DELPHX®

Bond Market 2.0

Powered by Blockchain

Forward-Looking Information

Certain information contained herein and certain oral statements made are forward-looking and relate to the DelphX business strategy, product development, timing of product development, events and courses of action. Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as “anticipate,” “objective,” “may,” “will,” “might,” “should,” “could,” “can,” “intend,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” “is designed to” or similar expressions suggest future outcomes or the negative thereof or similar variations. Forward-looking statements may include, among other things, statements about: our expectations regarding our expenses, sales and operations; our future customer concentration; our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing; our ability to anticipate the future needs of our customers; our plans for future products and enhancements of existing products; our future growth strategy and growth rate; our future intellectual property; and our anticipated trends and challenges in the markets in which we operate. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which DelphX will operate in the future, including the demand for our products, anticipated costs and ability to achieve goals. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks uncertainties and assumptions, you should not unduly rely on these forward-looking statements.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic and capital market conditions; the ability to manage our operating expenses, which may adversely affect our financial condition; our ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for our products; our relationships with our customers, distributors and business partners; our ability to successfully define, design and release new products in a timely manner that meet our customers’ needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; our ability to maintain technological leadership; our ability to manage risks inherent in foreign operations; the impact of technology changes on our products and industry; our failure to develop new and innovative products; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; our ability to manage working capital; and our dependence on key personnel. DelphX is an early stage company with a short operating history; it may never receive any product sales revenue or achieve profitability; and it may not actually achieve its plans, projections, or expectations.

Forward-Looking Information/Disclosure

Important factors that could cause actual results to differ materially from DelphX's expectations include, consumer sentiment towards DelphX's products and blockchain/smart-contract technology generally, litigation, global economic climate, loss of key employees and consultants, additional funding requirements, changes in laws, technology failures, competition, and failure of counterparties to perform their contractual obligations.

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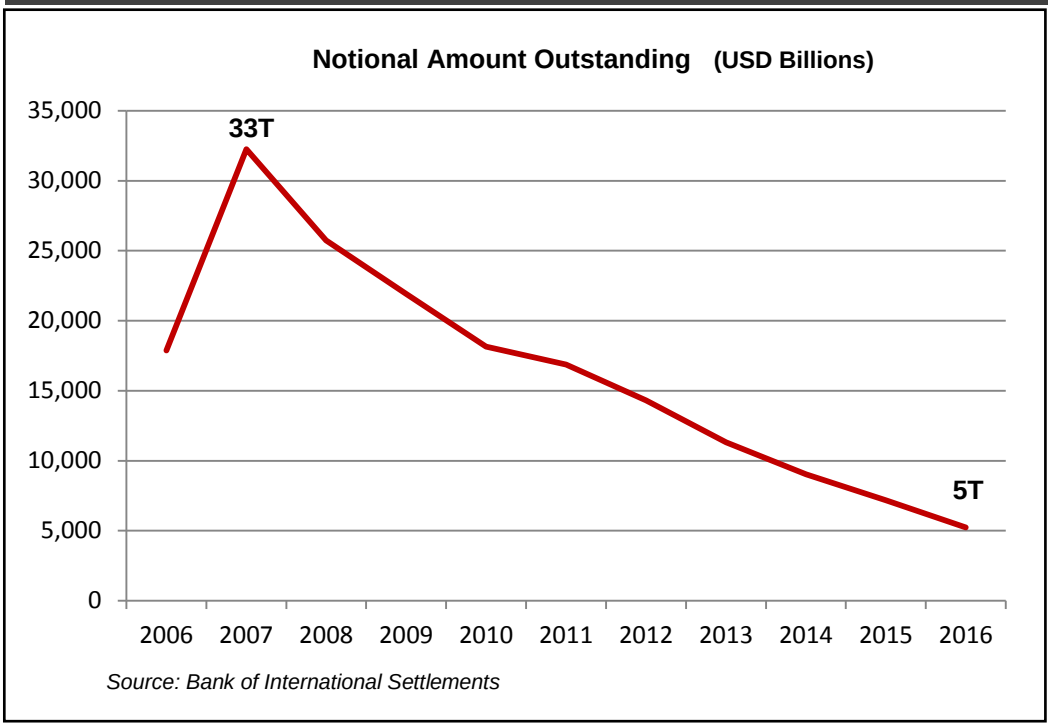
Continuing Market Decline

The declining market for non-cleared single-name CDS, and failure of the Central Clearing (CCP) market for cleared CDS to provide a cost-effective alternative, is concentrating default risk to dangerous levels and choking bond market liquidity with increasing momentum.

CDS contracts have historically been the singular means of directly hedging credit default risk in the bond market. And, until 2007, they efficiently added a degree of certainty that ensured protection and fostered bond liquidity.

That market has declined from its high in 2007 of USD 33 trillion to less than USD 5 trillion in outstanding notional value, with most participants anticipating its decline to continue. There are now less than 200 issuer “names” for which a direct hedge can be purchased, and the cost of that protection is causing many investors to no longer deem it viable.

Declining Single-Name CDS Market



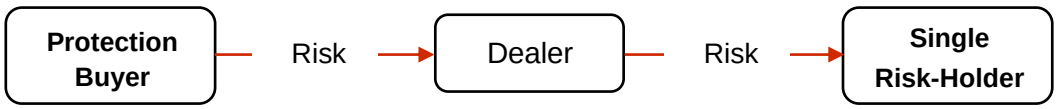
Source: Bank of International Settlements

Alarming Concentration of Risk

To provide efficient utility, the structure and operation of a risk-transferring market must mitigate concentrations of risk at every level. The ideal structure would distribute each risk with sufficient breadth to minimize its potential adverse impact upon any single risk holder, and avoid the correlation of such risks. Optimal distribution would thus diffuse each risk among a broad array of holders, so that even a catastrophic event would produce only a modest impact upon each holder.

Unfortunately, non-cleared CDS contracts transfer risk to a single counterparty, and offer no means for diffusing risk.

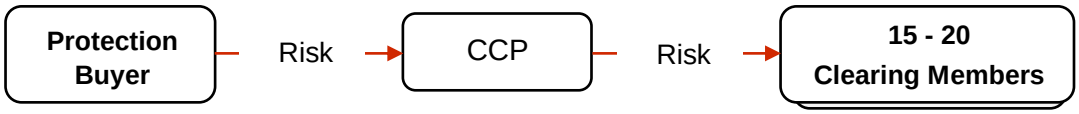
Non-Cleared CDS Market: No Risk Diffusion



CDS cleared through a Central Counterparty (CCP) market are cited by some as a preferred alternative to non-cleared CDS, but the CCP structure also concentrates risk – by limiting the distribution of each exposure to a small number of clearing members. For example, the largest 20 members account for roughly 75 per cent of financial resources provided to all CCPs.

Cleared CDS provide moderate diffusion of individual risks.

Centrally-Cleared CDS Market: Moderate Risk Diffusion

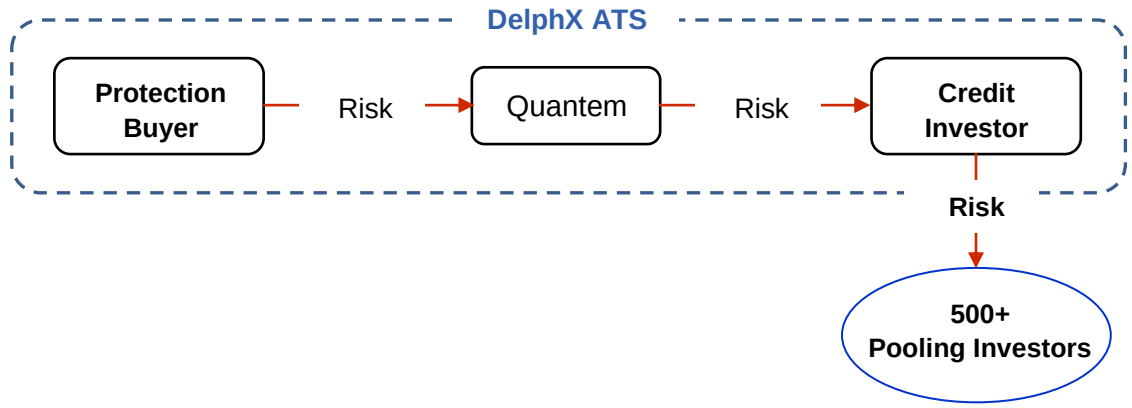


While centralizing CDS trading into CCPs has reduced the risk of individual holders, it has magnified the systemic importance of CCPs – causing those facilities to become the latest category of Too Big To Fail institutions. A recent study of risks in CCP networks found that "…CCP-related losses are likely to be realized precisely under the extreme circumstances where the members are least able to absorb them." In other words, CCPs are most likely to fail when they are needed most.

Bond Market 2.0

To facilitate optimal diffusion of risk, DelphX is launching an SEC-regulated Alternative Trading System (ATS) that employs Blockchain Technology to enable anonymous negotiation, origination and trading of new forms of digital Smart Contract securities. Transparently administered within an open Distributed Ledger, those Quantem Securities will broadly diffuse risk among many holders through dynamic market-based pooling technology.

DelphX Market: Global Risk Diffusion Through Blockchain Pooling



Through the DelphX ATS and smart Quantem Securities negotiated and traded therein:

Protection Buyers can -

- Receive guaranteed market-based compensation upon the default of a referenced fixed income security selected from the more than 1 million eligible issues listed on DelphX.
- Eliminate the need for variation and other collateral margins for credit protection.
- Generate competitive risk-free returns though anonymous basis-trading.

Credit Investors can -

- Anonymously negotiate double-digit yields on transparent Smart Bonds in which referenced globally-pooled default risk is embedded.
- Definitively manage or eliminate credit exposures through pairing investments in compensating Smart Securities.

All Participants can -

- Competitively speculate on the future movement of default protection pricing for all referenced securities in an anonymous and transparent all-to-all trading environment.
- Access continually updating and validating Benchmark Prices for all Smart Securities and referenced issues available for trading within the DelphX primary and secondary markets.

Quantem Securities

Negotiated through anonymous and competitive interaction among participants in the DelphX ATS, the following two forms of interlinked Quantem Securities are structured:

Default Compensation Receipt (DCR) Securities that pay guaranteed market-based compensation to holders following the occurrence of a qualifying credit-event; and

Collateralized Reference Obligation (CRO) Bonds that provide attractive yields to investors willing to assume the embedded compensation risk of the DCR linked to that CRO.

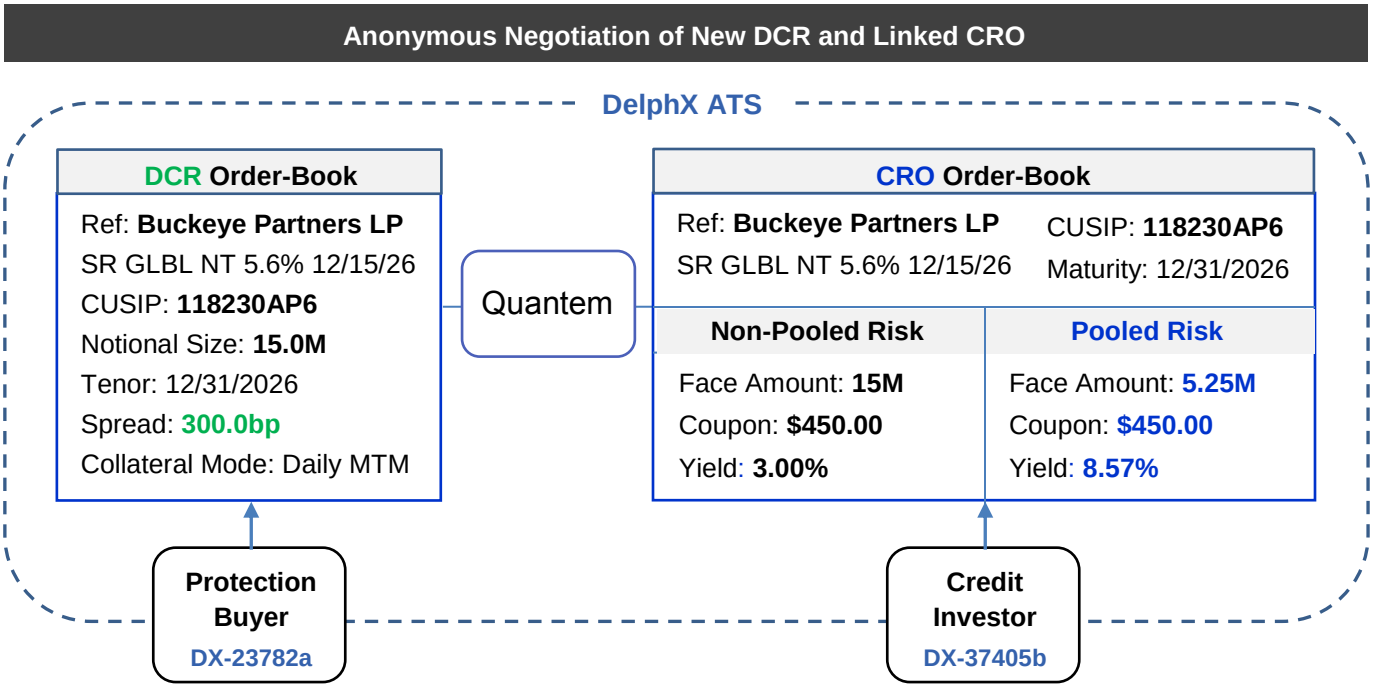
All DCR and CRO securities are collateralized at issuance by cash, cash equivalent securities and Guaranteed Investment Contracts (GICs) issued by highly-rated insurers. Those collateral assets are held in custody by State Street Bank & Trust, the DelphX/Quantem Custodian.

DelphX participants seeking new default protection (or to speculate on the future pricing of that protection) anonymously negotiate the structuring of that new DCR by:

a) Selecting the subject CUSIP/ID from the more than1 million corporate, municipal, ABS, MBS, sovereign and other credit securities in the DelphX Reference Database; and

b) Specifying the Notional Size, Maturity and desired Spread of the pending DCR.

Prospective buyers of the linked CRO will then competitively bid for the desired Coupon of that bond (which, in turn, will determine the CRO's offered Purchase Discount and the linked DCR's offered Spread).



Anonymous All-to-All Interaction

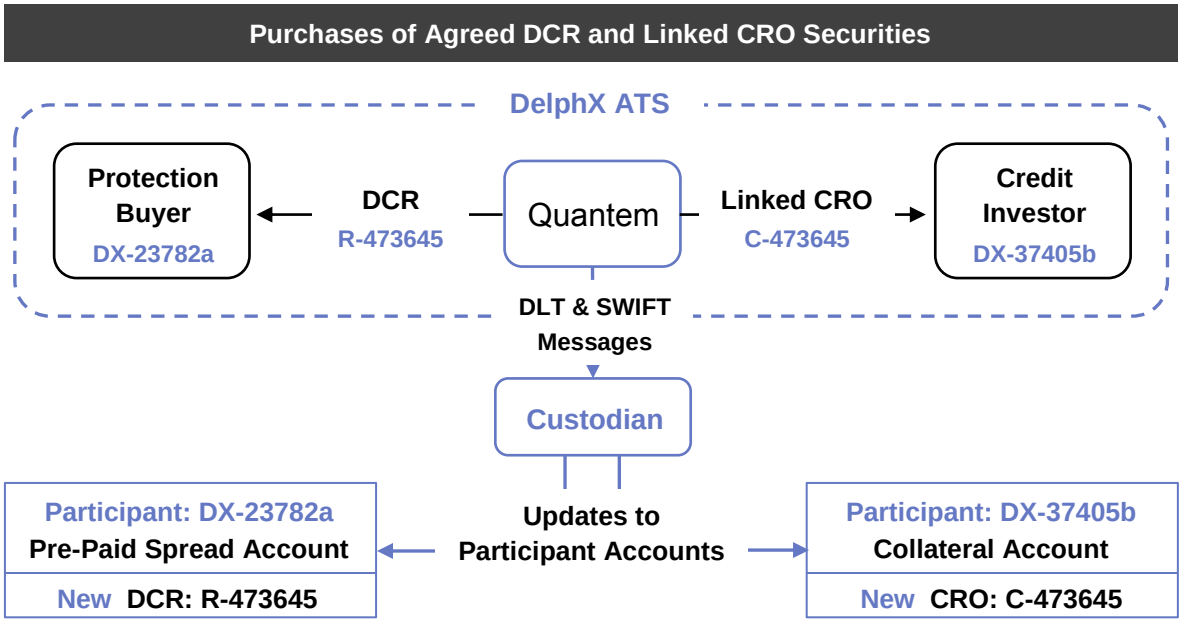
Participation in the DelphX ATS will be available to all financially-sound institutional investors and securities broker-dealers acceptable as a customer and/or potential counterparty to the Custodian.

The Custodian will maintain Customer Accounts for each DelphX participant as may be required to efficiently provide all custody, investment and cash management services required by DelphX, Quantem and that participant.

All participants will be authorized to anonymously negotiate, purchase and trade new and outstanding DCRs and CROs on the DelphX ATS, with each purchase of a new DCR being facilitated by a concurrent purchase by an unrelated participant of the linked CRO funding the collateral requirement of that DCR.

All Order-Books, pending orders and trades will be transparently displayed in real-time to all participants in the Blockchain-powered Distributed Ledger integrated within the DelphX ATS.

Once the terms of a new DCR and linked CRO are agreed and mutually confirmed by the respective buyers, Quantem immediately executes the respective DCR and CRO sales and notifies the Custodian of all pertinent information regarding each transaction through redundant encrypted messages transmitted within the secure Quantem Distributed Ledger and via the Society for Worldwide Interbank Financial Telecommunication (SWIFT) communication environment. Upon origination of the new DCR/CRO securities, the Custodian performs the tasks indicated below.



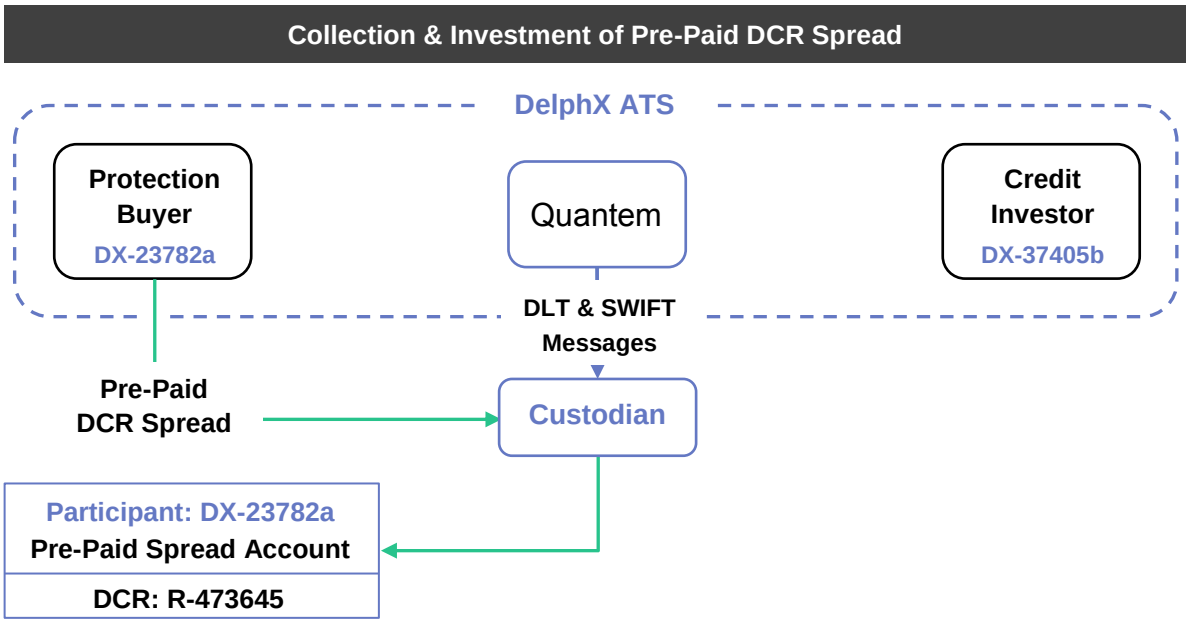
Processing New DCR Purchases

To secure the DCR buyer's timely future payment of the specified Quarterly Spread of a new DCR, Quantem directs the Custodian to collect from the buyer the amount of one Annual Spread which the Custodian holds in a Pre-Paid Spread Account established for the subject DCR. All funds held in such Pre-Paid Spread Accounts will be invested in the Quantem Collateral Fund managed by State Street Global Advisors (SSGA).

Should the DCR holder fail to timely remit a future Quarterly Spread Payment when due, and fail to cure that default upon receipt of written notice, the contractual terms of the DCR authorize Quantem to:

a) Direct the Custodian to collect the funds due from the DCR holder's Pre-Paid Spread Account(s); and

b) Optionally sell the subject DCR in the DelphX Secondary Market on behalf of the holder.



Processing New CRO Purchases

Upon receiving notice of the purchase of a new CRO, the Custodian will collect the specified purchase proceeds from the CRO buyer and:

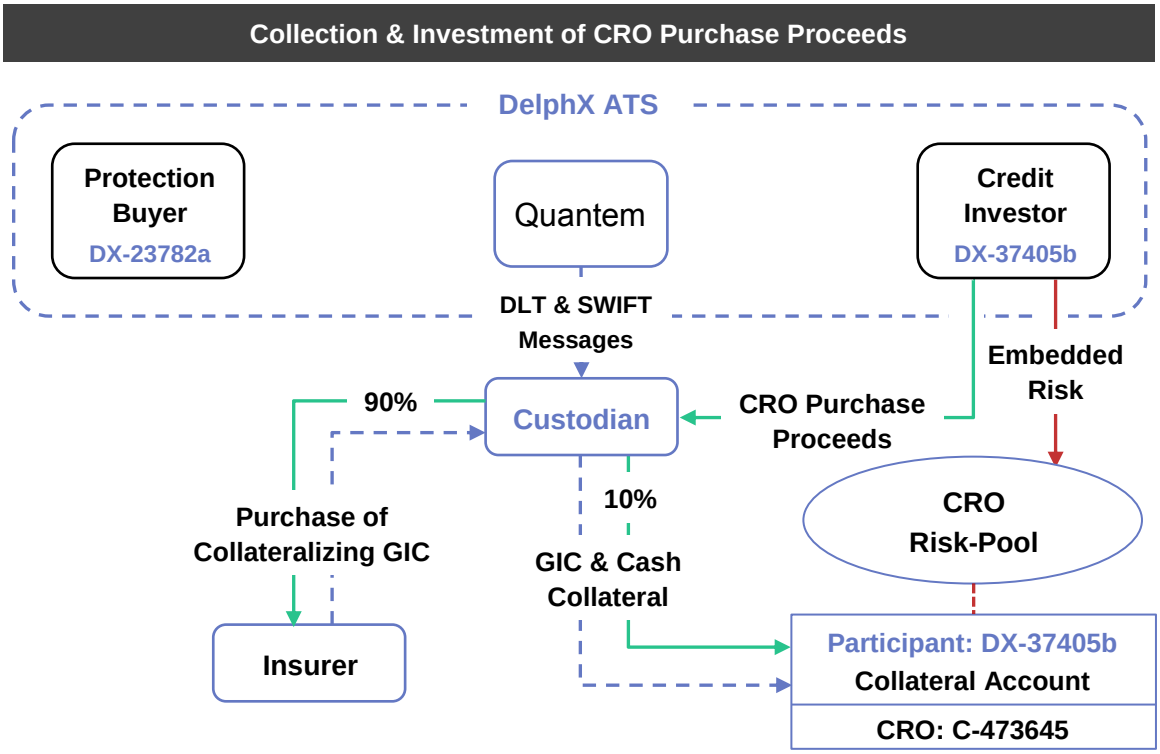
a) Establish a new CRO Collateral Account for the buyer/holder, in which all related collateral assets will be held;

b) Deposit 10% of the collected proceeds in the Quantem Collateral Fund managed by SSGA for such funds;

c) Employ the remaining 90% of the collected funds to purchase a GIC bearing the same maturity as the new CRO from a participating insurer;

d) If elected by the CRO buyer, transfer the linked-DCR Risk embedded in the new CRO to the CRO Risk-Pool (see Page 11 for details); and

e) Continually update the Quantem Ledger regarding all information relating to assets held in the holder's CRO Collateral Account.



Pooling Embedded Risks

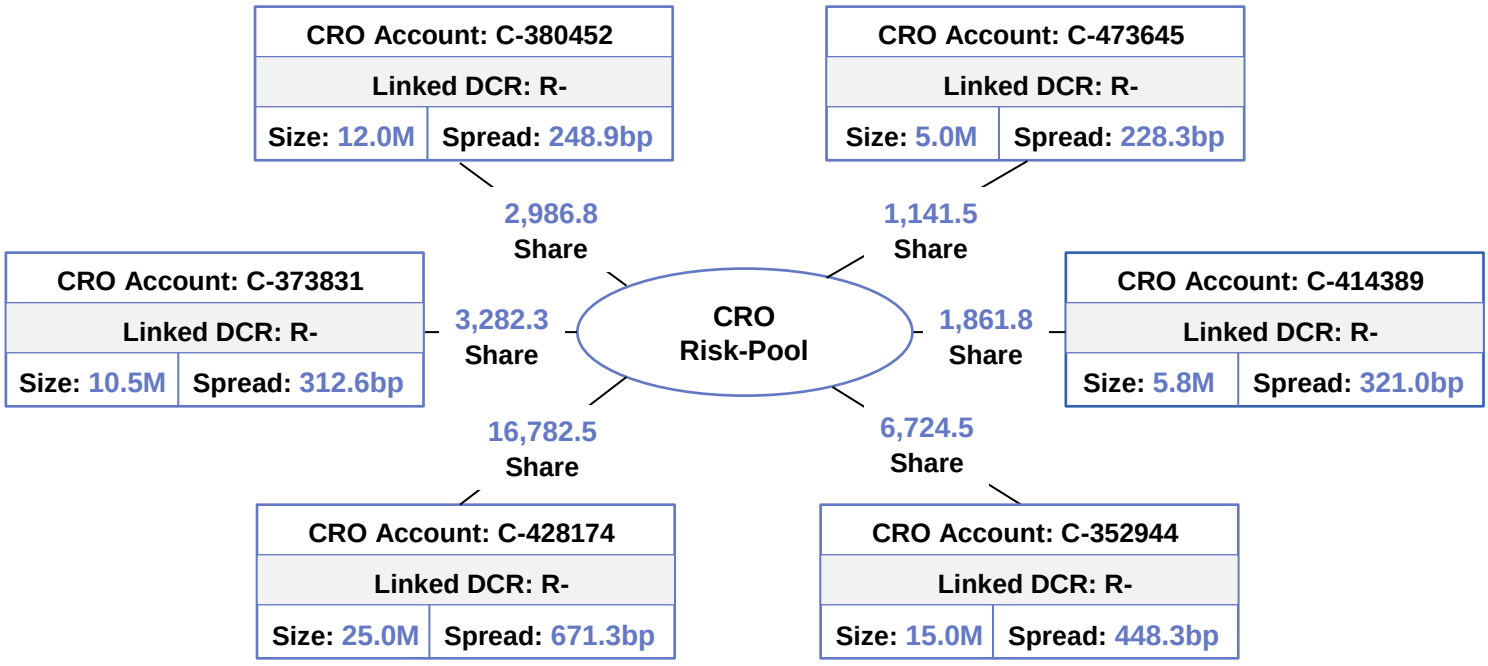
When bidding for a new CRO, the prospective buyer elects to either retain or pool the embedded risk of compensation being paid in the future on the DCR linked to the pending CRO. If the bidder elects to retain the risk, no Purchase Price Discount will be offered by Quantem (as the lower risk and collateral requirements produced by pooling will not be available for the subject CRO).

If pooling of the risk is chosen, the Spread of the linked-DCR being concurrently negotiated will determine the Coupon and Purchase Price Discount of the CRO being negotiated.

The transparent structure of the DelphX ATS, and the anonymous and informed interaction among its participants, enables the negotiated Spread of each new DCR to accurately reflect the current market pricing of that risk. That Spread (risk concentration) and the Notional Size of the DCR also determine the pro rata Risk-Share of its linked-CRO within the CRO Risk-Pool.

A pro rata portion of each DCR Compensation Payment sourced from the Risk-Pool will be collected from the Collateral Account of each participating CRO holder. That pro rata amount will be determined at the time of the collection by dividing the holder's Risk-Share by the total sum of all current Risk-Shares outstanding. Thus as the size of the Risk-Pool continually increases, the pro rata percentage of each exposure represented by any given Risk-Share will decrease. This continually-reducing exposure to any single risk demonstrates one of the many benefits of diversified pooling within the transparent Quantem Distributed Ledger.

Aggregate Risk-Based Sharing of Pool Exposure



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Pooling Enhancement of CRO Yields

Transferring the risk embedded within a CRO to the Risk-Pool enables the holder to reduce its exposure from 100% of that risk to a small and continually reducing Risk-Share of the cost of funding compensation payable under all DCRs linked to the hundreds (and eventually thousands) of CROs included in the Risk-Pool.

The lower risk and collateral requirement produced by pooling is then conveyed by Quantem to CRO holders through Spread-based purchase discounts. Indicated below are the purchase prices resulting from each displayed DCR Spread, and the higher post-claim yields rendered by the pooled CROs.

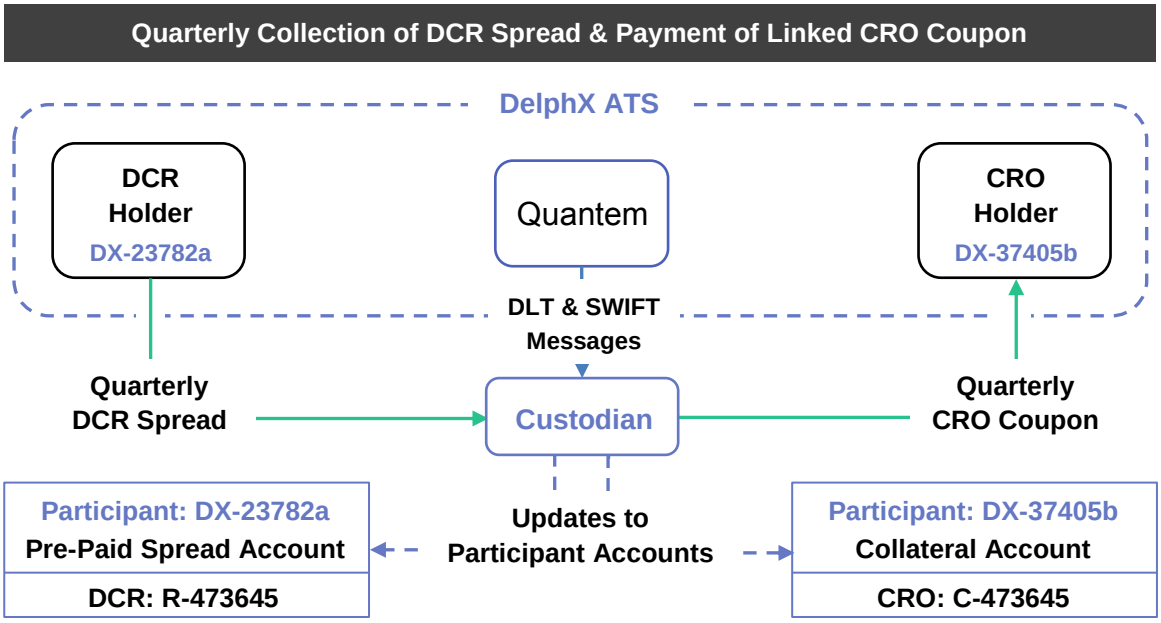
Post-Claim CRO Yields (Assuming 4.0% Annual Risk-Pool Loss Ratio)

Linked-DCR Spread (bp)	Price % (of Face)	Effective Coupon %	Treasury Yield %	Pool Share %	Claim Expense	Total Yield %
15	20	0.75	2.4	0.10%	0.08	**3.07**
30	20	1.50	2.4	0.19%	0.16	**3.74**
60	25	2.40	2.4	0.39%	0.31	**4.49**
100	25	4.00	2.4	0.65%	0.52	**5.88**
200	30	6.67	2.4	1.30%	1.04	**8.03**
300	35	8.57	2.4	1.95%	1.56	**9.41**
400	40	10.00	2.4	2.60%	2.08	**10.32**
500	45	11.11	2.4	3.25%	2.60	**10.91**
600	50	12.00	2.4	3.89%	3.12	**11.28**
700	55	12.73	2.4	4.54%	3.64	**11.49**
800	60	13.33	2.4	5.19%	4.15	**11.58**
900	65	13.85	2.4	5.84%	4.67	**11.57**
1000	65	15.38	2.4	6.49%	5.19	**12.59**
1100	70	15.71	2.4	7.14%	5.71	**12.40**
1200	70	17.14	2.4	7.79%	6.23	**13.31**
1300	75	17.33	2.4	8.44%	6.75	**12.98**
1400	75	18.67	2.4	9.09%	7.27	**13.80**
1500	80	18.75	2.4	9.74%	7.79	**13.36**
1600	80	20.00	2.4	10.39%	8.31	**14.09**
1700	80	21.25	2.4	11.04%	8.83	**14.82**

Processing DCR Spreads and CRO Coupons

In addition to managing the DCR holder's Pre-Paid Spread Account and the CRO holder's Collateral Account, the Custodian also facilitates the collection of the quarterly DCR Spread payment from the DCR holder and remittance of the related quarterly Coupon to the CRO holder.

All Spread and Coupon payments collected and remitted by the Custodian are transparently recorded in the Quantem Ledger in real-time, but flow outside of the Pre-Paid Spread and Collateral Accounts maintained by the Custodian for the respective DCR and CRO holders.



Market Determination of DCR Compensation

The definition and requirements of a qualifying Credit Event will be specified in the DCR and CRO documentation. Upon the reporting of a qualifying Credit Event, Quantem will promptly schedule a Single-Price Settlement Auction to be conducted on the DelphX ATS (occurring approximately three weeks following the reporting of the Credit Event), to which all DelphX participants will be invited to participate. Prior to the Auction, all participants intending to sell some or all of their holding of the referenced CUSIP/ID may post their anonymous order(s) to sell at the single Clearing Price determined by the Auction.

The Clearing Price determined by that Auction will thus establish the current market value of the referenced security. That value will then be subtracted from the $1,000 Par Value of the security to determine the Lump Sum Compensation payable to all holders of DCRs that reference that CUSIP/ID. Based on historical trading activity in the CDS market, it is likely that the rate of origination of new and trading of existing DCRs referencing the subject CUSIP/ID will increase considerably prior to the date of the scheduled Settlement Auction.

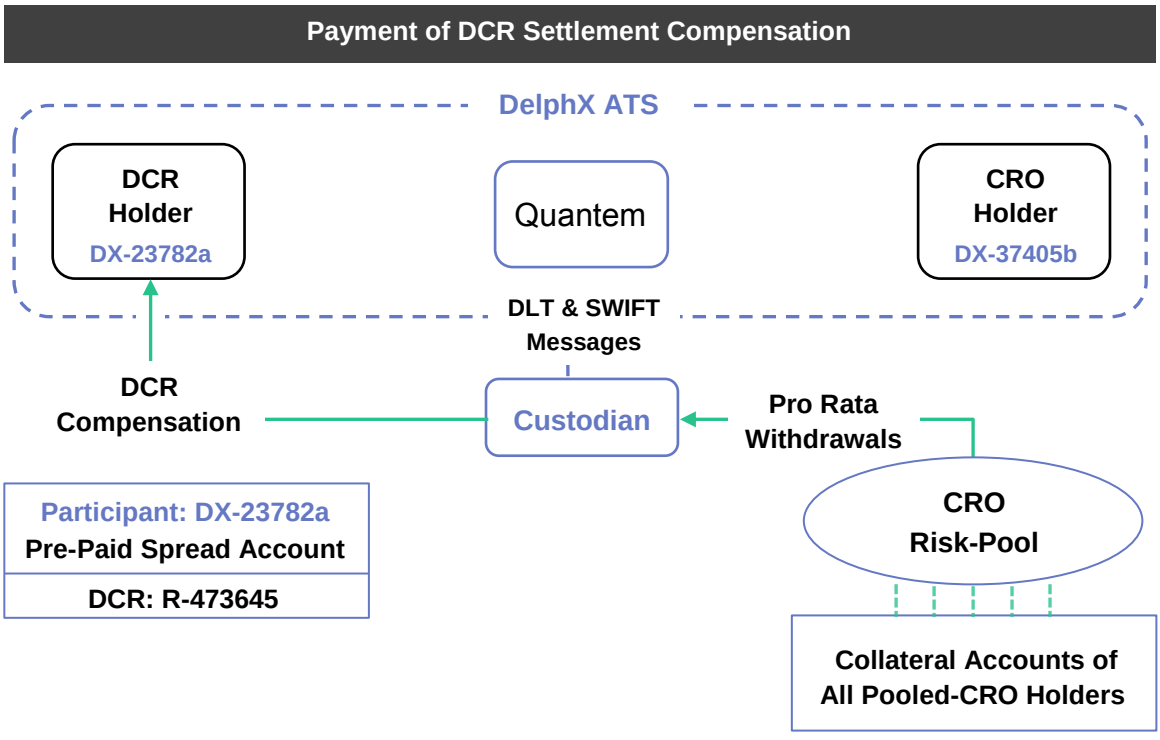
Single-Price Settlement Auction

Processing DCR Settlement Payments

At the close of the Settlement Auction, Quantem will promptly provide detailed instructions to the Custodian as to each DCR for which a Settlement Payment is due, and the amount of each Settlement Payment that is to be collected from the applicable CRO Collateral Accounts.

If the holder of a CRO linked to a DCR being settled did not elect to transfer the CRO's embedded risk to the Risk-Pool (in return for which the CRO holder would have received a Risk-Based Purchase Price Discount of 20% to 80%), the Collateral Account of that holder will fully fund the Compensation Payment due on the linked DCR.

If the holder of a CRO linked to a DCR being settled elected at origination to transfer that embedded risk to the Risk-Pool, Quantem will transmit detailed instructions to the Custodian as to the amount of DCR Settlement Payment funding that is to be collected from each of the Collateral Accounts of participating holders in the Risk-Pool.



Processing Post Settlement Payments

The tenor of a DCR terminates upon payment of its Settlement Compensation, whereupon Quantem will promptly provide detailed instructions to the Custodian to close the Pre-Paid Spread Account maintained for the now settled DCR and refund to the DCR holder the accrued balance therein.

Correspondingly, the CRO linked to the settled DCR will also contractually mature, as it will no longer be linked to an outstanding DCR, whereupon Quantem will also provide detailed instructions to the Custodian to:

a) Redeem the GIC collateralizing the now matured CRO and collect the proceeds from the GIC insurer;

b) Close the Collateral Account maintained for the now matured CRO; and

c) Refund to the CRO holder the accrued balances of the closed Collateral Account and the redeemed GIC.