

High-Level Executive Summary
(for sophisticated futures-industry participants)

1 April 2023



The Exchange of Ideas™

Executive Summary

The Project

Parent Company: Demand Derivatives Corp.
Exchange: RealDemand Board of Trade (“RealBOT™”)
Clearing: RealDemand Clearing (“RealClear™”)
Regulatory: application for DCM/DCO with CFTC, securities exchange with SEC

Vision: to rival the largest derivatives exchange groups in the world

Mission: to save traders from the risk of ruin and the industry from a derivatives-induced contagion

Goal: to provide better instrument designs with better risk/reward profiles at much lower cost

Phase I: list novel instrument designs on six major assets (gold, crude, corn, 10-yr, euro, and US500)

Phase II: list roughly 40 country equity indices.

Phase III (wish list): Partner with two more *core* exchanges (one in Europe and one in Asia) to offer near-24-hour regional coverage and global liquidity — similar to an airline alliance — and *satellite* exchanges as desired.

Unique Product Lines

RealLimit™: limited-risk futures (absolute loss limits while allowing for “unlimited” upside potential with RealRoll™ concept)

RealVol™: realized volatility products (build on the success of the large OTC volatility swap market)

RealDay™: delayed-strike daily options (superior hedging capability over 0 DTE and weekly options)

RealGlobe™: a “world index exchange” of country and regional indices with nine innovative and large cost-savings features

Benefits/Solutions

Default Risk: eliminated

Data Fees: eliminated

Default Fund: eliminated

Guarantors: eliminated

FCMs: \$0.50 revenue sharing of our Exchange Fees (upon CFTC approval)

DMMs: counterparty to nearly 100% of all orders

Market Microstructure: revamped to incentivize DMMs with top-of-book liquidity

Clearing: instant (instead of overnight)

Settlement: cash only

Convergence: same final settlement as at the competing exchange(s)

Assets: the top asset in each of the six major assets classes (no crypto)

Leverage: the same or potentially 2x standard futures

Risks: absolutely constrained

Payments to Winners: guaranteed

Upside Opportunity: limited or “unlimited” (if using a number of RealRoll follow-ups)

Costs/Fees: overall costs slashed by 50% to 90%

Operations/Technology

Exchange Technology: powered by GMEX

Clearing Technology: powered by GMEX

Servers: expecting main server at exchange data centers in Aurora, IL (Chicago), with backup server in Secaucus, NJ (New York) also possible to use AWS.

Index Data: Nasdaq Data Link and Bloomberg

Collateral Custody: U.S. Bank

Clearing House Cost Savings (estimated at 80% to 90%)

No Defaults: RealClear clears only fully collateralized positions — no default risk, no credit risk

Net Margining: net scenario margining for designated market makers (gross margining for customers)

No Default Fund: eliminates billions of idle cash posted by clearing members

No Guarantors: eliminates the need for clearing members

Margin Calculations: eliminates the risk-modeling group (no need to define the “correct” margin level)

Cash Settlement: eliminates physical delivery (a cash settlement process is vastly simpler)

Soundness Savings: no need to perform a daily “audit” on clearing members (saves money and time)

No Conflicts: outsource compliance and surveillance to NFA or other third party (reduces conflicts of interest)

Simplified Accounting: convert to an internal or “private” blockchain (produces additional efficiencies and an immutable record of all transactions)

No Variation Margin: eliminate the need for daily variation margin

Cash Movements: eliminate the need for daily cash payments to counterparties

Traction

Exchange: BOX Options Exchange entered into a long-term license agreement with DDC to list RealVol and RealDay instruments on securities.

Options Exchange: a signed Letter of Intent with a U.S. options exchange to use clearing house as an adjunct to OCC.

Fiduciaries: asset managers, pension funds, and hedge funds compelled to seek out lower-cost, lower-risk providers.

Market Makers: several expressed interest in becoming a DMM.

FCMs: required to become Members. Also, no defaults means less customer risk for FCMs.

Retail: smaller investors like the limited-risk feature of RealLimit and are excited about the low price and large payoff potential of RealDay.

Investment Banks: expressed interest in selling RealDay options on a systematic basis, hedging volatility exposure with RealVol, executing global equity indices more efficiently with RealGlobe, and reducing tail risk/customer risk with RealLimit

Regulators: received accolades on our RealLimit approach from officials at the FED, CFTC, and NFA.

Hedge Funds: many more vol funds in existence now and a lot of interest in RealVol as a listed alternative to vol swaps

Competition

RealLimit: will compete with the CME's major assets

RealVol: will compete with Cboe's VIX[®] contract

RealDay: will compete with options exchanges

RealGlobe: will compete with global exchanges

RealClear: will compete with OCC clearing house

Key Attributes of Instrument Designs

RealLimit: Design allows for early expiration; All positions come with an automatic and guaranteed loss equal to posted collateral; Market Makers effectively become investment bankers, taking the other side of nearly 100% of order flow; Contract is a futures/swap hybrid (elements of listed standardization and OTC bi-lateral swaps); Two margin levels at roughly the same as CME margin and roughly half of CME margin

(providing 2x more leverage); Maximum gain is constrained as well, however, the RealRoll process can effectively create "unlimited" potential.

RealVol: will compete with Cboe's VIX[®] contract in spirit, however realized volatility is a much different product than one on implied volatility; same formula as highly-successful OTC vol swap markets using only daily close-to-close inputs; 21-day calculation period; two-month listing; weekly-on-Friday expirations.

RealDay: will compete with options exchanges; is a "true" single-day options with exact close-to-close exposure; listing is expected to be two weeks prior to expiration, however theoretical premium paid is still one-day's time premium regardless of listing length; only require two options each day (one ATM call and one ATM put); for high-volume assets, three OTM options may be listed, no ITM options will be listed; ability to trade an event, implied volatility, and realized volatility all in one instrument; lots of volume expected.

RealGlobe: will compete with global exchanges by bringing global country and regional indices onto one exchange; two key hurdles have been solved: securing licenses from index providers and settling to a valid end-of-the-universal-day daily price; in addition, nine new features reduces the number of transactions by as much as 98% (saving the industry from large direct and indirect costs).

RealClear: will compete with OCC clearing house; all instruments at the exchange are fully collateralized which comes with an 80% to 90% cost reduction as compared to standard futures.

Use of \$6m Round A Proceeds

Goal of First \$2m: get to launch (technology, IP, regulatory, connections/partners)

Goal of Second \$2m: get to a *successful* launch (comprehensive marketing campaign)

Goal of Third \$2m: held in bank to satisfy CFTC capital reserve requirements

Use of \$20m Round B Proceeds

Goal: get to breakeven/sustainability in 12- to 18-month ramp-up period.

Budget: roughly 45% marketing, 45% operations, 10% administrative and misc.

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