

Treasury Regulation Section 1.704-1(b)(2) generally provides that, for an allocation to have economic effect, the following conditions must be true: (i) the allocation must be reflected by an increase or decrease in the relevant partner's capital account, as those accounts are maintained in accordance with the Treasury Regulations; (ii) liquidation proceeds must be distributed in accordance with the partner's positive capital account balances; and (iii) the partnership agreement must provide that if a partner will have a deficit balance in his or her capital account upon liquidation of the partnership, the partner must be required to restore the deficit amount to the partnership, so that amount may be distributed to other partners with positive capital account balances. However, the Treasury Regulations provide that in the absence of an obligation to restore the deficit, the partnership agreement must contain a qualified income offset provision. A qualified income offset provision mandates that when a partner receives a distribution from the partnership that causes a deficit in the partner's capital account or increases a preexisting deficit, that partner must be allocated income and gains as quickly as possible to eliminate any deficit balance in his or her capital account that is greater than any amount that he or she is obligated to restore.

The economic effect of an allocation is substantial if there is a reasonable possibility that it will substantially affect the amount to be received by the members from EDGE196™, independent of tax consequences. In addition, an economic effect is not substantial if, at the time the allocation becomes part of the Limited Partnership Agreement: (1) at least one member's after-tax return may, in present value terms, be enhanced compared to his or her return if the allocation were not contained in the Limited Partnership Agreement; and (2) there is a strong likelihood that no member's after-tax return will, in present value terms, be substantially diminished compared to his or her return if the allocation were not contained in the Limited Partnership Agreement. Treasury Regulation Section 1.704-1(b)(2) generally states that, in determining after-tax return, a member's entire tax situation, including aspects unrelated to EDGE196™, will be taken into account.

Although EDGE196™ believes that the allocation provisions of the Limited Partnership Agreement satisfy applicable Treasury Regulations, given the complexity of the Treasury Regulations in this area, there can be no assurance that the IRS will agree with all of EDGE196™'s computations and allocations of profits and losses. If upon audit the IRS were to take the position that any of EDGE196™'s allocations of profits and losses should not be recognized, and if the IRS's position were sustained by the courts, a member could be taxed on a portion of the income allocated to another member, and part of the deductions allocated to such member could be disallowed.

### Tax Consequences of Distributions

Distributions made by EDGE196™ to a member generally will not be taxable to the member for U.S. federal income tax purposes, except to the extent the amount of any such cash distribution exceeds such member's tax basis in its digital assets immediately before the distribution. Cash distributions made by EDGE196™ to a member in an amount in excess of a member's tax basis generally will be considered to be gain from the sale or exchange of the digital assets, taxable in accordance with the rules described under "—Tax Consequences of Disposition."