

ValXTM

VolShares[®]

The Valuation ExchangeTM

“Discovery consists of seeing what everybody has seen and thinking what nobody has thought.”

—Albert von Szent-Gyorgy

$$\sqrt{\frac{252}{n} \sum_{t=1}^n R_t^2}$$

VolShare Securities

VolShare securities are patented, hybrid instruments that incorporate some of the best features of currently available exchange-traded products into one instrument. They trade like shares of stock; however, there are a few key differences:

1. VolShare securities do not represent ownership interest in a company.
2. They are based on the realized volatility of an asset, index, security, or instrument (an “underlying”).
3. They expire.

Eliminating the ownership restriction allows VolShare securities to settle to a formula. Basing the formula on realized volatility provides exposure to movement regardless of the direction of an underlying. Having an expiration forces convergence, thereby keeping the price in line with its theoretical value.

The Exchange

The ValX Exchange is dedicated to trading VolShare and ValShare securities. This brochure describes VolShare securities only. For an explanation of ValShare securities, please request a separate brochure.

Form of Volatility

Realized Volatility

VolX Formula

Simple standard deviation formula regardless of underlying

No Ownership

Unlike stock, VolShare securities do not represent ownership in a company.

No Fees

Unlike exchange-traded fund (ETFs) or exchange-traded notes (ETNs), VolShare securities have no embedded fees.

No Credit Risk

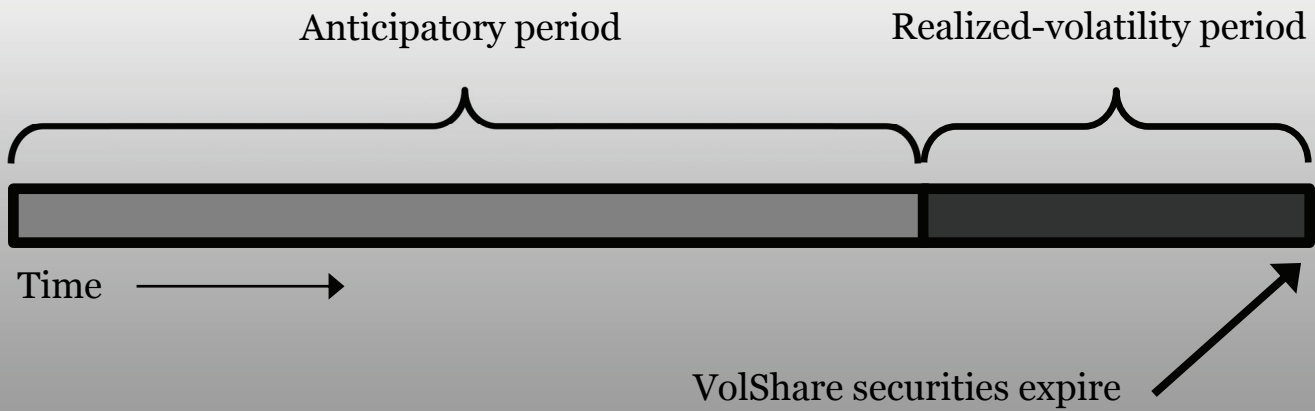
Unlike ETNs, VolShare securities do not have credit risk.

Collateral

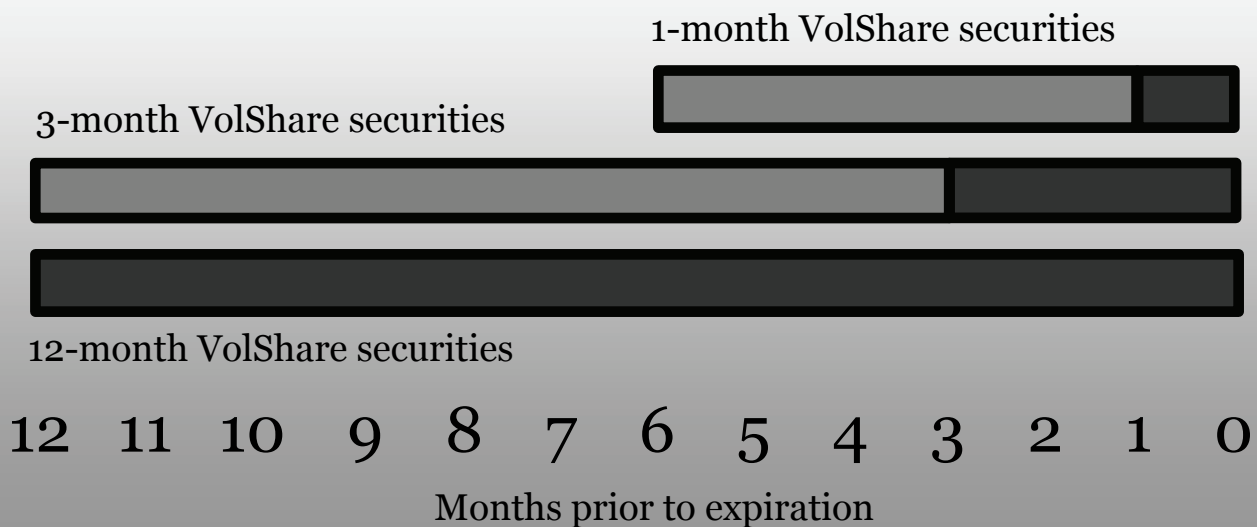
Buyers pay in full; sellers are expected to be margined as typical short stock.

The Valuation Exchange Corporation, a Delaware Corporation, a wholly-owned subsidiary of The VolX Group Corporation, a Delaware Corporation, plans to apply to the Securities and Exchange Commission to be a National Securities Exchange and for approval of its financial instruments. ValShares[®] and VolShares[®] are registered trademarks and The Valuation ExchangeTM and ValXTM are trademarks of The Valuation Exchange Corporation. VolX[®] is a registered trademark and 1VolTM, 3VolTM, and 12VolTM are trademarks of The VolX Group Corporation.

The Life of VolShare Securities



Three Realized-Volatility Periods*



*All time frames are approximate.

Comparison to Existing Products

Features	VolShares (realized volatility)	VIX [®] Futures (implied volatility)	Volatility ETNs (implied volatility)	Delta-Neutral Hedging (realized volatility)
Expires to actual, or realized, volatility or variance	✓	X Expires to a forecast	X Does not expire, and does not converge to realized volatility	X Path dependency does not provide “pure” volatility exposure
Appeals to retail traders	✓	X Does not necessarily react to changes in realized volatility	✓	X Too complicated
Appeals to option market-makers	✓	? Available on only a few equity indices, and not an effective hedge	X Does not track vega and gamma exposure	✓
Appeals to investment banks and institutions	✓	X Not willing to risk capital on forecasting a future forecast of volatility	X Does not hedge volatility exposure well	✓
Appeals to portfolio managers	✓	? So far, has worked only based on S&P 500 [®]	? Possibly to those willing to short volatility	X Requires constant monitoring
Exchange-cleared (regulated with no credit risk)	✓	✓	✓	✓
Not subject to market manipulation	✓	X Special opening quote that depends on liquidity	✓	? Large swings in P&L possible due to inconsistent marking policies
Transparency and price discovery	✓	✓	✓	✓
Could be traded on all assets	✓	X Only on very liquid option markets	X Only on markets with liquid volatility futures	✓
Easy to calculate	✓	X Formula is complex and cannot be verified without fee paid for data feed	? May be difficult to determine fair value without the exact fund holdings	X Calculation requires execution prices and commissions for each transaction
Execution costs low	✓	✓	✓	X Market spreads and commissions on all legs and follow-up trades

VIX is a registered trademark of The Chicago Board Options Exchange, Incorporated.

S&P 500 is a registered trademark of Standard & Poor’s Financial Services LLC.

Detailed Information*

Settlement

To the inter-day realized volatility of an underlying index, asset, security, calculation, or measurement

Settlement Style

Cash

Contract Types

Offered with three Realized-Volatility Periods: roughly one, three, and twelve months.

- 1-month VolShares (1Vol)
- 3-month VolShares (3Vol)
- 12-month VolShares (12Vol)

The 1Vol will correspond to monthly expirations, the 3Vol will typically correspond to quarterly expirations, and the 12Vol will typically also correspond to quarterly expirations.

Price Quote

Volatility is typically referred to as a percentage, but will be quoted without the percentage sign (“%”); e.g., 23.45% is quoted as 23.45.

Size

There is no multiplier. A volatility value of 23.45 will have a share price of \$23.45.

Underlying Reference Prices

The designated prices used in the VolX formula. Typically, these values are the daily “close” or “last” of the underlying security.

Realized-Volatility Period

The period used by the VolX formula to calculate the settlement, or expiration, price of VolShare securities.

Listing Date

The 1Vol should be listed about three to six months prior to expiration, and the 3Vol and 12Vol should be listed approximately one year prior to expiration.

Expiration Date

Typically corresponds to the associated options expiration date.

Expected Regulator

Securities and Exchange Commission (SEC)

The VolX Formula

A mathematical formula used to calculate the annualized standard deviation of continuously compounded daily returns of an underlying security, assuming a zero mean. The same formula is used for all Realized-Volatility calculations at ValX.

$$\text{Vol} = 100 \cdot \sqrt{\frac{252}{n} \sum_{t=1}^n R_t^2}$$

Where

- Vol = Realized Volatility
- n = number of trading days in the period
- R_t = continuously compounded daily returns as calculated by the formula:

$$R_t = Ln \frac{P_t}{P_{t-1}}$$

Where

- Ln = natural logarithm
- P_t = Underlying Reference Price at time t
- P_{t-1} = Underlying Reference Price at the time period immediately preceding time t

For more information

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*Subject to change. Details vary according to the underlying asset. The rules of The Valuation Exchange, when adopted, may not be consistent with the above details. The information provided herein must not be relied upon and The Valuation Exchange and The VolX Group Corporation will not be liable for actions taken or not taken in reliance thereon. This brochure is for informational purposes only and is not an offer to sell or solicitation of an offer to buy any securities in the Company and may not be relied upon in connection with the purchase or sale of any security. Investment Interests in the Company, if offered, will be available only to parties who are “accredited investors” (as defined in Rule 501 promulgated pursuant to the Securities Act of 1933, as amended) and who are interested in investing in the Company on their own behalf. Any offering or solicitation will be made only to qualified prospective investors pursuant to a confidential offering memorandum and the subscription documents, all of which should be read in their entirety.