

Any reduction in a member's share of EDGE196™'s liabilities, including liabilities for which no member bears the economic risk of loss, will be treated as a distribution by EDGE196™ of cash to that member. To the extent EDGE196™'s distributions cause a member's "at-risk" amount to be less than zero at the end of any taxable year, the member must recapture any losses deducted in previous years. Please read "— Limitations on Deductibility of Losses" above.

A decrease in a member's percentage interest in EDGE196™ because of EDGE196™'s issuance of additional digital assets will decrease its share of EDGE196™'s nonrecourse liabilities, and thus will result in a corresponding deemed distribution of cash. This deemed distribution may constitute a non-pro rata distribution. A non-pro rata distribution of money or property may result in ordinary income to a member, regardless of its tax basis in its digital assets, if the distribution reduces the member's share of EDGE196™'s "unrealized receivables," including depreciation recapture, depletion recapture and/or substantially appreciated "inventory items," each as defined in the Code, and collectively, "Section 751 Assets." To that extent, the member will be treated as having been distributed its proportionate share of the Section 751 Assets and then having exchanged those assets with EDGE196™ in return for the non-pro rata portion of the actual distribution made to such member. This latter deemed exchange will generally result in the member's realization of ordinary income, which will equal the excess of (i) the non-pro rata portion of that distribution over (ii) the member's tax basis (generally zero) for the share of Section 751 Assets deemed relinquished in the exchange.

Basis of the digital assets

A member's adjusted tax basis for his or her digital assets, initially the amount of money he contributes to EDGE196™ to acquire digital assets offered hereunder, will be increased by his or her allocable share of the taxable income of EDGE196™.

A member's basis in his or her digital assets will be decreased, but not below zero, by (i) distributions to the member by EDGE196™; (ii) his or her allocable share of the tax losses of EDGE196™; and (iii) his or her allocable share of Fund expenditures that are not currently deductible or capitalizable. If the basis of a member's digital assets is reduced to zero, the amount of any distributions in excess of his or her share of EDGE196™'s taxable income for any year will be treated as capital gain.

Limitations on Deductibility of Losses

The deduction by a member of his share of EDGE196™'s losses will be limited to the tax basis in his digital assets and, in the case of an individual Member, estate, trust, or corporate Member (if more than 50% of the value of the corporate Member's stock is owned directly or indirectly by or for