

# Hydro Fund SLP

*An investment company incorporated as a Special Limited Partnership under the laws of  
the Grand Duchy of Luxembourg*

**Registered Office:**

28V, Sentier de l'Espérance

L-1474, Luxembourg

Grand-Duchy of Luxembourg

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**OFFERING DOCUMENT**

DECEMBER 2018

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## 1. OVERVIEW OF THE SPECIAL LIMITED PARTNERSHIP

The Special limited partnership	<b>Hydro Fund SLP</b> 28V Sentier de l'Espérance L-1474 Luxembourg Grand-Duchy of Luxembourg
The General Partner/The Manager	<b>Hydro Holdings</b> 28V Sentier de l'Espérance L-1474 Luxembourg Grand-Duchy of Luxembourg
Members of the board of managers of the General Partner/Manager	<i><b>Ben Bobby</b> Class A Manager</i> <i><b>Bob Ben</b>, Class A Manager</i> <i><b>Beans van Bob</b>, Class B Manager</i>
Domiciliation Agent ( <i>Agent domiciliataire</i> )	<i><b>Dr. Olivier HANCE ESQ.</b></i> 28V Sentier de l'Espérance L-1474 Luxembourg Grand-Duchy of Luxembourg
Certified Public Accountant ( <i>Expert-Comptable</i> )	XXXXXXXXXXXXXXXXXXXXXX
Legal Advisors – Law Firm ( <i>Etude d'Avocats à la Cour</i> )	Prospectus S.à.r.l. 28V Sentier de l'Espérance L-1474 Luxembourg Grand-Duchy of Luxembourg
Custodian ( <i>Dépositaire</i> )	XXXXXXXXXXXXXXXXXXXXXX
Auditor ( <i>Réviseur d'entreprises agréé</i> )	XXXXXXXXXXXXXXXXXXXXXX

## 2. ORGANIZATION OF THE SPECIAL LIMITED PARTNERSHIP

**Hydro Fund SLP**, having its registered office at 28V, Sentier de l'Espérance, L-1474 Luxembourg, Grand-Duchy of Luxembourg, registered with the Luxembourg Trade and Companies Register (the "Registry") under number: B. XXXXXXXXX (hereinafter the "**Special Limited Partnership**" or the "SLP"), represented by its general partner Hydro Holdings (as defined below).

**Hydro Holdings**, having its registered office at 28V, Sentier de l'Espérance, L-1474 Luxembourg, Grand-Duchy of Luxembourg (the "**Manager**" or the "**General Partner**"), registered with the Luxembourg Trade and Companies Register under number: B. xxxxxx represented by its managers currently in function:

- ❖ **Mr. Ben Bobby** director of Companies, born on 13 July 1964 in Sao Paulo, Brazil, with a permanent place of residence at Sao Paulo, Brazil; *Class A Manager*
- ❖ **Mr. Bob Ben**, director of Companies, born on 2 January 1964 in Chester, Great Britain, with a permanent place of residence at r \_\_\_\_\_ – Block Jade, Sao Paulo, Brazil; *Class A Manager*
- ❖ **Mr. Beans van Bob**, director of companies, born on 6 April 1959, in Medianeira, Brazil, having his professional address at 1 Luxembourg, Grand-Duchy of Luxembourg; *Class B Manager*.

### 3. NAME, PURPOSE AND REGISTERED OFFICE

Name, Purpose and registered office of the Special Limited Partnership

Special Limited Partnership Name: The name of the Partnership is “**Hydro Fund SLP**”. The partners of the SLP are the General Partner and the Limited Partners. The affairs of the Special Limited Partnership shall be conducted under the Special Limited Partnership name or such other name as the General Partner may, in its sole discretion, determine. The General Partner shall provide prompt written notice to the Limited Partners of any name change of the Special Limited Partnership.

The Special Limited Partnership Purpose: The Special Limited Partnership’s purpose is to achieve capital appreciation and produce superior returns while concurrently seeking to use strategies designed to reduce risk for investors by making strategic investments in digital tokens, cryptocurrencies and other cryptocurrencies related investments (including derivatives linked thereto).

Registered Office: The registered office of the Special Limited Partnership shall be: 28V, Sentier de l’Espérance, L-1474 Luxembourg, Grand-Duchy of Luxembourg or such other place or places as the General Partner may from time to time designate.

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*Investors* are individually referred to as “*Investor*” or “*Limited Partner*” and jointly referred to as “*Investors*” or “*Limited Partners*”.

*The Investors, Special Limited Partnership and the Manager* are together referred to as the “*Parties*”.

*The Special Limited Partnership and Manager* are together referred to as the “*Fund*”.



## 4. INVESTMENT POLICY

### 4.1 *The investment universe: cryptocurrencies*

The Special Limited Partnership has as investment objective to provide Limited Partners, while controlling risk, with a high and rising income as well as with capital growth through investment in cryptocurrencies, digital assets, tokens as well as derivatives linked thereto.

**THERE CAN BE NO ASSURANCE THAT THE SPECIAL LIMITED PARTNERSHIP'S INVESTMENT OBJECTIVES WILL BE ACHIEVED. INVESTMENT RESULTS MAY SUBSTANTIALLY VARY OVER TIME.**

#### 4.1.1. When were cryptocurrencies created ?

The first cryptocurrency in history, the *BitCoin*, was born in 2009. It is by setting up the first Decentralized Digital Cash System (a Peer-to-Peer Electronic Cash System) that Satoshi Nakamoto created the *BitCoin*.

All previous attempts to create Decentralized Digital Cash Systems had failed for the same reason: double spending problematic. In a centralized payment network, a central server, keeping records about the balances, coordinates each entity's activity and prevent that one entity spends the same amount twice. A decentralized network, by definition, is deprived of such a central server. As a consequence, each entity has to keep the records of its own transactions, on the one hand, and must determine whether or not the transaction constitutes a double payment, on the other hand.

The question that arose, and had never been resolved before, was how can stakeholders maintain a full and permanent consensus on their records? To ensure the functioning of the Decentralized Payment Network, this flawless consensus was vital.

Satoshi Nakamoto created the *BitCoin* as a coordinating element between the different peers involved in the network he had set up. Assuring a perfect consensus between the peers of its network, *BitCoin* allowed the network to function optimally.

#### 4.1.2. What are exactly cryptocurrencies ?

Cryptocurrencies can be defined simply as digital or virtual currency secured by means of cryptography technology. Two salient features of cryptocurrencies are security and freedom they provide. First, cryptocurrency is almost impossible to counterfeit precisely because it is protected by means of cryptography. Secondly, cryptocurrencies are not issued by any central (financial or not) authority. As a consequence, cryptocurrencies avoid easily any kind of legal/regulatory interference.

### 4.1.3. How are transactions executed in Cryptomarkets ? What is the exact role of miners ?

A cryptocurrency – such as *BitCoin* or *Ethereum*- consists of a network of stakeholders, of peers. Each single peer keeps an archive containing the complete history of all executed transactions, on the one hand, and of the balance of every account, on the other hand.

The *first step* of a cryptotransaction is the *signature*. The peer giving up its cryptocurrencies to another peer will have to "sign" the transaction using its private key.

The *second step* of a cryptotransaction is the *broadcasting*. After the signature, the transaction will be broadcasted on the network. Consequently, every other peer will be informed of the transaction.

The *third step* of a cryptotransaction, the critical step, is the *confirmation*. After the confirmation, the cryptotransaction is no longer forgeable, it can be reversed no more. At this level, miners play a crucial role.

Indeed, only the miners can confirm the transaction. How do they intervene? Miners evaluate the transaction, stamp it as legal and then spread it in the cryptonetwork. For this job, miners are paid by receiving tokens of the relevant cryptocurrency.

### 4.1.4. What are the main properties of cryptocurrencies ?

Cryptocurrencies have transactional as well as monetary properties.

#### a. Transactional Properties

- ❖ Cryptotransactions are *irreversible* - After having been confirmed, a cryptotransaction can be reversed by no authority or intervener;
- ❖ Cryptotransactions are *anonymous* – Peers intervening in the network receives cryptocurrencies on so-called addresses (chains of up to 30 characters). It is not possible to connect these addresses to peers' real identities. However, the AML/KYC policy in the cryptoexchanges has undergone major changes recently. From now on, investors wishing to have access to the Wallets will have to comply with the KYC and AML procedure, which are managed by the online wallets providers;
- ❖ Cryptotransactions are *fast and global* – First, cryptotransactions are broadcasted and propagated through the network instantly and confirmed only a few minutes later. Second, since they are executed inside and through a network of computers, they have a global reach;
- ❖ Cryptotransactions are *secured* – Cryptocurrencies are protected by a public key cryptography system. Furthermore, only owners of private keys can execute cryptotransactions by releasing cryptocurrencies;

- ❖ Cryptotransactions are *permissionless* – No need of approval nor authorization to executed a cryptotransaction. The only tool needed is a downloadable for free software.

#### b. Monetary Property

- ❖ *Cryptographically controlled supply* - Cryptocurrencies limit the supply of tokens in the middle and long term (In *Bitcoin*, for example, the supply will reach its final number in around 2140). Furthermore, Cryptocurrencies control the supply of tokens by means of a schedule written in the source code.

### 4.2 Hydro Fund – Investment Policy

#### 4.2.1. Executive Overview

The Special Limited Partnership’s objective is to achieve capital appreciation and produce superior returns while concurrently seeking to use strategies designed to reduce risk for investors by making strategic investments in digital tokens, cryptocurrencies and other cryptocurrencies related investments (including derivatives linked thereto).

The Special Limited Partnership also aims to become a leader in the field of digital tokens and cryptocurrencies investment operations.

To achieve these goals, the Special Limited Partnership has developed an innovative, flexible and efficient investment policy. This investment policy is based on three pillars that will ensure the success of its investment operations:

- ❖ A *management team* that can rely on an advanced proficiency and an extensive experience in the fields of cryptocurrencies and digital tokens, financial management, investment operations and computer technologies;
- ❖ *Three investment strategies*, implemented simultaneously, allowing the collective investment of funds, generating superior returns on investment and ensuring sufficient risk diversification;
- ❖ The use of an innovative and efficient *risk management instrument* which will be used, among others, to analyze the risk, solvency and liquidity of cryptoexchanges and cryptocurrencies: the “*Hydro Risk Index*”.

#### 4.2.2. An experienced Management

The General Partner is a newly incorporated Luxembourg limited liability company (*Société à responsabilité limitée*).

The General Partner will manage the investments of the Special Limited Partnership.

The General Partner will be staffed by **Ben Bobby Bob Ben** and **Beans van Bob** as follows:

- ❖ **Ben Bobby** - Ben Bobby will set strategy and direction of the Special Limited Partnership. He will also model the Special Limited Partnership's culture, values, and behavior whilst building and leading the senior executive team.

Technically, he will lead the design and implementation of mathematical algorithms to trade crypto assets.

- ❖ **Bob Ben** – Bob Ben will be responsible for managing robust and appropriately designed multijurisdictional distribution channels according to best practices of each local target market. He will also liaise directly with the Custodian and introducing brokers to ensure subscription and redemption flows are correctly managed. Ultimately, he will ensure transparent information and reporting to all applicable parties.
- ❖ **Beans van Bob** will provide local support in Luxembourg as a resident. Relying on his professional experience, he will support implementation of the Special Limited Partnership's investment strategy and also of the portfolio management mechanism.

The managers of the General Partner have a strong background in trading cryptocurrencies with a combined experience of over 6 years (as well as 35 years in traditional markets), and were early investors in *BitCoin*.

The managers of the General Partner have had successful careers in finance, investment operations and cryptocurrencies and digital fields.

Below is an executive description of the experience of the managers of the General Partner and the successes they have achieved during their respective careers:

- ❖ **Ben Bobby**. Ben is an alumnus of AFAAP. He graduated in Visual Arts & Industrial Design and Applied Arts. Also, he was awarded by the Massachusetts Institute of Technology.

As Founding partner of xxxxx, he ensured the company was recognized as having the largest market cap in Brazil for online foreign exchanges services when the amalgamation with *Cambio* store was finalized in March 2018.

Ben has more than 10 years of experience in the developing and programming of financial software in multiple coding languages.

- ❖ **Bob Ben**. Bobby is an alumnus of the University of xxxxxx. He graduated in Human and Social Geography. Bobby received several awards from the Chartered Insurance Institute (C.I.I.).

Bobby has more than 15 years of experience in senior management roles at international wealth management companies focusing on asset management and foreign exchange broking.

In particular, Bobby is the founding partner for two financial service companies which have both grown over 140% in revenues over the last 12 months.

- ❖ **Beans van Bob.** Beans is an alumnus of Harvard. He obtained a Bachelor Degree and Post-Graduation focusing on Administration and Financial Market Trading.

As Regional sales Director of xxxxx company, Beans increased the number of clients by 300% and increase Assets under Management (AuM) by six-fold.

The managers of the General Partner believe that their experience and successes will allow them to identify investment opportunities and they will continue to lead their expertise and proficiency in investing in digital tokens, cryptocurrencies and other cryptocurrencies related investments (including derivatives linked thereto).

#### 4.2.3. Investment Strategies

The Special Limited Partnership has developed three investment strategies that are the combination of active and passive investment mechanisms. The Special Limited Partnership has also established specific rules of diversification.

##### a. Three efficient strategies

The Special Limited Partnership seeks to deliver a return on investment value by deploying its funds across a broad range of digital tokens, cryptocurrencies and other cryptocurrencies related investments including derivatives linked thereto, through three main investment strategies.

By implementing these strategies, a combination of active and passive approaches, the Special Limited Partnership will seek to outperform a broad range of digital token and cryptocurrency investments.

The Special Limited Partnership's devised investment strategies may evolve over time, but the Special Limited Partnership's consistent goal is to seek to capture profit opportunities in the digital token and cryptocurrency market while limiting losses during periods of volatility or general market downturns.

##### i. *Buy & Hold Strategy*

The Special Limited Partnership aims to apply a *Buy & Hold* strategy.

The rationale behind *Buy & Hold Strategy*, is to target long-term opportunities while eliminating market's interferences associated with short term strategies.

*Buy & Hold Strategy* has significant advantages.

First, *Buy & Hold Strategy* does not require a perfect market timing. Indeed, for investors who plan to be in cryptocurrency markets for months or years, the main thing is to define and implement the most efficient important entry into the market strategy.

Secondly, investors involved in long term *Buy & Hold* strategies do not overtrade. As a consequence, transaction costs are dramatically reduced. In that regard, a *Buy & Hold* strategy is more cost effective than a short-term strategy.

Thirdly, long-term strategies, such as *Buy & Hold* Strategy, are much less stressful than short-term operations. Stress and fatigue caused by, among others, markets' volatility, legal and regulatory uncertainties, loss periods are magnified in short-term transactions. Although *Buy & Hold* Strategy has the potential to be stressful, it is definitely less demanding than short-term strategies.

Fourthly, *Buy & Hold* Strategy is time efficient. Such a strategy is indeed perfect for investors whose objective is to make, potential, large gains with minimal time expenditure. Long-term investors do not have to dedicate as much time and effort to their investments as short-term traders, who have to monitor market's trends and charts on a frequent basis.

## ii. *Investment in cryptocurrencies-linked derivatives*

The Special Limited Partnership aims to invest in cryptocurrencies-linked derivatives.

A derivative is a security with a price that is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties based upon the asset or assets. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include: stocks, bonds, commodities, currencies, interest rates and market indexes.

Derivatives can either be traded over-the-counter ("OTC") or on an exchange. OTC derivatives constitute the greater proportion of derivatives in existence and are unregulated, whereas derivatives traded on exchanges are standardized. OTC derivatives generally have greater risk for the counterparty than do standardized derivatives.

The main derivatives categories are:

- ❖ *Futures Contracts* - Futures contract is an agreement between two parties for the sale of an asset at an agreed upon price. Futures contracts allow investors to hedge against risk during a particular period of time
- ❖ *Forward Contracts* - Forward contracts are similar to future contracts. The key difference is that forward contracts are mainly traded OTC
- ❖ *Swaps* - Swaps are contracts between two parties agreeing to trade loan terms
- ❖ *Options* - Options are agreements between two parties granting one the opportunity to buy or sell a security from or to the other party at a predetermined future date. An option can be a call or a put as well as a short or long position

Cryptocurrencies are especially suitable for derivatives instruments insofar as cryptocurrency transactions can be electronically broken down into micropayments and arranged into a myriad of solutions to create derivatives that minimize risk and maximize profit.

Theoretically, cryptocurrencies-linked derivatives, like their fiat currency-linked derivatives, have been developed to reduce risks related with investment operation. However, like their fiat counterpart, cryptocurrencies-linked derivatives are also instruments through which profit can be generated.

So far, most of the institutional investors that were considering to enter the cryptocurrency markets and invest in cryptocurrencies-linked derivatives were inhibited by low liquidity and also a lack of trading platforms compliant with the legal and regulatory framework guidelines governing the activity of offering derivatives to institutional clients.

The generalization of the use of derivative instruments linked to crypto assets and the development of specialized and specifically designed platforms whose purpose is to custody and clear financial instruments backed by crypto-assets, are the signals that the cryptocurrency markets are maturing. The new investment venues in crypto-assets, through derivative financial instruments, offer previously unparalleled opportunities while ensuring a high level of protection against financial risks.

The Special Limited Partnership intends to seize every opportunity that appears in this new era.

### iii. *Arbitrage Strategy*

The Special Limited Partnership aims also to apply arbitrage strategies.

An arbitrage transaction can be defined as the simultaneous purchase and sale of an asset to profit from the difference in the price.

Arbitrage strategies seek to profit from price discrepancies between different exchanges. At the current stage of the market, arbitrage opportunities still exist on the different exchanges even for major cryptocurrencies.

Ideally, the strategy seeks to buy an asset at a low price on one exchange and sell it for a higher price on another exchange at the same time. Obviously, liquidity and the asset have to be transferred and therefore this strategy can be considered as a liquidity provision strategy as well.

However, the Special Limited Partnership expects to hold positions to participate in the general market performance. Given these positions in the main cryptocurrencies and liquidity, the Special Limited Partnership expects to apply arbitrage strategies to aim to generate an additional source of profit.

At the same time, the Special Limited Partnership anticipates that it will monitor and limit its counterparty risk on the different exchanges as well as the financial risk associated with these strategies.

### b. Stringent rules of diversification

The General Partner will manage the Special Limited Partnership's assets at its own discretion and will be required, depending on the cryptomarkets' trends, circumstances and investment opportunities that arise, to transfer the Special Limited Partnership's assets and to make them available to any of the three aforementioned strategies.

The General Partner will apply the following rules.

i. *Buy & Hold Strategy*

The General Partner shall comply with the following investment restrictions:

- ❖ A maximum of 40 % of the Special Limited Partnership's assets will be dedicated to and invested in accordance with the *Buy & Hold Strategy* (as further described above);
- ❖ Maximum 5 % of these 40 % will be devoted to each transaction executed as part of the *Buy & Hold* policy.

ii. *Investment in cryptocurrencies-linked derivatives*

The General Partner shall comply with the following investment restrictions:

- ❖ A maximum of 50 % of the Special Limited Partnership's assets will be dedicated to and invested in cryptocurrencies-linked derivatives (as further described above);
- ❖ Maximum 5 % of these 50 % will be devoted to each transaction executed as part of the investments in cryptocurrencies-linked derivatives.

iii. *Arbitrage Strategy*

The General Partner shall comply with the following investment restrictions:

- ❖ A maximum of 50 % of the Special Limited Partnership's assets will be dedicated to and invested in accordance with the *Arbitrage Strategy* (as further described above);
- ❖ Maximum 5 % of these 50 % will be devoted to each transaction executed as part of the *Arbitrage* policy.

#### **4.2.4 An innovative risk management instrument: “*Hydro Risk Index*”**

a. The rationale

In order to select the exchanges that best fit not only the Special Limited Partnership's trading needs, but also the highest security and legal standards, the General Partners came up with a framework that evaluate cryptoexchanges based on 23 parameters.

Those indicators measure every relevant aspect of an cryptoexchange and result in a rate that makes it easier to compare and rank exchanges and, consequently, to decide which exchanges will be targeted by the Special Limited Partnership

b. 23 Parameters



i. **Daily volume** - Based on the average daily volume on a specific exchange, the General Partner will be able to decide the proper volume to trade in each exchange to keep risk level to a minimum. However, some exchanges that the General Partner might use may have very low volumes.

ii. **Platform functionalities** - Different exchanges provide different types of wallets and coins/tokens available for trading. Consequently, the General Partner has to invest in a substantial number of exchanges in order to be able to apply the different portfolio and arbitrage strategies implemented. However, in specific circumstances, the General Partner may invest in exchanges with only one functionality.

iii. **Code engagement** - Constant update is a key factor to the success and security of an exchange. Consequently, the General partner will be constantly monitoring *Github* and the developer's channels in order to keep track of how the project is evolving and if they are always improving their platform. However, the General Partner may, from time to time, invest in some exchanges that do not have *Github* page or may not have a properly updated *Github* page.

iv. **Number of tokens** - Trading from one token to another is a part of any fund strategy, in order to decrease the trading fees and enable faster trading it is important that exchanges have more coins available. However, some exchanges that the General Partner might use only have one asset being traded.

v. **Operating countries/jurisdictions** - Since the different countries/jurisdictions have different approaches towards crypto assets we need to be aware of which countries/jurisdictions the exchange is operating and the risks involved in each of those countries/jurisdictions. However, some exchanges in which the General Partner will invest will be located in countries/jurisdictions that are facing political, social and cybercrime instability.

vi. **KYC/AML Level** - Having a high level of KYC and AML provides additional security and trust for the Special Limited Partnership. The exchanges where the General Partner will be trading have different levels of KYC/AML requirements. The exchanges in which the General Partner will sell cryptocurrencies for USD have a high level of KYC/AML procedures making the Special Limited Partnership's transactions more legitimate. However, some exchanges in which the General Partner will invest may not have any implemented KYC/AML procedures.

vii. **Type of Application Programming Interface** - Application Programming Interface ("API") is one of the most important tool in algorithm trading and keeping record of the market data and trading history. As a consequence, an efficient and resilient API setup is a key factor in the exchange evaluation. However, some exchanges in which the General Partner will invest may not have APIs available or their APIs might malfunction or be subject to hacking.

viii. **Look-through analysis** - Insofar as the team behind the project very often decides the quality of the result, the General Partner will perform a background check on the team involved to evaluate if they have the set of skills required to deliver what

they are selling specially in terms of technology and security. However, some exchanges that the General Partner might use may have an anonymous team which the General Partner will not be able to assess.

ix. **Social proof** - Through a thorough social proof analysis, the General Partner will be able to evaluate the consumer view of the platform and forecast tendencies such as volume and volatility. However, some exchanges in which the General Partner will invest may not have social proof, thereby preventing the General Partner's assessment.

x. **Market proof** - Through a thorough market proof analysis, the General Partner will be able to measure the market feeling about a specific exchange and keep track of the news flow regarding it. However, some exchanges that the General Partner might use will not have market proof, thereby preventing the General Partner's assessment.

xi. **Number of users** - The number of users is an important indicator to measure if the exchange is growing above or under market average. This is a fundamental data if it is to devise forecast trading volumes. However, some exchanges that the General Partner may use will have a small number of users, thereby preventing the General Partner's assessment.

xii. **Initial Coin Offerings** - In the year of 2018, Initial Coin Offerings ("ICO") have reached all-time highs in volume and number. As a consequence, the General Partner have to measure the exchange efficiency on incorporating new tokens and the level of diligence they use to decide which tokens will be incorporated into their platform to avoid any harm and unnecessary risk to the users. However, some exchanges that the General Partner might use will not support ICOs.

xiii. **Fork integration** - The General Partner will keep record of how each exchange acted in previous forks. This constant monitoring will allow the General Partner to predict the outcome of future forks in each of those exchanges and mitigate risks deriving with blockchains' forkings. However, some exchanges that the General Partner may use will not support fork integration, thereby preventing the General Partner's assessment.

xiv. **Volatility** - By comparing the market volatility with the volatility experienced in each exchange, the General Partner will be able to determine if the order book is being somehow manipulated, if there are big players using the platform or if the exchange volumes are too small. However, some exchanges in which the General Partner will invest may be affected by above average volatility. Furthermore, in some circumstance, the General Partner may not be able to determine whether the exchange is being manipulated.

xv. **Withdraw speed** - If the General Partner keeps in mind the fact that having an efficient, resilient and secure platform is a key element, the General Partner will take all necessary steps to be able to move its assets without further delay and guarantee that its assets will not be stuck for several days or weeks in an exchange after the General

Partner's decision to withdraw them from the market. However, some exchanges that the General Partner might use may be impacted by abnormal Withdraw speed.

xvi. **Type of storage** - The Type of storage used by an exchange plays a crucial role on the security against hacking and solvency of the platform, therefore the General Partner will proceed to a Due Diligence on the storage infrastructure in order to understand the risks the General Partner is facing when entering into an exchange. However, some exchanges in which the General Partner will invest may have storage infrastructure that might be considered unsafe.

xvii. **Security measures** - The General Partner will proceed to a comprehensive due diligence on security mechanisms set up by the exchanges. The General Partner keeps in mind that not only the internal security used by the exchange is crucial in order to insure investors security but also specific security requirements such: as two-key authenticating, e-mail verification and password requirements. However, some exchanges that the General Partner might use may not have set up any security measures or may have implemented an inefficient security infrastructure.

xviii. **Fees** - In cryptotransactions, typically, fees are deducted from the profit of each operation. As such, the General Partner has to keep in mind the fee burden involved in deposits, withdraws and trading. The General Partner will devise and implement a strategy aimed to maximize the returns for investors. However, some exchanges in which the General Partner will invest may have above normal fees.

xix. **Services Level Agreement** - The General Partner will undertake a thorough risk-analysis of each exchange. This analysis is based, inter alia, on Services Level Agreement ("SLA") available in the exchange and made available to the General Partner. The General Partner will rank each exchange on the basis of quality and thoroughness of its SLA. However, in some cases, exchanges in which the General Partner will invest do not have any formal SLA/risk management procedure.

xx. **Hacks and security breaches history** - The General Partner shall keep a record of every hack and security breach in the exchanges in which the Special Limited Partnership is investing. The objective is to build a comprehensive database of risks and security breaches that occurred and of the security countermeasures implemented on each hack and security breaches. However, some exchanges the General Partner might use may have already experienced hacks or security breaches or have implemented insufficient security countermeasures.

xxi. **Maximum time offline history** - During security breaches and maintenance procedures, exchanges usually go offline, leaving the users with positions exposed to market volatility. The General Partner shall keep track of those historical shut downs in order to measure the risk in each exchange. The objective is to build a comprehensive database of historical shut downs that occurred on these exchanges. However, some exchanges in which the General Partner will invest may be affected by abnormal offline time.

xxii. **Community** - The community behind an exchange is very important to measure influence power within the entire market and support it has to implement improvements and new features. However, some exchanges that the General Partner might use will not have a strong community backing it.

xxiii. **Local risks** – The General Partner will undertake a Due Diligence on the country the exchanges operate with. The objective is to evaluate the local risk (legal/regulatory, political, economic) in the country in which the exchange is based. However, some exchanges in which the General Partner will invest may be submitted to strong local regulatory as well as be affected by political and cyber-crime risks.

## 5. RISK FACTORS

### *5.1 General business risk*

An investment in the Special Limited Partnership involves certain risk factors and considerations relating to the Special Limited Partnership's structure and investment objective which prospective investors should carefully evaluate before making a decision to subscribe for Interests.

No assurance can be given that the Special Limited Partnership will succeed in meeting its investment objective. Investors are advised that any capital they invest is not guaranteed and that they may therefore not receive back the amount invested and that they may not realize a profit on their investment. Moreover, past performance is not a guarantee of future results.

Before making any investment decision, prospective investors should consult their professional advisors and carefully review and consider such an investment decision in light of the risk factors disclosed herein.

The following is a brief description of certain factors, which should be considered along with other matters discussed elsewhere in this offering document. The following does, however, not purport to be a comprehensive summary of all the risks associated with an investment in the Special Limited Partnership. Rather, the following are only certain particular risks to which the Special Limited Partnership is subject.

Although it is believed that the risk and uncertainties described below are the most important risks and uncertainties, these are not the only ones the Special Limited Partnership and the General Partner face. Additional risks and uncertainties not presently known to the Special Limited Partnership and the General Partner or that are currently deemed immaterial may also have a material adverse effect on the Special Limited Partnership's business, results of operations or financial condition and could negatively affect the Special Limited Partnership.

### *5.2 Conflict of interest risk*

If the Special Limited Partnership invests in products the performance of which is linked with an underlying asset, the Special Limited Partnership and/or the General Partner or any relevant party may possess or acquire material information about the underlying assets and such activities and information may cause adverse consequences to investors. The Special Limited Partnership or any involved party shall have no obligation to disclose such information about the underlying asset to which they relate.

### *5.3 Arbitrage transactions*

Among the many risks of arbitrage strategies as these may be employed by the Special Limited Partnership are that two or more buy or sell orders may not be able to be executed simultaneously at the desired prices, resulting in a loss being incurred on both sides of a multiple trade arbitrage transaction. Also, the transaction costs can be significant because separate costs are incurred on each component of the combination. Consequently, a substantial favorable price movement may be required before a profit can be realized.

### *5.4 Reliance on management and advisory*

The success of the Special Limited Partnership for the foreseeable future will depend significantly on the efforts and abilities of the General Partner. The loss of the General Partner's services could have a materially adverse effect on the Special Limited Partnership.

### *5.5 Changes in applicable law*

The General Partner and the Special Limited Partnership must comply with various regulatory and legal requirements, including securities laws and tax laws as imposed by the jurisdictions under which it operates. Should any of those laws change over the life of the Special Limited Partnership, the regulatory and legal requirements to which the Special Limited Partnership and its Limited Partners may be subject could differ materially from current requirements.

### *5.6 Litigation*

The Special Limited Partnership might be named as a defendant in a lawsuit or regulatory action stemming from the conduct of its business and the activities of the Special Limited Partnership or the General Partner. In the event such litigation was to occur, the Special Limited Partnership would bear the costs of defending against it and be at further risk if the defense in the litigation were unsuccessful.

### *5.7 Political and economic risks*

The value of the Special Limited Partnership's investments may be affected by uncertainties in the form of unforeseen domestic or foreign political developments, civil disorder or constitutional crises. Abrupt changes of policy with regard to taxation, the government's fiscal and monetary stance, currency repatriation and other economic regulations are also possible, including expropriation, nationalization, or confiscation of assets or changes in legislation regarding the permissible share of foreign ownership of companies or assets.

### *5.8 Foreign Account Tax Compliance Act*

Foreign Account Tax Compliance Act (“**FATCA**”) provisions generally impose a reporting to the US Internal Revenue Service by US Persons of their direct or indirect ownership of non-U.S. accounts and non-U.S. entities. Failure to provide such information will lead to a 30 % withholding tax applying to certain U.S. source income (including but not limited to dividends and interest) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends. The Special Limited Partnership will do its best to satisfy any obligations to avoid any FATCA withholding tax. However, there can be no guarantee or assurance that the Special Limited Partnership will be able to comply with all the requirements imposed by FATCA. Should the Special Limited Partnership not be able to comply with the FATCA’s requirements and the Special Limited Partnership be subject to US withholding tax on certain withholdable payments as a result of non-compliance, the Net Asset Value may be adversely affected and the Limited Partners may suffer significant loss as a result.

All prospective investors and Limited Partners should consult with their own tax advisor(s) regarding the possible implication of FATCA on their investments in the Special Limited Partnership.

The Special Limited Partnership and/or its Limited Partners may also be indirectly affected by the fact that a non-US financial entity does not comply with FATCA regulations even if the Special Limited Partnership satisfies with its own FATCA obligations.

#### *5.9 Portfolio valuation risks*

Prospective investors should acknowledge that the portfolio of the Special Limited Partnership will be composed of dematerialized assets taking the form of cryptocurrencies currently issued and active on the cryptocurrency market. As such, the exposition of the Special Limited Partnership will thus be global.

Furthermore, the cryptocurrencies are issued by numerous issuers of variable nature. As a result, the valuation of the relevant portfolio and the calculation of the Net Asset Value will be a complex process which might in certain circumstances require the General Partner to make certain assumptions in order to produce the desired output.

#### *5.10 Operational risks*

Highly skilled resources in respective areas of operational expertise may be difficult to access, thus creating higher operational risks.

In addition, additional operational risks should be recognized, such as:

- **General back-office risks:** Operational risk is the risk deriving from deficiencies in information systems or internal controls that could result in unexpected losses. Operational risk is inherent to any financial activity, but arguably, is especially significant in the case of alternative assets investments, where automatization is limited. The capture of data on alternative assets is often a manual process, subject to delay and human error and determining accurate market values can be problematic for the more complex transactions. Internal control weaknesses can lead to losses from fraud or simply from the assumption of risks in excess of those acceptable to the General Partner. The main source of operational risk for the Special Limited Partnership is human errors

related to transaction processing, at the level of investment management, fund valuation and Limited Partners' transaction processing;

- Limited Partners transaction risks: The maintenance of the register of Limited Partners as well as the processing of Limited Partners' transactions constitutes a significant source of risks: processing risks, and AML/KYC risks;
- Accounting and Net Asset Value calculation risk: The bookkeeping and financial reporting of the Special Limited Partnership constitutes a significant source of human error risks;
- Pre-Trade Risk management: Investment decision must comply with the investment policy and restrictions of the Special Limited Partnership. Any breach of those may result into unexpected risks;
- Creation, redemption and offering of Interests mechanisms - Storage of cryptoassets Procedures: The mechanisms and procedures governing the creation, redemption and offering of the Interests and the procedures related to the storage of cryptoassets held by the Special Limited Partnership have been developed specifically for the Special Limited Partnership. There may be unanticipated problems or issues with respect to the mechanisms of the Special Limited Partnership's operations that could have an adverse effect on the Special Limited Partnership.

### *5.11 Early termination*

In the event of the early termination of the Special Limited Partnership, the General Partner would have to distribute to the Limited Partners their pro-rata interest in the assets thereof. The Special Limited Partnership's investments would have to be sold by the General Partner or distributed to the Limited Partners.

It is possible that at the time of such sale certain investments may be worth less than the initial cost of the investment, resulting in a loss to the Special Limited partnership and to its Limited Partners.

Moreover, in the event the Special Limited Partnership terminates prior to the complete amortization of organizational expenses, any unamortized portion of such expenses will be accelerated and will be debited from (and thereby reduce) amounts otherwise available for distribution to Limited Partners.

### *5.12 Highly Competitive Activity*

The business of identifying and structuring investments is highly competitive, and involves a high degree of uncertainty. There can be no assurance that the General Partner will always be able to identify and complete attractive investments or that it will be able to fully invest the funds under management.

### *5.13 Increase costs in operating the Special Limited Partnership*

Increase compliance costs, regulatory costs, especially for KYC/AML requirements, audit standards, etc. affect the performance of the Special Limited Partnership.

### *5.14 Derivatives leverage risk*

The Special Limited Partnership will invest in cryptocurrencies-linked derivatives (including but not limited to options, forwards, interest rate swaps and credit derivatives) as part of its investment strategy as well as for hedging or efficient portfolio management purposes. These instruments are volatile and may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, counterparty risk, legal risk and operations risks. In addition, the use of derivatives can involve significant economic leverage and may, in some cases, involve significant risks of loss. The low initial margin deposits normally required to establish a position in such instruments permits leverage. As a result, a relatively small movement in the price of the contract and/or of one of its parameters may result in a profit or a loss that is high in proportion to the amount of assets actually placed as initial margin and may result in unlimited further loss exceeding any margin deposited. Furthermore, when used for hedging purposes, there may be an imperfect correlation between these instruments and the investments or market sectors being hedged.

The amount of leverage or borrowings, which the Special Limited Partnership may have outstanding at any time, may be large in relation to its capital. Consequently, the level of margin and interest rates generally and the rates at which the Special Limited Partnership can borrow, in particular, will affect the operating results of the Special Limited Partnership.

Whether any margin deposit will be required for derivatives instrument such as cryptocurrencies forwards, swaps and certain other derivative instruments will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated.

### *5.15 Options, Futures and Swaps*

The Special Limited Partnership may use options, futures and swap contracts and enter into forward foreign exchange transactions to the extent allowed in accordance with its investment policy. The ability to use these strategies may be limited by cryptocurrency market conditions and regulatory limits and there can be no assurance that the objective sought to be attained from the use of these strategies will be achieved.

The use of derivatives instruments such as options, futures, swap contracts and foreign exchange transactions involves investment risks and transaction costs to which the Special Limited Partnership would not be subject if it did not use these strategies. If the General Partner's predictions of movements in the direction of the cryptocurrency market are inaccurate, the adverse consequences to the Special Limited Partnership may leave the Special Limited Partnership in a less favorable position than if such strategies were not used.

Risks inherent in the use of options, foreign currency, swaps and futures contracts and options on futures contracts include, but are not limited to:



- Dependence on the General Partner's ability to predict correctly movements in the direction of interest rates and cryptocurrency markets;
- Imperfect correlation between the price of options and futures contracts and options thereon and movements in the prices of cryptocurrencies being hedged;
- The fact that skills needed to use these strategies are different from those needed to implement a more traditional investment strategy;
- The possible absence of a liquid secondary market for any particular instrument at any time;
- The possible inability of the Special Limited Partnership to purchase or sell a cryptocurrency portfolio at a time that otherwise would be favorable for it to do so, or the possible need for the Special Limited Partnership to sell a cryptocurrency portfolio at a disadvantageous time.

Where the Special Limited Partnership enters into swap transactions it is exposed to a potential counterparty risk. In case of insolvency or default of the swap counterparty, such event would affect the assets of the Special Limited Partnership.

#### *5.16 Particular Swap Agreements risk*

The Special Limited Partnership may enter into interest rate, index and currency exchange rate swap agreements, linked with cryptocurrencies, for the purposes of attempting to obtain a particular desired return at a lower cost to the Special Limited Partnership than if the Special Limited Partnership had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard “swap” transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount”. This “notional amount” of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Special Limited Partnership’s obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). The Special Limited Partnership’s obligations under a swap agreement will be accrued daily (offset against any amounts owing to the Special Limited Partnership) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by the maintenance of a segregated account consisting of cash, United States of America government securities, or high-grade debt obligations, to avoid any potential leveraging of the Special Limited Partnership’s portfolio.

Whether the Special Limited Partnership’s use of swap agreements will be successful in furthering its investment objective will depend on the ability of the General Partner to correctly predict whether certain types of investments are likely to produce greater returns than other

investments. Because they are two party contracts and because they may have terms of greater than seven calendar days, swap agreements may be considered to be illiquid. Moreover, the Special Limited Partnership bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The General Partner will cause the Special Limited Partnership to enter into swap agreements only with counterparties that would be eligible for consideration as repurchase agreement counterparties under the Special Limited Partnership's repurchase agreement guidelines.

#### *5.17 Risks associated with uncertain regulations and enforcement actions*

The regulatory status of cryptocurrencies is unclear or unsettled in many jurisdictions. Therefore, it is difficult to predict how or whether regulatory agencies may apply existing regulation with respect to cryptocurrencies and their applications.

Regulatory changes or actions may change the nature of an investment in the Special Limited Partnership or restrict the use of cryptoassets or the operation of cryptoexchanges in a manner that adversely affects an investment in the Special Limited Partnership.

Furthermore, countries, may in the future curtail or outlaw, the acquisition, use or redemption of cryptoassets. Ownership of, holding or trading in Interests of the Special Limited Partnership may then be considered illegal and subject to sanction. The Special Limited Partnership may cease operations in a jurisdiction in the event that regulatory actions, or changes to law or regulation, make it illegal to operate in such jurisdiction.

If regulatory changes or interpretations of the Special Limited Partnership's activities require the regulation of the Special Limited Partnership as a different investment vehicle the Special Limited Partnership may be required to register and comply with such regulations.

To the extent that the General Partner decides to continue the Special Limited Partnership, the required registrations and regulatory compliance steps may result in extraordinary, recurring and/or non-recurring expenses to the Special Limited Partnership. The General Partner may also decide to terminate the Special Limited Partnership. Termination of the Special Limited Partnership in response to the changed regulatory circumstances may be at a time that is disadvantageous to the Limited Partners.

#### *5.18 Unanticipated risks*

Cryptocurrencies are a new class of assets mobilizing new technologies and under current development. In addition to the risks included in this offering document there are other risks associated with the purchase and holding of Interests of the Special Limited Partnership, including those that the Special Limited Partnership cannot anticipate. Such risks may further materialize as unanticipated variations or combinations of the risks discussed in this offering document.

#### *5.19 Lack of information*

A Limited Partner may not be able to obtain all information they would want regarding the Special Limited Partnership's investments, on a timely basis or at all. It is possible that the Limited Partner may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of the Special Limited partnership's investments.

As a result of these difficulties, as well as other uncertainties, a Limited Partner may not have accurate or accessible information about the Special Limited Partnership's investments.

#### *5.20 Newly Formed Entity; Lack of meaningful history for the General Partner*

The Special Limited Partnership is a newly formed investment fund with no operating history. There can be no assurance that the Special Limited Partnership's investment objective will be achieved. Given the factors as described in this section there exists a possibility that a Limited Partner could suffer a substantial or total loss as a result of an investment in the Special Limited Partnership.

Furthermore, the General Partner was formed to be the investment manager of the Special Limited Partnership and has no meaningful history of past performance in managing investment vehicles whose investment policy or structure is similar to the Special Limited Partnership.

The past performances of the General Partner's members in other investment vehicles, including their experiences in the cryptocurrencies industry and market, are no indication of their ability to manage an investment vehicle such as the Special Limited Partnership.

If the experience of the General Partner and its members is inadequate or unsuitable to manage an investment vehicle such as the Special Limited Partnership, the operations of the Special Limited Partnership may be materially and adversely affected.

#### *5.21 Uncertainties related with the development of cryptocurrency industry and markets*

The growth of the cryptocurrencies industry and market is subject to a high degree of uncertainty. The factors affecting the further development of the cryptocurrency industry and market include, without limitation:

- ❖ Worldwide growth in the adoption and use of cryptocurrencies and other related technologies;
- ❖ Further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in cryptoassets. The slowing or stopping of the development or acceptance of these protocols may negatively affect the industry;
- ❖ Government and quasi-government regulation of cryptocurrencies, and other similar digital assets, and their use, or restrictions on or regulation of access;
- ❖ Changes in consumer demographics and public tastes and preferences;

- ❖ The availability and popularity of other forms or methods of buying and selling goods and services or trading assets including new means of using fiat currencies;
- ❖ Expectations regarding the future value of cryptoassets and the ability to easily buy, sell and use cryptoassets without regulatory interference, and the reputation of certain cryptocurrencies for illicit use;
- ❖ General economic conditions and the regulatory environment relating to cryptocurrencies;
- ❖ A decline in the popularity or acceptance of cryptocurrencies;
- ❖ Fraud, business failure and security breaches. During the past three years, a number of exchanges have been closed due to fraud, business failure or security breaches. Exchanges and trading venues on which cryptocurrencies are traded are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges. Such an instability in the exchanges and the closure or temporary shutdown of exchanges - due to fraud, business failure, hackers, malware - may reduce confidence in the exchanges and result in greater volatility in the cryptocurrencies' market price. Moreover, the closure or temporary shutdown of a constituent exchange, due to the aforementioned events, used in calculating cryptocurrencies' market price may result in a loss of confidence in the General Partner's ability to determine a reasonably accurate Net Asset Value on a daily basis.

### *5.22 Volatility; Extreme fluctuations*

Cryptocurrencies' market price is subject to dramatic fluctuations and is highly volatile.

Several factors may influence the market price of cryptocurrencies, including, but not limited to:

- ❖ Global blockchain asset supply;
- ❖ Global cryptoassets supply which is influenced by similar factors as global cryptoassets demand, in addition to fiat currency needs by miners (for example, to invest in equipment or pay electricity bills) and tax payers (who may liquidate bitcoin holdings around tax deadlines to meet tax obligations);
- ❖ Global cryptocurrencies demand, which can be influenced by: the growth of retail merchants and commercial businesses' acceptance of cryptocurrencies as a mean of payment of goods and services; acceptance of cryptoassets by online merchants as a mean of payment; purchases made by speculative investors; purchases of cryptoassets made by individuals for transactional purposes; the security of online blockchain asset exchanges and digital wallets that hold cryptocurrencies; the perception that the use

and holding of blockchain assets is safe and secure, and the regulatory restrictions on their use;

- ❖ Large-Scale Sales and Large-Scale purchases: Geopolitical events, major economic crisis, shutdown or failure of exchanges or online wallets providers (and other similar-scale events) may initiate large-scale distress sales of cryptoassets. Such large-scale sales may have a short-term negative impact on the price of cryptoassets. These events may also initiate large-scale purchases of cryptoassets. Such large-scale purchases may increase the price of cryptoassets rapidly. This may, in turn, increase the likelihood of a subsequent price decrease as crisis-driven purchasing behavior wanes;
- ❖ Adverse effect of creation baskets. The purchasing activity associated with acquiring cryptocurrencies that are transferred into the Special Limited Partnership in connection with creation baskets may temporarily increase the market price of cryptoassets. Temporary increases in the market price of cryptoassets may also occur as a result of the purchasing activity of other market participants. Other market participants may attempt to benefit from the temporary increase in the market price of cryptoassets that may result from increased purchasing activity of cryptoassets connected with the creation baskets. Consequently, the market price of cryptoassets may decline immediately after Special Limited Partnership's Interests are created;
- ❖ Investors' expectations with respect to the rate of inflation of fiat currencies;
- ❖ Interest rates;
- ❖ Currency exchange rates;
- ❖ Investment and trading activities of hedge funds and other large cryptoinvestors;
- ❖ Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- ❖ Regulatory measures, if any, that affect the use of cryptocurrencies;
- ❖ Global or regional political, economic or financial events and situations;
- ❖ Increased competition from other forms of cryptocurrency or payments services;
- ❖ The maintenance and development of the open-source software protocol of the cryptoassets network;
- ❖ Interruptions in service from or failure of major cryptoexchanges;
- ❖ Massive currency withdrawal and deposit policies of cryptoexchanges and liquidity of such cryptoexchanges;

- ❖ Cyber theft of cryptoassets from online wallet providers, or news of such theft from such providers, or from individuals' cryptoassets wallets;

A decrease in the value of a single cryptocurrency may cause volatility in the entire cryptocurrencies industry and may affect other similar digital assets.

Sharp fluctuations impacting cryptocurrencies can result in the Limited Partners experiencing losses if they need to sell their Interests in the Special Limited Partnership at a time when the price of cryptoassets is lower than it was when they made their prior investment. Even if they are able to hold Interests for the long-term, their Interests may never generate a profit, since cryptomarkets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

In addition, Limited Partners should be aware that there is no assurance that cryptocurrencies will maintain their long-term value in terms of future purchasing power. In the event that the price of cryptocurrencies declines, the General Partner expects the value of an investment in the Interests to decline.

The cryptocurrencies' market price could be affected by momentum pricing. Subject to such momentum pricing, the current market price may account for speculation regarding future appreciation in value. Momentum pricing of cryptoassets may subject the market price to greater volatility and sharp fluctuations.

The cryptocurrencies' market price is also dependent, directly or indirectly, on the prices set for on cryptoexchanges and other crypto assets trading venues. The price of cryptocurrencies on all exchanges and other crypto asset trading venues has a limited history. During such history, cryptocurrencies' market price on exchanges has been volatile and subject to influence by many factors including the levels of liquidity on the exchanges. Even the largest exchanges have been subject to operational interruption limiting the liquidity of cryptocurrencies on the affected exchange and resulting in volatile prices and a reduction in confidence in the exchanges.

The cryptocurrencies' market price on public exchanges may also be impacted by policies on or interruptions in the deposit or withdrawal of fiat currency into or out of larger exchanges. On large cryptoexchanges, users may buy or sell cryptocurrency for fiat currency or transfer cryptocurrency to other wallets. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of fiat currency deposits by users into exchanges may reduce demand on such exchanges, resulting in a decrease in the cryptocurrencies' market price on such exchange. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of fiat currency withdrawals by users into exchanges may reduce supply on such exchanges, potentially resulting in a temporary increase in the cryptocurrencies' market price on such exchange during the existence of such operational limits. To the extent that fees for the transfer of cryptocurrencies either directly or indirectly occur between exchanges, the impact on cryptocurrencies' market price of operation limits on fiat currency deposits and withdrawals may be reduced by "exchange shopping" among exchange users. For example, a delay in U.S.

Dollar withdrawals on one site may temporarily increase the price on such site by reducing supply (i.e., sellers transferring crypto assets to another exchange without operational limits in order to settle sales more rapidly), but the resulting increase in price will also reduce demand because bidders on cryptoassets will follow increased supply on other exchanges not experiencing operational limits. To the extent that users are able or willing to utilize or arbitrage prices between more than one exchange, exchange shopping may mitigate the short-term impact on and volatility of cryptocurrencies' market price due to operational limits on the deposit or withdrawal of fiat currency into or out of larger exchanges.

### *5.23 Risks deriving from the market price valuation method*

The methodology for determining the cryptocurrencies' market price established by the General Partner is new and untested. The methodology is based on a flexible set of rules designed by the General Partner specifically for the investment operations of the Special Limited Partnership.

Such methodology may now or in the future contain inherent flaws that may adversely affect the General Partner's ability to determine the market price and may, in turn, adversely affect the price of the Special Limited Partnership's Interests. Furthermore, certain assumptions included in the methodology may be flawed and may adversely impact the General Partner's ability to accurately determine the market price. The failure of one or more of the assumptions built into the market price methodology could have an adverse effect on the Special Limited partnership and on the value of its Interests.

### *5.24 Risk of mining attacks*

Cryptocurrencies are susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks, "selfish-mining" attacks, and race condition attacks.

Any successful attacks present a risk to the cryptocurrencies, expected proper execution and sequencing of cryptocurrencies, and expected proper execution and sequencing of cryptocurrencies contract computations in general.

Despite the efforts of the General Partner, the risk of known or novel mining attacks exists.

### *5.25 Risks deriving from miners' activity*

As the reward for mining cryptoassets decreases, the incentive for miners to continue to contribute processing power to crypto assets networks will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for cryptoassets and prevent the expansion of the cryptoassets networks to retail merchants and commercial businesses, resulting in a reduction in the price of cryptoassets that could adversely impact the Special Limited Partnership.

A reduction in the processing power expended by miners could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the network or the blockchain, potentially permitting such actor or botnet to manipulate the blockchain in a manner that adversely affects the ability of the Special Limited Partnership to operate.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the cryptoassets networks, which could adversely impact the Special Limited Partnership.

#### *5.26 Risks deriving from Forked blockchain*

The acceptance of network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the networks could result in a “fork” in the blockchain, resulting in the operation of two separate networks until such time as the forked blockchains are merged.

The temporary or permanent existence of forked blockchains could materially and adversely affect the market price of cryptocurrencies held by the Special Limited Partnership.

#### *5.27 Competition risk*

The Special Limited Partnership competes with direct investments in cryptoassets and other potential financial vehicles, possibly including securities backed by or linked to cryptoassets through entities similar to the Special Limited Partnership.

Market and financial conditions and other conditions beyond the General Partner’s control, may make it more attractive to invest in other financial vehicles or to invest in crypto assets directly, which could limit the Special Limited Partnership’s attractiveness.

#### *5.28 Risk of low or no liquidity*

Even though there is currently efficient online infrastructure available, which enable possibility of exchange of cryptocurrencies between themselves, and also, some of them enable exchange of cryptocurrencies for fiat currency, there are no warranties and/or guarantees given that the cryptocurrencies invested will be listed or made available for exchange for other cryptocurrencies and/or fiat currency, and no guarantees are given whatsoever with the capacity of such potential exchange.

It shall be explicitly cautioned, that such exchange, if any, might be subject to poorly-understood regulatory oversight, and the General Partner nor the Special Limited Partnership do give any warranties in regard to any exchange services providers. Investors might be exposed to fraud and failure.



### *5.29 Concentration risk*

The Special Limited Partnership is not subject to specific legal or regulatory risk diversification requirements, other than those specified herein.

Unlike certain investment vehicles that may invest in diversified assets, the Special Limited Partnership's investment strategy is concentrated in cryptocurrencies, digital tokens, cryptocurrencies related investments as well as derivatives linked thereto.

This concentration maximizes the degree of the Special Limited Partnership's exposure to a variety of market risks associated with cryptoassets and the cryptomarkets. By concentrating its investment strategy solely in aforementioned crypto assets, the Special Limited Partnership is exposed to the risk of losses suffered as a result of a decrease in the value of crypto assets as well as major adverse failure of cryptomarkets. These losses, that can be expected to reduce the value of the Interests, will not be offset by other gains that would have been generated by the Special Limited Partnership if the Special Limited Partnership had invested in a diversified portfolio of assets

### *5.30 Insolvency of the General Partner*

The General Partner is the managing Shareholder of the Special Limited Partnership whose liability is unlimited, meaning that it may be accountable for any debts or liabilities of the Special Limited Partnership, which may not be satisfied out of the assets of the Special Limited Partnership.

Though the Special Limited Partnership will be managed so as to avoid excessive risk concentration and risk exposure, it cannot be excluded that the General Partner may be held liable for certain debts or liabilities which may not be satisfied out of the assets of the Special Limited Partnership. As a result of this, the General Partner may become insolvent or be subject to controlled management, thereby triggering the requirement or need to appoint a replacement General Partner in order to avoid the termination and liquidation of the Special Limited Partnership.

Limited Partners should always consider the potential implications of any such failure at the level of the General Partner where the General Partner would need to be replaced in due course in order to ensure the continuity of the Special Limited Partnership.

### *5.31 Restrictions on transfer of Shares*

The transfer of Shares shall be restricted to transfers to well-informed investors only.

Limited Partners should be aware that there may not be a liquid, secondary trading market for the Special Limited Partnership's Interests at all times. For these reasons, Limited Partners will be required to bear the financial risks of their early termination investment for a long term.

### *5.32 Rejected Applications and Forfeiture*

There may be loss of investment opportunity during any period of time in which any application money is not invested in the Special Limited Partnership. In addition, if investors are deemed by the General Partner, at its sole discretion, not to be Well Informed, then the redemption of the investment cannot yield an investment return. In the case of forced redemption, the investors will receive no more than their original investment and may receive less than their initial investment after the deduction of costs which may include the cost of returning the investment.

### *5.33 Lack of insurance coverage; Limited legal recourses*

The Special Limited Partnership will not insure its assets. Furthermore, Limited Partners' rights of legal recourses against the Special Limited Partnership and/or the General Partner are limited.

Consequently, a loss may be suffered by the Limited Partners that is not covered by insurance and for which no entity or person could be found liable in any way whatsoever.

### *5.34 Further risks*

The irreversible loss or destruction of the Special Limited Partnership's private key, required to access to cryptoassets, and the data loss experienced by the Special Limited Partnership could adversely affect the Special Limited Partnership.

Cryptoassets transactions are irrevocable. As a result, any assets stolen may be irretrievable. Any incorrectly executed crypto assets transactions could negatively and permanently affect the Special Limited Partnership.

The administrators of the networks' source code could propose amendments to the cryptocurrencies network's protocols and software that, if accepted and authorized by the cryptocurrencies network's community, could adversely affect the Special Limited Partnership.

The open-source structure of cryptoassets means that the core developers and other contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the crypto assets. A failure to properly monitor and upgrade the cryptoassets' protocol could damage cryptoassets and adversely affect the Special Limited Partnership.

## 6. SUBSCRIPTION OF INTERESTS

### *6.1. Frequency*

Applications for Interests may be made weekly, on each Valuation Day (as defined in Section 8 below).

### *6.2. Subscription price*

Investors whose applications are received by the General Partner on the Valuation Day will be allotted Interests at a price corresponding to the Net Asset Value per Interest as of the relevant Valuation Day (the “**Subscription Price**”).

The Net Asset Value per Interest on a particular Valuation Day will be available before the next applicable Valuation Day.

### *6.3. Promotion fee*

As further described in Section 10, a Promotion Fee may be charged on the subscription of Interests in favor of the intermediaries involved in the offering of Interests.

### *6.4. Subscription procedure*

Instructions for the subscription of Interests may be made by fax or by post. Applications for subscription should contain the information as required in the Subscription Agreement (Schedule B attached to this offering document) (if applicable).

All further documents required by the General Partner should be enclosed with such application.

Confirmation statements will be mailed or e-mailed to subscribers or their banks by the Special Limited Partnership not later than five (5) business days from the date of settlement of the subscription price at the risk of the Limited Partner.

Payment shall be made in the Reference Currency (as defined in Section 8 below) in the form of electronic bank transfer net of all bank charges (except where local banking practices do not allow electronic bank transfers) to the order of the Custodian of the Special Limited Partnership. Interests will only be allotted upon receipt of notification from the Custodian that an authenticated electronic funds transfer advice or SWIFT message has been received.

### *6.5. Minimum holding amount*

Any new subscriber has to apply for a minimum holding amount of ten thousand (10,000) €.

However, the Special Limited Partnership may authorize a new subscriber to apply for Interests amounting to a sum that is less than the minimum holding amount from time to time.

#### *6.6. Suspension of the Net Asset Value calculation*

In the case of suspension of calculation of the Net Asset Value, the subscription will be dealt with on the first Valuation Day following the end of such suspension period.

#### *6.7. Contributions in kind*

The General Partner may agree to issue Interests as consideration for a contribution in kind of appraisable assets to any Limited Partner who agrees, in compliance with the conditions set forth by Luxembourg law, in particular the obligation to deliver a valuation report from the Auditor of the Special Limited Partnership which shall be available for inspection. Any costs incurred in connection with a contribution in kind of appraisable assets shall be borne by the relevant Limited Partner.

#### *6.8. Restrictions on the issuance of Interests*

The General Partner may, at any time at its discretion, temporarily discontinue, cease definitely or limit the issue of Interests to persons or corporate bodies residing or established in certain countries or territories. The General Partner may also prohibit certain persons or corporate bodies from acquiring Interests if such a measure is necessary for the protection of the Special Limited Partnership or the Limited Partners.

## **7. REDEMPTION AND TRANSFER OF INTERESTS**

### *7.1 Redemption of Interests*

The Limited Partners may under certain conditions request the redemption of all or part of their Interests in accordance with the Interests redemption terms as set forth in more detail in this offering document.

Redemption requests should contain the following information (if applicable): the identity and address of the Limited Shareholder requesting the redemption and the number of Interests to be redeemed. All necessary documents (including without limitation any anti-money laundering documentation) to complete the redemption should be enclosed with such request.

Limited Partners whose requests for redemption are accepted will have their Interests redeemed as of at least the next following applicable Valuation Day.

Interests will be redeemed at a price equal to the Net Asset Value per Interest as applicable as at the relevant Valuation Day less a redemption charge to the benefit of the Company.

The Interests in the Special Limited Partnership may be redeemed compulsory if a Limited Partner becomes or is found to be a non well-informed investor, such compulsory redemption being made under the conditions set forth here above.

The Interests in the Special Limited Partnership may also be redeemed compulsory if the General Partner, at any time, discovers that the Limited Partner breached, is breaching or will breach money laundering, terrorism financing, tax evasion laws and regulations, such compulsory redemption being made under the conditions set forth here above.

### *7.2 Transfer of Interests*

The Limited Partner may sell, assign, transfer or pledge its Interests solely and exclusively to the General Partner.

Any transfer of Interests is subject to the following procedure and restrictions:

- ❖ The Limited Partner wishing to sell its Interests (the "**Selling Limited Partner**") shall inform, in writing the General Partner of the conditions of the transaction including the proposed price being offered for the Interests and the number of Interests proposed to be sold (the "**Offer Notice**");
- ❖ The General Partner has sixty (60) days (the "**Offer Period**"), from the date of the notification by the Selling Limited Partner, to evaluate the Offer Notice of the Selling Limited Partner and to acquire the Interests in accordance with terms and conditions set forth in the Offer Notice;
- ❖ To the extent such Interests have not been acquired by the General Partner at end of the Offer Period, the Selling Limited Partner shall have the right to request the redemption by the Special Limited Partnership of its Interests, in accordance with the procedure and restrictions defined in sub-section 7.1. above;
- ❖ The Selling Limited Partner shall bear all costs and expenses arising in connection with any sale, transfer, assignment and pledge of its Interests, including (without limitation) reasonable legal fees arising in relation thereto.

## **8. NET ASSET VALUE CALCULATION**

The Net Asset Value with respect to any Special Limited Partnership's asset shall be the assets adjusted on the following calculation:

- (a) The Special Limited Partnership's Net Asset Value will be calculated in accordance with Luxembourg GAAP and procedure and restrictions provided for in this offering document. The reference currency of the Special Limited Partnership is the US Dollar (the "**Reference Currency**").

(b) The General Partner will calculate and publish the Special Limited Partnership's Net Asset Value weekly, every Monday at 4:00 PM (Luxembourg time) (the "**Valuation Day**"). If the Valuation Day is an official holiday, the Net Asset Value will be calculated and published the following working day.

(c) **Calculation of the Net Asset Value:**

- ❖ The Net Asset Value of the Special Limited Partnership will be calculated in good faith as it is stipulated in this offering document and in accordance with Luxembourg law;
- ❖ The Net Asset Value will be computed as follows. The value of the total portfolio and distribution entitlements attributed to the Special Limited Partnership assets on a given Valuation Day adjusted with the liabilities on that Valuation Day represents the total Net Asset Value on that Valuation Day;
- ❖ The value of all assets and liabilities not expressed in the Reference Currency will be converted into the Reference Currency at the relevant rates of exchange prevailing in Luxembourg on the relevant Valuation Day. If such quotations are not available, the rate of exchange will be determined with prudence and in good faith by or under procedures established by the Special Limited Partnership;
- ❖ The Net Asset Value of the Special Limited Partnership will be determined by calculating the aggregate of:
  - The value of all assets of the Special Limited Partnership on the relevant Valuation Day less;
  - All the liabilities of the Special Limited Partnership and all fees attributable to the Special Limited Partnership, which fees have accrued but are unpaid on the relevant Valuation Day.

(d) The total net assets of the Special Limited Partnership will result from the difference between the gross assets (including the market value of investments owned by the Special Limited Partnership and its intermediary vehicles) and the liabilities of the Special Limited Partnership.

(e) The assets of the Special Limited Partnership shall include:

- ❖ Cryptocurrencies held by the Special Limited Partnership in wallets within exchanges;

- ❖ All investments registered in the name of the Special Limited Partnership for its account or any intermediary vehicles;
- ❖ All cash in hand or on deposit, including any interest accrued thereon, owned by the Special Limited Partnership;
- ❖ All bills and demand notes payable and accounts receivable (including proceeds of properties, property rights, securities or any other assets sold but not delivered) owned by the Special Limited Partnership;
- ❖ All financial instruments and securities including but not limited to bonds, time notes, certificates of deposit, shares, stocks, debentures, debenture stocks, subscription rights, warrants, options and similar assets owned or contracted for by the Special Limited Partnership;
- ❖ All stock dividends, cash dividends and cash payments receivable by the Special Limited Partnership to the extent information thereon is reasonably available to the Special Limited Partnership;
- ❖ The formation expenses of the Special Limited Partnership, including the cost of issuing and distributing shares of the Special Limited Partnership, insofar as the same have not been written off and;
- ❖ All other assets of any kind and nature including expenses paid in advance.

The value of the assets of the Special Limited Partnership will be determined as follows:

- ✓ Cryptocurrencies held in the Special Limited Partnership's portfolio will be valued according to the following guidelines:
  1. Determination of the category to which cryptocurrencies held by the Special Limited Partnership belong;
  2. Determination of the exchanges within which the cryptocurrencies held by the Special Limited Partnership are traded;
  3. Determine whether cryptocurrencies held in the exchanges are tradable directly in US Dollars. If they are tradable in US Dollars, the valuation method described in point 4a) shall be applied. If cryptocurrencies are not tradable in US Dollars, the valuation method described in point 4b) shall be applied;
  - 4a. Determination of the price for which the whole position held in cryptocurrencies could be liquidated into US Dollars on the Valuation Day on the exchange in which cryptocurrencies are held and traded;

- 4b.1 Determination of the price for which the whole position held in cryptocurrencies could be liquidated into BitCoins on the Valuation Day on the exchange in which cryptocurrencies are held and traded;
  - 4b.2 Liquidation of the whole position in cryptocurrencies held into *BitCoins* (this includes trading costs on exchanges). Once this is step is completed, the whole position held will be liquidated into US Dollars, accordingly sub-section 4a;
  5. Once all cryptocurrencies held on exchanges are valued in US Dollars, the cost of withdrawal to the bank account of the Special Limited Partnership's Custodian will be determined;
  6. Determination of what would be the final amount in US Dollars in the bank account of the Special Limited Partnership's Custodian after deduction of trading and withdrawal fees from the exchanges on which the cryptocurrencies are held.
  7. In the event that one of the exchanges in which cryptocurrencies are being held is not operational at the time of determining the price of cryptocurrencies in US Dollars, the General Partner will use the price being offered on *bitstamp.com* and therefore will also use the operational fees determined by *bitstamp.com*, subject to the next sentence. If the *bitstamp.com* becomes unavailable (e.g., data sources from the *bitstamp.com* for cryptocurrencies' prices become unavailable, unwieldy or otherwise impractical for use), or if the General Partner determines in good faith that *bitstamp.com* does not reflect an accurate bitcoin price, then the General Partner will, in good faith and on a best efforts basis, contact *bitstamp.com* in an attempt to obtain the relevant data.
- ✓ Securities listed on an official stock exchange or dealt on any other organized market will be valued at their last available price in Luxembourg on the Valuation Day and, if the security is traded on several markets, on the basis of the last known price on the main market of this security. If the last known price is not representative, valuation will be based on the fair value at which it is expected it can be sold, as determined with prudence and in good faith by the General Partner or its delegate;
  - ✓ Securities which are not listed on a stock exchange nor dealt in on another regulated market will be valued on the basis of their fair value estimated with prudence and in good faith by the General Partner;
  - ✓ The value of any cash in hand or on deposit, bills and demand notes and accounts, receivable, prepaid expenses, cash dividends and interest declared or accrued as



aforesaid, and not yet received will be deemed to be the full amount thereof, unless it is unlikely to be received in which case the value thereof will be arrived at after making such discount as the General Partner may consider appropriate in such case to reflect the true value thereof;

- ✓ The liquidating value of futures, forward or options contracts linked to cryptocurrencies not dealt in on a stock exchange or another regulated market will mean their net liquidating value determined, pursuant to the policies established by the General Partner, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts linked to cryptocurrencies dealt in on a stock exchange or another regulated market will be based upon the last available settlement prices of these contracts on such regulated market on which the particular futures, forward or options contracts are dealt in by the Special Limited Partnership; provided that, if a futures, forward or options contract linked to cryptocurrencies could not be liquidated on the day with respect to which the Net Asset Value is being determined, the basis for determining the liquidating value of such contract will be such value as the General Partner may deem fair and reasonable;
  
- ✓ All other assets are valued at fair value as determined in good faith pursuant to procedures established by the General Partner.

The General Partner, in its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset or liability of the Special Limited Partnership in compliance with Luxembourg laws. This method will then be applied in a consistent way. The General Partner can rely on such deviations as approved by the Special Limited Partnership for the purpose of the Net Asset Value calculation.

For the purpose of determining the value of the Special Limited Partnership's assets, the General Partner, having due regards to the standards of care and due diligence in this respect, may, when calculating the Net Asset Value, rely upon the valuations provided (i) by various pricing sources available on the market such as pricing agencies (e.g., *Bloomberg*, *Reuters*, *Bitstamp.com* or other specific entities/agencies in respect of certain types of assets into which Special Limited Partnership may invest), (ii) by prime brokers and brokers or, (iii) by specialist(s) duly appointed and authorized to that effect by the General Partner.

In circumstances where (i) one or more pricing sources fail to provide valuations to the General Partner which could have a significant impact on the Net Asset Value, or where (ii) the value of any asset(s) may not be determined as rapidly and accurately as required, the General Partner is authorized not to calculate the Net Asset Value for the Special Limited Partnership and as a result may be unable to determine subscription, conversion

and redemption prices. The Special Limited Partnership will be informed immediately by the General Partner should this situation arise. The General Partner may then decide to suspend the calculation of the Net Asset Value.

(f) The liabilities of the Special Limited Partnership shall include:

- ❖ All loans and other indebtedness for borrowed money (including convertible debt), bills and accounts payable;
- ❖ All accrued interest on such loans and other indebtedness for borrowed money (including accrued fees for commitment for such loans and other indebtedness);
- ❖ All accrued or payable expenses (including administrative expenses, management and advisory fees, including incentive fees (if any), custody fees, paying agency, registrar and transfer agency fees and domiciliary and corporate agency fees as well as reasonable disbursements incurred by the service providers);
- ❖ All known liabilities, present and future or contingent, including all matured contractual obligations for payments of money or property, including the amount of any unpaid distributions declared by the Special Limited Partnership;
- ❖ An appropriate provision for future taxes based on capital and income to the Valuation Day, as determined from time to time by the Special Limited Partnership, and other reserves (if any) authorized and approved by the General Partner, as well as such amount (if any) as the General Partner may consider to be an appropriate allowance in respect of any contingent liabilities of the Special Limited Partnership;
- ❖ All other liabilities of the Special Limited Partnership of whatsoever kind and nature reflected in accordance with Luxembourg law. In determining the amount of such liabilities, the Special Limited Partnership shall take into account all expenses payable by the Special Limited Partnership and may accrue administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

(g) For the purpose of this Section:

- ❖ Interests to be issued by the Special Limited Partnership will be treated as being in issue as from the time specified by the Special Limited Partnership on the Valuation Day with respect to which such valuation is made and from such time

and until received by the Special Limited Partnership the price therefore will be deemed to be an asset of the Special Limited Partnership;

- ❖ Interests of the Special Limited Partnership to be redeemed (if any) will be treated as existing and taken into account until the date fixed for redemption, and from such time and until paid by the Special Limited Partnership the price therefore will be deemed to be a liability of the Special Limited Partnership;
- ❖ Where on any Valuation Day, the Special Limited Partnership has contracted to:
  - (i) Purchase any asset, the value of the consideration to be paid for such asset will be shown as a liability of the Special Limited Partnership and the value of the asset to be acquired will be shown as an asset of the Special Limited Partnership;
  - (ii) Sell any asset, the value of the consideration to be received for such asset will be shown as an asset of the Special Limited Partnership and the asset to be delivered by the Special Limited Partnership will not be included in the assets of the Special Limited Partnership; provided however, that if the exact value or nature of such consideration or such asset is not known on such Valuation Day, then its value will be estimated by the Special Limited Partnership.

(h) All valuation regulations and determinations shall be interpreted and made in accordance with Luxembourg law and Luxembourg GAAP;

(i) The latest Net Asset Value will be made available to the Limited Partners at the registered office of the Special Limited Partnership as soon as it is finalized. Because of normal processing requirements, it is expected that computations of Net Asset Value governing subscriptions and redemptions of Interests will normally be completed within such period of time. Hence, the Net Asset Value as of any Valuation Day will in principle be made available to the Limited Partners as soon as it is finalized;

(j) For the avoidance of doubt, the provisions of this Section are rules for determining the Net Asset Value per Interest and are not intended to affect the treatment for accounting or legal purposes of the assets and liabilities of the Special Limited Partnership or any Interest issued by the Special Limited Partnership.

## **9. DISTRIBUTION POLICY**

Dividend distributions and capital reimbursements will be made at the General Partner's discretion in accordance with applicable laws, the provisions laid down herein and the Limited Partnership Agreement of the Special Limited Partnership, attached to this offering document (Schedule E).

Generally, it is the intention of the General Partner, and the General Partner shall act accordingly, to distribute amounts available for distribution and deriving from the Special Limited Partnership's investments to the Limited Partners until they have received an amount equivalent to 100 % of their share capital in the Special Limited Partnership.

Amounts available for distribution will be distributed on a pro-rata basis on the number of Interests held by each Limited Partner.

Distributions will be made in the Reference Currency only.

Limited Partners will be notified of distributions in writing and such notice shall contain the details of the payment.

## **10. MANAGEMENT FEE, PERFORMANCE FEE, PROMOTION FEE**

### *10.1 Management Fee*

#### **10.1.1 Introduction**

The Special Limited Partnership shall pay to the General Partner, as compensation for the investment management services rendered by the General Partner, an annual fee (hereinafter, the "**Management Fee**").

The Management Fee shall cover, *inter alia*, all expenses incurred by the General Partner in investigating investment opportunities, evaluation of potential investments, monitoring investments, portfolio management, and all office and administrative expenses of the General Partner.

The General Partner reserves the right to waive any fees and/or to share fees with an intermediary.

#### **10.1.2 Calculation - Payment Frequency**

The Management Fee shall equal to 2 % per annum of the "**Commitment**" to the Special Limited Partnership.

For the above purposes, "**Commitment**" means the total Limited Partners' subscriptions as reduced by an amount equal to the aggregate of:

- ❖ The costs related with the acquisition any investment which has been realised as at that time and;
- ❖ The amount by which any unrealised investment is fully and permanently written off as at that time.

The Management Fee shall be calculated and paid quarterly in advance. If necessary, the Management Fee shall be adjusted retrospectively to take account of any changes during the quarter.

## *10.2 Performance Fee*

### **10.2.1 Introduction**

The General Partner is entitled to receive an amount (the “**Performance Fee**”) equal to 20% of the appreciation in the Net Asset Value per Interests during the Performance Period (see below), provided that the Threshold Return-Hurdle Rate requirement has been satisfied (see below).

This Performance fee is paid quarterly as of April 30, August 31 and December 31 of each year.

### **10.2.2 Threshold Return-Hurdle Rate**

The Threshold Return is an amount that a Limited Partner would have earned for the Performance Period if it had received a rate of return equal to 12 % on the first day of each Performance Period, calculated *pro-rata temporis* by the actual number of days elapsed.

### **10.2.3 Performance Period**

The first Performance Period shall begin on January 1 and shall end on April 30 of each year. The second Performance Period shall begin on May 1 and shall end on August 31 of each year. The third and last Performance Period shall begin on September 1 and shall end on December 31 of each year

### **10.2.4 Withdrawal of Interests - Early Termination**

In the case of a withdrawal of Interests other than as of April 30, August 31 and December 31 of each year, then for purposes of determining the Performance fee, the appreciation in the Net Asset Value per Interest and Threshold Return shall be determined through withdrawal date as if such date were the last business day of April, August or December. Similarly, if the Special Limited Partnership terminates on a date other than the end of a Performance Period, the final period for computing the Performance Fee will commence as of the first business day of such Performance Period and will end as of the close of business on the termination date.

## *10.3 Promotion Fee*

The Special Limited Partnership might fund to the benefit of entities introducing investor(s) (e.g. wealth managers) to the Special Limited Partnership and its General Partner a promotion fee of 1 % to 7 %, depending on specific agreements to be concluded between the Special Limited Partnership and these entities, such fees being payable when the Limited Partner(s) has/have made all due payments of funds to the Special Limited Partnership.

This fee of 1% to 7 % shall be funded by the Limited Partner(s) with the result that a payment of a cash contribution of € 100 shall result in an investment valued the day the capital contribution is made at \$ 93 to \$ 99.

## 11. INVESTORS ADVISORY COMMITTEE

The Special Limited Partnership shall establish an Investors Advisory Committee, which shall have the composition and the powers as further described in the following sections.

### *11.1 Formation and selection*

Formation and selection of the Investors Advisory Committee:

- ❖ The Investors Advisory Committee shall be composed of the Class A Managers of the General Partner, on the one hand, and of the Limited Partner(s) or the representative(s) of the Limited Partner(s) (the Limited Partner(s) may, upon prior notice given to the General Partner, appoint one or more individuals to act as such appointed Limited Partner's/Limited Partners' designee from time to time for purposes of attending or acting at meetings or for decisions taken by written consent of the Investors Advisory Committee), on the other hand. The members of the Investors Advisory Committee are listed in Schedule D (attached to this offering document);
- ❖ Only Limited Partner(s) whose commitment to the Special Limited Partnership equals to or is greater than 125,000 € will be able to join the Investors Advisory Committee or to elect its/their representative(s) within the Investors Advisory Committee;
- ❖ The Limited Partner(s) will be able to join the Investors Advisory Committee or to appoint a designee attending to the meetings provided it/they has/have received the prior approval in this regard of the General Partner;
- ❖ The members of the Investors Advisory Committee shall not receive any compensation in connection with their membership on the Investors Advisory Committee;
- ❖ For the avoidance of doubt, it is acknowledged by the Parties that the Investors Advisory Committee is not a Supervisory Board as provided in Article 109 of the Luxembourg law on commercial companies dated 10 August 1915, and that the Investors Advisory Committee does not have the powers and obligations conferred by Luxembourg law on such a Supervisory Board, unless specifically provided otherwise in this offering document.

### *11.2 Meetings of the Investors Advisory Committee*

A meeting of the Investors Advisory Committee shall take place at least every six (6) months. Additional meetings may be called by the Limited Partners in the form of a written request and pursuant the terms of Article 8 of the Limited Partnership Agreement (Schedule E attached to this offering document). Additional meetings may also be called by the Manager with no less than fifteen (15) days prior notice to all members, which notice shall include an agenda, a summary of all matters to be considered or discussed at that meeting and a copy of the

documents to be discussed or reviewed at that meeting. Notice of any meeting may be waived by any member in writing (before or at such meeting) and any member who attends any meeting of the Investors Advisory Committee and does not (at the commencement of such meeting) object to the calling and convening of such meeting shall be deemed to waive notice of such meeting. The General Partner shall designate the date, time and location of each meeting and shall make reasonable accommodations for conflicts of schedules of Investors Advisory Committee's members. Members may participate by telephone conference call provided that all parties can hear and speak with each other. The Investors Advisory Committee may only validly deliberate if at least fifty per cent (50%) of the members are represented. The General Partner shall convene and lead the Investors Advisory Committee meetings but shall not vote on the matters considered or discussed by the Investors Advisory Committee.

Prior to the Investors Advisory Committee meetings, the General Partner will endeavour to provide members with all relevant information relating to the operation of the SLP and its investment policy. During these meetings, the Investors Advisory Committee will assess information provided by the General Partner in relation to the following matters:

- ❖ The overall progress being made by the Special Limited Partnership in the context of its investment objectives;
- ❖ Updated market research for the principal markets constituting Special Limited Partnership's targets;
- ❖ Updates in relation to the portfolio activity;
- ❖ The financial performance of the Special Limited Partnership and;
- ❖ Any other matters relevant to the overall conduct of the Special Limited Partnership.

### *11.3 Action by the Investors Advisory Committee*

Any question arising at a meeting of the Investors Advisory Committee shall be decided by a majority representing two thirds (2/3) of the voting rights held by Limited Partners. Each Limited Partner shall be deemed to hold a percentage of the voting rights at the Investors Advisory Committee corresponding to its *pro rata* of Interests.

Any action or vote of the Investors Advisory Committee may be taken by a written consent, with or without a meeting, of the members of the Investors Advisory Committee, deciding by a majority representing two thirds (2/3) of the voting rights held by the Limited Partners which have responded by facsimile or e-mail to the written consultation, provided however that, unless waived in writing by all members, each member shall have received notice of the request for consent at least fifteen (15) Days prior to the date of such consent.

### *11.4 Authority of the Investors Advisory Committee*

Except where the obtaining of the prior approval of the Investors Advisory Committee is required, the prior consultation of the Investors Advisory Committee is optional for the General Partner. Unless stated otherwise in this offering document, the recommendations of the

Investors Advisory Committee shall be advisory only and shall not obligate the Special Limited Partnership or the General Partner to act in accordance therewith.

The General Partner shall consult in advance for prior approval the Investors Advisory Committee solely and exclusively in respect to the following decisions:

- ❖ Amendment to the purpose of the Special Limited Partnership;
- ❖ Change of Nationality of the Special Limited Partnership;
- ❖ Conversion of the Special Limited Partnership into another legal form;
- ❖ Dissolution and liquidation of the Special Limited Partnership;
- ❖ The admission of one or more additional General Partner(s) (subject to the prior written consent of the General Partner)
- ❖ In case of death, winding-up, legal incapacity, resignation, bankruptcy affecting the General Partner, the decision to replace the General Partner;
- ❖ The Investors Advisory Committee shall have the power to remove the General Partner in the event of the General Partner has committed a fraud, wilful misconduct or gross negligence and if conditions as set forth in sub-section 11.3 above are met.

Except of the aforementioned points, the Investors Advisory Committee shall not participate in the management or control of the Special Limited Partnership's business nor shall it transact any business for the Special Limited Partnership, nor shall it have the power to act or bind the Special Limited Partnership, the said powers being exclusively vested in the General Partner.

## 12. CONFLICT OF INTERESTS

Each of the Limited Partners recognizes and understands that the General Partner may incorporate and manage a collective investment vehicle with a similar strategy to that of the Special Limited Partnership, make investments on behalf of and manage the investment portfolios of other funds or pooling vehicles (the "*Parallel Initiatives*").

The Limited Partners hereby consent and agree to such Parallel Initiatives and further consent and agree that neither the Special Limited Partnership nor any of its Limited Partners shall have, pursuant to this offering document and its appended agreement, any rights in or to such activities, or any profits derived therefrom.

Furthermore, each of the Limited Partners recognizes and understands that the General Partner may select one or more entities associated with the General Partner to provide services to the Special Limited Partnership, including, without limitation, an entity to provide outsourced accounting services. The Limited Partners hereby consent and agree that such selection of service providers by the General Partner, even if any such entity is an Affiliate of the General Partner, shall not constitute a conflict of interest by the General Partner or any managing member thereof.



The Limited Partners hereby agree that the General Partner may offer the right to participate, directly or indirectly, in investment opportunities of the Special Limited Partnership to one or more private investors, groups, partnerships, or corporations whenever the General Partner, in its discretion, so determines and the Limited Partners acknowledge that such investment practices involve an inherent conflict of interest and agree that the General Partner shall have no liability attributable to or based upon such conflict of interest in the absence of intentional harm to the Special Limited Partnership by the General Partner or a member thereof.

## 13. TAX STATUS

### *1. Tax regime of the Special Limited Partnership*

The Special Limited Partnership is transparent for Luxembourg Commercial Income Tax (“*CIT*”) and Net Wealth Tax (“*NWT*”) purposes. The Special Limited Partnership is thus not subject to CIT and NWT.

The Special Limited Partnership is also exempted of Municipal Business Tax (“*MBT*”) insofar (a) it does not carry on trade or business activities on a permanent basis and (b) the General Partner holds less than 5% of the Special Limited Partnership’s Interests.

In order to achieve a complete tax transparency, it should, however, be insured that the Special Limited Partnership does not perform any commercial activity *per se*.

### *2. Tax regime of the Limited Partners*

Limited Partners who are residents in Luxembourg should be subject to CIT and NWT, when applicable, in Luxembourg by transparency of the Special Limited Partnership as if they owned the assets and income of Special Limited Partnership.

Limited Partners who are non-residents should as a matter of principle, thus not be subject to Luxembourg tax on income and gains arising from their interest in the Special Limited Partnership. There are two exceptions:

- ❖ The non-resident Limited Partners is holding its interest in the Special Limited Partnership through a Luxembourg permanent establishment or;
- ❖ The income and gains of the Special Limited Partnership attributable to the non-resident Limited Partners, by transparency, are either taxable in Luxembourg in the absence of a Double Tax Treaty (e.g. speculative gains on shares of a Luxembourg capital company) and/or taxable in Luxembourg by application of a Double Tax Treaty (e.g. permanent establishment or real estate in Luxembourg).

### *3. Tax regime of the Distributions*

Dividend distributions and interest or royalties’ payments made by the Special Limited Partnership to resident or non-resident Limited Partners are not subject to withholding tax in Luxembourg.

The income that Limited Partners derive from their participation in the Special Limited Partnership will be taxed in their specific country of residence according to the tax rules applicable therein. In this regard, Limited Partners are strongly advised to analyze their personal situation and take advice from tax specialists.

Limited Partners will also pay attention to the entry into force of the Common Reporting Standard (“**CRS**”). On 9 December 2014, the Council of the European Union adopted Directive 2014/107/EU amending Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation which now provides for an automatic exchange of financial account information between EU Member States (“**DAC Directive**”), including income categories contained in the EU Savings Directive.

The adoption of the directive implements the OECD Common Reporting Standard (“**CRS**”) and generalizes the automatic exchange of information within the European Union as of 1 January 2016.

To avoid duplication reporting standards, the EU Council adopted, on 10 November 2015, Council Directive 2015/2060 repealing Directive 2003/48/EC on taxation of savings income in the form of interest payments (“**EU Savings Directive**”). The new directive effectively phases out the EU Savings Directive at the same time as the CRS is phased in. Consequently, the EU Savings Directive ceases to be applicable in the EU Member States effective 1 January 2016 (2018 in Austria).

In Luxembourg, the Law of 23 July 2016 implementing Directive 2015/2060 correspondingly repeals the Law of June 2005 implementing the EU Savings Directive.

Similarly, the Bilateral Agreements with certain associated or dependent territories or third countries, introducing measures identical or equivalent to those of the EU Savings Directive will cease to apply, as all such signatory jurisdictions have also signed the CRS Multilateral Competent Authorities Agreement (“**CAA**”) and will therefore also be exchanging information in accordance with the CRS with including Luxembourg. However, of the jurisdictions whose EU Savings Directive Bilateral Agreements are reciprocal, Sint Marteen and Aruba will only apply CRS starting 1 January 2018.

The CRS is applicable to reporting financial institutions. This definition is quite wide and covers, among others, custodial institutions, depository institutions, investment entities and specified insurance companies unless they present a low tax evasion risk and are excluded from reporting. Non-reporting financial institutions include:

- ❖ Government entities, international organizations and central banks;
- ❖ Broad participation retirement funds, narrow participation retirement funds, qualified credit card issuers and pension funds of government entities, international organizations and central banks;
- ❖ Entities that present a low risk of tax evasion and have certain characteristics (such entities will be defined by local law);
- ❖ Exempt collective investment vehicles;

- ❖ Trusts, if the trustee is a reporting financial institution that reports all necessary information on behalf of the trust.

The list of accounts covered by the CRS includes depository accounts, custodial accounts, cash-value insurance contracts, annuity contracts and certain equity or debt interests in a financial institution.

Under the terms of the CAA, the partner jurisdictions agree to exchange information on account holders which have their tax residence jurisdiction in the other jurisdiction.

Generally, information will be exchanged between the competent authorities within nine months after the end of the calendar year. Therefore, this information will need to be reported by financial institutions significantly earlier than this. It is, however, left to each jurisdiction to define the timeframe for reporting by financial institutions.

The information to be reported includes:

- ❖ The name, address, taxpayer identification number (“*TIN*”) and date of birth (for individuals);
- ❖ Account number (or functional equivalent);
- ❖ Account balance or value;
- ❖ Gross amounts paid to the account in the year;
- ❖ Total gross proceeds paid or credited to the account.

Although, the EU Savings Directive has been repealed with effect from 1 January 2016, for a transitional period the EU Savings Directive shall continue to apply and notably regarding reporting obligations and scope of information to be provided by the Luxembourg paying agent (within the meaning of the EU Savings Directive) and regarding obligations of the Member States in respect of the issuance of the tax residence certificate and elimination of double taxation.

Limited Partners should get further information about and, where appropriate, take advice on the impact of the changes to the EU Law, the implementation of the DAC Directive, CAA and the CRS system in Luxembourg and in their country of residence on their investment.

## **14. CONFIDENTIALITY**

The Limited Partners hereby acknowledge that the Special Limited Partnership creates and will be in possession of confidential information the improper use or disclosure of which could have a material adverse effect upon the Special Limited Partnership or upon one or more Limited Partners. The Limited Partners hereby acknowledge that the rights of a Limited Partner to obtain information from the Special Limited Partnership shall be limited to only those rights provided for in this offering document and in its appended agreements.

Notwithstanding anything in this offering document or its appended agreements to the contrary, including without limitation any requirement to deliver unaudited financial statements or audited financial statement (as the case may be) to allow the inspection of the Special Limited Partnership's books, any information provided or disclosed to a Limited Partner may be adjusted, at the General Partner's sole discretion, such that the actual names and other identifying data that relate to the Special Limited Partnership is not disclosed.

The Limited Partners acknowledge and agree that all information provided to them by or on behalf of the Special Limited Partnership or the General Partner concerning the business or assets of the Special Limited Partnership, a Limited Partner (including, without limitation, this offering document and its appended agreements and schedules) shall be deemed strictly confidential and shall be used by Limited Partners only in furtherance of their interests as Limited Partners and, subject to disclosures required by applicable law, each Limited Partner hereby agrees to maintain the strict confidentiality of such financial statements and other information provided to such Limited Partner by the Special Limited Partnership. The General Partner hereby consents to the disclosure by each Limited Partner of Special Limited Partnership information to such Limited Partner's accountants and attorneys.

Notwithstanding the foregoing, to the extent required to do so by its partnership or organizational agreement, each Limited Partner that is a partnership, limited liability company or similar entity that has an obligation to share any such financial statements or other confidential information relating to the Special Limited Partnership's performance and the valuation of the Special Limited Partnership interest of such Limited Partner with its equity holders for their use in furtherance of their interests as equity holders of such Limited Partner, may share such information with its partners or members; provided, however, that such Limited Partner receive prior written approval from the General Partner as to the type of such information to be provided by such Limited Partner to its partners or members; provided, further, that the recipients of such information are advised in writing of the confidentiality obligations of the Limited Partner, such recipients agree to preserve the confidentiality of such information consistent with the provisions hereof as if they were the Limited Partner, and that the Special Limited Partnership is considered a third-party beneficiary with respect to such agreement.

Each Limited Partner shall promptly notify the General Partner of any unauthorized release or use of any confidential Special Limited Partnership's information; moreover, each Limited Partner acknowledges and agrees that it shall promptly notify the General Partner upon receipt of any notice from a governmental or quasi-governmental agency (or any other agency, institution or entity) or a court or administrative decision demanding that such Limited Partner release any Special Limited Partnership's information, and such Limited Partner acknowledges and agrees that it shall not release such confidential Special Limited Partnership information thereto for at least ten calendar days following such notification to the General Partner unless otherwise required by law to release it prior to the expiration of such ten-day period. Special Limited Partnership's information (including, among others, information relating to another Limited Partner) provided by one Limited Partner to another shall be deemed to have been provided on behalf of the Special Limited Partnership.

Notwithstanding any provision of this offering document or its appended agreement and schedules to the contrary, in order to preserve the confidentiality of information disseminated by the General Partner or the Special Limited Partnership under this offering document or its appended agreements or schedules, including, but not limited to, quarterly and annual reports (if applicable), information provided to the Investors Advisory Committee and assuming that a Limited Partner is entitled to receive such information pursuant to this offering document or its appended agreement or schedules, the General Partner may (if applicable) (i) provide to such Limited Partner access to such information only on the Special Limited Partnership's website in password protected, non-downloadable, non-printable format for a reasonably limited period of time (e.g., until such information is no longer current), and (ii) require such Limited Partner to return any copies of information provided to it by the General Partner or the Special Limited Partnership, and such Limited Partner hereby agrees that, upon reasonable request by the General Partner, it shall (and shall cause its affiliates and representatives to) promptly return (or certify in writing to the Special Limited Partnership the destruction thereof) all copies (whether paper or electronic) of all materials containing such requested information.

The Limited Partners: (i) acknowledge that the General Partner is expected to acquire confidential third party information that, pursuant to related fiduciary, contractual, legal or similar obligations, cannot be disclosed to the Special Limited Partnership or the Limited Partners; and (ii) agree that neither the General Partner nor its members shall be in breach of any duty under this offering document or its appended agreements and schedules in consequence of acquiring, holding or failing to disclose such information to the Special Limited Partnership or the Limited Partners so long as such obligations were undertaken in good faith.

Each Limited Partner agrees to cooperate with such procedures and restrictions as may be developed by the General Partner from time to time in connection with the disclosure of non-public information concerning the General Partner and the Special limited Partnership, including without limitation information concerning the Special Limited Partnership's portfolio investments, as determined by the General Partner to be reasonably necessary and advisable to maintain and promote compliance with legal and other regulatory matters applicable to the General Partner, the Special Limited Partnership, the Limited Partners and the Special Limited Partnership's portfolio investments, including securities laws and regulations. The obligations and undertakings of each Limited Partner under the present section shall be continuing and shall survive termination of the Special Limited Partnership.

The Special Limited Partnership shall be entitled to enforce the obligations of each Limited Partner under this Section to maintain the confidentiality of the financial statements as well as the Net Asset Value Statement of the Special Limited Partnership and other information provided by the Special Limited Partnership or the General Partner to such Limited Partner.

The remedies provided for are in addition to and not in limitation of any other right or remedy of the Special Limited Partnership provided by law, this offering document or its appended agreement and schedules, or any other agreement entered into by or among any one or more of the Limited Partners and the Special Limited Partnership. In the event of any legal proceedings relating to a breach of this Section by a Limited Partner, such Limited Partner shall pay all costs and expenses incurred by the Special Limited Partnership, including attorneys' fees.

Each Limited Partner hereby (i) agrees that the remedy at law for damages resulting from its default is inadequate because the substantial value that the Special Limited Partnership derives from information concerning the Special Limited Partnership and its portfolio's investments requires that such information be kept confidential, and (ii) consents to the institution of an action for specific performance (*execution forcée*) of its obligations to keep confidential the Special Limited Partnership's information in the event of such a breach of this Section. Each Limited Partner further agrees that any actions taken by the General Partner under this Section shall expressly supersede any duties the General Partner may otherwise have to such breaching Limited Partner under this offering document or its appended agreement and schedules, or the law.

To the extent permitted by applicable law, and notwithstanding anything in this offering document or its appended agreements or schedules to the contrary, the General Partner may, in its sole and absolute discretion, keep confidential from any Limited Partner information to the extent the General Partner reasonably determines that: (i) disclosure of such information to such Limited Partner likely would have a material adverse effect upon the Special Limited Partnership, a Limited Partner or a portfolio investments due to an actual or likely conflict of business interests between such Limited Partner and one or more other parties or an actual or likely imposition of additional statutory or regulatory constraints upon the Special Limited Partnership, a Limited Partner or the Special Limited Partnership's Portfolio; or (ii) in the case of a Limited Partner that the General Partner reasonably determines cannot or will not adequately protect against the disclosure of confidential information, the disclosure of such information to a non-Limited Partner likely would have a material adverse effect upon the Special Limited Partnership, a Limited Partner, or the Special Limited Partnership's Portfolio.

The foregoing provisions of this Section shall not apply to permit the General Partner to keep confidential from a Limited Partner any information that such Limited Partner requires to comply with applicable law. So long as the General Partner acts pursuant to this Section, such action by the General Partner shall not constitute a breach of this offering document or its appended agreements and schedules or of any duty stated or implied in law.

Each Limited Partner acknowledges and agrees that the General Partner may consider the different circumstances of Limited Partners with respect to the restrictions and obligations imposed on Limited Partners in this Section and the provision of information under this offering document or its appended agreements and schedules, and the General Partner in its sole and absolute discretion may agree to waive or modify any of such restrictions and/or obligations with respect to a Limited Partner with the consent of such Limited Partner. Each Limited Partner further acknowledges and agrees that any such agreement by the General Partner with a Limited Partner to waive or modify any of the restrictions and/or obligations imposed by this Section shall not constitute a breach of this offering document or its appended agreements and schedules or of any duty stated or implied in law to any Limited Partner, regardless of whether different agreements are reached with different Limited Partners.

Should any Limited Partner breach any of its obligations (the "**Breaching Limited Partner**"), as determined in good faith by the General Partner, the General Partner may, in its sole and absolute discretion, elect to apply available remedies to such Breaching Limited Partner.

For purposes of any application to a Breaching Limited Partner, any references to a particular date of default shall correspond to the date in which a Breaching Limited Partner first breached the provisions of this Section.

## **15. ANTI-MONEY LAUNDERING AND COMPLIANCE**

Each Limited Partner hereby acknowledges that the Special Limited Partnership seeks to comply with all applicable laws concerning money laundering, terrorist financing and similar activities.

In furtherance of such efforts, such Limited Partner hereby represents and agrees that, to the best of such Limited Partner's knowledge based upon appropriate diligence and investigation:

- ❖ None of the cash or property that is paid or contributed to the Special Limited Partnership by such Limited Partner shall be derived from, or related to, any activity that is deemed criminal under European Union laws and;
- ❖ No contribution or payment to the Special Limited Partnership by such Limited Partner shall (to the extent that such matters are within such Limited Partner's control) cause the Special Limited Partnership or the General Partner to be in violation of European Union laws in relation to anti-money laundering and all signatories hereto shall comply with requests of the Special Limited Partnerships notaries and service providers in connection with such legislation as well as any legislation relating to the United States FATCA or the Global Information Exchange initiative.

Each Limited Partner shall promptly notify the General Partner if any of the foregoing shall cease to be true and accurate with respect to such Limited Partner.

Each Limited Partner hereby agrees to provide to the General Partner any additional information regarding such Limited Partner deemed necessary or convenient by the General Partner to ensure compliance with all applicable laws concerning money laundering, terrorism financing and similar illicit activities as well as tax evasion.

Each Limited Partner understands and agrees that the Special Limited Partnership or the General Partner may release confidential information about such Limited Partner and, if applicable, any underlying beneficial owners, to proper authorities if the General Partner, in its sole discretion, determines that it is in the best interests of the Special Limited Partnership or its affiliates in light of relevant rules and regulations under the laws set forth above.

Each Limited Partner understands and agrees that, if at any time it is discovered that any of the foregoing representations are incorrect, or if otherwise required by applicable law or regulation related to money laundering, terrorism financing and similar activities, the General Partner may undertake appropriate actions to ensure compliance with applicable law or regulation, including, but not limited to, segregation and/or redemption of such Limited Partner's

investment in the Special Limited Partnership, cessation of further distributions to such Limited Partner and other similar acts.

In the event that the General Partner takes any of the foregoing acts, each Limited Partner agrees that the General Partner, in its sole, absolute and reasonable discretion, may manage the portion of such Limited Partner's investment in the Special Limited Partnership separate and apart from the Special Limited Partnership's assets including, without limitation, selling or otherwise disposing of such assets and reinvesting the proceeds therefrom. The rights and obligations of the General Partner under this Section shall expressly supersede any duties that the General Partner may have to such Limited Partner under relevant Laws.

In addition to any remedies at law, each Limited Partner severally agrees to indemnify and hold harmless the Special Limited Partnership, the General Partner and its affiliates and each other Limited Partner from and against any and all losses, liabilities, damages, penalties, costs, fees and expenses (including legal fees and disbursements) which may result, directly or indirectly, from any acts taken by the General Partner in accordance with the preceding paragraphs.

## 16. TERM AND DISSOLUTION OF THE SPECIAL LIMITED PARTNERSHIP

### *1. Term of the Special Limited Partnership*

The term of the Special Limited Partnership shall commence upon the signature of the appended Limited Partnership Agreement (Schedule E attached to this offering document) (the "**Commencement Date**") and shall continue for an indefinite duration unless the Special Limited Partnership is sooner dissolved as provided in this section or the Special Limited Partnership term is extended as provided in subsection 3 below (the "**Special Limited Partnership Term**").

### *2. Dissolution*

The Special Limited Partnership Term shall end:

- ❖ Ninety (90) days after the decision of the General Partner, subject to the prior approval of the Investors Advisory Committee, for any reason as the General Partner may think fit;
- ❖ Upon the General Partner bankruptcy or dissolution and winding-up of the affairs of the General Partner, without a decision of replacement - subject to the prior approval of the Investors Advisory Committee - of the General Partner.

### *3. Events Affecting (a) member(s) of the General Partner*

Except the death, incapacity (temporary or permanent), insanity, incompetency and General Partner's bankruptcy, the Special Limited Partnership shall not be dissolved by the expulsion, retirement, withdrawal, or removal of (a member) any of the members of the General Partner.



## 17. REPRESENTATIONS, WARRANTIES AND COVENANTS

### *17.1 Limited Partner's Representations, Warranties and Covenants*

Each time an investor purchases or subscribes for Interests in the Special Limited Partnership, such investor hereby acknowledges, represents and warrants to, and agrees with the Special Limited Partnership and the Manager as follows:

- (a) **Extreme Volatility and Fluctuations.** The investor understands that the value of cryptocurrencies over time may experience extreme volatility or depreciate in full;
- (b) **Class Action; Class wide Arbitration.** The investor waives the right to participate in a class action lawsuit or a class wide arbitration against the Special Limited Partnership, the General Partner or any individual involved with the creation and functioning of the Special Limited Partnership;
- (c) **Illegal Purposes.** The investor is not obtaining Special Limited Partnership's Interests for any illegal purposes;
- (d) **Deep understanding.** The investor has a deep understanding of the functioning, usage, storage, transmission mechanisms and intricacies related to cryptocurrencies;
- (e) **Power and Authority.** The investor is empowered, authorised and qualified to enter into the Subscription Agreement attached to this offering document (Schedule B) to commit capital for the acquisition of Interests and to become a Limited Partner. The person signing the Subscription Agreement on behalf of any investor has been duly authorised by such Investor to do so.
- (f) **Investment Intent.** The investor is acquiring Interests for such investor's own account and not with a view to distribution or resale, and he has no contract, undertaking or arrangements with any person to sell, assign, transfer or grant a participation right with respect to any of its Interest and has no intention to sell, assign or otherwise transfer the Interests other than to an affiliate.
- (g) **Sophistication.** Immediately prior to the execution of the Subscription Agreement, the investor has such knowledge and experience in financial business matters such that the investor is capable of evaluating the merits and risks of the prospective investment.
- (h) **Tolerance of Loss.** The investor has no need for liquidity in this investment, each investor has the ability to bear the economic risk of this investment, and at the present time and in the foreseeable future can afford a complete loss of this investment; provided that notwithstanding the foregoing, nothing contained herein shall be deemed a waiver or release of any claim, liability, duty or obligation.

- (i) **No registration.** The investor understood and acknowledged that the Interests have not been registered or listed under the securities laws of any country or state nor has any agency or authority reviewed or approved the terms under which the Interests are issued. Furthermore, the Special Limited Partnership is not entitled to make any public offering under the laws of the Grand Duchy of Luxembourg.
- (j) **Access to information.** The investor has carefully reviewed the Limited Partnership Agreement (Schedule E attached to this offering document) and this offering document (as well as attached Schedules) and understands the risks of, and other considerations relating to, the purchase of Interests as well as the investment objectives, policies and strategies of the Special Limited Partnership. The Special Limited Partnership has made available to it all documents that it has requested relating to an investment in the Special Limited Partnership and it has provided answers to all of investor's questions concerning this investment. In evaluating the suitability of an investment in the Special Limited Partnership, the investor has not relied upon any representations or other information (whether oral or written) other than as contained in the documents or written answers to questions furnished to the investor by the Special Limited Partnership and the General Partner, and it acknowledges that such information has not been supplemented to reflect significant changes in the structure and the terms of the investment (whether or not reflected in this offering document).
- (k) **Authority.** The execution and delivery of the Subscription Agreement, and all other documents and agreements relating to an investment in the Special Limited Partnership have been duly authorised by all necessary corporate action and such documents and agreements:
  - (i) constitute its legal, valid and binding obligation enforceable in accordance with their terms;
  - (ii) do not, and the performance of the terms thereof will not, contravene any provision of existing law or regulations, or its charter, articles of association or organisational documents and;
  - (iii) will not conflict with or result in any breach of the terms, conditions or provisions of, or constitute a default under, or result in or permit the creation or imposition of any lien, charge or encumbrance upon any of its assets pursuant to, any indenture, mortgage, or other agreement or instrument or any judgement, decree, order or decision to which such investor is a party or by which he is bound.
- (l) **Person.** It is a well-informed investor.

### *17.2 General Partner's Representations, Warranties and Covenants*

1. The General Partner, acting on its behalf and on behalf of all of its affiliates, represents and warrants to and agrees with each investor holder of Interests that it will not, under any circumstances sell, assign, transfer, pledge or grant Special Limited Partnership's assets;

2. The General Partner represents and warrants to and agrees with each investor holder of Interests that:

- a) **Existence.** It is a corporation duly incorporated, organized and registered under the laws of the Grand-Duchy of Luxembourg;
- b) **Authorization, No Conflict, Enforceability.** The execution, delivery and performance by the General Partner of the Subscription Agreement and any further agreements to which it is, or is to be, a party are within the General Partner's powers, have been or will be duly authorized, executed and delivered by all necessary corporate or other action, and do not and will not conflict with, or constitute a default under, any provision of applicable law, the articles of incorporation or by-laws of the General Partner or of any agreement, judgment, injunction, order, decree or other instrument binding upon the General Partner or result in the creation or imposition of any lien, or any obligation to create or impose any lien, on any asset of the General Partner (except as contemplated hereby).

The Subscription Agreement and any other agreement to which the General Partner is or will be a party pursuant to the Subscription Agreement constitute legal, valid and binding obligations of the General Partner enforceable against the General Partner in accordance with their respective terms, except as enforceability thereof may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally.

- c) **Consents.** No consents of, and no filings or registrations with, any governmental authority or any other person are necessary for the execution and delivery by the General Partner of the Subscription Agreement and any related agreement to which it may be a party, or the performance by the General Partner of the transactions contemplated to be performed by it pursuant to this offering document, the Subscription Agreement and any related agreement to which it may be a party or for the legality, validity or enforceability hereof or thereof ;
- d) **Litigation.** There is no action, suit or proceeding pending or, to the knowledge of the General Partner threatened, against the General Partner before any court or arbitrator or any governmental body, agency or official that would reasonably be expected to materially adversely affect the General Partner's ability to perform any of its obligations under this offering document, the Subscription Agreement or any related agreement to which it may be a party;
- e) **Compliance with the Law.** The General Partner is not in violation of any applicable law with respect to its assets, which violation would, individually or in the aggregate, reasonably be expected to result in a material adverse effect respecting the Special Limited Partnership. The General Partner has not received any notice of, or citation for, any

violation of any law in any material respect which has not been resolved, which notice or citation relates in any way to any piece of assets;

- f) **Truth and Full Disclosure.** No information furnished by or on behalf of the General Partner to the Special Limited Partnership or the investors in connection with this offering document, the Subscription Agreement or any other document or any transaction contemplated thereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.
- g) **Compliance with Securities Law.** Based on the representations and warranties given by the investors in the sub-section above and considering the absence of any public communication and the circumstance that the investors are a small number of wealthy individuals, the subscription and purchase of Interests by the investors pursuant to the Subscription Agreement will comply with applicable securities laws of the Grand Duchy of Luxembourg;
- h) **No adverse effect from the Special Limited Partnership.** There is no litigation to which the Special Limited Partnership is a party nor, to the best of the knowledge of the General Partner, any threatened litigation, which could have a material adverse effect on the financial condition of the Special Limited Partnership or impair the ability of the Special Limited Partnership to execute its obligations under this offering document, the Subscription Agreement or any further agreement.

### *17.3 General Partner's specific Covenants*

The General Partner hereby agrees and covenants with the Special Limited Partnership and the Limited Partners that:

1. It shall, at all times, continue to be in good standing as a company under the laws of the Grand-Duchy of Luxembourg with power to carry on its business as it is now being conducted and to own its property and other assets;
2. It shall act in good faith and with due diligence and will exercise all due skill and care in carrying out its duties under this offering document and the Subscription Agreement;
3. It shall ensure that all material property of the Special Limited Partnership is clearly identified as such, held separately from property of the General Partner and, where applicable, in safe custody.

### *17.4 Completeness and Accuracy*

The foregoing representations and warranties and all other information which the Limited Partners and the General Partner have provided to the Special Limited Partnership concerning the investors, the General Partner and their financial condition are true and accurate as of the

date hereof. If the representations and warranties shall not be true and accurate prior thereto, the Limited Partners and the General Partner will give written notice of that fact to the General Partner, specifying which representations and warranties are not true and accurate and the reason therefore.

### *17.5 Representations and Warranties of the Special Limited Partnership*

The Special Limited Partnership represents and warrants to and agrees with each investor that the execution and delivery of the Subscription Agreement and all other documents have been duly authorised by all necessary corporate action on the part of the Special Limited Partnership and such documents and agreements:

- ❖ constitute legal, valid and binding obligations enforceable in accordance with their terms of the Special Limited Partnership;
- ❖ do not, and the performance of the terms thereof will not, contravene any provision of existing law or regulations, or provisions of its Limited Partnership Agreement (assuming the correctness of the representations and warranties given by each investor in sub-sections above) and;
- ❖ will not conflict with or result in any breach of the terms, conditions or provisions of, or constitute a default under, or result in or permit the creation or imposition of any lien, charge or encumbrance upon any of its assets pursuant to, any indenture, mortgage, or other agreement or instrument or any judgement, decree, order or decision to which the Special Limited Partnership is a party or by which it is bound.

### *17.6 Completeness and Accuracy*

The foregoing representations and warranties are true and accurate as of the date hereof and the Special Limited Partnership shall procure that they shall stay true and accurate. If the representations and warranties shall not be true and accurate prior thereto, the Special Limited Partnership will give written notice of that fact to the investors and to the General Partner, specifying which representations and warranties are not true and accurate and the reason therefore.

## 18. SCHEDULES

<b>LIST OF SCHEDULES</b>
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<b>Schedule A:</b>	<b>Investors and participations</b>
<b>Schedule B:</b>	<b>Subscription Agreement</b>
<b>Schedule C:</b>	<b>Net Asset Value</b>
<b>Schedule D:</b>	<b>Composition of the Investors Advisory Committee – Updated List</b>
<b>Schedule E:</b>	<b>Limited Partnership Agreement of Hydro Fund SLP</b>
<b>Schedule F:</b>	<b>Non-Exhaustive List of Some of the Main Responsibilities of the Manager</b>

Schedule A

**Investors and participations**

1. \_\_\_\_\_ %

2. \_\_\_\_\_ %

3. \_\_\_\_\_ %

4. \_\_\_\_\_ %

5. \_\_\_\_\_ %

6. \_\_\_\_\_ %

7. \_\_\_\_\_ %

Schedule B

**Subscription Agreement**

Pursuant to this Subscription Agreement (“**Agreement**”) entered into on \_\_\_\_\_

the undersigned, \_\_\_\_\_ (“**Additional Investor**”)

declares to subscribe to \_\_\_\_\_ of Interests in:

**Hydro Fund SLP**

a *Société en Comandite Spéciale* registered under the laws of the Grand Duchy of Luxembourg and having its registered office in Sentier de l’Espérance, L-1474 Luxembourg, Grand Duchy of Luxembourg,

and to pay up in cash the amount of \_\_\_\_\_ Euros/Pounds Sterling/USD Dollars (€/£/\$ \_\_\_\_\_) per unit, on the bank account of Hydro Fund SLP.

**THE ADDITIONAL INVESTOR HEREBY AGREES**

*forthwith to become a party to and be bound in all respects by the provisions of the Prospectus to which this Agreement is appended and by the provisions of this Agreement concluded on \_\_\_\_\_ and between, **Hydro Fund SLP**, its General Partner **Hydro Holdings** and, **the Additional Investor**, and hereby makes the representations and provides the warranties, as further described in the Prospectus to which this Agreement is appended.*

*All notices, requests, claims, demands and other communications under this Agreement or under the Prospectus shall be validly made or delivered when made or delivered to the Additional Investor at the address specified below:*

Address: \_\_\_\_\_

Attention: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_



1) This Agreement has been signed by \_\_\_\_\_ in its capacity of Additional Investor.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

2) This Agreement has been signed, for acceptance of the accession of \_\_\_\_\_ as an Additional Investor, by **Hydro Fund SLP**, acting through its General Partner **Hydro Holdings**, itself acting through its three managers:

\_\_\_\_\_  
By: Mr. Ben Bobby

Title: Class A Manager

Date: \_\_\_\_\_

\_\_\_\_\_  
By: Mr. Bob Ben

Title: Class A Manager

Date: \_\_\_\_\_

\_\_\_\_\_  
By: Mr. Beans van Bob

Title: Class B Manager

Date: \_\_\_\_\_

3) This Agreement has also been signed, for acceptance of the accession of \_\_\_\_\_ as an Additional Investor, by **Hydro Holdings**, acting through its three managers:

\_\_\_\_\_  
By: Mr. Ben Bobby

Title: Class A Manager

Date: \_\_\_\_\_

\_\_\_\_\_  
By: Mr. Bob Ben

Title: Class A Manager

Date: \_\_\_\_\_

\_\_\_\_\_  
By: Mr. Beans van Bob

Title: Class B Manager

Date: \_\_\_\_\_

Schedule C

**Net Asset Value**

The Net Asset Value with respect to any Special Limited Partnership's asset shall be the assets adjusted on the following calculation:

(a) The Special Limited Partnership's Net Asset Value will be calculated in accordance with Luxembourg GAAP and procedure and restrictions provided for in this offering document. The reference currency of the Special Limited Partnership is the US Dollar (the "**Reference Currency**").

(b) The General Partner will calculate and publish the Special Limited Partnership's Net Asset Value weekly, every Monday at 4:00 PM (Luxembourg time) (the "**Valuation Day**"). If the Valuation Day is an official holiday, the Net Asset Value will be calculated and published the following working day.

(c) **Calculation of the Net Asset Value:**

- ❖ The Net Asset Value of the Special Limited Partnership will be calculated in good faith as it is stipulated in this offering document and in accordance with Luxembourg law;
- ❖ The Net Asset Value will be computed as follows. The value of the total portfolio and distribution entitlements attributed to the Special Limited Partnership assets on a given Valuation Day adjusted with the liabilities on that Valuation Day represents the total Net Asset Value on that Valuation Day;
- ❖ The value of all assets and liabilities not expressed in the Reference Currency will be converted into the Reference Currency at the relevant rates of exchange prevailing in Luxembourg on the relevant Valuation Day. If such quotations are not available, the rate of exchange will be determined with prudence and in good faith by or under procedures established by the Special Limited Partnership;
- ❖ The Net Asset Value of the Special Limited Partnership will be determined by calculating the aggregate of:
  - The value of all assets of the Special Limited Partnership on the relevant Valuation Day less;
  - All the liabilities of the Special Limited Partnership and all fees attributable to the Special Limited Partnership, which fees have accrued but are unpaid on the relevant Valuation Day.

(d) The total net assets of the Special Limited Partnership will result from the difference between the gross assets (including the market value of investments owned by the Special Limited Partnership and its intermediary vehicles) and the liabilities of the Special Limited Partnership.

(e) The assets of the Special Limited Partnership shall include:

- ❖ Cryptocurrencies held by the Special Limited Partnership in wallets within exchanges;
- ❖ All investments registered in the name of the Special Limited Partnership for its account or any intermediary vehicles;
- ❖ All cash in hand or on deposit, including any interest accrued thereon, owned by the Special Limited Partnership;
- ❖ All bills and demand notes payable and accounts receivable (including proceeds of properties, property rights, securities or any other assets sold but not delivered) owned by the Special Limited Partnership;
- ❖ All financial instruments and securities including but not limited to bonds, time notes, certificates of deposit, shares, stocks, debentures, debenture stocks, subscription rights, warrants, options and similar assets owned or contracted for by the Special Limited Partnership;
- ❖ All stock dividends, cash dividends and cash payments receivable by the Special Limited Partnership to the extent information thereon is reasonably available to the Special Limited Partnership;
- ❖ The formation expenses of the Special Limited Partnership, including the cost of issuing and distributing shares of the Special Limited Partnership, insofar as the same have not been written off and;
- ❖ All other assets of any kind and nature including expenses paid in advance.

The value of the assets of the Special Limited Partnership will be determined as follows:

- ✓ Cryptocurrencies held in the Special Limited Partnership's portfolio will be valued according to the following guidelines:
  4. Determination of the category to which cryptocurrencies held by the Special Limited Partnership belong;
  5. Determination of the exchanges within which the cryptocurrencies held by the Special Limited Partnership are traded;

6. Determine whether cryptocurrencies held in the exchanges are tradable directly in US Dollars. If they are tradable in US Dollars, the valuation method described in point 4a) shall be applied. If cryptocurrencies are not tradable in US Dollars, the valuation method described in point 4b) shall be applied;
  - 4a. Determination of the price for which the whole position held in cryptocurrencies could be liquidated into US Dollars on the Valuation Day on the exchange in which cryptocurrencies are held and traded;
  - 4b.1 Determination of the price for which the whole position held in cryptocurrencies could be liquidated into BitCoins on the Valuation Day on the exchange in which cryptocurrencies are held and traded;
  - 4b.2 Liquidation of the whole position in cryptocurrencies held into *BitCoins* (this includes trading costs on exchanges). Once this step is completed, the whole position held will be liquidated into US Dollars, accordingly sub-section 4a;
7. Once all cryptocurrencies held on exchanges are valued in US Dollars, the cost of withdrawal to the bank account of the Special Limited Partnership's Custodian will be determined;
8. Determination of what would be the final amount in US Dollars in the bank account of the Special Limited Partnership's Custodian after deduction of trading and withdrawal fees from the exchanges on which the cryptocurrencies are held.
7. In the event that one of the exchanges in which cryptocurrencies are being held is not operational at the time of determining the price of cryptocurrencies in US Dollars, the General Partner will use the price being offered on *bitstamp.com* and therefore will also use the operational fees determined by *bitstamp.com*, subject to the next sentence. If the *bitstamp.com* becomes unavailable (e.g., data sources from the *bitstamp.com* for cryptocurrencies' prices become unavailable, unwieldy or otherwise impractical for use), or if the General Partner determines in good faith that *bitstamp.com* does not reflect an accurate bitcoin price, then the General Partner will, in good faith and on a best efforts basis, contact *bitstamp.com* in an attempt to obtain the relevant data. If after such contact *bitstamp.com* remains unavailable or the General Partner continues to believe in good faith that the *bitstamp.com* does not reflect an accurate cryptocurrencies' price in US Dollars, then General Partner will employ the next rule to determine the price of cryptoassets.

- ✓ Securities listed on an official stock exchange or dealt on any other organized market will be valued at their last available price in Luxembourg on the Valuation Day and, if the security is traded on several markets, on the basis of the last known price on the main market of this security. If the last known price is not representative, valuation will be based on the fair value at which it is expected it can be sold, as determined with prudence and in good faith by the General Partner or its delegate;
- ✓ Securities which are not listed on a stock exchange nor dealt in on another regulated market will be valued on the basis of their fair value estimated with prudence and in good faith by the General Partner;
- ✓ The value of any cash in hand or on deposit, bills and demand notes and accounts, receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid, and not yet received will be deemed to be the full amount thereof, unless it is unlikely to be received in which case the value thereof will be arrived at after making such discount as the General Partner may consider appropriate in such case to reflect the true value thereof;
- ✓ The liquidating value of futures, forward or options contracts linked to cryptocurrencies not dealt in on a stock exchange or another regulated market will mean their net liquidating value determined, pursuant to the policies established by the General Partner, on a basis consistently applied for each different variety of contracts. The liquidating value of futures, forward or options contracts linked to cryptocurrencies dealt in on a stock exchange or another regulated market will be based upon the last available settlement prices of these contracts on such regulated market on which the particular futures, forward or options contracts are dealt in by the Special Limited Partnership; provided that, if a futures, forward or options contract linked to cryptocurrencies could not be liquidated on the day with respect to which the Net Asset Value is being determined, the basis for determining the liquidating value of such contract will be such value as the General Partner may deem fair and reasonable;
- ✓ All other assets are valued at fair value as determined in good faith pursuant to procedures established by the General Partner.

The General Partner, in its discretion, may permit some other method of valuation to be used if it considers that such valuation better reflects the fair value of any asset or liability of the Special Limited Partnership in compliance with Luxembourg laws. This method will then be applied in a consistent way. The General Partner can rely on such deviations as approved by the Special Limited Partnership for the purpose of the Net Asset Value calculation.

For the purpose of determining the value of the Special Limited Partnership's assets, the General Partner, having due regards to the standards of care and due diligence in this respect, may, when calculating the Net Asset Value, rely upon the valuations provided (i) by various pricing sources available on the market such as pricing agencies (e.g., *Bloomberg*, *Reuters*, *Bitstamp.com* or other specific entities/agencies in respect of certain types of assets into which Special Limited Partnership may invest), (ii) by prime brokers and brokers or, (iii) by specialist(s) duly appointed and authorized to that effect by the General Partner.

In circumstances where (i) one or more pricing sources fail to provide valuations to the General Partner which could have a significant impact on the Net Asset Value, or where (ii) the value of any asset(s) may not be determined as rapidly and accurately as required, the General Partner is authorized not to calculate the Net Asset Value for the Special Limited Partnership and as a result may be unable to determine subscription, conversion and redemption prices. The Special Limited Partnership will be informed immediately by the General Partner should this situation arise. The General Partner may then decide to suspend the calculation of the Net Asset Value.

(f) The liabilities of the Special Limited Partnership shall include:

- ❖ All loans and other indebtedness for borrowed money (including convertible debt), bills and accounts payable;
- ❖ All accrued interest on such loans and other indebtedness for borrowed money (including accrued fees for commitment for such loans and other indebtedness);
- ❖ All accrued or payable expenses (including administrative expenses, management and advisory fees, including incentive fees (if any), custody fees, paying agency, registrar and transfer agency fees and domiciliary and corporate agency fees as well as reasonable disbursements incurred by the service providers);
- ❖ All known liabilities, present and future or contingent, including all matured contractual obligations for payments of money or property, including the amount of any unpaid distributions declared by the Special Limited Partnership;
- ❖ An appropriate provision for future taxes based on capital and income to the Valuation Day, as determined from time to time by the Special Limited Partnership, and other reserves (if any) authorized and approved by the General Partner, as well as such amount (if any) as the General Partner may consider to be an appropriate allowance in respect of any contingent liabilities of the Special Limited Partnership;

- ❖ All other liabilities of the Special Limited Partnership of whatsoever kind and nature reflected in accordance with Luxembourg law. In determining the amount of such liabilities, the Special Limited Partnership shall take into account all expenses payable by the Special Limited Partnership and may accrue administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

(g) For the purpose of this Section:

- ❖ Interests to be issued by the Special Limited Partnership will be treated as being in issue as from the time specified by the Special Limited Partnership on the Valuation Day with respect to which such valuation is made and from such time and until received by the Special Limited Partnership the price therefore will be deemed to be an asset of the Special Limited Partnership;
- ❖ Interests of the Special Limited Partnership to be redeemed (if any) will be treated as existing and taken into account until the date fixed for redemption, and from such time and until paid by the Special Limited Partnership the price therefore will be deemed to be a liability of the Special Limited Partnership;
- ❖ Where on any Valuation Day, the Special Limited Partnership has contracted to:
  - (i) Purchase any asset, the value of the consideration to be paid for such asset will be shown as a liability of the Special Limited Partnership and the value of the asset to be acquired will be shown as an asset of the Special Limited Partnership;
  - (ii) Sell any asset, the value of the consideration to be received for such asset will be shown as an asset of the Special Limited Partnership and the asset to be delivered by the Special Limited Partnership will not be included in the assets of the Special Limited Partnership; provided however, that if the exact value or nature of such consideration or such asset is not known on such Valuation Day, then its value will be estimated by the Special Limited Partnership.

(h) All valuation regulations and determinations shall be interpreted and made in accordance with Luxembourg law and Luxembourg GAAP;

(i) The latest Net Asset Value will be made available to the Limited Partners at the registered office of the Special Limited Partnership as soon as it is finalised. Because of normal processing requirements, it is expected that computations of Net Asset Value governing subscriptions and redemptions of Interests will normally be completed within such period of time. Hence, the Net Asset Value as of any Valuation Day will in principle be made available to the Limited Partners as soon as it is finalized;



(j) For the avoidance of doubt, the provisions of this Section are rules for determining the Net Asset Value per Interest and are not intended to affect the treatment for accounting or legal purposes of the assets and liabilities of the Special Limited Partnership or any Interest issued by the Special Limited Partnership.

Schedule D

**Composition of the Investors Advisory Committee – Updated List**

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- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Schedule E

**Limited Partnership Agreement of Hydro Fund SLP**

**copy/paste them in this Schedule)**

Schedule F

**Non-Exhaustive List of Some of the Main Responsibilities of the General Partner**

***1. General Services***

- Business strategy
- Business planning
- Capital structure and capital budgeting
- Treasury and cash management
- Risk management
- Management accounting
- Auditors' appointments
- Investment appraisal
- Organize and give notice of regular meetings of the Board and annual meetings of the Investors Advisory Committee
- Coordinate the collection of revenues and cashflows
- Manage relationships with all investors, providers and subcontractors of the Special Limited Partnership as regards to the fund structure, in Luxembourg
- Coordinate the various budgets
- Monitor all budgets as above

***2. Sale Services***

- Continually monitor developments of cryptocurrencies, crypto-markets, tokens, digital assets, and related technologies in order to expand and adapt the Special Limited Partnership investment policy
- Manage potential investors
- Negotiate terms of investments
- Prepare sale agreement terms
- Sale closing arrangements and representation