The Bridge to Public Capital Market Access

Summary and background information about a new type of stock exchange in formation called a venture exchange will list and trade small-to-mid sized, early-stage company stock.

Written and Prepared by Dream Exchange
Glossary included on page 05

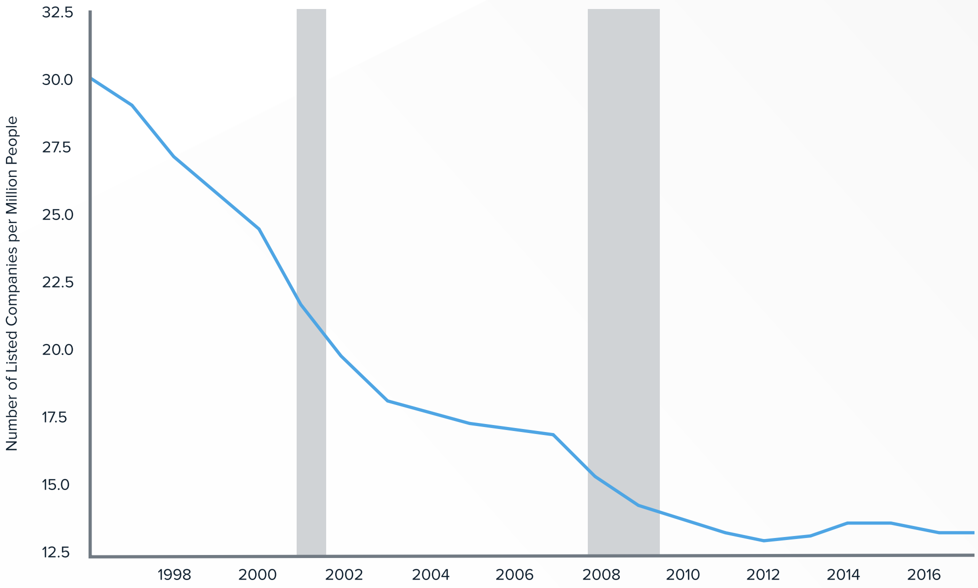
Dream Exchange

The *Problem*

Today, the US has fewer than half of the number of companies listed on stock exchanges than it did two decades ago. Small-company initial public offerings[1] ("IPOs") are virtually nonexistent.

The Decline in Listed Companies

Number of listed companies per million people in the United States. Data gathered from World Bank.



Shaded areas indicate U.S. recessions. myf.red/g/pKJK

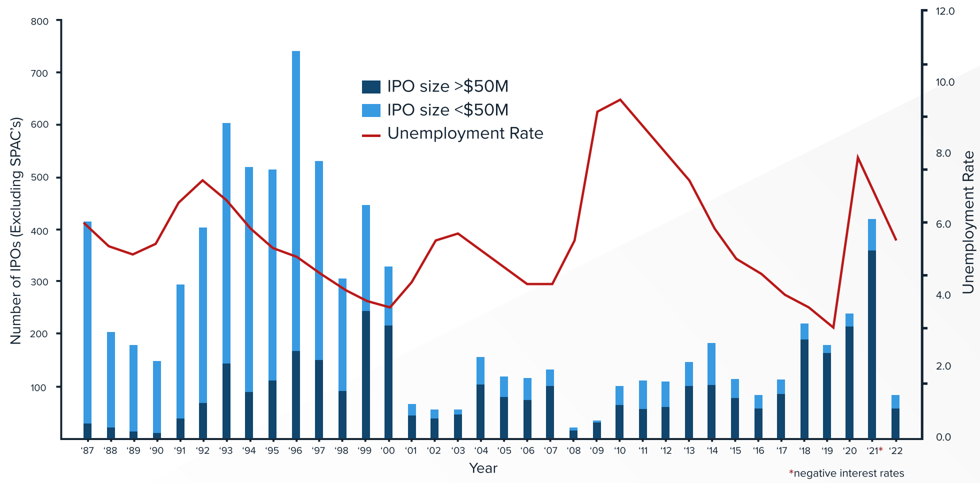
There are differing perspectives as to why fewer small companies go public, particularly small company IPOs (<$50.0 million).

- A 2013 SEC white paper stated that US-based and listed small market capitalization (market cap)[2] stocks with market caps below $1 billion were much less liquid[3] than stocks with capitalizations between $1 billion and $5 billion.
- Small-cap stocks have larger quoted and effective spreads[4] and significantly lower trading volumes[5] than mid-cap stocks.
- The smallest publicly traded stocks (market capitalizations below $100 million) exhibited the least liquidity while mid-cap stocks (market capitalizations between $2 billion and $5 billion) exhibited the greatest liquidity.

Stock exchanges and financial intermediaries now concentrate only on IPOs over $2.0 billion, which are characterized by high-volume, high-liquidity stock offerings, leaving the small company without a public capital market to act as a "bridge" to national exchanges. The American public is limited in its investment choices and has few, if any, opportunities to participate in the earlier stages of company development and small companies are without an alternative method to go public.

Small IPO Decline Relative to All IPOs

Small capital IPOs have declined from being 70-90% of our IPO market to just 20-30%.



According to data gathered from a U.S. Treasury Department Task Force on IPOs and World Bank

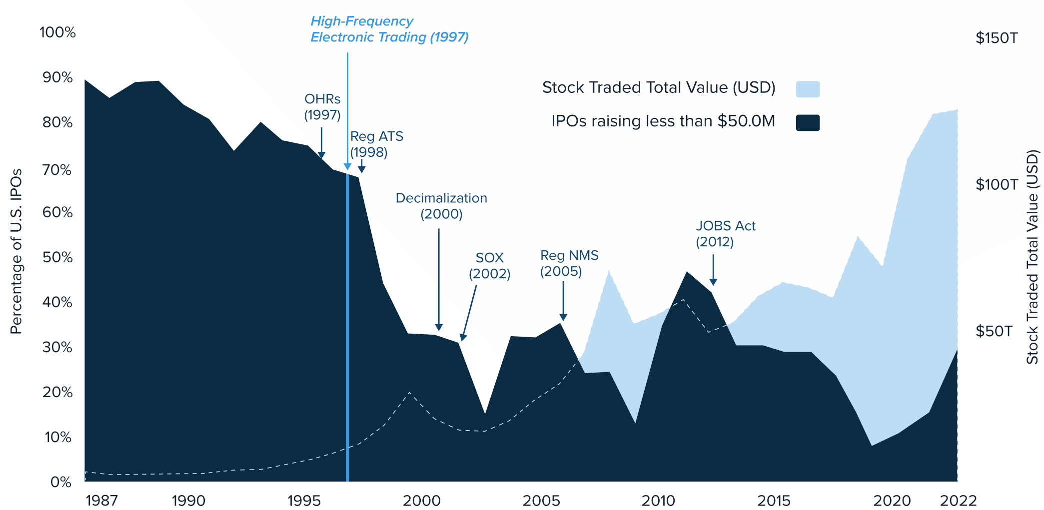
The *Cause*

Since 1998, the collapse of the small capital IPO correlates to the expansion of high-frequency electronic stock exchanges. While these electronic exchanges help optimize trading for large companies, small companies lack the volume and liquidity to maintain constant trading. The small capital markets are now increasingly private markets where only industry insiders participate, gaining the earliest and largest rewards of company growth prior to public offerings.

The current one-size-fits-all stock exchange trading methodology is not working in the US for small-cap stocks as only the largest “unicorn”[6] companies can avail themselves of liquidity from an IPO.

The Cause of the Small IPO Death

IPOs <$50M shown as a percentage of all IPOs in relation to various market structure and regulation changes.



OUR COMPLETE SOLUTION

The Bridge to Public Market Access

The Main Street Growth Act would provide for the creation, registration and oversight of venture exchanges under Section 6 of the 1934 Securities Exchange Act. Dream Exchange intends to be the first venture stock exchange in the U.S.

Licensed venture exchanges will be able to:

- expand access to public capital markets for entrepreneurs;
- enable earlier investment in a company's development life-cycle for the entire American investing public;
- increase and attract support including research, analyst coverage and capital commitments by market makers[6].

The Public Market Access Bridge

In creating two stock exchanges, we will provide a bridge for early-stage companies to access public capital markets.

National Market System Exchange

Become the *first minority-governed and owned NMS exchange,* utilizing key technology relationship with MEMX.

PHASE ONE

NMS Initial Public Offerings

Develop listing rules to *expand the National Market System IPO market,* leveraging MEMX technology.

PHASE TWO

PHASE ONE

Venture Stock Exchange

Main Street Growth Act, co-authored by Dream Exchange Founder and CEO, Joe Cecala, to ***create*** a small/mid-cap exchange market, also called a ***Venture Exchange.***

PHASE THREE

PHASE TWO

PHASE ONE

PHASES OF OUR PRODUCT RELEASES →

GLOSSARY OF TERMS

[1]Initial Public Offering

An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public for the first time. An IPO allows a company to raise capital from public investors in exchange for ownership in the company.

The transition from a private to a public company can be an important time for private investors to fully realize gains from their investment as it typically includes a share premium for current private investors. Meanwhile, it also allows public investors to participate in the offering.

[2]Market Capitalization (Market Cap)

Market capitalization refers to how much a company is worth as determined by the stock market. It is defined as the total market value of all outstanding shares. To calculate a company's market cap, multiply the number of outstanding shares by the current market value of one share.

Companies are typically divided according to market capitalization: large-cap ($10 billion or more), mid-cap ($2 billion to $10 billion), and small-cap ($300 million to $2 billion).

[3]Liquid (Liquidity)

Liquidity refers to the ease with which an asset, or security, can be converted into ready cash without affecting its market price. Cash is the most liquid of assets, while tangible items are less liquid. The two main types of liquidity include market liquidity and accounting liquidity. Current, quick, and cash ratios are most commonly used to measure liquidity.

[4]Spreads

The “spread” refers to the gap between the bid (from buyers) and the ask (from sellers) prices of a security or asset. A spread can also refer to the difference in a trading position – the gap between a short position (that is, selling) and a long position (that is, buying) in another

[5]Trading Volume

The total quantity of shares or contracts traded for a specified security. It can be measured on any type of security traded during a trading day.

[6]Market Makers

A market maker is an individual participant or member firm of an exchange that buys and sells securities for its own account. Market makers provide the market with liquidity while profiting from the difference in the bid-ask spread.

Brokerage houses are the most common types of market makers, providing purchase and sale solutions for investors. Market makers are compensated for the risk of holding assets because a security's value may decline between its purchase and sale to another buyer.

The Bridge to Public Capital Market Access

Please email us at info@dreamex.com or visit our website at www.dreamex.com for more information.

Dream Exchange