

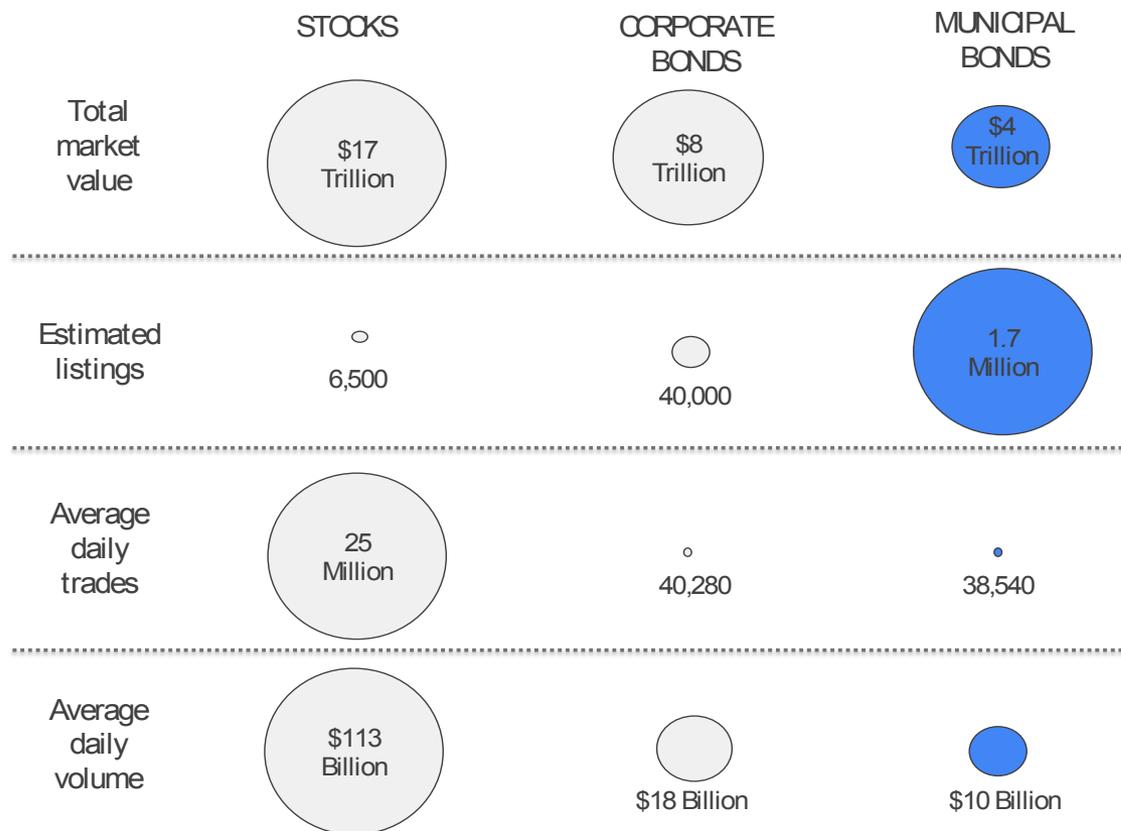
EAX TRADING

MUNI BOND TRADING + DATA

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COMPARISON OF THE U.S. MARKETS



“Although the municipal securities market is often characterized as a “buy-and-hold” market, significant secondary market trading occurs.”*

*SEC Report of the Municipal Market
2012

PROBLEMS IN SECONDARY MUNI TRADING



- Muni trades incur exorbitant transaction & search costs in the secondary market
 - Price differential exceeds 2% (200 bps) for over half of customer-to-customer chains¹
 - Length of 2 or more days for over half of customer-to-customer chains¹
- Regulators: “...investors have access to relatively little pricing information”²
- Dealer inventories to provide liquidity declined 65% since 2007³ due to new regulations
- \$2.5 trillion² in annual secondary trading via phone or antiquated bulletin-board systems

1. MSRB *Report on Secondary Market Trading in the Municipal Securities Market*, July 2014

2. SEC *Report on the Municipal Market*, July 2012

3. Federal Reserve



MUNIS ARE LIKE THE HOUSING MARKET

Muni Characteristics

- 1.7 million individual bonds (CUSIPs)
- High retail ownership (>75%¹)
- Personal tax exemption
- Low turnover, most bonds trade twice per year¹

Price Discovery in the Housing Market

- Buyers express interest by house type: # of bedrooms, # of bathrooms, for about \$X
- Sellers list their house for a price
- Agent matches serious buyers + sellers prior to firm bidding

1. SEC *Report on the Municipal Market*, July 2012

INEFFECTIVE PRICING DATA



Muni Reference Pricing ...similar to housing market

- **Last trade**
- **3rd party price evaluation**
- **Comparables of like-bonds**
- **The price you bought your house**
- **Zillow estimated price**
- **Your neighbor's selling price**



No quote on
CURRENT
demand for your
bond & amount
for sale



EAX REDEFINES TRADING & DATA

- For the first time, buyers may express interest across types of bonds (patent pending*)
- Buyers use our cloud technology to indicate desired bond features, size & price range
- Sellers view indicative market for their bonds & contact buyers at attractive prices
- Search based on interest. Sellers have specific security
Buyers want type of bond within price range

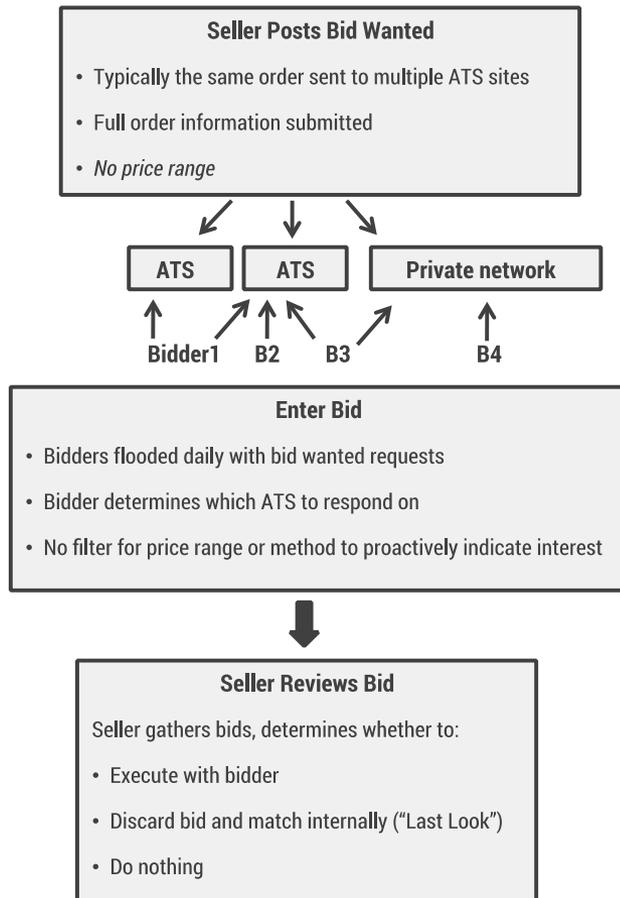
*United States Patent Application Serial No.
14/643,870

(claiming priority to Serial No. 62/950,594, filed
March 10, 2014) Filed: March 10, 2015

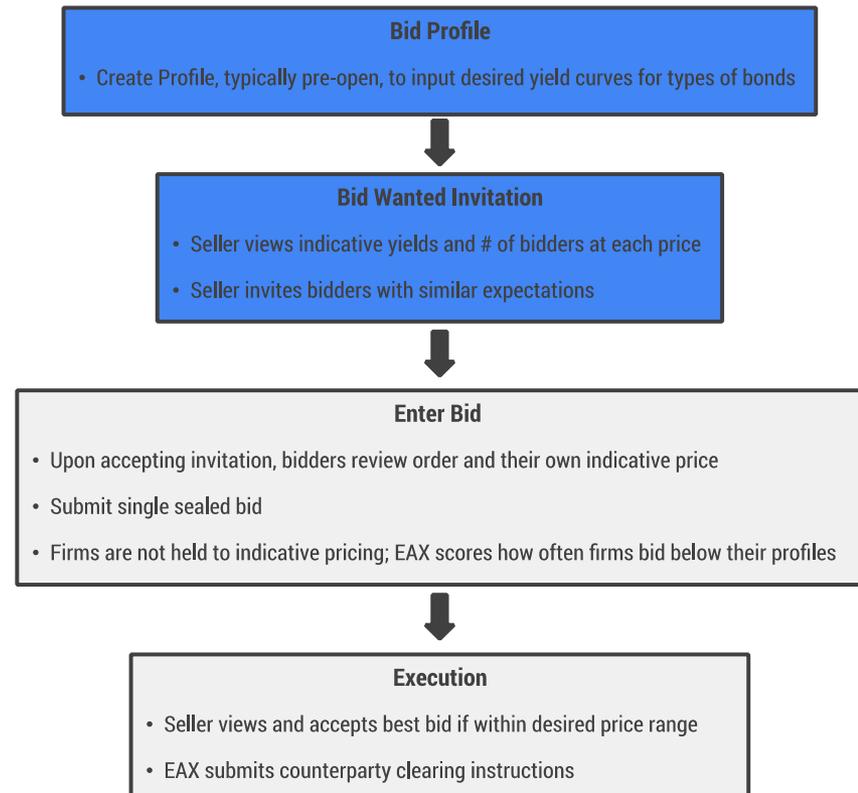


EAX: THE TARGETED APPROACH

Current Process



EAX Process





CREATE BID PROFILE

- Enter target yields vs. indexes across bond features, maturity & call ranges
- Limit bid-wanted invitations to sellers with similar expectations
- Flexible methods to receive bid invitations: app, email, IM, text



Start Profile Profile settings and trade criteria

Name
Profile Name

Account
Optional Account

Matching Criteria Basic criteria for bonds matching this profile

Maturities Start: 12 2014
Maturities End: MM YYYY
Ratings Worst: Unlimited
Ratings Best: Unlimited

- Alabama
- California
- District of Columbia
- Guam
- Illinois
- Louisiana
- Arkansas
- Colorado
- Delaware
- Hawaii
- Indiana
- Massachusetts

TARGETED BID INVITATIONS FOR SINGLE-SEALED BIDS



Sellers Search & Select Invitation Price

Size
300

Counterparty Score
Unlimited

Lookup

Select a price level to continue

Yield	Price	Matches
1.705	122.449	1
1.753	122.116	2
1.790	121.860	4
1.802	121.777	5
1.957	120.714	6
2.005	120.386	7

Invitations Display Profile Price

Auction Invitations
5 pending invitations

300 @ 1.705
2:12 PM to 3:12 PM

California Tax Exempt AA- / A1 / NR
0 Complex

300 @ 1.790
2:12 PM to 3:12 PM

California Tax Exempt AA- / A1 / NR
0 Complex

REDEFINE THE SECONDARY MUNI BOND
MARKET

CREATE A SEARCHABLE NETWORK OF
TRADING INTEREST