case of bonds in foreign currencies) - risk associated with the development of interest rates (indirectly)
Eurobond	Like ➤ **long-term bond**	Like ➤ **long-term bond**
Notes	Incorporates a medium-term debt owed to the issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed-interest investment.	Like ➤ **long-term bond**

Type of share	*Chances*	*Risks*
Fixed-deposit receipt	Incorporates a medium-term debt owed to a Swiss issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - liquidity risk - risk associated with the development of interest rates
Mortgage bond	Incorporates a debt owed to the Group which issues mortgage bonds from Swiss canton banks or to the Group which issues mortgage bonds from Swiss mortgage. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with inflation - risk associated with the price trend - market liquidity risk - risk associated with the development of interest rates
Cash certificate	Incorporates a medium-term debt owed to a Swiss bank. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - liquidity risk - risk associated with the development of interest rates

Type of share	*Chances*	*Risks*
Pension	Incorporates a perpetual debt owed to the issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed-interest investment.	Like ➤ **long-term bond**
Debt registered in the debt book	Incorporates an accounting debt owed to the Confederation or the Bern canton. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with inflation - risk associated with the price trend - liquidity risk - risk associated with the development of interest rates
Treasury bond	Incorporates a long-term debt owed to a State (especially the USA). According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with inflation - risk associated with the price trend - currency risk - risk associated with the development of interest rates
Treasury bill	Incorporates a short-term debt owed to a State (especially the USA, Canada, England). According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with inflation - risk associated with the price trend - liquidity risk - currency risk

Type of share	*Chances*	*Risks*
Certificate of deposit (CD)	Incorporates a short-term debt owed to an American or English bank. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	- risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - liquidity risk - currency risk
Bankers acceptance	Incorporates a short-term debt in the form of a commercial paper guaranteed by a major American bank. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	Like ➤ **certificate of deposit**
Commercial paper	Incorporates a short-term debt in the form of a commercial paper from an industrial or financial company. According to the market situation, it makes a higher return than other forms of fixed-interest investment.	Like ➤ **certificate of deposit**
Convertible bond	Incorporates a debt owed to the issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed-interest investment. By exercising the right of conversion, it is possible to have a direct share in the company's profits.	- risk associated with the debtor's solvency - risk associated with inflation - risk associated with the price trend - risk country - liquidity risk - currency risk - risk associated with the development of interest rates

Type of share	*Chances*	*Risks*
Option bond with an option certificate	Incorporates a debt owed to the issuer (debtor). According to the market situation, it makes a higher return than other forms of fixed-interest investment. By means of the ➤option certificate, it is possible to have a direct share in the company's profits.	Like ➤**convertible bond**
Ex-option bond	Like ➤**long-term bond**	Like ➤**convertible bond**
Option certificate (warrant, covered option)	For the duration of its validity, it incorporates a right to purchase or sell other assets, which is very precisely stipulated. The chances of the advance payment of prices are, due to the effect of leverage, clearly higher than in the case of a comparable direct commitment.	- risk associated with the debtor's solvency - risk associated with inflation (partially) - risk associated with the development of very pronounced prices due to the effect of leverage - risk country - market liquidity risk - currency risk - risk associated with the development of interest rates (indirectly)
Call (standard option to buy; SOFFEX or other similar foreign stock exchanges)	For the buyer: Like ➤ **option certificat** For the seller : Possibility of implementing an additional product or of improving the return from an existing position.	For the buyer: Like ➤ **option certificat** For the seller : (In the case of a transaction which is not covered) - risk associated with the debtor's solvency - risk associated with the development of very pronounced prices due to the effect of leverage

Type of Share	*Chances*	*Risks*
Call (suite)		- risk country - market liquidity risk - currency risk - risk associated with the development of interest rates (indirectly) - risk of having to sell the underlying securities below the market value
Put (standard put option; SOFFEX or other similar foreign stock exchanges	For the buyer: Like ➤ **option certificat** Possibility of securing the existing positions For the seller : Possibility of implementing an additional product or improving. The return from an existing position.	For the buyer: Like ➤ **option certificat** For the seller : - risk associated with the debtor's solvency - risk associated with the development of very pronounced prices due to the effect of leverage - risk country - market liquidity risk - currency risk - risk associated with the development of interest rates(indirectly) - risk of having to sell the underlying securities below the market value
Future (standard futures contract; SOFFEX or other similar foreign stock exchanges)	Great chances of advance payment of the price of underlying securities due to little capital to invest (leverage effect). Possibility of securing the existing positions.	- risk associated with the development of very pronounced prices due to the effect of leverage - risk country - market liquidity risk - other risks dependent upon the type of underlying security
Instruments derived over-the-counter	Like ➤ **call, put, future**	Like ➤ **call, put, future** with the risk of the liquidity of the increased market.

These comprise particular risks. They should only be chosen by informed clients who have sufficient liquidity at their disposal are capable of sustaining possible losses.

1. *Definition*

A forward transaction is a contract which provides for the purchasing or sale of a certain quantity of a determined basic security (underlying security), with a prescribed maturity date and at a price agreed upon the conclusion of the contract.

The following are considered as underlying securities:

- value assets (equity shares, options, bonds, raw materials, precious metals)
- base rates (currencies, interest rate, indexes)

2. *Types*

Futures are futures contracts which are traded at the stock exchange, the size of the contract and the maturity date are standard. In Switzerland, such contracts are traded at SOFFEX and abroad, at stock exchanges which are organised in an similar manner to SOFFEX.

Over-the-counter futures transactions, ie. Unlisted so-called "forwards" are contracts which are not traded on the stock exchange, the terms of which are standard or freely arranged by the parties. Since the putting into service of the electronic Swiss stock exchange (ESSE), the traditional forward transaction involving equity and option shares is no longer covered by the Swiss stock exchange (SWX) and is considered as an unlisted transaction.

3. *Cover and requirements as regards the margin*

A security deposit (initial margin) is arranged at the time when any forward call or short sale contract of an underlying security is concluded. In addition, a margin of variation is periodically calculated throughout the whole duration of the contract; it corresponds to the accounting gain or loss which is recorded concerning the variation in the value of the contract or of the underlying security. The margin of variation may thus rapidly add up to a multiple of the initial margin. Futures margins are subject to the instructions issued by the stock exchange which is in charge of debiting/crediting them daily. It is up to the banks whether or not to demand margins which are higher than the minimum rates. The banks freely determine the margins which are applicable to forwards.

For the whole duration of the contract, the investor must cover the margin required by the bank. As a general rule, any margin which is insufficiently covered results in the position being liquidated by the bank

4. *Liquidation / Execution*

Contracts may be liquidated (settled) at any time prior to maturity. According to the type of contract or stock exchange usances, settlement is effected either by an identical covering counter-transaction or through the conclusion of a reverse contract with the same content. In the latter case, the deliveries resulting from two open contracts are cancelled out.

Any contracts which have not been settled should in all cases be honoured upon maturity. With regard to contracts which are based on value assets, this is normally effected by the delivery of the underlying security. Payment in kind replaces effective delivery as regards contracts which relate to base rates.

The contract determines the other terms of execution, in particular those relating to the place of execution.

5. *Variation in the value of the contract or the underlying security*

Every investor gets used to the idea of a variation in the value of the contract or of the underlying security during the period considered. If the effective variation is not the one which has been anticipated, the risk is as follows:

- If the value of the contract/underlying security rises, the seller should forward deliver the underlying security at the price agreed originally; the latter may be much lower than the market value:
- If the value of the contract/underlying security falls, the buyer should, upon maturity, collect the underlying security at the price agreed originally; the latter may be much higher than the market value.
- In both cases, the risk is between the price agreed upon the conclusion of the contract and the market value on the maturity date. It is a priori impossible to determine the risk.

6. *Acquisition of the underlying security in the case of a short sale*

Anyone who forward sells an underlying security without possessing it at the time of the conclusion of the contract (short sale) risks having to acquire it at a price which is higher than the one which was in effect originally in order to be able to honour its delivery upon maturity. In the case, the risk is particularly high, if not unlimited.

7. *Problematic or impossible liquidation*

In order to remedy any excessive fluctuation in the prices, the stock exchange is entitled to set price limits for certain contracts. The investor knows that when the limit has been reached, liquidation might prove to be problematic, indeed temporarily impossible. It is thus incumbent upon the investor to make enquiries prior to concluding such a transaction.

8. *Effective delivery / Payment in kind*

The investor incurs more risks with regard to contracts which involve effective delivery than those which require liquidation in kind. The overall value of the contract should be honoured in the case of effective delivery when only the difference between the price agreed upon the signing of the contract and the market price at the time of execution is required at the time of payment in kind. The investor should thus have more liquidity available for contracts which relate to an effective delivery than for those which provide for payment in kind.

9. *Particular risks relating to over-the-counter (OTC) forward transactions*

As a general rule, transparency and liquidity characterise standard OTC forward transactions. In principle, liquidation is effected without any major problems arising.

On the other hand, strictly speaking, no market exists for OTC forward transactions with any particular contractual content. Liquidation may only be effected provided that another party is found who is prepared to conclude a reverse contract.

10. *Combined transactions*

This involves transactions which combine forward transactions, cash transactions and option deals. There are countless variants and on no account can all the risk structures be clarified in the present brochure. However, we have noted that the liquidation of the various elements of such a combination substantially changes the profile of the risk posed to the overall position or to elements which are still open. The investor should make detailed enquiries into the risks incurred prior to concluding such a transaction or liquidating the various elements.

Option Deals

Option deal may comprise particular financial risks. As a consequence, they should only be chosen by informed investors who have sufficient liquidity at their disposal and are capable of withstanding possible losses.

1. *Definition*

In return for immediate payment, the option buyer has the right at any time until the maturity date (American option) or only upon maturity (European option) to acquire (option to buy, so-called "call option") or to sell (option to sell, so-called "put option") a certain quantity of the underlying security at a price which is set in advance.

Conversely, the seller of the option undertakes to deliver ("call option") or buy ("put option") the underlying security at a price which is set in advance if the right is exercised. The terms of the contract may also provide for payment in kind instead of and in place of physical delivery.

2. *The following are considered as underlying securities:*

- value assets (equity shares, futures, bonds, raw materials, precious metals)
- base rates (currencies, interest rates, indexes)

3. *"In the money", "out the money", "at the money" options*

An "in the money" call option thus possesses intrinsic value when the market value of the underlying security is higher than the exercise prices.

An option to sell is "in the money" when the market value of the underlying security is lower than the exercise prices.

A call option is "out of the money" when the market value of the underlying security is lower than the exercise price. An option to sell is "out of the money" when the market value of the underlying security is higher than the exercise price.

Options to buy and sell are "at the money" when the market value of the underlying security and the exercise price coincide.

4. *Types*

Traded options are financial instruments which are traded on the stock exchange, the size of the contract, the exercise price and the maturity date are standard. In Switzerland, such contracts are traded at SOFFEX and abroad, at stock exchanges which are organised in a similar manner to SOFFEX.

Over-the-counter (OTC) options deals, that is, those which are unlisted, are contracts which are not traded on the stock exchange, the terms of which are standard or freely arranged by the parties concerned.

Option certificates, warrants and covered options are financial instruments which have not been standardised. They are partially traded on the stock exchange (in Switzerland on the SWX) but frequently are also unlisted.

5. *Cover and requirements as regards the margin*

A security deposit (initial margin) is arranged at the time when a put sale and call short sale contract is concluded.

In addition, a margin of variation is periodically calculated throughout the whole duration of the contract; it may, due to the effect of leverage, rapidly reach a multiple of the initial margin. Traded options margins are subject to the instructions issued by the stock exchange which is in charge of debiting/crediting them daily. It is up to the banks whether or not to demand margins which are applicable to other traded options.

For the whole duration of the contract, the investor must cover results in the position being liquidated by the bank.

6. *Liquidation / Execution*

Contracts may be liquidated (settled) at any time prior to maturity. According to the type of contract or the stock exchange usances, settlement is effected either by an identical covering counter-transaction or through the conclusion of a reverse contract with the same content. In the latter case, the deliveries resulting from two open contracts are cancelled out.

Any contracts which have not been liquidated relating to options sales should always be honoured upon maturity. With regard to contracts which are based on value assets, this is normally effected by the delivery of the underlying security. Payment in kind replaces effective delivery in the case of contracts which relate to base rates.

Risks

1. *Variation in the value of the contract or the underlying security*

Every investor gets used to the idea of a variation in the value of the contract or of the underlying security during the period considered. If the effective variation is not the one which has been anticipated, the risk is as follows:

- the call/put buyer loses all or part of what he previously paid for the option. The risk is always clearly limited.
- if the value of the contract/underlying security rises, the seller of a call should deliver the underlying security at the price agreed originally; this may be much lower than the market value.
- if the value of the contract increases or the value of the underlying security falls, the seller of a put option should buy the underlying security at the price agreed originally; the latter may be much higher than the market value.

In both cases, the risk is between the agreed price upon the conclusion of the contact and the market value on the maturity date. It is a priori impossible to determine the risk.

2. *Acquisition of the underlying security in the case of the short sale of call options*

Anyone who sells a call option without being in possession of the underlying security at the time of the conclusion of the contract (short sale) risks having to acquire it at a price which is higher than the one which was in effect originally in order to be able to honour its delivery upon maturity. In this case, the risk is particularly high, if not unlimited.

3. *Problematic or impossible payment*

In order to remedy any excessive fluctuation in the prices, the stock exchange is entitled to set price limits for certain contracts. The investor knows that when the limit has been reached, liquidation might prove to be problematic, indeed temporarily impossible. It is therefore incumbent upon the investor to make enquiries prior to concluding such a traded option.

4. *Effective delivery / Payment in kind*

The investor incurs more risks with regard to contracts which involve effective delivery than those which require liquidation in kind. The overall value of the contract should be honoured in the case of effective delivery when only the difference between the price agreed upon the signing of the contract and the market price at the time of execution is required at the time of payment in kind. The investor should thus have more liquidity available for contracts which relate to an effective delivery than for those which provide for payment in kind.

5. *Particular risks relating to over-the-counter (OTC) traded options, option certificates, warrants and covered options*

As a general rule, transparency and liquidity characterise OTC traded options, transactions involving option certificates which have been listed on the stock exchange, warrants and covered options. In principle, liquidation is effected without any major problems arising.

On the other hand, strictly speaking, no market exists for OTC traded options with any particular contractual content and for option certificates which have not been traded on the stock exchange. Liquidation may only be effected provided that another party is found who is prepared to conclude a reverse contract.

6. *Combined transactions*

Combined transactions means the conclusion of two or more options deals relating to the same underlying security. In this respect, options are distinguished at least with regard to their class (options to buy or sell), quantity, exercise price, maturity date and/or the type of position (purchase, sale).

There are countless variants. It is not possible for us to comment, within the framework of the present brochure, on the risks which are inherent in each particular case. However, we have noted that the settlement of certain elements of a combination can substantially change the risk profile. That is why the investor should make detailed enquiries into the risk incurred prior to concluding a combined transaction.

7. *"Exotic" options*

Such options are accompanied by additional conditions or contracts relating to the types of options previously described. Due to this fact, they are based on a structure which cannot be obtained by means of combinations of normal options or combinations of options and underlying securities.

"Exotic" options may be dealt with without being listed (OTC) or assume the form of option certificates.

Due to the practically unlimited number of variants, it is not possible for us to comment, within the framework of the present brochure, upon the risks which are inherent in each particular case. That is why the investor should make detailed enquiries into the risks incurred prior to buying or selling such instruments.

Finally, we shall return to the text of the law as regards "Advertising Shares" and the obligation to make a "Tender Offer"

This involves Articles 20 and 32 of the LSETTS:

Art. 20 of the LSETTS :

1. Anyone who directly, indirectly or in conjunction with any third parties, acquired or alienates for himself shares in a company, the registered office of which is in Switzerland and at least part of the shares of which are listed in Switzerland, and following these transaction, the share in which reaches, exceeds or falls below the thresholds of 5, 10, 20, 33 1/3, 50 or 66 2/3 per cent of the voting rights, whether or not he is entitled to make use of this, should inform the company and the stock exchanges where the shares are listed.

2. The conversion of share certificates or participation certificates and the exercising of exchange or acquisition rights are classified as an acquisition.

In doing so, the law obliges the investor to play an active part when it reaches the prescribed thresholds.

In this way, the ownership structures of Swiss companies which are open to the public always remain known.

Art. 32 of the LSETTS :

1. Anyone who directly, indirectly or in conjunction with any third parties, acquires shares which, added to those which he holds, enable him to exceed the threshold of 33 1/3 per cent of the voting rights in the company concerned, whether he is entitled to make use of this or not, should submit an offer relating to all of the listed shares in this company. The companies concerned may note down the threshold up to 49 per cent of the voting rights in their memoranda of association.