

sale of an a Class A DIGITAL ASSET. Thus, a member may recognize both ordinary income and a capital loss upon a sale of digital assets. Capital losses may offset capital gains and no more than \$3,000 of ordinary income each year, in the case of individuals, and may only be used to offset capital gains in the case of corporations. Both ordinary income and capital gain recognized on a sale of digital assets may be subject to the additional Medicare tax in certain circumstances.

Fund Tax Return and Audits

EDGE196™ will be required to file federal and appropriate state annual partnership information income tax returns. In addition, each member will be required to file his or her own personal federal, state or other income tax return reporting his or her share of EDGE196™'s income or loss, regardless of whether any distribution of cash is made to him. EDGE196™ will decide how to report the partnership items on EDGE196™'s tax returns, consistent with the Limited Partnership Agreement. Given the uncertainty and complexity of the tax laws, it is possible that the IRS may not agree with the manner in which EDGE196™'s items have been reported. In the event the income tax returns of EDGE196™ are audited by the IRS, the tax treatment of EDGE196™'s income and deductions generally is determined at EDGE196™ level in a single proceeding rather than by individual audits of the members, although an audit of EDGE196™'s return may result in an audit of a member's return. The manager shall designate a "partnership representative" of EDGE196™ (the "Partnership Representative") to represent EDGE196™ in U.S. federal income tax audits and the judicial review of any administrative adjustments made by the IRS. The Partnership Representative has considerable authority to make decisions affecting the tax treatment and procedural rights of all Members.

Among other things, the Partnership Representative has the authority to bind certain members to settlement agreements and the right on behalf of all members to extend the statute of limitations relating to the members' tax liabilities with respect to Fund items.

All members are generally required under the Code to treat the items on their own returns consistently with EDGE196™'s return, unless they file a statement with the IRS disclosing the inconsistency.

If the consistency requirement is not satisfied, the IRS may assess a deficiency against the member before audit proceedings are completed at EDGE196™ level. If a member fails to show properly on a return any amount that is shown on an information return, the member's failure may be treated as an indication of negligence and subject to penalties.