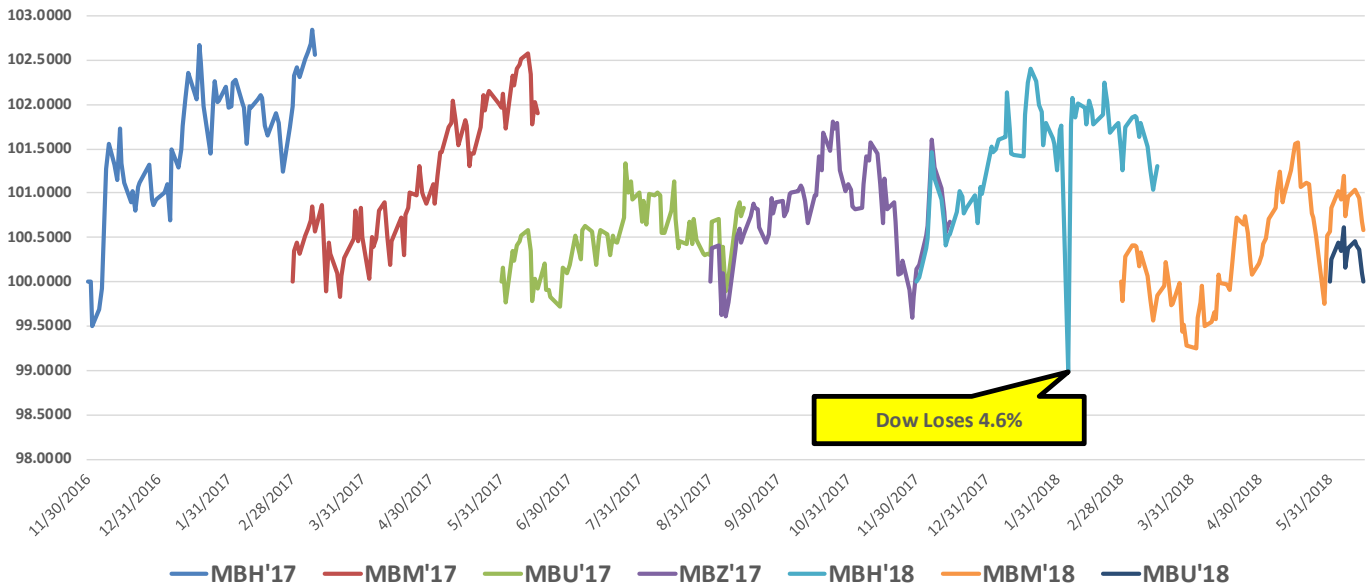


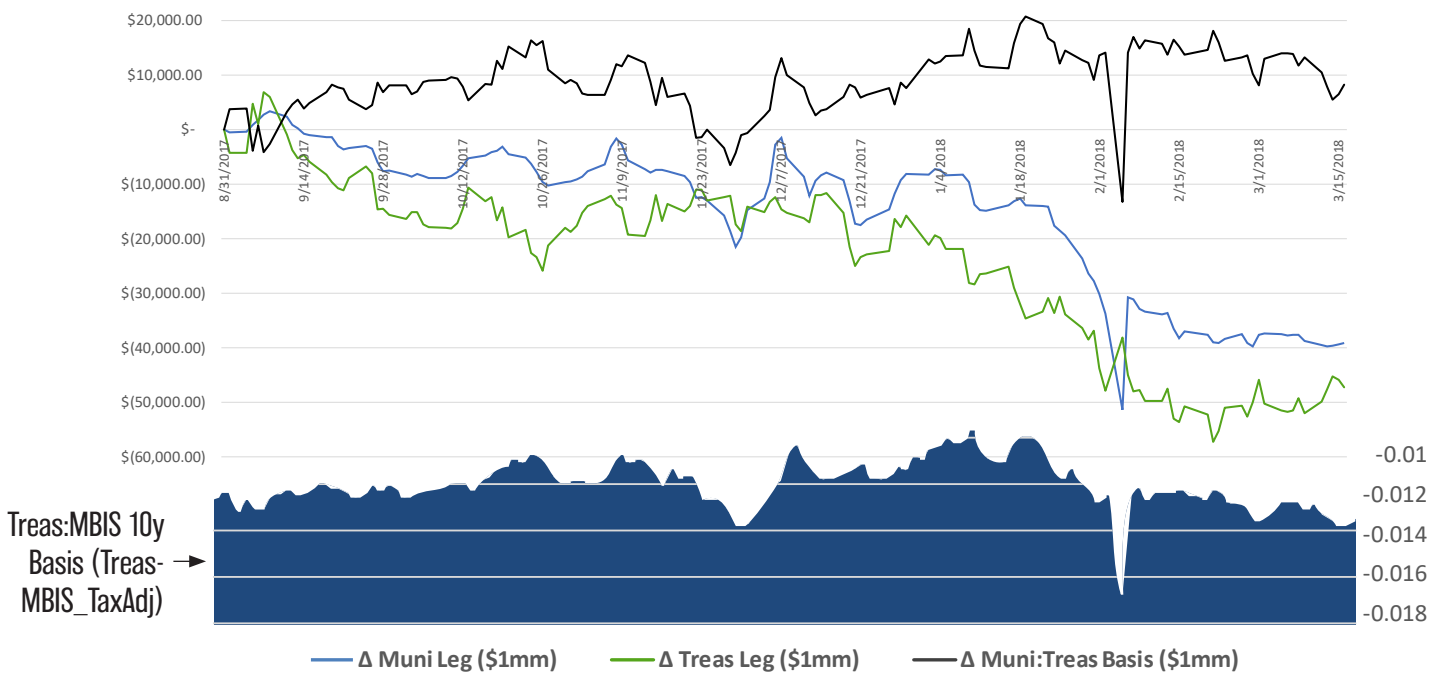
Muni Treasury Basis Futures

The Proposed Muni:Treasury Basis Futures contract measures a Taxable Equivalent Muni Spread Curve vs. a Taxable Treasury Curve. The charts included below give a representation of where each contract would have been priced at fair value along the duration of the curve. Each separate quarterly contract is represented by a different color to demonstrate where one contract expires (cash-settles) and the next contract begins.

Muni Treas Basis Futures: Fair Value 11/30/16 to 6/16/18



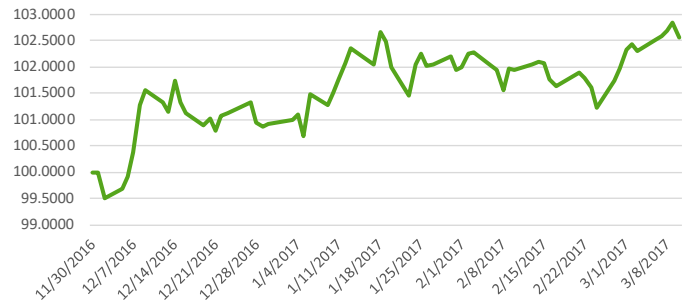
Daily Muni:Treasury Basis, Legs and Spread
 \$1mm = 10 Futures 8/31/2017-3/16/2018



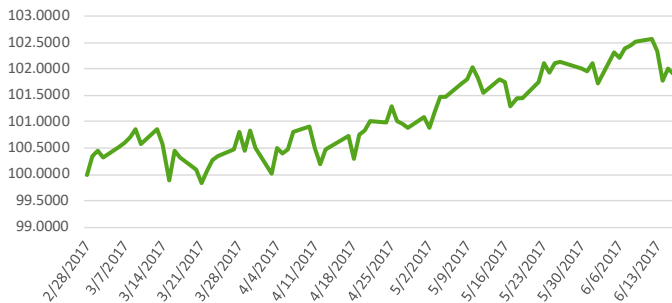
THEORETICAL FAIR VALUE CHARTS

The charts below represent the theoretical fair value for each individual futures contract. Again, each contract cash settles quarterly to assure that all participants are able to get out of the contract at Fair Value. At expiration, the Exchange sets fair value of the settlement price, based on closing prices of the MBIS Curve and the US Treasury Curve. *NOTE: for the MBU8 contract chart, only two weeks of data is represented, as opposed to fifteen weeks for the other charts.

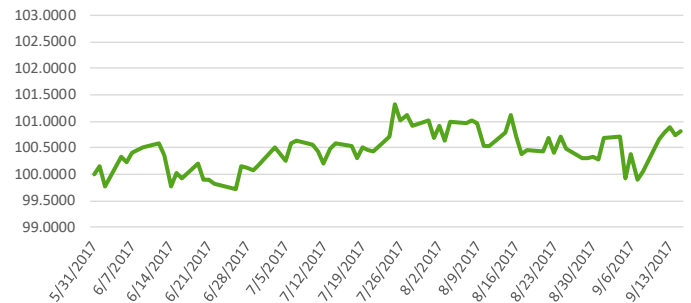
MBH7 Theo Future Fair Value



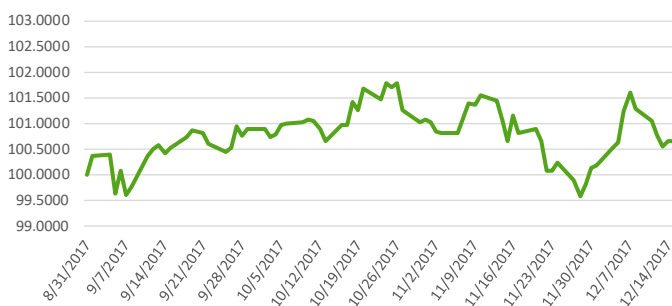
MBM7 Theo Future Fair Value



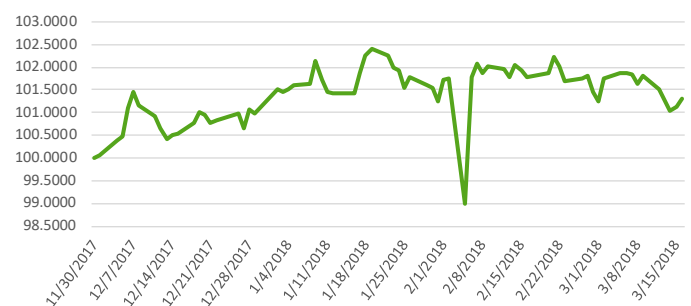
MBU7 Theo Future Fair Value



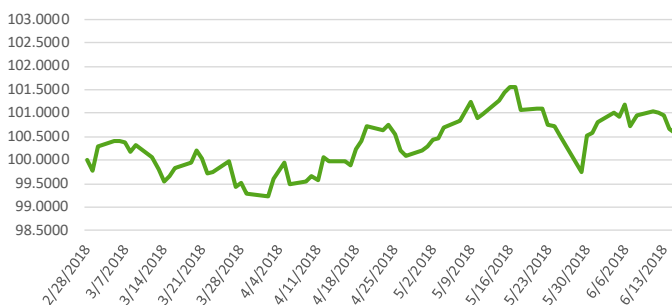
MBZ7 Theo Future Fair Value



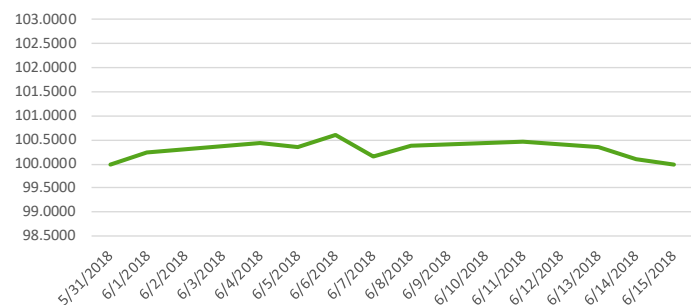
MBH8 Theo Future Fair Value



MBM8 Theo Future Fair Value



MBU8 Theo Future Fair Value



- + Pure “Risk Off” Hedgers Get:
 - The ability to hedge duration risk at whatever percentage or curve location desired - with other Rate Futures or Cash
 - The ability to add “Spread Hedge” in amounts commensurate with portfolio maturity and credit/spread sensitivity
 - No need to sell bonds into a volatile market
 - A Futures Contract: Accessible to most individuals and virtually all institutions at low cost and diverse competition
 - Exchange-Traded, Exchange-Cleared, Dodd/Frank Compliance. Back office simple, anonymous trading (same markets for the little guy as the big guys), scalable with contract size at only \$100k face, certainty of settlement with MBIS backbone.

- + Asset Managers Get:
 - The benefits (if desired) of the Risk-Off End User
 - In-lieu-of “Long” - Maintain muni index sensitivity and spread-based performance while sourcing bonds
 - Earn substantial accrual without adding any portfolio duration OR without dropping down in credit
 - Maintain HUGE liquidity via futures margining (95% of Face expected) to meet redemptions OR cash to source bonds OR cash to place in other funds
 - The ability to bid/offer bonds on spread to both duration and muni credit
 - The ability to buy **diversified** muni exposure in a falling market - don't waste your time trying to pick up individual bonds cheap, own the Spread Future. No duration. Certainty of settlement to the MBIS Curve.
 - HARD MARK (for NAV or general investor confidence) with a daily exchange settlement.

- + Broker-Dealer/Market Makers Get:
 - Finally, a product to hedge spread exposure
 - A product to allow bidding for bonds in a free-falling market: bid bonds covered against a duration futures position AND covered against a spread future. 3 price points to anchor risk.
 - Earn accrual for longs into P&L
 - Make markets for incremental earnings power in slow or tight market conditions. A new earnings channel without sales-force dependency or client activity
 - It's a FUTURE - Trade it through EMSX, voice, chat

+ Natural BUYERS of the futures contract would be:

- Asset Managers looking to buy a basket of diversified muni exposure in a falling market could buy the spread future and not have to waste time trying to pick up individual bonds for cheap
- Market Makers looking to benefit from the accrual earned as the long position. This accrual is equivalent to 2% annually, and is wrapped up into the settlement price of the contract daily.
- Funds looking to receive accrual for longs directly into P&L.
- Broker-Dealers looking to bid for bonds in a free-falling market: bid bonds covered against a duration futures position AND covered against a spread future
- Buy-Side Firms that have cash on hand and limited paper available

+ Natural SELLERS of the futures contract would be:

- Muni Hedgers with a portfolio of municipal bonds looking to hedge spread exposure
- Broker-Dealers
- Market Makers looking for incremental earnings power in slow or tight market conditions. A new earnings channel without sales-force dependency or client activity.

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