

EDGE196™ expects to satisfy certain other safe harbors set forth in applicable Treasury Regulations, and therefore expects that it will not be considered a publicly traded partnership taxable as a corporation.

If EDGE196™ were to be classified as an "association" taxable as a corporation or as a "publicly traded partnership" taxable as a corporation, EDGE196™ would be subject to federal income tax on its taxable income at the tax rates applicable to corporations, and the members would not be allowed to claim any Fund tax credits or deduct any Fund operating losses on their individual returns.

In addition, any distribution made to a member would be treated as taxable dividend income, to the extent of EDGE196™'s current and accumulated earnings and profits, or, in the absence of earnings and profits, a nontaxable return of capital, to the extent of the member's tax basis in his digital assets, or taxable capital gain, after the member's tax basis in his digital assets is reduced to zero.

Accordingly, taxation as a corporation would likely result in a reduction, which could be material, in a member's cash flow and after-tax return and thus would likely result in a reduction, which could be substantial, of the value of EDGE196™'s Digital assets.

Tax Consequences of DIGITAL ASSET Ownership by United States Resident Tax Persons

Flow-Through of Taxable Income

Subject to the discussion below under "Entity-Level Collections," EDGE196™ will not pay any U.S. federal income tax. Instead, each member will be required to report on his income tax return his share of EDGE196™'s allocable income, gains, losses and deductions without regard to whether EDGE196™ makes cash distributions to him. Consequently, EDGE196™ may allocate income to a member even if he has not received a cash distribution.

Allocation of Income, Gain, Loss, and Deduction

In general, the allocation provisions contained in the Limited Partnership Agreement will determine each member's share of the items of profits and losses of EDGE196™ to the extent that such allocations are made in accordance with applicable Treasury Regulations.

The IRS generally respects a partnership's allocation of income, gain, loss, deductions or credits if: (a) the allocation has economic effect and is substantial, or (b) the partners can show that the allocation accords with each partner's respective interest in us, and (c) in the case of either (a) or (b), the allocation complies with special rules requiring that partners receiving allocations of losses or deductions generated by purchasing assets with borrowed money be charged back income and gain as those funds are repaid.