RISK DISCLOSURE STATEMENT

THE RISK OF LOSS IN TRADING INSTRUMENTS ON UNDERDOG EXCHANGE CAN BE SUBSTANTIAL. YOU SHOULD, THEREFORE, CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR CIRCUMSTANCES AND FINANCIAL RESOURCES. YOU SHOULD BE AWARE OF ALL OF THE POINTS CONTAINED WITHIN THIS RISK DISCLOSURE STATEMENT.

COMMODITY SWAPS AND FUTURES, INCLUDING BINARY OPTIONS, INVOLVE A VARIETY OF SIGNIFICANT RISKS. THE SPECIFIC RISKS PRESENTED BY A PARTICULAR SWAP TRANSACTION NECESSARILY DEPEND UPON THE TERMS OF THE TRANSACTION AND YOUR CIRCUMSTANCES. IN GENERAL, HOWEVER, ALL SWAPS TRANSACTIONS INVOLVE SOME COMBINATION OF RISKS INCLUDING MARKET RISK, CREDIT RISK, FUNDING RISK, AND OPERATIONAL RISK.

Aristotle Exchange DCM/DCO, Inc. ("Underdog Exchange") has attempted to write this risk disclosure statement in plain English so that you have a good understanding of the risks of trading on Underdog Exchange's Internet-based, direct access, derivatives trading system and the risks in trading the instruments offered on Underdog Exchange. However, no matter how plain this statement is, it and the other information provided by Underdog Exchange in its Rules, Participant Agreement and Terms of Use cannot disclose all potential risks and considerations related to derivatives trading. Therefore, you should only trade on Underdog Exchange if you understand the nature of the transactions you are entering into and your exposure to risk. Trading in derivatives is simply not appropriate for many members of the public, and you should carefully consider whether trading derivatives is appropriate for you given your experience, objectives, financial resources, and other relevant circumstances.

There are numerous risks associated not only with trading derivatives contracts (including those traded through Underdog Exchange) but also with the trading system itself. Moreover, because Underdog Exchange allows direct participation by you, you must ensure that you carefully read and understand this Risk Disclosure Statement, the description of Underdog Exchange Instruments (the "Instruments") you may trade—including when a particular Instrument expires and how Underdog Exchange determines which Instruments will be "in-the-money" at Expiration—and all other Underdog Exchange rules.

INHERENT RISKS IN TRADING THE INSTRUMENTS OFFERED ON UNDERDOG EXCHANGE

The Instruments traded on Underdog Exchange have a high degree of risk. Each Instrument has specific rules that dictate, in addition to the Underdog Exchange Rules, terms including trading period, settlement, payout, outcome determination, among others. You are responsible for reading, understanding, and accepting the terms of an Instrument prior to trading.

REMEMBER: YOU MAY INCUR A TOTAL LOSS OF THE FUNDS USED TO ESTABLISH A POSITION IN THE UNDERDOG EXCHANGE MARKET.

The unique nature of Underdog Exchange Instruments may be confusing to many investors who are familiar with more traditional derivatives contracts. Risks associated with the unique nature of the Underdog Exchange Market include a potential lack of liquidity for Underdog Exchange Instruments. Other derivatives markets have professional traders who ensure that there are always competitive offers to buy and sell contracts. Underdog Exchange may not have such liquidity providers for some or all of its instruments. Therefore, there is a possibility that you could hold a position in an Instrument from Underdog Exchange and be unable to liquidate your position in the Instrument or the portion of the position that you no longer want to hold in the time frame you wish to liquidate it. Additionally, there is a chance that no one will offer to sell you or bid to buy from you an Instrument you want to take a position in or to liquidate due to current market conditions or otherwise. Lack of liquidity in the market could also preclude you from selling large blocks of Instruments at once. If Underdog Exchange lacks liquidity in the Instruments you want to trade for any reason, you may be unable to trade at your desired time or price. If that occurs, you may be forced to hold them until they expire, possibly preventing you from hedging the risk to which you are exposed.

A further risk of trading in Underdog Exchange Instruments is the risk of a material change in the nature of the underlying event to which the Instrument pertains (the "Underlying"). In the event of a material change in the nature of any of the Underlyings, or if any of the Underlyings cease to exist, Underdog Exchange may adjust the relevant Instruments or the payments to be received under those Instruments based on its best judgment, and its decision shall be final. The decision reached by Underdog Exchange could be different than you anticipated when you took a position in the affected Instrument, and as a result, you could suffer significant or total losses. Trading may incur fees, which will add to losses and may significantly reduce earnings.

The prices of Instruments traded on Underdog Exchange may be highly volatile and trading of such contracts could therefore result in substantial losses. **PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

All contracts traded on Underdog Exchange will be cleared by the Aristotle Exchange DCO, Inc. Aristotle Exchange DCO, Inc. will be the counterparty to every buyer or seller on Underdog Exchange. Aristotle Exchange DCO, Inc. will be responsible for determining the amount of margin required for each open position, and for collecting, safekeeping and disbursing all funds from market participants. Although you do not have direct exposure to the creditworthiness of other market participants, it is possible that, in the event of a default by a market participant, Aristotle Exchange DCO, Inc. could require the liquidation of open positions on the opposite side of the market. You will therefore continue to have indirect exposure to the creditworthiness of other market participants.

Another risk inherent to trading Underdog Exchange Instruments is that the Instrument may not settle as expected. For example, the information related to the Payout Criterion may be changed in accordance with the Underdog Exchange Rules, the anticipated result may not occur on schedule, or the results of the occurrence may be ambiguous in the way Underdog Exchange initially defined the Payout Criterion. A further risk inherent to trading Underdog Exchange Instruments involves Underdog Exchange not halting the market in accordance with the underlying market. The specific movements of any underlying market cannot be predicted with exact precision. This may affect the way the value of your Instrument is calculated and settled.

RISKS INHERENT IN ELECTRONIC TRADING

Electronic trading involves many interrelated systems, including hardware, software, telephony, cable, and power generation, all of which are subject to failure or malfunction that may adversely affect your ability to trade. You may experience problems with computer crashes, failure of your Internet service provider's access system, site crashes, and many other problems. Underdog Exchange may similarly experience technical issues that could impact your ability to access Underdog Exchange. During any time which you cannot access Underdog Exchange for whatever reason, you will not be able to enter, cancel, or modify orders. Additionally, although Underdog Exchange and its systems provider(s) have taken precautions, such as redundant systems, to prevent such an occurrence, if the Underdog Exchange system suffers a catastrophic failure, there is a chance your orders and their priority in the order queue could be lost. Underdog Exchange is not responsible or liable for any effect on your ability to trade caused by any malfunction of the Internet, computing systems, or their related components.

THIRD PARTY SERVICE PROVIDERS

Underdog Exchange will provide you with available information from Third Party Service Providers ("TPSP") that relates to the instruments traded on Underdog Exchange. Such information may include, but is not limited to, website links, quotes, pricing feeds, and any other information provided on the Underdog Exchange website (collectively the "Service"). Even though Underdog Exchange is providing the Service to you via its website, Underdog Exchange does not endorse, warrant, or guarantee the accuracy or reliability of the information provided by the Service.

Underdog Exchange is a designated contract market and registered derivatives clearing organization under the Commodity Exchange Act, as amended, and the regulations of the Commodity Futures Trading Commission. As such, Underdog Exchange is a self-regulatory organization, largely responsible for regulating its own activities, including the operation of its market, its Instruments, its sales practices (including promotional material), and its method of managing and protecting your funds and the funds of other members.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF TRADING ON UNDERDOG EXCHANGE. BY TRADING ON UNDERDOG EXCHANGE YOU REPRESENT AND WARRANT THAT YOU HAVE EVALUATED THE MERITS AND RISKS OF SUCH TRADING AND HAVE DETERMINED THAT SUCH TRANSACTIONS ARE APPROPRIATE FOR YOU AND THAT YOU ARE CAPABLE OF ASSUMING, AND ARE PREPARED TO ASSUME, THE RISKS ASSOCIATED WITH SUCH TRANSACTIONS.

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