



**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**Aver Group LLC**

a Delaware Limited Liability Company

January 13, 2018

# DIRECTORY

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## Fund

Aver Group LLC  
P.O. Box 2501  
Milford, CT, 06460

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## CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

### Aver Group, LLC

Aver Group, LLC (the **“Fund”**) is currently offering the Interests described in this Confidential Private Placement Memorandum (this **“Memorandum”**) to certain qualified investors that, if accepted, will become investors in the Fund.

Prospective investors should prudently read this Memorandum in its entirety. However, the contents of this Memorandum should not be considered to be investment, legal, or tax advice. Investors should consult with their respective counsel and advisers as to all matters concerning an investment in the Fund.

There will be no public offering of the Interests. No offer to sell (or solicitation of an offer to buy) will be made in any jurisdiction in which such an offer or solicitation would be unlawful.

This Memorandum has been prepared for the information of the person to whom it has been delivered (the **“Recipient”**) by or on behalf of the Fund, and may not be reproduced or used for any other purpose. By accepting this Memorandum, the Recipient agrees (i) not to reproduce or distribute this Memorandum, in whole or in part, without the prior written consent of the Fund or its authorized representatives. (ii) to return this Memorandum to the Fund or its authorized representatives upon request and (iii) not to disclose any information contained in this Memorandum or any other information relating to the Fund, including, and without limitation to: Fund performance and financial statements, to any person who is not a trustee, director, officer, employee, auditor, agent, attorney, financial advisor or other professional adviser responsible for matters relating to the Fund or who otherwise has a need to know such information in connection with such person’s responsibilities with respect to the Recipient and who is under an obligation to keep such information confidential, except to the extent such information is in the public domain (other than as a result of any action or omission of the Recipient or permitted person to whom the Recipient has disclosed such information). Notwithstanding anything in this Memorandum to the contrary, each investor (and each employee, representative or other agent of such investor) may disclose to any and all persons, without limitation of any kind, the tax treatment

and tax structure of (i) the Fund and (ii) any of the Fund's transactions, and all materials of any kind (including opinions or other tax analyses) that are provided to such investor relating to such tax treatment and tax structure, it being understood that "tax treatment" and "tax structure" do not include the name or the identifying information of (i) the Fund, or (ii) the parties to a transaction.

This Memorandum is accurate as of its date in all material respects, and no representation or warranty is made as to its continued accuracy after such date. None of the Fund or any of its authorized representatives has any obligation to update this memorandum at any time in the future. Information contained in this Memorandum is subject to modification, supplementation and amendment at any time. Each investor will be required to acknowledge that it made an independent decision to invest in the Fund and that it is not relying on the Fund, the Fund Members, or any other person or entity (other than such investor's own advisers) with respect to the legal, tax financial, risk, or other considerations involved in an investment in the Fund. Past individual member performance is no guarantee of future results.

Each prospective or current investor when making its decision to subscribe for an Interest or making a subsequent investment decision with respect to this Fund, can rely solely on information included within the Fund Documents and any Additional Information (irrespective to any other information furnished to the investor). "Additional Information" consists of any information concerning the terms and conditions of the Interests or the status of the Fund communicated in a writing to a prospective investor by an authorized representative of the Fund or founding member that expressly modifies, supplements, or amends the respective Fund Document.

**The Interests specified for this Fund are suitable only for investors (i) that do not require immediate liquidity for their investments, (ii) for which an investment in the Fund does not constitute a complete investment program and (iii) that fully understand and are willing and able to assume the risks of an investment in the Fund. Each investor will be required to represent that it is acquiring the interests for its own account, for investment purposes only and not with a view towards distributing or reselling the Interests in whole or in part. There is no established secondary market for the interests, and none is expected to develop.**

**The interests are subject to limited liquidity and significant restrictions on transferability and resale. Investors will be required to bear the financial risks of an investment in the Fund for the specified length of time of the Fund (6 months). Investment in the Fund involves the risk of loss of the entire value of an investor’s investment in the Fund.**

**The Interests have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws or the laws of any other jurisdiction and, therefore, cannot be resold, reoffered or otherwise transferred unless they are so registered or an exemption from registration is available. The Interests will be offered and sold under the exemption provided by Section 4(a)(2) of the Securities Act and Regulation D promulgated thereunder and other exemptions of similar effect under U.S. state laws and the laws of other jurisdictions where the offering will be made.**

**The Interests have not been filed with, registered, approved by or disapproved by the U.S. Securities and Exchange Commission (“SEC”) or any other governmental agency, regulatory authority or national securities exchange of any country or jurisdiction. No such agency, authority or exchange has passed upon the accuracy or adequacy of this Memorandum or the merits of an investment in the Interests offered.**

**The Fund is not registered as an investment company under the U.S. Investment Company Act of 1940 as amended (the “Company Act”). Consequently, the Fund will not be required to adhere to certain restrictions and requirements under the Company Act, and investors will not be afforded the protections of the Company Act.**

**The Fund will not trade, buy, sell or hold Digital Asset derivatives including Digital Asset futures contracts, but may determine to do so in the future.**

**The Founders do not believe that the Fund or the Founders are, nor will be, required to register as a Money Services Business with the Financial Crimes Enforcement Network of the U.S. Department of the Treasury (“FinCEN”) or obtain a money transmitter license with the banking department of any state, and therefore has not done so. There is a risk that the Founders and/or the Fund will be considered a Money Services**

**Business and will be required to register with FinCEN and/or obtain money transmitter licenses from state banking departments.**

At any point in this Memorandum the Founders or their affiliates or any other person is permitted or required to make a decision (i) in its “discretion” or under a grant of similar authority or latitude, such person may consider such interests and factors as it desires, including its own interests, or (ii) in its “good faith” or under another express standard, such person will act under such express standard.

# SUMMARY

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The following is a summary of the principal terms of the Fund. This summary is qualified in its entirety by the more detailed information set forth in this Memorandum, any Supplement to this Memorandum and the Partnership Agreement, each of which is available upon request, and each Founder's Subscription Agreement (collectively, the **"Fund Documents"**). This summary should be read in conjunction with such detailed information in its entirety. In the event that any information within this Memorandum contradicts this information set forth in any other Fund Document, the applicable Fund Document will control.

## **The Fund**

The Fund is a Delaware limited partnership formed on 13 January, 2018 to operate as a private investment fund primarily for the benefit of the taxable U.S. investors. The Fund targets a five times (**5X**) return on investment with a hard stop dissolution timeline of six months after Fund start. Should the Fund's asset value reach its 5X target before the six-month timeline, the Fund will dissolve upon selling of digital assets.

As the Fund may make investments or enter into transactions directly or indirectly through other vehicles, references to the term "Fund" as used in this Memorandum in the context of the Fund's portfolio, investment program, and related risks should be understood to mean the Fund and/or any other vehicle through which the Fund makes investments or enters into transactions.

The Founders reserve the right to vary the structure of the Fund for tax, regulatory, operational, and other similar reasons.

## **Investment Program**

The investment objective of the Fund is to maximize capital appreciation and absolute returns by participating in Initial Coin



Offerings (“**ICOs**”) of digital assets, buying selling and holding Digital Assets and may include mining of cryptocurrencies. The Founders will employ financial analysis as well as expertise in cryptocurrency technology in order to identify (i) newly created Digital Assets that are undervalued that will raise capital and (ii) buy, sell and hold strategies for Digital Assets currently on an exchange that the Founders see as undervalued. In order to locate these undervalued Digital Assets, the Founders will conduct extensive financial and technological research to find the fair value of each Digital Asset. (See “**Investment Program**”.)

The specific strategies within this Memorandum in which the Fund may engage in should not be understood to in any way limit the Fund’s investment activities. The Fund may engage in any other investment strategy and make any investment, including any not described in this Memorandum, that the Founders consider appropriate to pursue the Fund’s investment objective. The Fund’s investment program is speculative and will entail substantial risk. There can be no assurance that the investment objectives of the Fund will be achieved. (See “**Certain Risk Factors**”.)

## **Founders**

Aver Group LLC’s founders (the “**Founders**”), serve as the Founders of the Fund. The Founders have ultimate responsibility for the management, operations and investment decisions made on behalf of the Fund.

## **Offering of Interests**

The Fund may allow new investors and accept capital contributions as of the first day of each month (a “**Subscription Date**”).

## **Use of Proceeds**

The proceeds from the sale of Interests will be available for the Fund’s investment program, after the payment of the Fund’s organizational offering and operational expenses.

## **The Interests**

The Fund is currently offering, after this Memorandum, investment opportunity interests in the Fund (the **“Interest”**) to certain qualified investors that, if accepted, will become investors.

The Fund, in the Founder’s sole discretion, may establish additional classes of Interests (each class of Interests of the Fund, a **“Class of Interests”**) and enter into Side Letter Agreements that provide for different or additional terms that those of the Interests described in this Memorandum, including by way of example different Management Fee rates, Incentive Allocation rates, information rights and withdrawal rights. The Fund may establish new Classes of Interests and enter into Side Letter Agreements without providing notice to, or receiving consent from its investors. The Founders may, in their sole discretion, determine the terms of such Classes of Interests and Side Letter Agreements. (See “Other Activities of Management; Potential Conflicts of Interest – Side Letter Agreements”.)

## **Capital Contributions**

The minimal initial capital contribution for each subscriber is \$10,000. An investor may make additional capital contributions to the Fund in amounts of at least \$1,000. All subscriptions for Interests are irrevocable. The Founders in their sole discretion may accept capital contributions of lesser amounts or establish different minimums or reject any capital contribution, in whole or in part, for any or no reason. Each capital contribution will be deemed to create a separate capital account in the Fund (a **“Capital Account”**) for purposes of determining the Incentive Allocation terms applicable to such capital contribution. If an investor makes multiple capital contributions and thus holds multiple Capital Accounts, Incentive Allocations will be determined independently with respect to each Capital Account held by the investor. Unless the context indicates otherwise, references to “Capital Accounts” in the context of Incentive Allocations should be understood to refer to a particular Capital Account and not

the aggregate Capital Accounts of an Investor.

### **Sales Charge**

There will be no sales charge payable to the Founders, their affiliates or the Fund in connection with the offering of Interests. However, the Founders, its affiliates and/or the Fund may enter into agreements with placement agents providing for one-time or ongoing payments from the Founders, their affiliates or the Fund based upon the amount of an Investor's capital contributions or the Management Fees and/or Incentive Allocations borne by an Investor that was introduced to the Fund by the placement agent.

### **Management Fee**

There will be no management fee to be paid to the Founders for their services on the Fund outlined in this Private Placement Memorandum. Future funds under Aver Group LLC may be subject to a Management Fee, whose Management Fee Rate and other stipulations will be outlined in future Memorandums.

### **Profit Disbursement**

The profits gained by the Founders rely solely on the performance of this Fund. Profits given to the Founders earned through the Fund will be twenty percent of all capital gains made through digital assets and other financial gains held by the Fund. Therefore, Investors at the Fund's closure will receive their initial investment back as well as eighty percent of the capital gains raised through such amount of money. The amount of gains calculated per investment will simply be the same percentage as the overall

### **Expenses**

The fund will bear its own expenses and its pro rata share of any trading subsidiary's expenses, including, without limitation, the following: (i) expenses related to the research, due diligence and monitoring of prospective and chosen investments and the acquisition of such investments; costs related to the ownership of Digital Assets (including, but not limited to, third party wallet

providers whether virtual or hard wallets; fees and expenses related to obtaining research and market data (including, but not limited to, software or hardware incorporated into the cost of obtaining market data); costs in attending conferences related to cryptocurrencies; costs associated with participating in ICOs; and expenses related to short sales of Digital Assets, (ii) organizational and reorganizational expenses, and (iii) operational expenses, including but not limited to the following: fees and expenses relating to information technology hardware/software used to research potential investments, evaluate and manage risk, enable valuations and accounting functions, allow for compliance with the rules of any self-regulatory organization or applicable law, portfolio management systems, order management systems, fees and expenses of third-party risk management and administrative products, fees and expenses of third-party professionals, including but not limited to: consultants, valuation service providers, attorneys and accountants. The cost of any litigation or investigation involving activities of the Fund or any trading subsidiary, third-party audit and tax preparation expenses, and also the costs of preparing and distributing reports and notices will also be covered. Finally, the fees and expenses incurred in connection with the reorganization, dissolution, or termination of the Fund or any trading subsidiary will be covered.

All expenses incurred by the Fund other than any expenses that the Founders determine should be allocated to a particular Founder or Investor will be debited to all of the Capital Accounts on a pro rata basis in accordance with their partnership percentages. To the extent that expenses incurred by the Fund are paid by the Founders, the Fund will reimburse such party for such expenses.

This Fund does not have a pre-determined operating expenses

limit. Therefore, the Fund's actual annual operating expenses will be disclosed in the Fund's year-end or closure audited financial statements, which will be provided to each Investor.

## **Allocations**

The net asset value of the Fund will be equal to the excess of the value of the Fund's assets over the value of its liabilities as determined in accordance with the Investor Agreement.

The **"Investor Percentage"** with respect to each Capital Account, is the result (expressed as a percentage) of the balance of such Capital Account divided by the aggregate balances of the Capital Accounts of all the Investors. The sum of the Investor Percentages of all Capital Accounts is equal to 100 percent. An Investor's Investor Percentage is equal to the sum of the Investor Percentages for all of their Capital Accounts.

For purposes of determining allocations, including calculating the Incentive Allocation and the balance in a Capital Account's Loss Recovery Account, any Investor-Related Taxes related to an Investor will be deemed distributed from the Capital Account(s) of such Investor to such Investor and will not be deemed to be expenses that reduce net capital appreciation, increase net capital depreciation or increase the balance of the Loss Recovery Account.

## **Withdrawals**

Subject to the limitations on withdrawals set forth herein, each Investor may, as of the last day of the third month of the Fund's inception be permitted to withdraw upon at least 30 days' prior written notice to the Founders, withdraw all (not only a portion) of the balance in each Capital Account of such Investor as of the Withdrawal Date. Should an Investor withdraw prior to fund closure, the Investor will incur an additional 2% fee to their withdrawal amount in order to mitigate withdrawal impacts to the Fund. Withdrawal impacts are described in more detail in the

Risks section of this document. There will be no other withdrawal dates and investors will pay third party withdrawal costs.

A withdrawal notice will be irrevocable unless the Founders, unanimously, permit the withdrawal notice to be revoked; provided that prior to any revocation that is less than 30 days' prior to the withdrawal date, the Founders will consult with counsel to the Fund to ensure that such revocation will not cause the Fund to be treated as a "publicly traded partnership" taxable as a corporation for U.S. federal tax purposes. Should the Founders not reach a unanimous agreement, no withdrawals will be made.

In the event that the Fund receives withdrawal requests and the withdrawal amounts pursuant to such requests exceed, in the aggregate, an amount equal to 25% of the net assets of the Fund as of the applicable Withdrawal Date, the Founders may, in a unanimous discretion, (i) satisfy all such withdrawal requests or (ii) reduce all such withdrawal requests so that only 25% (or more, in the unanimous discretion of the Founders) of the net asset value of the Fund is withdrawn on any Withdrawal Date. Investors whose withdrawal amounts are reduced pursuant will participate in the aggregate amount available for withdrawal on a pro rata basis in accordance with their respective Investor Percentages.

The Founders may (with 30 days' prior written notice) withdraw at the last day of the third month only a portion of the balance in their respective Capital Accounts no greater than 25%. Only at this time may a Founder withdraw from their respective Capital Account(s) prior to the Fund's dissolution.

Subject to the limitations on withdrawal described herein, the Fund will pay withdrawal proceeds without interest and within 30 Business Days after the applicable Withdrawal Date. If an In-

vestor has more than one Capital Account, withdrawal proceeds will be paid on a “first-in, first-out” basis.

**“Business Day”** is equal to the 24-hour period beginning at 12:00 a.m. Eastern Standard Time through 11:59 p.m. Eastern Standard Time on any day on which banks in New York (and any other jurisdictions that the Founders determine are required for the Fund to transact business on such day) are open for business.

It is within the sole discretion of the Founders, the Fund may make distributions in cash or in kind, or in a combination thereof, in connection with a voluntary or required withdrawal of funds from the Fund by any member. In each case, each asset selected by the Founders (by majority) is to be distributed in kind to any withdrawing member, may be allocated to such withdrawing member in such amounts as determined by the Founders. In-kind distributions may be comprised of, among other things, interest in special purpose vehicles holding the actual investment or participation on the actual investment or participation notes (or similar derivative instruments), which provide a return with respect to certain Digital Assets owned by the Fund. Each purpose vehicle will bear its own expenses. The Founders may, in their sole discretion by majority vote, choose which assets of the fund to distribute in kind.

The Founders may suspend the determination of the net asset value of the Fund and the balance of each Capital Account, withdrawal rights, in whole or in part, and/or the payment of withdrawal proceeds in respect to voluntary withdrawals if:

- (i) During any period where a cryptocurrency exchange or other market on which the Fund’s investments are quoted, traded or dealt in is closed, or during periods

in which dealings are restricted or suspended;

- (ii) During the existence of any situation as a result of which, in the unanimous opinion of the Founders, disposal of the Fund's assets, or the determination of the net asset value of the Fund, is not reasonably practicable or is reasonably expected to be prejudicial to the non-withdrawing Investors or the Fund as a whole;
- (iii) During the existence of any state affairs which where disposal of a portion of the Fund's assets deemed significant by the Founders is restricted under applicable U.S. or non U.S. securities (this especially includes, but is not limited to South Korean and Chinese) laws or regulations;
- (iv) During any breakdown in the means of communication normally used in determining the price or value of the Fund's assets or liabilities. This includes current process in any financial market, and any other reason the price of any assets or liabilities of the Fund cannot reasonably be promptly established;
- (v) During any period in which withdrawals would cause a breach or default under any agreement the Fund has entered. This includes, but is not limited to, partnership agreements with ICOs;
- (vi) During any period when the transfer of funds cannot be effected at a normal rate of exchange, per the unanimous opinion of the Founders;
- (vii) During the impending closure of the fund and unwinding of assets.



The Founders will send written notice to each affected Investor of a suspension of the determination of the net asset value of the Fund, the determination of the balance of its Capital Account(s), and withdrawal rights. Once the condition giving rise to the suspension has ended and no other conditions that would give rise to suspension are present, written notice will be sent to the affected Investors regarding the end of the suspension as well as the next date that the Investor may withdraw part or all of the balance in their Capital Account(s).

The Founders may, in a unanimous vote, require any Investor to withdraw all or a stipulated portion of the balance of their Capital Account(s) at any time for any reason with no prior notice. An Investor that is required to withdraw all or a portion of their Capital Account balance(s) will be treated as an Investor that has given notice to voluntarily withdraw all or a portion of the balance in their Capital Account(s).

### **Transferability**

An Investor may not directly or indirectly transfer, pledge, assign, sell, convey, exchange, reference under a derivatives contract or any other arrangement their Interest without the written unanimous consent of the Founders. Only with the consent of the Founders can the Investor transfer interest (i) to members of the Investor's immediate family (spouse, brothers, sisters, parents and children) or (ii) as a distribution from a qualified retirement plan or an individual retirement account.

### **Leverage**

The Fund does not intend to use leverage as a part of the investment program, however the Fund holds the right to execute such strategies at any point in time.

### **Taxation**

The Fund intends to operate as a partnership and not as an association or a publicly traded partnership taxable as a cor-

poration for federal tax purposes. The Fund does not generally expect to be subject to federal income tax and each Investor will be required to report on their own annual tax return such Investor distributive share of the Fund's taxable income or loss.

### **Suitability**

Each Investor must declare written or orally to the Founders that they understand the fundamental risks and potential future for block chain technologies. The aggressive nature of this fund in new innovative technology assets requires Investors that are comfortable with the risks and rewards in investing with Aver Group LLC.

### **Reports**

Within 60 days after the last day of the Fund's operation, the Fund will prepare and make available to each Investor the audited financial statements of the Fund.

### **Subscriptions**

Investors interested in subscribing for Interests will be corresponded with, and will be required to complete and return to the Founders a Subscription Agreement and items relating thereto as outlined in the subscription documents.

# INVESTMENT PROGRAM

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## Investment Objective

The investment objective of the Fund is to achieve a capital appreciation of 5X by participating in ICOs of Digital Assets, buying, selling and holding various small market cap Digital Assets currently on a Digital Asset exchange and also cryptocurrency mining. The Founders, specifically the Fund's cryptocurrency analysts, will utilize extensive research and financial prudence to identify (a) attractive investment opportunities that use newly created cryptocurrencies with high potential to raise capital and (b) lucrative buy, sell and hold strategies for cryptocurrencies currently on an exchange. The Founders will employ both economic as well as research behind the digital asset's purported technology to find the true value of each small market cap cryptocurrency and therefore find the best buy, sell and hold strategies for each respective currency.

## Portfolio Construction

The portfolio construction for this Fund will be determined heavily by the amount of attractive ICOs as well as the availability of small market cap digital assets currently tradeable on exchange. These changes can come from various directions ranging from exchange regulations to state regulations within the U.S. and foreign countries. In regards to digital asset exchange regulations, since the Founders have an extensive background in cryptocurrency trading, Aver Group LLC currently holds exchange accounts in certain exchanges that are currently suspending new users. This will allow the Fund to hold digital assets that are widely unavailable to individual investors.

## Exposure

The Fund's net exposure to any given digital asset may vary, mostly according to the supply of attractive ICOs and new small market cap digital assets currently on exchanges.

Also, the length of time and ability to exit offerings and holdings on digital assets will affect exposure and the overall turnover of the portfolio. At any point, the Founders may reduce their overall exposure in ICOs and holdings either to enter more lucrative ICO/holding ventures or for risk management purposes. This Fund is built on the Founders' premise that performance will be based on individual selection of high quality and low cost low market cap digital assets rather than overall cryptocurrency market trends.

## **Liquidity**

Liquidity in digital assets will depend heavily on the type of exchange and whether the tokens have already come to market. Generally, the Founders will invest in digital assets that are on mainstream exchanges and ICOs with high subscriptions to help mitigate liquidity concerns.

## **Changes to the Investment Program**

The Founders may change the Fund's investment strategy or policy at any time. The fund can partake in any investment strategy and make any investment, including those not mentioned in this memorandum, that the Founders consider suitable to pursue in the interest of the Investors. While the Fund uses extreme financial and technological prudence to search for high value digital assets that are currently undervalued the current cryptocurrency market is speculative nature, and therefore the Fund holds substantial risks. Consequently, there is no guarantee that the investment objectives within this Fund will be fully achieved.

# MANAGEMENT

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## The Founders

The Founders serve as the visionaries, managers and executors of the Fund. The Founders consist of personnel with expertise ranging from Computer Engineering to Economics and Contracting, with a wide breadth of experience within the team to tap into.

## Regulatory Status of the Founders

The Founders are not currently required to be registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the **“Advisers Act”**), but may register as investment advisers in the future.

## Founder Personnel

Below you will find biographical information regarding the Founders:

### *Alexander D. Thomas*

Alexander D. Thomas is the Chief Executive Officer and co-founder of Aver Group LLC. Mr. Thomas oversees the funding and portfolio investment strategy of the Fund. Focusing on value investment fundamentals, Mr. Thomas leads fund-raising, fund-management and reviews investment decisions the Fund makes in ICO’s and all other cryptocurrency investments.

Mr. Thomas has been an active investor in cryptocurrencies, utilizing an amalgamation of sound economic and investment principles with a solid grasp on the inner workings of block chain technology to locate and invest long term in undervalued small market cap cryptocurrencies.

Serving in the United States Air Force as an Acquisitions Officer since 2015, Mr. Thomas holds a wide swath of program management skills with a specialty in cutting edge technologies in the R&D phase. Mr. Thomas's investments and strategies do not represent the United States Air Force in any form.

Mr. Thomas earned a Bachelor of Science, B.S. in Economics from the United States Air Force Academy in 2015.

### *Donsun Nadeau*

Donsun Nadeau is the Chief Financial Officer and co-founder of Aver Group LLC.

Mr. Nadeau is the Chief Financial Officer and co-founder of Aver Group LLC. Along with taking an active role in analyzing potential investments Mr. Nadeau manages all accounting related activities, including: fund collection, distribution, and tax compliance.

Mr. Nadeau has extensive experience trading in both stock and cryptocurrency markets. He began investing digital assets during its infancy in 2013 and quickly began managing small investments for clients. In early 2017, he recognized the potential of crypto and transitioned the majority of his portfolio where he realized significant gains.

An Air Force contract manager and veteran, Mr. Nadeau has managed various high profile R&D and weapon system projects for the Department of Defense. His duties range from Acquisition planning, legal compliance, financial management & auditing, contract negotiations, and general administration.

Mr. Nadeau Graduated from the University of Connecticut in 2012 with a B.A. in German Studies. Mr. Nadeau went on to study at the Defense Acquisition University where he earned his Associates in Contract Management (2014) along with contract management certificate levels 1 & 2 (2014 & 2016).

### *Sergey O. Chernata*

Mr. Chernata is the Chief Technology Officer and co-founder of Aver Group LLC. Mr. Chernata oversees the technology used by the fund as well as the overall security of data and assets held.

Mr. Chernata's experience with cryptocurrency began with mining Bitcoin in 2013. He later developed digital asset trading strategies across international markets and currently constructs autonomous trading bots.

Since 2012, Mr. Chernata has held a key role as the design and technology lead for a nation-wide brand of consumer products. His responsibilities include ensuring a cohesive brand image across well over 40 SKUs, as well as managing flexible and reliable technology powering all business's locations.

Mr. Chernata graduated Salutatorian from FullSail University, with a B.S. in Web Design and Development in 2012, followed by a B.S. in Mobile Application Development in 2015.

### *Samir Zemmouri*

Mr. Zemmouri is the Portfolio Manager of Aver Group LLC. Mr. Zemmouri is an up and coming young analyst deeply entrenched with leaders in the cryptocurrency investment community. Mr. Zemmouri excels at finding, researching and trading obscure yet lucrative digital asset investments. With a wealth of contacts and an analytical mind, Mr. Zemmouri is the promising junior member of Aver Group LLC that provides a unique and innovative perspective that will assist Aver in finding rewarding investment opportunities.

# BLOCK CHAIN AND GENERIC INVESTMENT RISK FACTORS

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## General Private Investment Fund Risks

### *Market Risks*

No better illustrated than in this year's massive tax code changes, the legal, tax and regulation reams are perpetually changing around the world. These changes are especially tumultuous to the block chain sector and thus may have a negative effect on the Fund to maximize profits. Pressure placed on the Securities Exchange Commission (SEC) by policy makers is a high risk to the positive performance of this Fund and will be monitored by the Founders diligently. Unfortunately, the majority of regulatory changes tend to happen swiftly and unpredictably, thus mitigating the potential for strategic digital asset movement. Regulation has a significant downward pressure on the Digital Asset market and thus may lead to wild fluctuations in the Digital Asset market.

### *Systemic Risk*

Systemic risk is defined as the risk of broad financial system stress or collapse triggered by the default of one or more financial institutions, which results in a series of defaults by other independent financial institutions. Banks and/or exchanges that this Fund interacts with, as well as the Fund itself, are all subject to systemic risk. The potential for systematic failure may have a material adverse reaction on the Fund and the Digital Asset market in general.

### *Assumption of Business, Terrorism and Catastrophe Risk*

The Fund may be subject to the risk of loss arising from exposure that it may incur indirectly, due to the occurrence of various events, including and without limitation to: hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events. These risks of loss can be substantial and could have a material adverse effect on the Fund



and the Founder's investments therein.

## **Aver Group LLC Management Risks**

This Fund is under the direct management of a newly formed Limited Liability Company and does not have operating history upon which the Investors can evaluate the anticipated performance of this Fund. The Founders have no experience operating other funds using similar investment strategies to this Fund.

### *Reliance on the Founders*

The success or failure of this Fund depends heavily upon the ability of the Founders to manage the Fund and effectively implement the Fund's investment program. If the Fund were to incur massive losses or subject to high levels of withdrawals, the ability for the Fund to generate future revenues may suffer substantially. These losses and/or withdrawals could impair the Founder's ability to provide the same levels of service, which may have a material adverse effect on the Fund.

### *Dependence on Digital Asset Service Providers*

The Fund will also be heavily dependent on its counterparties that are not controlled by the Founders. These include but are not limited to Administration, Legal Counsel, Auditors, digital asset exchanges and wallets that the Fund cooperates with. Errors or misconduct could have a material adverse effect on the Fund. The Founders have taken precautionary measures in order to mitigate these risks, such as utilizing ("**Hard Wallets**") over virtual wallets. Through utilizing Hard Wallets, the Fund will minimize risks of cyber hacking and unapproved withdrawals of digital assets, a risk that is much higher with the use of virtual wallets. As the Fund has zero employees, the Fund will be reliant on the performance of its service providers. There will be no direct contractual agreement between the investor and the relevant Service Provider, and thus any alleged wrongdoing is committed against the Fund by the relevant Service Provider.

### *Due Diligence in Investments*

Before any investment, the Founders will conduct extensive due diligence. Applying the facts and circumstances of each investment, the Founders will rely on the resources readily available to it, which in some circumstances, whether or not known to the Founders at the

time, may not be: sufficient, accurate, complete or reliable. Due diligence may not reveal or highlight matters that could have a material adverse effect on the value of the investment.

### *Regulatory Oversight*

Discussed earlier purely in the realm of digital assets, increased oversight or regulation of funds and their managers may create burdens on the Fund, including but not limited to: responding to examinations and other regulatory inquiries and implementing policies and procedures. These latest encumbrances could divert the Founder's time, attention and resources from management activities in but not limited to: responding to inquiries, examinations and enforcement activities.

## **Fund Structure Risks**

### *Absence of Regulatory Oversight Over the Fund*

The Fund is not expected to be registered under the securities laws of any country. In particular, the Fund will not be registered as an investment company under the Company Act, and, therefore, will not be required to adhere to the restrictions and requirements under the Company Act and accordingly the provisions of the Company Act are not applicable.

### *Risk of Substantial Withdrawals*

Touched on previously in the document, substantial withdrawals could result in prices of the Digital Assets held by the Fund decreasing and an increase in the Fund's expenses, including but not limited to transaction costs and termination agreements. The overall value of the Fund could decrease as well due to liquidation value of certain Digital Assets that may be materially less than their cost or market-to-market value across exchanges. If the Fund is forced to sell its more liquid positions, this could create an imbalance in the portfolio that may have a material adverse effect on the remaining investors. Considerable withdrawals may also have a negative impact on the Fund's ability to execute its financial strategies. This would be due to but not limited to: significant restrictions on obtaining financing or transacting with derivatives counterparties which would have a further material adverse effect on the Fund's performance. The Founders will generally not disclose to the Investors the amount of pending withdrawals or withdrawal requests and are under no obligation to make any such disclosure. The Founders will generally not provide detailed infor-

mation about the Fund's portfolio, nor will the Founders provide information to prospective Investors as to how the Fund votes proxies. The Fund and Founders may provide additional information to certain Investors and prospective investors that is not distributed to other Investors and prospective Investors. This information may affect an Investor or prospective Investor's decision to invest in the Fund or act on such additional information and withdraw their Interests potentially at higher values than other investors. These withdrawals may result in reduced liquidity for other investors, and in order to meet larger or more frequent withdrawals, the Fund may need to maintain a greater amount of cash and cash-equivalent investments that it would otherwise maintain, which may adversely affect the overall performance of the Fund.

## **Operations Risks**

### *Cybersecurity Risks*

The Fund in its nature will be transmitting, storing and processing large amounts of electronic information, much of it sensitive, relating to the transactions of the Fund as well as personally identifiable information of the Investors. The Founders have established various procedures that they believe are reasonably designed to protect and prevent data loss and security breaches. These strategies contain, but are not limited to: the use of 1password.com high security password creation, virtual private networks and Hard Wallets. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized data access, degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software that come from third parties can easily contain defects in design or manufacture or other problems that could unexpectedly compromise information security. This also applies to network connected services which, also provided by a third party, may be susceptible to compromise. The Founder's systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of the Founder's information systems may lead to information relating to transactions and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed. The network service providers are subject to the same electronic information security threats as the Founders, and if they fail to adopt or adhere to proper data security policies, information relating to the transactions of the Fund and personally identifiable information of the Investors may be

lost or improperly accessed, used or disclosed. This may lead to: financial loss, disruption of the business, liability to third parties, regulatory intervention and reputational damage.

#### *Valuation of Fund Assets and Liabilities*

The Fund's assets and liabilities are valued in accordance with the Valuation Policy, which involves inherent uncertainty, especially in the realm of Digital Assets. The value of said Digital Asset may differ from the material value that could have been realized in an actual sale or transfer for a multitude of reasons, especially the timing of the transaction and the present liquidity of the market. These valuation uncertainties may have an impact on the asset value of the Fund.

## **Investment Strategy Risks**

#### *Risk of Loss*

There is no guarantee that the Fund's investment program will be successful. Investment results can vary substantially over small timelines. While every investment holds the risk of loss of capital, Digital Assets are substantially more speculative and significantly more likely to result in a total loss of capital in comparison to more conservative funds. **As such, an investment in the Fund could result in the total loss of an investor's capital.**

#### *Short-Term Considerations*

This Fund will deal primarily on the basis of short-term market considerations and the thus the portfolio turnover rate may result in significant trade-related expenses.

#### *Diversification*

This Fund, as mentioned previously in the Document, will focus its investment strategy primarily on small market capital Digital Assets with a strong technological and utility backing. The Fund's investments may become significantly concentrated in a single (or limited number of) these forms of Digital Assets. This limited diversification may result in the concentration of risk, which could expose the Fund to losses that are disproportionate to block chain market movements.

## Digital Asset Risks

Cryptocurrencies that incorporate block chain technologies are extremely different from traditional currencies and securities. These digital assets are not backed or supported by any central bank, in many cases national entities, and are also not backed by human capital or any other forms of credit. Instead, the value of these Digital Assets are determined by supply and demand factors, the markets and consumers that accept them and the value that are placed on them in said markets. The current Digital Asset market is also heavily influenced by the value of one cryptocurrency, Bitcoin.

Bitcoin is not represented by any official government, organization, private authority, nor does it rely on any financial institution to determine its value. Since Bitcoin is a virtual currency, but is not considered legal tender by any governmental authority, a person must have access to the internet and cryptocurrency markets in order to own, transfer and utilize Bitcoin and its network.

The Bitcoin network refers to an online platform in which Bitcoin is mined, validated and transmitted. To fully understand this platform, one must understand the underlying concepts of block chain, cryptography and mining.

### *Block Chain*

The block chain, as referenced earlier in this Document, is a public record that is chronologically ordered that validates Bitcoin transactions across the network and is shared among all Bitcoin users in the network. It is called “Block Chain” because there are large “blocks” of waiting transactions in the “chain” of entry into the public records.

A basic flow of block chain consists of the following steps: A person who wants to hold Bitcoin must install a Bitcoin software program that will allow them to create a digital Bitcoin account (a digital wallet, also known as a “soft wallet”) that will store the Bitcoin, connect to the network and allow for purchase, sale and transfer of Bitcoin. These digital wallets all have a unique address and verification system which includes both a public and private key that are mathematically linked to each other. The public key serves to be given to the

party initiating the transfer, to act almost as a bank account number. The private key is to be known only by the digital wallet holder to confirm the transaction. If the digital wallet holder fails to secure their private key or the digital wallet is deleted or hacked into, the user automatically loses all access to the Bitcoin within the digital wallet permanently with not centralized agency to assist in recovery.

Each user of Bitcoin must use a data code derived from entering the private key into a hashtag algorithm in order to sign transactions. The hashtag algorithm will then create a hash which serves as a signature validation that the transaction has been approved by the owner. Each hash also includes the previous hash as an input for its own hash. This reliance on the previous hash creates the chain in order to create the public evidence that each previous hash existed. Large amounts of these create the blocks. Each validated transaction has a public key that can be searched and located on this block chain.

### *Cryptography*

Cryptography in the case of Bitcoin refers to the mathematical proofs that any verification of usage Bitcoin is based upon. Whereas the mining of a bitcoin requires the solution to a complicated proof, the cryptography used in the Bitcoin network provides an extremely high level of security.

### *Mining*

Mining bitcoin involves the process of validating and adding transaction records to the Bitcoin network public ledger (the block chain mentioned previously in this Document). As payment for updating and verifying the block chain, the Bitcoin miners receive transaction fees along with the possibility for newly created Bitcoin. The first miner to complete the block chain receives the reward, while the other miners working on the same block chain must begin on a new one. This increases the Bitcoin supply slowly until eventually the total amount of Bitcoins available will reach 21,000,000 and cease to grow. The rewards for Bitcoin are automatically adjusted so that approximately every four years of operation, half the amount of Bitcoin created in the years prior is made.

The use of many high quality graphics cards and specific mining machines makes mining an expensive and arduous process in the realms of hardware cost, power utility costs as well as time. As the number of Bitcoin transactions increase with Bitcoin's popularity, the

complexity of the proofs needed to verify transactions and mine increase as well. This has led to combined efforts by miners to create mining ‘pools’ where teams of miners work together and split profits. As mining becomes more difficult and expensive, decrease in interest in mining could lead to less validations for transactions and make the network vulnerable, thus negatively impacting the Fund’s profits.

### *Digital Asset Exchanges*

Digital Asset exchanges are third-party providers that convert digital assets to fiat currency or other digital assets. These digital assets are all traded with public valuations that are constantly fluctuating and is where the vast majority of cryptocurrency activity occurs. There are a variety of different exchanges on which to purchase digital assets, and on these separate exchanges an investor can purchase these cryptocurrencies at different prices and some certain cryptocurrencies are only available on specific exchanges. These digital asset exchanges are obligated to register with FinCEN as a Money Services Business.

### *Anonymous Use of Bitcoin and Addressing Nefarious Use*

While every Bitcoin transaction is logged onto the block chain and verified, the true identity of a Bitcoin user may never be known because the public key of a Bitcoin user and not their entire identity is present. This has led to speculation that Bitcoin usage is solely for those wishing to commit crimes such as online drug purchases and money laundering. While Bitcoin has been inextricably tied to cybercrimes in the past, due to cybercriminals obviously trying to keep their anonymity, the public utility gained from Bitcoin far exceeds this negative effect. The overwhelming majority of Bitcoin transactions occur for safe and legal purchases as a more secure and quicker form of online payment without the need for a financial intermediary, which was its intended purpose.

### *Initial Coin Offering (ICO)*

ICO’s are performed for digital assets that have not been exchanged on any digital asset marketplace. This obviously leads to a high reward, but also high risk opportunity for the Fund. The Founders wish to leverage their expertise in the infantile facet of analyzing ICO’s for high profitability by looking for sound technology and development teams. Since ICO’s tend to come about at unpredictable intervals, there is a potential risk that the Fund may be highly concentrated in a small number of these digital assets. This may expose the fund

to risks and losses that are disproportional to the general digital asset market.

ICOs have and currently continue to display high levels of financial performance with extremely rapid increases in price. While it is not yet sufficient to determine whether these levels of performance are sustainable, this Fund seeks to leverage the momentum of the ICO market while also mitigating risk through being highly selective of ICOs the Founders deem credible and with the intrinsic value to support a rapid price increase. This will allow the Fund the ability to mitigate the risk of investing in a fraudulent ICO.

### *Extreme Price Volatility*

One of the greatest risks associated to investing in a digital asset fund is the extremely rapid fluctuation of cryptocurrency prices. Until these massive fluctuations cease, retailers will continue to shun overall adoption of these currencies into their payment models. There is no guarantee that this Fund will be able to hold a higher average for the market price of a Digital Asset, and will only be possible through strict prudence and analyzation of factors including but not limited to: viability of the Digital Asset's proposed block chain use function, demand and supply for the Digital Asset, availability of the coin, security vulnerabilities and macro-factors (political, environmental and economic). Should massive public demand for these Digital Assets were to decrease or if the Fund could not find buyers to its held cryptocurrencies, the Investors would be subject to the risk of high price fluctuations to the Digital Assets held by the Fund.

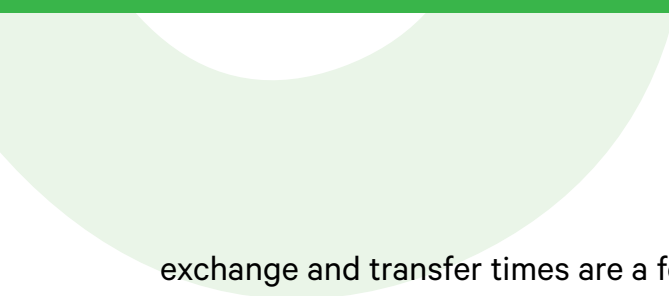
### *Security*

The Founders will use the utmost prudence in protecting the assets of the Fund and will utilize the most up to date and industry standard practices. This includes the use of third-party hard wallets, highly secure passwords and encryption methods in order to prevent the improper access, damage or theft of the digital assets.

## **Selection of Exchanges**

The Founders will direct portfolio transactions for the Fund to intermediaries, exchanges and counterparties on the basis of numerous factors that are far more complex than solely lowest pricing. The availability of certain ICOs and other digital assets, security of the





exchange and transfer times are a few of the various factors the Founders will look to in selecting which exchanges to utilize. The Investors have no right to request which Digital Asset exchange the Fund shall use and should not expect the Founders to cater to such requests.

# VALUATION

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The valuation of the Fund's assets and liabilities will be in accordance with the Founder's valuation policies and procedures and may be amended at any time.

The valuation principals to be used when valuing the Fund's assets and liabilities are as follows:

- (i) Any Digital Asset that is listed on any exchange and regularly traded will be valued at the closing price on the exchange on the last business day of the month.
- (ii) If a Digital Asset is not listed on an exchange, valuation may come through external pricing sources, recent trading activity, or any information that the Founders deem reflective in accurate pricing.
- (iii) If a Digital Asset is not listed on an exchange, the Founders may use valuation models or comparisons to recent transaction prices to establish the transaction price that would be applicable.
- (iv) Valuations will be converted to the United States Dollar or Bitcoin Satoshi at the discretion of the Founders.
- (v) The Founders may use consultation methods to other Digital Asset trading professionals and any other valuation method herein if it believes the alternate method is preferable in determining the fair value of the Digital Asset

# ACCOUNT MAINTENANCE

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The accounts of the Fund will be maintained in U.S. dollars, and all assets and liabilities denominated in other currencies will be translated at the rates of exchange in effect of the relevant date of determination.

# OTHER ACTIVITIES AND REGULATORY MATTERS

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## **Investments in Digital Assets by the Founders**

The Founders may choose to personally invest in the Fund and are not required to keep any minimum investment in the Fund and may invest in other accounts.

## **Trade Errors**

Human errors involving transactions in Digital Assets are a possibility and may occur. These errors include, but are not limited to: placing orders in excess or lack than the amount of Digital Asset the account intended to trade, the sale of a Digital Asset when it was meant to be purchased or visa versa, the purchase or sale of the wrong Digital Asset keystroke errors that occur when entering trades. Should a trade error occur, the Founders will seek to recover any losses from the counterparty.

## **Anti-Money Laundering Regulations**

It is the Fund's responsibility to comply with regulations aimed at the prevention of money laundering and terrorist financing, and thus the Founders may require a detailed verification of the identity of any Investor and the source of an Investor's capital contribution. Each of the Founders reserves the right, and the Fund may be obligated, to "freeze the account" of an Investor, either by (i) rejecting the capital contribution of an Investor, (ii) segregating the assets in compliance with applicable laws, (iii) declining any withdrawal requests of an Investor, (iv) suspending payment of withdrawal proceeds to an investor, and (v) refusing to make any monetary distribution to an Investor.

## Tax Treatment of Fund Investments

The Fund will execute actions as a trader or investor and not as a dealer. Traders and investors are persons that buy and sell assets for their own accounts. Therefore, the gains and losses realized by the Fund on the sale of capital assets are capital gains and losses. Currently, a virtual currency is treated as a commodity and not as currency for U.S. federal income tax purposes. Therefore, the Fund will treat virtual currencies as capital assets for U.S. federal income tax purposes and for tax reporting. Capital gains will all be considered short term. The maximum individual income tax rate for long-term capital gains is 20% (unless a taxpayer chooses to be taxed at ordinary rates) although in all cases the actual rates may be higher due to the phase out of certain tax deductions, exemptions and credits. The excess of capital losses over capital gains may be offset against the ordinary income of an individual taxpayer, subject to an annual deduction limitation of \$3,000. For corporate taxpayers, the maximum income tax rate is 35%. Capital losses of a corporate taxpayer may be offset only against capital gains, but unused capital losses may be carried back three years and carried forward five years. Additionally, individuals, estates and trusts are subject to a Medicare tax of 3.8% on Net Investment Income (“**NII**”) for each taxable year, with such tax applying to the lesser of such income or the excess of such person’s adjusted gross income over a specified amount. NII includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to an investment in the Fund will be included in an Investor’s NII subject to the Medicare tax. Investors are strongly encouraged to consult a seasoned tax advisor regarding these rules in respect to their investments.

# OTHER TERMS OF THE INVESTOR AGREEMENT

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This outline encapsulates material provisions of the Limited Liability Company that executes investment actions for the Fund and may be amended at any time.

## **Liability of the Investor**

The debts, obligations and liabilities of the Fund, arising from either contract or tort will be solely the debts, obligations and liabilities of the Fund and therefore the Investor will not be held liable to any debts, obligations nor liabilities.

## **Fund Management**

The management of the Fund rests exclusively with the Founders. The Investors will not take part in the control or management of the Fund, have the power to sign documents for the Fund, or transact any business in the Fund's name.

## **Dissolution**

The term of the Fund begins February 21, 2018 and will continue until either: The Fund reaches a five times Return on Cash Assets or 6 months after the start of the Fund (August 21, 2018). Upon a determination to dissolve the Fund, all pending voluntary withdrawal requests will be automatically revoked and voluntary withdrawal requests and distributions in respect of pending voluntary withdrawals will not be made.

## **Liquidation**

Such period of time as determined by the Founders in their reasonable discretion will be allowed for the liquidation of the assets of the Fund. The Founders may take any and all actions that they determine in their reasonable discretion to be necessary to protect or increase the value of the Digital Assets of the Fund.

## **Capital Accounts**

The Founders will accept contributions from an Investor via cash, check or transfer of digital assets which will then be recorded in the Fund's accounting as an individual Capital Account; a singular Capital Account is available for the capital contributions made by the Founders. The opening balance of a Capital Account shall be the amount of the capital contribution invested initially. Every month, the balance of each Capital Account will be adjusted to account for: net capital appreciation, net capital depreciation, Incentive Allocation, and special tax allocations.

## **Indemnification**

The Fund will indemnify each Indemnified Person from and against any and all Indemnified Losses sustained by such Indemnified Person by reason of any act, omission or alleged act or omission (including, without limitation, any act, omission or alleged act or omission constituting or alleged to constitute negligence) arising out of, related to or in connection with the Fund or any and all actual or threatened claims, demands, actions, suits or proceedings (whether civil, criminal, administrative or investigative), including, without limitation, any formal or informal inquiries and "sweep" examinations in connection with the Fund's investment activity, in which an Indemnified Person may be involved, as a party or otherwise, arising out of, related to or in connection with such Indemnified Person's services to or on behalf of, or management of the affairs or assets of, the Fund, or which relate to the Fund, except for any Indemnified Losses that are judicially determined to be primarily attributable to the bad faith, gross negligence, willful misconduct or actual fraud of such Indemnified Person. Expenses incurred in any Proceedings may, with the consent of the Founders, be paid by the Fund as incurred in advance of the final disposition of such Proceeding

upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it will ultimately be determined that such Indemnified Person is not entitled to be indemnified by the Fund. The provisions will not be construed so as to provide for the exculpation (as seen below) or the indemnification of any Indemnified Person for any Liability, to the extent that such liability may not be waived, modified or limited under applicable law, but will be construed so as to effectuate such provisions to the fullest extent permitted by the applicable law.

## **Exculpation**

None of the Partners or its affiliates, including persons formerly serving in such capacities (each, an **“Indemnified Person”**) will be liable to any Investor or the Fund for any costs, losses, claims, damages, liabilities, expenses (Any reasonable legal and other professional fees and disbursements), judgements, fines or settlements arising out of, related to or connection with any act or omission of such Indemnified person taken, or omitted to be taken, in connection with the Fund, except for any indemnified Losses arising out of, related to or in connection with any act or omission that is found by a court of competent jurisdiction upon entry of a final judgement rendered and not appealable or not timely appealed to be primarily attributable to the bad faith, gross negligence, willful misconduct or actual fraud of such Indemnified Person. Additionally, with exception to what will be described below, no Indemnified Person will be liable to any Investor for any Indemnified Losses arising out of, related to or in connection with any act or omission taken, or omitted to be taken, by any digital asset counterparty or agent of the Fund if such digital asset counterparty or agent was not selected, engaged or retained by such Indemnified Person directly or on behalf of the Fund in violation of the standard of care set forth above.