As of June 16, 2026

Performance Predictions II LLC
Disclosure Document
Event Contracts Risks

Performance Predictions II LLC ("the **Firm**") clears event contracts, which are regulated as cleared swaps, for its clients as a clearing member of KalshiEx and Kalshi Klear (together, ("**Kalshi**"). KalshiEx is registered with the Commodity Futures Trading Commission ("**CFTC**") as a designated contract market ("**DCM**") and Kalshi Klear is registered with the CFTC as a derivatives clearing organization ("**DCO**").

In compliance with CFTC Regulation 22.16, we are advising you that in the unlikely event of the Firm's insolvency, your rights as a customer will be determined pursuant to the commodity broker liquidation provisions of the U.S. Bankruptcy Code and Part 190 of the CFTC Regulations. However, if Kalshi Klear or the insolvency proceeding is located outside of the United States, local insolvency law could impact your ability to recover or the speed with which you may recover your funds or positions.

Further, Kalshi has rules that govern the use of cleared swaps customer collateral as well as the transfer, neutralization of risks, and liquidation of cleared swaps in the event of a default relating to a cleared swap customer account. Kalshi's rulebooks and member agreements can be found here.

A description of event contracts and the material risks associated with transacting in event contracts is provided below.

(i) EVENT CONTRACT OVERVIEW.

Event contracts offered by Kalshi are a type of derivative that the CFTC classifies and regulates as a cleared swaps. An event contract is a contract whose value is based on whether a specific event will occur at or before a specific time. You can purchase a "Yes" or a "No" contract, which are two separate and unique event contracts.

Market participants place bids on either the "Yes" or "No" contracts related to a particular event at prices between $0.01 and $0.99. Those prices are determined by the market's view as to the probability of the relevant event.

Once KalshiEx executes a transaction, a market participant has an event contract position with Kalshi Klear. Kalshi Klear then has the obligation to pay such market participant if the event contract settles in the money. Unlike other cleared derivatives, event contracts are not novated because the clearinghouse is the original counterparty to each transaction.

All Kalshi event contracts must be fully collateralized, which means that (i) you must have the funds to cover the full purchase price of the contracts in your Event Contract Account with the Firm when placing an order and (ii) the full purchase price of the event contract is sent to Kalshi Klear when the contract is executed.

An event contract expires and individual positions settle once the designated time by which the relevant event must occur passes. Once an event contract expires, it is no

longer available. Subsequently, the outcome of the event contract will be determined and reported by the entity designated to determine the outcome of the event (*i.e.*, the reporting party) and the contract will be settled. Depending on the outcome of the event, the holder of the event contract that reflects the outcome of the event will be entitled to receive $1.00, while holders of the opposing contract will expire with no value.

Event contracts cannot be sold or transferred to another DCM. Event contracts can only be exited before settlement by acquiring an offsetting position (*e.g.*, holding both a "Yes" and "No" position with the same event question).

(ii) EVENT CONTRACT COMPARED TO OTHER DERIVATIVES.

Event contracts are a type of derivative. However, event contracts have a number of important differences from other derivative products, including:

1. Unlike most futures and options on futures, event contracts are fully collateralized and cannot be purchased on margin or leverage;

2. Event contracts are not marked-to-market and do not require margin or collateral (other than the funds paid at execution) to maintain a position;

3. Event Positions will either have a settlement value of $1.00 or $0. In contrast, the value of a futures position or an in-the-money options contract at expiration will vary in correlation with the price of the underlying asset, rate, or other instrument; and

4. Unlike traditional futures positions and certain options positions, with event contracts, you cannot lose more than the value of your investments.

(iii) EVENT CONTRACT RISKS.

a. Market Risk.

The outcome of an event contract cannot be known in advance.

Your and other market participants' expected event outcome may not match the outcome of the event, which can lead to unexpected losses. Said another way, event contract prices may not always reflect the actual probabilities of the relevant event occurring, which can lead to unexpected losses for you and other market participants.

You should be prepared for the possibility of losing your entire investment. In addition, changes in the likelihood of an underlying event may not necessarily result in a change in the price of an event contract, which could prevent you from exiting (*e.g.*, offsetting) an existing position at a profit.

b. Reporting Party Risk.

The value of an event contract is dependent upon the outcome of events, which are reported by third party reporting parties. You may be exposed to risk if these reporting parties' data security is compromised, if the reported data is not accurate,

or if the data is not reported at the expected date or time.

c. Offset Risk.

You may not be able to offset your event contract positions if there is insufficient volume or bid depth in the opposing event contract to close out your position. This could, among other things, cause contract pricing to not accurately represent the market's prediction of the underlying event, and you may be forced to pay higher prices to offset your positions.

d. Trading Halt Risk.

Kalshi has the authority, and the CFTC can require Kalshi, to initiate trading halts if it is deemed to be in the interest of market participants or the market generally. A trading halt could prevent you from exiting positions or otherwise trading in event contracts.

e. FCM and Treatment of Funds Risk.

You will be exposed to risks associated with your use of the Firm or any other futures commission merchant ("**FCM**"), including potential risks such as the failure of the FCM's technology, the FCM's insolvency, and the FCM's failure to provide Kalshi with adequate funds to establish its customers' event contract positions. These risks may result in your orders not being executed in accordance with your instructions or not being accepted.

The funds deposited with the Firm for trading event contracts are not guaranteed or protected by insurance in the event of the bankruptcy or insolvency of the Firm or Kalshi or in the event your funds are misappropriated. Certain DCOs, however, may have programs that provide limited insurance to customers.

The funds you deposit with the Firm are not held in a separate account for your individual benefit. FCMs commingle the funds received from customers in one or more accounts, and you may be exposed to losses incurred by other customers if the FCM does not have sufficient capital to cover such other customers' trading losses.

The funds you deposit with the Firm may be invested by the Firm in certain types of financial instruments that have been approved by the CFTC. Permitted investments are listed in CFTC Regulation 1.25. The Firm may retain the interest and other earnings realized from its investment of customer funds. You should be familiar with the types of financial instruments that an FCM may invest customer funds in.

Please note that as agreed upon in your FCM Customer Agreement, the funds needed to enter into event contract transactions will be transferred to your Event Contract Account (as such term is defined in the FCM Customer Agreement) from your PrizePicks Account with SidePrize LLC d/b/a PrizePicks. Further, any funds received when you close out or offset an event contract position or when an event contract position settles in your favor will be transferred from your Event Contract Account at the Firm to your PrizePicks Account. Your PrizePicks Account is not provided the same regulatory treatment or protection as your account with the Firm.

f. Combination Trade Risk.

If you elect to enter into a Combination Trade as further described in Section 12 of the FCM Customer Agreement, you will be entering into both an event contract transaction in your Event Contract Account and a daily fantasy sports ("DFS") position in your DFS account. You should understand that a Combination Trade involves two distinct products—event contracts cleared through the Firm and DFS positions offered through SidePrize LLC d/b/a PrizePicks—each with its own risk profile. In a Combination Trade, if your event contract position is successful, the resulting proceeds will be used to fund your DFS position. If your event contract position is not successful, no DFS position will be funded and you will lose your initial investment. Further, even if your event contract position is successful and your DFS position is funded, you may still lose the proceeds from your event contract position if your DFS position is not successful. Combination Trades are subject to fees charged by both the Firm (for event contract execution) and the DFS entity. You should carefully review all applicable fee disclosures before entering into a Combination Trade (see Fee Schedule for event contracts cleared through the Firm and PrizePicks Terms of Service for DFS). The positions in your DFS account are not provided the same regulatory treatment or protection as your event contract positions in your Event Contract Account.

(iv) PUBLICLY AVAILABLE INFORMATION.

In addition to the risks noted above, you should be familiar with the Firm. The CFTC requires each FCM, including the Firm, to make publicly available on its website certain information. That information with respect to the Firm is available at www.prizepicks.com/predict-regulatory.

(v) ELECTRONIC TRADING RISK DISCLOSURE.

Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the DCM offering the contract. You are responsible for directing your trading in accordance with the relevant policies, procedures, and trading rules of the DCMs or systems to which your orders are routed. Before you engage in transactions using an electronic system, you should carefully review the rules and regulations of the DCMs offering the system and/or listing the instruments you intend to trade.

a. Differences Among Electronic Trading Systems.

Trading or routing orders through electronic systems varies widely among the different electronic systems. You should consult the rules and regulations of the DCM offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements, and, in the case of all systems, qualifications for access and grounds for termination and limitations on the types of orders that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the

case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

b. Risks Associated with System Failure.

Trading through an electronic trading or order routing system exposes you to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, you may not be able to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

c. Limitation of Liability.

DCMs offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability as well as the liability of FCMs and software and communication system vendors, and the amount of damages you may collect for system failure and delays. These limitations of liability provisions vary among the DCMs. You should consult the rules and regulations of the relevant DCMs in order to understand these liability limitations.

d. Internet Services.

To the extent that you use internet services to transport data or communications, the Firm disclaims any liability for interception of any such data or communications and is not responsible, and makes no warranties regarding, the access, speed, availability, or security of internet or network services.

(vi) CONFLICT OF INTEREST DISCLOSURE.

The following are some of the material conflicts of interest that may arise between you and the Firm in connection with the Firm performing services for you with respect to event contracts that are regulated as cleared swaps ("**Contracts**"). Conflicts of interests can arise in particular when the Firm has an economic or other incentive to act, or persuade you to act, in a way that favors the Firm or its affiliates, including any affiliate of the Firm that may act as a market maker or liquidity provider on a DCM on which the Firm brokers Contracts for you.

Applicable law may permit you to choose the DCO to which you submit a swap for clearing. You should be aware that the Firm may not be a member of or may not otherwise be able to submit your swap to the DCO of your choice. The Firm consequently has an incentive to persuade you to use a DCO of which the Firm or its affiliate is a member.

You also should be aware that the Firm or its affiliate may own stock in, or have some other form of ownership interest in, one or more U.S. or foreign exchanges or DCOs where your transactions in Contracts may be executed or cleared. As a result, the Firm or its affiliate may receive financial or other benefits related to its ownership interest when Contracts are executed on a given exchange or cleared through a given DCO, and the Firm would, in such circumstances, have an incentive to cause

Contracts to be executed on that exchange or cleared by that DCO. In addition, employees and officers of the Firm or its affiliate may also serve on the board of directors or on one or more committees of an exchange or DCO. In addition, exchanges and DCOs may have in place other arrangements that provide their members or participants with volume, market-making or other discounts or credits, may call for members or participants to pre-pay fees based on volume thresholds, or may provide other incentives or arrangements that are intended to encourage market participants to trade on or direct trades to that exchange or DCO. The Firm or its affiliate may participate in and obtain financial benefits from such incentive programs.

When we provide execution services to you, we may direct orders to affiliated or unaffiliated market-makers, other executing firms, individual brokers, or brokerage groups for execution. When such affiliated or unaffiliated parties are used, they may, where permitted, agree to price concessions, volume discounts or refunds, rebates or similar payments in return for receiving such business. Likewise, where permitted by law and the rules of the applicable exchange, we may solicit a counterparty to trade opposite your order or enter into transactions for its own account or the account of other counterparties that may, at times, be adverse to your interests in a Contract. In such circumstances, that counterparty may make payments and/or pay a commission to the Firm in connection with that transaction. The results of your transactions may differ significantly from the results achieved by us for our own account, our affiliates, or for other customers.

In addition, where permitted by applicable law (including, where applicable, the rules of the applicable exchange), the Firm and its directors, officers, employees, and affiliates may be the counterparty on the other side of your order or transaction or may arrange the execution of a transaction with a counterparty, in which the Firm or a person affiliated with the Firm has a direct or indirect interest, or may effect any such transaction with a counterparty that provides the Firm or its affiliates with discounts related to fees for Contracts or other products. In cases where we have offered you a discounted commission or clearing fee for Contracts executed through the Firm as agent or with the Firm or its affiliate acting as counterparty, the Firm or its affiliate may be doing so because of the enhanced profit potential resulting from acting as executing broker or counterparty.

One or more affiliates of the Firm may act as a market maker, designated market maker, or liquidity provider (an "**Affiliated Market Maker**") on the DCMs on which the Firm executes or brokers Contracts for your Event Contract Account, including in the same Contracts and the same markets in which the Firm executes orders on your behalf, and may be the counterparty to (or take the opposite side of) such transactions, and may receive preferential terms, benefits, or accommodations that are not available to you or to other customers of the Firm. Because of these arrangements: (i) the Affiliated Market Maker's trading activity may move prices against your interests in a Contract; (ii) the Affiliated Market Maker may have informational, technological, or fee advantages relative to you; (iii) the Firm has an economic incentive to direct or facilitate order flow, or to structure its services, in a manner that benefits the Affiliated Market Maker; and (iv) the results of your transactions may differ significantly from the results achieved by the Affiliated Market Maker. Additional information regarding these arrangements, and your consent to them, is set forth in Section 11(q) of the FCM Customer Agreement.

The Firm or its affiliate may act as, among other things, an investor, research

provider, placement agent, distributor, remarketing agent, structurer, lender, commodity trading advisor, municipal advisor, market maker, trader, or clearing broker. In those and other capacities, the Firm, its directors, officers, employees, and affiliates may take or hold positions in, or advise other customers and counterparties concerning, or publish research or express a view with respect to, a Contract or a related financial instrument that may be the subject of advice from us to you. Any such positions and other advice may not be consistent with, or may be contrary to, your interests or to positions that are the subject of advice previously provided by the Firm or its affiliate to you, and unless otherwise disclosed in writing, we are not necessarily acting in your best interest and are not assessing the suitability for you of any Contract or related financial instrument. Acting in one or more of the capacities noted above may give the Firm or its affiliate access to information relating to markets, investments, and products. As a result, the Firm or its affiliate may be in possession of information which, if known to you, might cause you to seek to dispose of, retain, or increase your position in one or more Contracts or other financial instruments. The Firm and its affiliate will be under no duty to make any such information available to you, except to the extent we have agreed in writing or as may be required under applicable law.