



**EDGEWATER**  

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**DIGITAL**

**Institutional Digital Asset Trading Platform  
White Paper**

**Version 1.8.3  
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# ABSTRACT

Currently, the market landscape for trading digital assets is disjointed and riddled with latency and inefficiencies. This dynamic is a constant frustration for participants. For professional money managers to confidently enter the virtual currency space, accessing digital asset liquidity needs to be simplified, highly secure and compliant.

Leveraging the proprietary technology, business processes and institutional trading expertise of Edgewater Markets LLC and utilizing our team's decades of experience in currency trading, technology and global financial services management, The Company is building a best-in-class institutional digital asset trading platform to meet the requirements of professional money managers and traders globally.

Edgewater Digital Technologies is leveraging the blueprint of Edgewater Markets successful fiat currency trading business to develop trading efficiencies, increase transparency and reduce execution costs in the digital asset markets. Edgewater Markets' existing global network with data centers in New York, London, Tokyo and Mexico City provides secure, low latency connectivity for hundreds of fiat customers and liquidity providers in over 50 countries globally. Modifying Edgewater's existing electronic trading infrastructure and developing innovations tailored to the digital asset markets will accelerate institutional participation.

Time-tested business processes and institutional currency trading expertise will enable the Edgewater team to create a best-in-class digital asset trading platform to meet the requirements and expectations of institutional investors. With offices in New York, London, Chicago, Singapore, Mexico City and Santiago, Chile, we believe Edgewater's trading infrastructure and existing institutional customer base will play a significant role in the growth of the digital asset class and is uniquely positioned to solve the issues faced by institutional traders and investors.

Edgewater Digital Technologies, formed January 16, 2019, is a corporation incorporated under the laws of Delaware in the United States. The Company was created to implement the business strategy outlined in this Whitepaper and develop the technology supporting the strategy. The Company is pre-revenue and has no operating history.

Unless the context suggests otherwise, as used herein, "we", "us", "our" and similar terms refer to the Company, the Platform Operator and Edgewater collectively.

# INTRODUCTION

Digital asset trading began with the launch of Bitcoin in 2009. In less than 10 years, the digital asset market has grown to over \$100 billion total market cap, with over 100 individual digital assets each valued at over \$30 million<sup>1</sup>. It has been estimated that the cryptocurrency market could reach \$10 trillion total market cap or more over the next 10 years<sup>2</sup> as the disruptive potential of blockchain technology attracts institutional investors globally.

As of April 2018, there are over 250 digital asset hedge funds with \$3.5 billion to \$5 billion in assets under management<sup>3</sup>. Industry leaders anticipate more than 1000 hedge funds will get involved, as asset managers seek exposure to cryptocurrencies. As further evidence of institutional demand, Thomson Reuters published a survey of their trading clients in April 2018<sup>4</sup> and found that “over 20 percent of the survey participants are actively investigating launching a cryptocurrency trading function within the next three to six months.”

We believe the proliferation and growth of digital assets presents an opportunity similar to the evolution of the fiat currency market. The introduction of aggregation technology in the past 15 years has made fiat currency markets dramatically more efficient with global average daily volume (ADV) of over \$5 trillion<sup>5</sup>. In the past 10 years, deployment of innovative technology, the growth of non-traditional tech-agile trading firms such as Edgewater Markets and simplified credit and settlement has reduced fiat liquidity fragmentation, resulting in greater price discovery for traders and has accelerated trading volume growth.

The rapid expansion of cryptocurrency markets with increasing institutional interest comes with its own set of challenges. The infrastructure required to support institutional investor access to the digital asset market is in the early stages of being established. There have been some important developments, including the launch of futures contracts (CME and CBOE) and the establishment of numerous exchanges and OTC desks that support cryptocurrency trading. However, moving traditional financial institutions from the sidelines will require a more efficient trading and investing ecosystem before they are comfortable incorporating digital assets into their portfolios.

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<sup>1</sup> CoinMarketCap.com (January 2019)

<sup>2</sup> [www.newsbtc.com](http://www.newsbtc.com): Pfeffer Capital Investor: Bitcoin to Replace Gold While Market Cap Could Be Worth \$6 Trillion (April 26, 2018), [www.ccn.com](http://www.ccn.com): \$40 Trillion Cryptocurrency Market Cap ‘Definitely Possible’: Pantera Capital CEO (April 26, 2018)

<sup>3</sup> Autonomous NEXT (April 2018)

<sup>4</sup> Thomson Reuters 2018 Trading Client Cryptocurrency Survey (April 2018)

<sup>5</sup> Triennial Central Bank Survey of foreign exchange and OTC derivatives markets in 2016 (updated December 11, 2016)

## **CURRENT INSTITUTIONAL BARRIERS**

### **EXCHANGE ACCESS:**

There are presently over 100 crypto exchanges<sup>6</sup> and new entities are entering the space rapidly. There is little consistency across exchanges<sup>7</sup> and coin/token availability varies from exchange to exchange, different exchanges quote different rates for the same coin/token and transaction costs and execution confirmation times vary greatly. Setting up multiple accounts to trade across different digital assets is complex and time consuming. Further, resolving security gaps and moving towards fully integrated pre-trade credit confirmation, with secure settlement and custody is requisite for maintaining institutional operational best practices. Institutional investors must have confidence in the end-to-end solution in order to adhere to their due diligence and fiduciary compliance responsibilities.

### **FRAGMENTATION:**

Similar to the fiat currency market, the cryptocurrency market is highly fragmented with market participants located in de-centralized locations around the world. Latency in execution and confirmation is a serious issue, especially when attempting to execute large buy/sell orders across multiple crypto exchanges. Providing access to this multi-plex, distributed marketplace with minimal latency requires a sophisticated, secure and reliable global network that is available 24x7.

### **DEPTH OF LIQUIDITY:**

Large institutional investors with sizable orders can significantly affect prices on any individual exchange, increasing volatility and resulting in order execution slippage. For example, in June 2017 a flash crash occurred in GDAX when Ethereum prices fell more than 95% due to a single large trade<sup>8</sup>. This problem does not exist to the same extent for fiat currencies and other asset classes. The digital asset market presently lacks a global centralized order book with transparent prices which would help facilitate the higher volume trading that institutional investors require.

### **TRANSPARENCY:**

Market data is a critical component of institutional investors' trading systems. It is considered the life blood of any financial ecosystem. The digital asset market suffers from a lack of reliable and timely data that would give institutional investors a basis to analyze, invest in and trade the burgeoning market.

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<sup>6</sup> CoinMarketCap.com (April 2018)

<sup>7</sup> Bitcoin Wiki (<https://en.bitcoin.it/wiki>)

<sup>8</sup> <https://www.cnbc.com/2017/06/22/ethereum-price-crash-10-cents-gdax-exchange-after-multimillion-dollar-trade.html> (published 4:05 AM ET Thu, 22 June 2017 | Updated 11:30 AM ET Fri, 23 June 2017)

## **EXECUTION COSTS:**

Costs are not uniform across exchanges and market makers. Trading commissions (exchange and OTC fees) alone can vary from 0.1% to over 4%<sup>9</sup>. Total execution cost, which includes the cost of the bid/ask spread and slippage, is highly variable. There is presently no platform that efficiently processes orders from a global consolidated order book across multiple exchanges and OTC desks. Moreover, calculating the total cost of execution prior to choosing execution venues is important to facilitate best execution required by institutional investors.

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<sup>9</sup> COINPARATOR.com (April 2018)



# THE EDGEWATER SOLUTION

Edgewater Markets currently provides institutional currency managers and traders a robust, secure, and scalable platform to consume fragmented market data for trading fiat currencies in large size efficiently. Edgewater Market's battle-tested, proprietary technology has been serving institutional customers for over 10 years and is uniquely positioned to solve the issues faced by institutional money managers and traders in the digital asset space.

Edgewater's proprietary trading technology helps customers improve price discovery and reduce the cost of trading. Edgewater's global network with data centers located in Asia, Europe and the Americas provides secure, low latency connectivity for hundreds of customers and liquidity providers in over 50 developed and emerging market countries.

Edgewater has been developing its infrastructure and proprietary technology to design a global trading network for digital assets. Established business processes and institutional trading expertise will enable the Edgewater team to deliver a best-in-class platform to meet the requirements and expectations of professional money managers and traders who are investing in the cryptocurrency ecosystem. We believe Edgewater's electronic trading infrastructure will play a significant role in the maturation and growth of the digital asset class.

## **Institutional Trading Expertise**

Edgewater understands the requirements of institutional investors. Professional money managers and traders have critical requirements, including efficient execution of trading strategies ("Best Execution"), secure and compliant business processes ("Security and Compliance") and immediate customer service ("Accessibility and Responsiveness"). Edgewater is leveraging its deep understanding of these institutional requirements to develop a best-in-class digital asset trading service.

## **Best Execution**

Edgewater Digital is developing a web-based trading platform, Crypto Prime Trader™ (CPT™), that provides fast and efficient execution supported by low latency access to crypto exchanges globally. The Platform Operator will provide a consolidated order book of tradable prices for major digital assets. CPT includes easy to use order functionality, advanced analytics, charting, trading algorithms, position and P&L monitoring. In addition, mobile access and post-trade integration to back-office systems will be provided.

To achieve this, the Platform Operator is developing the next version of Edgewater's Vision System™ for digital assets. The Platform Operator is developing its Vision Rate Engine™ and

Vision Smart Order Router™ presently utilized by institutional fiat currency traders to deploy a digital asset trading engine that is designed for fast, efficient execution of large orders across multiple exchanges. To facilitate this, the Platform Operator is connecting its Vision Exchange Data Gateway™ via low latency connectivity to crypto exchanges worldwide.

## **Security & Compliance**

Edgewater has undergone compliance and security reviews by major institutional investors continuously over the past 10 years in order to comply with their regulatory and fiduciary responsibilities. Edgewater Markets began business in 2009 during the global credit crisis, when the Lehman Brothers failure, AIG bailout and Madoff scandal were rippling through the markets. Throughout that period and after, Edgewater has navigated and adapted to evolving market conditions, newly adopted rules and regulations, including Dodd-Frank in the US and MIFID II in Europe, to continue providing uninterrupted service to its customers.

In deploying its digital asset trading solution, the Platform Operator will utilize similar best-in-class security currently used to protect Edgewater's infrastructure and assets. Edgewater's network security is comprised of hardware, software, policies and procedures that defend against all threats. Edgewater's infrastructure is placed in highly secure data centers with hot back-up facilities that ensure business continuity. Edgewater's connectivity employs highly secure digital connections, from the Vision Exchange Gateway through to the network endpoints. The Platform Operator will employ the best available technology solutions to ensure the security of the system and customer trading.

Being adept at understanding and adapting to changing market conditions, as well as technological and security advancements is critical to adapting to unforeseen circumstances and providing a sustainable service. In addition, understanding and adhering to operating standards and regulations remains a critical component of Edgewater's success that will continue in the rapidly developing digital asset marketplace. As such, the Platform Operator will employ relevant domain expertise and resources to manage compliance and ensure best practices in all aspects of its business.

## **Accessibility and Responsiveness**

Professional traders require world class service with immediate accessibility to professional and informed support personnel. This could be as simple as help with logging into the system, to confirming positions – and all steps in between. Supporting institutional investors/traders requires a well-trained team that is available immediately by phone 24x7.

Transparency, end-to-end confirmation, security and conforming to record keeping requirements are paramount. The systems and processes designed to support these requirements must be managed by knowledgeable staff who are readily available to customers. The Platform Operator

will establish a new standard for service with multi-lingual (including Japanese, Korean, Chinese, Spanish) institutional quality, live customer service that does not presently exist in the digital asset market.

## **Business Processes**

Edgewater has built an organization, established procedures and developed relationships over many years that are critical components to providing sustainable quality service in a competitive, global marketplace. This includes a network of customer, partner and vendor relationships managed by experienced market professionals around the world.

To achieve operational excellence and to comply with regulatory requirements, the Edgewater team maintains, and the Platform Operator will benefit from, living documents with detailed operational procedures and business continuity plans, supported by extensive and ongoing staff training, to ensure continuing operations in all situations.

Edgewater employs a “follow the sun” model where operational and customer service responsibilities are passed from time zone to time zone around the clock daily: New York > Singapore > London > New York. This ensures that experienced, professional staff are available 24 hours per day to monitor systems and provide immediate customer support. With expertise in technology, operations, compliance, marketing and sales, Edgewater intends to build out a successful digital asset trading product through the Platform Operator.

## **Technology**

The Platform Operator’s next generation trading infrastructure along with innovations in the digital asset markets will accelerate the development of institutional participation. Edgewater’s proprietary infrastructure provides aggregated currency rates from hundreds of liquidity providers globally via strategically located data centers across the Americas, Europe and Asia.

Edgewater infrastructure provides advanced analytics, intelligent algorithmic trading capabilities, customer-specific liquidity provision, pre-trade credit confirmation and execution settings with low latency delivery to institutional investors globally. Edgewater infrastructure includes a proprietary Rate Engine and Smart Order Router (SOR), central limit order book (CLOB), market data gateway, co-located infrastructure and low latency connectivity (based on FIX standards) in every region, supported by highly secure administrative tools and analytics.

The Platform Operator is developing a web and mobile based trading platform Crypto Prime Trader (CPT) to provide investors and traders with access to crypto exchanges globally. CPT will provide customers with a consolidated order book – traders will have the best buy/sell rates available globally for all major crypto coins/tokens in the sizes that they require, improving price discovery and saving execution costs. With mobile access, the Platform Operator’s customers will have the

majority of crypto liquidity available in the palm of their hand.

CPT will provide customers with simplified trading and execution transparency - from pre-trade cost analysis and credit confirmation, order entry to execution and confirmation, traders will see exactly where their order and assets are in real time. An easy to use electronic trading interface with advanced order functionality, charting, trading algorithms, position monitoring, real time P&L and back-office integration puts the trader in control, supporting investors' best execution requirement and fulfilling institutional regulatory and fiduciary responsibilities.

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# PRODUCT

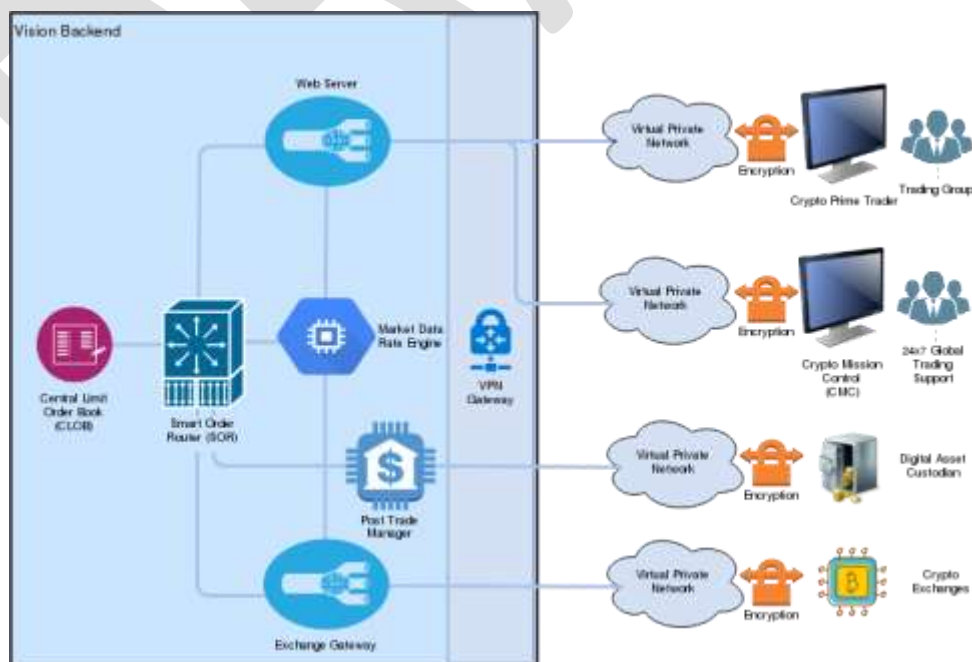
The Company aims to create the pre-eminent digital asset trading platform to meet the requirements of institutional asset managers and traders globally. Edgewater Markets, through the Platform Operator, is modifying its proprietary infrastructure and developing a web-based trading platform to meet the requirements of digital asset markets. Edgewater will launch additional ancillary products as described below in phase two.

## Edgewater Vision Infrastructure

Edgewater's Vision System™ is comprised of five proprietary components: a) market and order data gateway ("Vision Exchange Gateway"™), b) rate engine and smart order router ("Vision Rate Engine and Vision SOR"™), c) central limit order book ("Vision CLOB"), d) web-based trading service ("Crypto Prime Trader"™) and e) integration with the customer's pre and post-trade solutions to meet institutional compliance and reporting requirements ("Crypto Prime Trader Solutions"™).

As a complete end-to-end institutional technology solution, Vision aggregates many liquidity sources (applying customer-specific credit and execution rules), distributes executable rates and advanced trading support tools while flexibly integrating with customers' existing trading platforms, thereby enhancing price discovery to enable more efficient trading and cost savings for institutional investors/traders globally. Vision provides our customers with clarity to efficiently realize market opportunities and receive best execution.

## **Vision Architecture**

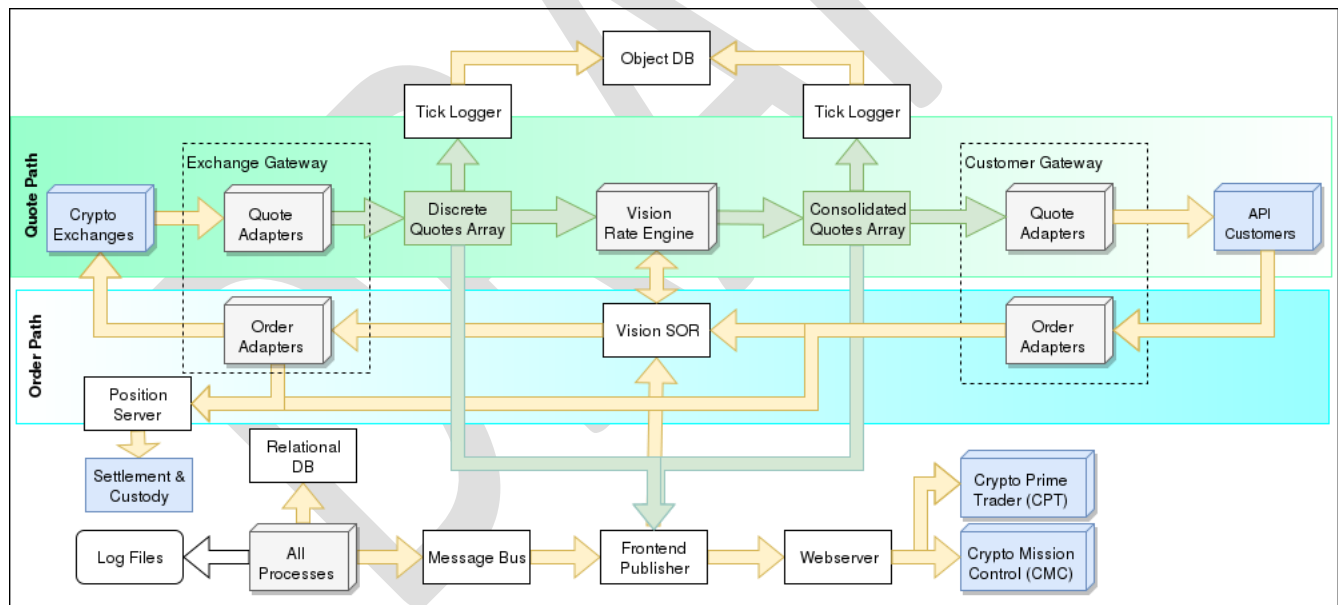


## Vision Exchange Gateway™

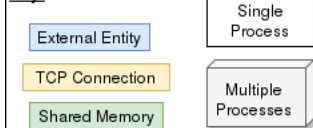
Liquidity sources are in disparate locations globally, requiring advanced, distributed networking and low latency connectivity which will give customers an advantage in accessing exchange liquidity and executing trades.

Edgewater has developed proprietary technology to aggregate market and order data utilizing industry standard FIX specifications deployed globally in data centers in every region (Tokyo, London, Mexico City and New York). This allows Edgewater to locate as close as possible to exchange providers and customers, reducing latency in receiving pre-trade credit and market data as well as reducing time to execute orders. To facilitate this, Edgewater has developed a standardized application programming interface to integrate with various exchanges (based on standard FIX API). Wherever possible, co-located equipment and cross-connects are used within data centers to eliminate latency. When connecting remotely, low latency data circuits (such as fiber or microwave where possible) or secure internet connections are utilized. Market data is normalized, aggregated and fed into the Vision Rate Engine.

## Vision Exchange Gateway Eco-System



### Key:



### Notes:

- 1) All TCP connections are bi-directional. The arrows indicate the direction of most traffic.
- 2) The green quote path flows from left to right
- 3) The blue order path flows from right to left. Confirmations flow in the reverse direction.
- 4) Technologies used include c++, node.js, linux, POSIX shared memory, kernel bypass, multi-threading, atomics, colocation

Hardware: Each hop in signal propagation incurs latency due to issues such as amplification, packet routing, queuing, and security. Our experience in fiat currency markets has led us to develop fast,

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reliable, and proven solutions that will be deployed in the digital asset market.

**Proximity:** When possible, systems are co-located to minimize latency due to distance. As it's not economical to be co-located with every system, in such cases other low latency connectivity options will be deployed.

**Connectivity:** Fiber optic and microwave are the obvious contenders for remote connectivity, each with cost/performance trade-offs. Our deep experience with both options allows us to tactically deploy tailored solutions.

**Latency:** Leveraging proximity with the integration of hardware and connectivity will minimize latencies (for example, 8.02 milliseconds from Aurora, IL (CME) to Secaucus, NJ (NYSE) and 67.39 milliseconds from Chicago, IL to Frankfurt, Germany (EUREX).

## **Vision Trading Engine**

The Vision Rate Engine, Smart Order Router (SOR) and Administrative Management System are the heart of the Vision infrastructure, reducing liquidity fragmentation, increasing trading efficiency and dramatically reducing executions costs.

## **Vision Rate Engine and SOR**

With aggregated market data and pre-trade credit confirmation (PTCC), the proprietary Vision Rate Engine produces a consolidated order book for all major crypto coins/tokens, generating customer specific executable quotes. The Vision SOR routes orders based on customers' unique requirements, incorporating credit availability, Exchange Cost Analysis (ECA™), market conditions and other customer-specific settings. The consolidated order book provides best bid/offer rates in various sizes for different execution settings for each customer.

Vision is an advanced technology platform residing in a Linux environment with best-in-class functionality for facilitating data across open and proprietary protocols such as POSIX shared memory communication, fine-grained atomic operations, lockless concurrent data structures, kernel bypass, TCP/IP, multicast, binary communication.

The Vision SOR executes trades at the best possible prices according to credit availability and the order parameters entered by the trader. Trades are executed instantly, to avoid significant price changes due to market movement. Vision Rate Engine and SOR conducts simultaneous automated checks on multiple market conditions and alerts traders to orders entered outside of pre-set bands, reducing the risk of errors in placing the trades.

# Vision Application Development Framework

Edgewater's proprietary Vision System™ is comprised of the Exchange Gateway, Rate Engine and Smart Order Router, Central Limit Order Book, Admin Mgmt System and trading platform, Crypto Prime Trader.

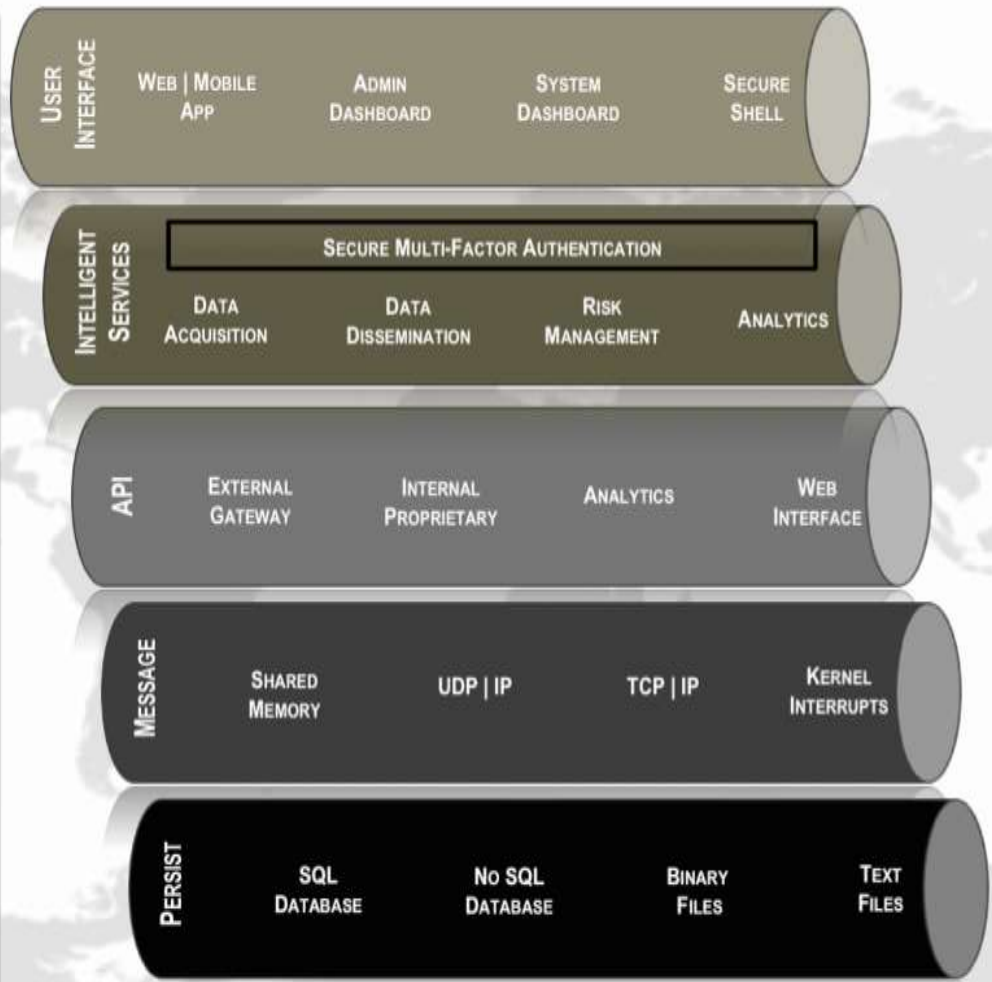
Vision Exchange Gateway™ aggregates exchange data globally via low latency connectivity and normalizes market data to create a consolidated, global rate with depth of market across all major exchanges.

Vision Rate Engine™ produces a custom consolidated order book for all major digital asset assets, generating automated rate quotes with intelligent algorithmic execution across multiple exchanges globally.

Vision Central Limit Order Book matches crossing buy and sell orders whenever possible, minimizing market impact and saving execution costs.

Crypto Prime Trader™ web-based trading platform provides advanced analytics, charting, intelligent trading algorithms, position monitoring, real-time P&L and mobile access.

Crypto Mission Control™ provides fast, efficient access to pre-trade credit confirmation and admin functions enabling trading support and customer service to monitor performance and provide high quality, 24x7 live support.



## Administrative Management System (“Crypto Mission Control”™)

“Crypto Mission Control” (CMC™) is an administration management system that provides fast, efficient access to all administrative functions of the Vision Rate Engine and SOR, enabling management, trading support and customer service staff to monitor performance, manage the rate engine algorithm and maintain system and customer settings.

CMC facilitates important customer settings including PTCC, compliance, risk and liquidity management. Trading management and customer service staff utilize ECA and MIS reports (management information system) to monitor performance and adjust according to market



conditions to continuously improve client experience.

Transparency is key to successful and sustainable trading relationships. Real-time trade flows, with end-to-end time stamps, allows trading analysts to measure and manage execution quality and underpins transparency. Market snapshots and an audit trail of customer settings enable staff to respond to customer service inquiries and troubleshoot trading questions/issues as they arise. Alerts on various priority metrics facilitate fast response times by the team. Following is a summary of the major functions provided by CMC:

#### Liquidity Management

- i. Aggregation - client specific exchange pool incorporating PTCC
- ii. Exchange Cost Analysis (fill ratio, slippage, latency – by digital asset, customer, etc)
- iii. Ability to add/remove exchanges in real-time - by customer, by digital asset, by size
- iv. Automated Actions and Alerts – order time-outs and auto-cover
- v. Execution settings to assist in the client receiving the best execution

#### Customer settings

- i. Permissions and controls – access, credit
- ii. Execution settings - by exchange, crypto pair, trade size
- iii. Organization vs Trader Specific reporting
- iv. Volume reports – time of day, median, standard deviation

#### Management Reporting

- i. Execution quality - automated management reports, real-time trade flows, alerts, etc.
- ii. Exchange performance - fill ratio, slippage, latency, etc.
- iii. Exceptions – out trades, alerts
- iv. Historical data - by digital asset, customer, exchange, time period (hourly), etc.

#### Trade Cost Analysis (TCA)

- i. At the time of execution, the mid-point of trades is recorded and measured against the new mid-point at standard intervals thereafter. These mark-outs are measured for individual customers in order to gauge market impact, which informs settings for future trades. The analysis is done by exchange, by digital asset, time zone, etc. to optimize execution.

#### **Vision Central Limit Order Book (“Vision CLOB”)**

The Platform Operator will match crossing buy and sell orders whenever possible, thereby minimizing market impact and saving customers time and execution costs. Generating CLOB volume will require trading volume on CPT whereby opposing orders exist in the system at the same

time and can be matched in a fast, efficient manner. As volume grows on the Vision System, the CLOB operation will become an increasingly important liquidity advantage offered by Edgewater that does not exist on competing systems.

Matching of buyers/sellers significantly lowers market impact and execution costs while reducing the time for traders to execute into or out of positions.

### **Web-based Trading Platform Crypto Prime Trader™**

The Platform Operator will provide customers with a web-based trading platform, Crypto Prime Trader (CPT), with a simple, easy-to-use, graphical user interface (GUI). CPT will incorporate advanced analytics, charting, trading algorithms, position monitoring, real-time P&L, mobile access and post-trade integration. Supported by a 24x7 global help desk with professional trading support staff, the Platform Operator will provide the institutional market with the most advanced digital asset trading system available with aggregated liquidity and immediate response to all customer inquiries, establishing a new bar for customer service in the digital asset market. The Platform Operator's CPT puts traders in control, providing access to reliable digital asset liquidity in the palm of their hand.

#### **a. Crypto Prime Trader**

The Platform Operator trading platform development employs the concept of KSE™ (Key Stroke Efficiency™) which is an outcome of Edgewater's institutional customer advisor group. Periodic meetings are held with the Platform Operator's customer advisor group to review trading platform developments. The participating traders provide feedback and suggestions for improvement. The objective of KSE is to continuously minimize key strokes, to manage risk and make execution efficient and error free.

CPT provides traders with a control panel and dashboard to manage execution settings and view all relevant trading information, including market data, charting, TCA analytics, positions and P&L.



Traders can select from different order types (for example, FOK, IOC, limit, etc.\*), liquidity composition (for example, ESP, RFQ/RFS, etc.\*) and time in force (TIF). In addition to the live system, the Platform Operator will make available a UAT/Demo version with live prices and demo dealing capabilities for training and review by prospective customers. Installation requirements will be minimal (web access) and designed to facilitate quick IT/compliance review.

\*See Glossary for definitions.

### b. Intelligent Trading Algorithms

The Platform Operator will provide customers with an innovative suite of algorithmic execution models. Pre-programmed rules define trade parameters including timing, price, quantity, volatility, rate of change, etc. Algorithmic execution enables traders to execute efficiently and identify trading opportunities. A large segment of the institutional market relies on algorithmic execution as part of their overall trading execution strategy.

Benefits of algorithmic trading:

- Trades are executed at the best possible prices automatically
- Automated trade order placement ensures accuracy and helps execute desired levels
- Trades are timed accurately and instantly, to avoid significant price changes
- Reduced transaction costs
- Simultaneous automated checks on multiple market conditions reduces risk of errors
- Reduces/eliminates trader emotional and psychological factors
- Empirical back-tested algorithms provide confidence in suitability

The most common algorithmic trading strategies follow trends in moving averages, channel breakouts, price level movements and related technical indicators. These are the easiest and

simplest strategies to implement through algorithmic trading because these strategies do not involve making any predictions or price forecasts. Trades are initiated based on the occurrence of desirable trends, which are easy and straightforward to implement through algorithms without getting into the complexity of predictive analysis.

### c. Advanced Analytics and Charts

Pre-trade, mid-trade and post-trade analysis facilitates benchmarks for best execution to meet institutional fiduciary responsibility and to support trading decisions and compliance reporting. Basic and advanced time series charting capabilities will be available based on customer demand. For example, some of the popular charting analytics include line/bar, candlestick, Ichimoku Cloud, volatility, momentum indicators and oscillators, Bollinger bands, etc.

Transaction cost analysis (TCA) is the study of trade prices to determine whether the trades were arranged at favorable prices. TCA is essentially a rating of the spread between two possible prices and the market impact caused by the execution. Results from these analyses are often used to fine tune trading processes to make them more effective.

The main challenge of TCA is to determine whether a trade price is high or low given market conditions at the time the order was processed. For this purpose, trade prices are commonly compared to benchmark prices such as the volume-weighted average trade price of the day (VWAP analysis) or the midpoint of the bid/ ask spread at the time the order was first created (implementation shortfall analysis).



Pre-trade Analytics (PTA) - Pre-trade Analytics is the process of taking known trade parameters of a planned execution and determining the best or most efficient execution strategy. The goal is to

minimize the cost of transacting for a given level of acceptable risk. The PTA tool helps traders determine expected market impact (i.e. slippage) of a transaction based upon the strategy or method of execution. PTA is an important risk management tool that can help plan trades.

Post-trade analytics (TCA) – Post trade analysis tool offers transparency regarding execution performance and assess the quality of trader’s execution and decision making.

#### **d. Position Monitoring and Real-Time P&L**

The Platform Operator will provide a blotter system that allows traders to monitor credit and manage orders, view trade details and positions with a real-time, consolidated P&L. CPT will connect to the customer’s back office via STP (straight through processing) for automatic, electronic uploading of all trade details to the firm’s systems. Vision Exchange Gateway connections will ensure that customer specific exchange limits are in synch with CPT at all times.

#### **e. Mobile Access**

Institutional customers are increasingly requesting mobile access to trading platforms, so their traders can monitor and control open positions and execute trades as market conditions change throughout the day, regardless of where the trader is at any given moment. The mobile app will provide customized alerts to help the trader to remain aware of trade impacting market movements. The mobile version of CPT will be available on various hardware options of the Apple and Android platforms.

#### **Credit and Post-Trade Solutions**

The Platform Operator plans to stay on the forefront of understanding the various options clients have for managing exchange credit, post-trade settlement and custody. The Platform Operator anticipates significant innovation and multiple solutions will evolve over time for credit management, settlement and custody in the digital asset market. We also anticipate that different customers will prefer different solutions. Our goal is to help educate and connect our clients to suitable solutions and integrate Vision and CPT as required.

Credit, settlement and custody solutions will develop as the digital asset market develops and the Platform Operator intends to partner with other firms as these important services evolve.

#### **PHASE 2 PRODUCT DEVELOPMENT:**

Following are additional products that the Platform Operator will introduce after launching its Vision System and Crypto Prime Trader for institutional investors.

## **Crypto Prime Trader White-Label Solutions**

The Platform Operator will provide a generic, custom branded version of the CPT trading system for institutional customers (banks, brokers) to provide to their customers. Firms frequently make “buy versus build” decisions when targeting customers with a technology solution. Speed to market is improved and development risk is reduced dramatically by outsourcing technology to an existing provider. The Platform Operator will make available a license to firms wishing to “buy” a solution. As part of the white-label solution, the Platform Operator envisions developing an associated simple (light) version of CPT for less sophisticated end customers.

## **Crypto Prime Trader Data**

Digital asset market data is currently disseminated by many parties in unrelated formats. The Platform Operator will consolidate market and order data and normalize it to provide a ‘consolidated tape’ of digital asset market rates. A market data product will be sold to market participants and media, including high frequency trading firms, hedge funds, CTAs, banks and asset managers among others. Access to CPT market data can become the market standard and will be a valuable revenue generating product.

# REVENUE GENERATION MODEL

The Company expects to generate operating revenue in the future from fees charged for the provision of services in the CPT ecosystem.

## **Transaction Charges**

The Platform Operator will charge transaction fees based on notional trading volume. The per US\$ million fee depends on crypto pair, depth of liquidity, market conditions, customer requirements such as size and complexity of the order and the execution venue(s), including whether the transaction occurred on the Vision CLOB. Volume discounts will be available, as volume increases the basis point fee per million will decrease.

Value added services including Custody, Intelligent Algorithms and Advanced Analytics will be available on a subscription basis (basis points per US\$ million).

The Platform Operator plans to charge a monthly minimum volume transaction fee per location.

## **Installation/Setup**

CPT installation and setup includes establishing the necessary exchange relationships and pre and post-trade solution integration, according to individual customer requirements. The Platform Operator will configure CPT with value added services including Custody, Advanced Intelligent Trading Algorithms and Advanced Analytics and provide any training required. Additional set-up options:

Dedicated data circuits (versus internet) available.

Co-located customer trading engine (Vision POP) – secure and private with the fastest access available is available.

## **Crypto Prime Trader Data**

Data will be available via a data license fee. Fees will vary based on usage (single office, global license, redistribution to firm's customers, media, etc.).

## **Crypto Prime Trader White Label**

The Platform Operator will white-label CPT to firms that wish to provide a custom branded version of the platform to their customers. The white-label version will be provided as a software license based on the number of users, functionality included (for example, Algorithms, Analytics, etc.) and volume.

# ROADMAP | PLAN OVERVIEW

## **Q1 2019**

Business Formation

Banking Relationships

Liquidity and Custody Connectivity (ongoing)

Crypto Prime Trader (CPT) Alpha Testing

## **Q2 2019**

CPT Development: SOR, Smart Ticket, Algorithms, GUI design

Settlement/Custody

Crypto Mission Control

Broker/Dealer and Token Platform

## **Q3 2019**

CPT Credit, Risk Mgmt and Post-Trade Reporting

CPT Digital Order Book

EWD Market and Credit Operations

Product Launch

## **Q4 2019**

CPT Utility Token Loyalty Program

Mobile Development

Risk Management & Portfolio Analytics

STO Exchange Listing



# EDGEWATER TEAM

## Founders



### **Co-Founder and President - Alessandro Scarsini**

With over 25 years of FX expertise, Alessandro Scarsini, is the Co-Founder and President of Edgewater Markets LLC, an industry leader in electronic liquidity and distribution to institutional clients. Prior to Edgewater, Alex led the currency hedge fund sales desk at Deutsche Bank in New York. Fluent in Italian, French and Spanish, Mr. Scarsini has a stellar global track record which includes senior management positions at Merrill Lynch, ABN AMRO and Barclays, where he managed FX trading, institutional sales, eCommerce and prime brokerage businesses. Mr. Scarsini holds a BS in Business Administration, Finance from Babson College and a Baccalauréat from the Lycée Français de New York. “We have the opportunity to reform the financial system and turn it into a level playing field. With the launch of our new digital asset business, we are continuing to redefine the gold standard in the crypto space. This release represents what a 21st century financial company can and should be and hints at future developments. Cryptocurrencies will pioneer the development of decentralized applications that will intrinsically change the digital economy.”



### **Co-Founder and CEO - Skovran Schreder**

Skovran Schreder, Co-Founder and CEO of Edgewater Markets LLC., brings a wealth of Electronic Foreign Exchange industry expertise as evidenced by his past positions in senior capital markets roles working for large financial institutions including AIG, Lehman Brothers, Barclays Capital and Bank of America. Skovran’s career in eFX management spans over 25 years in a variety of executive leadership roles, where he successfully managed, developed and led global FX sales and trading teams. Mr. Schreder earned his Bachelor of Science in Finance from the California State University at Chico. “Cryptocurrencies, such as Bitcoin, will continue to rapidly permeate into the global commercial and financial mainstream. It is the smart currency, signifying the future of privacy and has the power of exponential growth.”

## Leadership Team



### **COO – Jeff Johnson**

Jeff Johnson was appointed Chief Financial Officer of Edgewater Markets LLC in 2014 and Chief Operating Officer in 2017. Jeff was most recently Senior Vice President of FX Prime Brokerage at Bank of America Merrill Lynch. Before joining BAML, Jeff held senior roles in prime services at Barclays Capital and Credit Suisse. Mr. Johnson also served as a Manager at Currenex and Director of FX Derivative Trading at CIBC. His career began at Morgan Stanley. Jeff holds a BA in Communication from the University of Connecticut. "I am fascinated by the constantly evolving world of Cryptocurrency and blockchain technology. How the world transforms because of it is the question. It will intrinsically change the internet and the digital economy."



### **CTO – Jason Aubrey**

Jason Aubrey, Chief Technology Officer at Edgewater Markets LLC., leads a global team in bringing ground-breaking solutions to financial markets. His career has focused on applying technology and innovation in high-frequency, low-latency trading at Chicago Trading Company, Bank of America, and AlphaWorks Capital Management where he successfully managed teams to deliver solutions at every level of the technology stack, including novel innovations utilizing concurrency, microwave, FPGA, and various languages. Jason contributed a major performance enhancement to boost::condition\_variable which became part of the C++11 standard. He has implemented and contributed to free and open source software and participates in industry panels on various related topics. He is now pursuing the application of artificial intelligence to cryptocurrencies. Mr. Aubrey holds a BS in Computer Science from Illinois Institute of Technology in Chicago, Illinois. "A Blockchain is complex to create but simple to verify - much like the existence of a person. Blockchain security is guaranteed by a chain of digital Gordian Knots each larger than the previous. Applying the chain is the challenge."

## Managers



### **Business Development Manager – Michael Naylor**

Michael Naylor, Managing Director at Edgewater Markets, has over 30 years of experience in financial services sales and marketing, introducing innovative products and developing new markets. Mike helped launch the first electronic inter-bank fiat matching system at Dow Jones Telerate and lived and worked in Asia and Europe opening new markets as Chief Marketing Officer for Standard & Poor's. Mike holds a BA in Economics from Rutgers University and an MBA in Finance and Int'l Business from NYU Stern School of Business, with studies at The Hong Kong University of Science and Technology.



### **Product Development Team Manager – Mike Johnson**

Mike Johnson, Software Developer at Edgewater Markets LLC since 2014, develops low-latency applications and delivers ground-breaking solutions to financial markets. Mike holds a BS in Computer Science from the University of Illinois at Urbana-Champaign.



### **Chief Administrative and Marketing Officer – Alessandra Bozzo**

Alessandra Bozzo is the Chief Administrative and Marketing Officer of Edgewater Markets LLC. Previously, she worked at Bridgewater Associates on the Core Management Technology Team. Alessandra holds a B.A. in Political Science and Romance Languages and Baccalauréat from the Lycée Français de New York. Alessandra is fluent in French, Spanish and Italian.



### **European Region Head - Emanuel Georgouras**

Emanuel Georgouras, Head of Europe at Edgewater Markets LLC, has over 17 years of foreign exchange experience with senior management positions at Axicorp, Marex Spectron, CMC Markets and MKS. Emanuel holds a BCom in Finance & Marketing from the University of Sydney and diplomas in Finance Mgmt and Financial Services from the Australian Institute of Management.



### **LATAM Region Head – Robert Sanchez**

Robert Sanchez, Managing Director & Head of Edgewater Markets' LATAM business, has over 20 years of eFX expertise with prior senior management positions, spearheading trading initiatives and eFX platforms, at leading companies including Integral Development Corp and Currenex. Robert is a U.S. Army Veteran and holds a BS in Information Technology from DePaul University.



### **Asia Region Head – Shilpa Dubey**

Shilpa Dubey is Head of Asia-Pacific at Edgewater Markets LLC. Prior to Edgewater, Shilpa's experience includes consulting and project management with firms based in South-East Asia, including foreign exchange aggregation and trading solution development for a leading electronic trading technology company. Shilpa holds an B.Eng. in Computer Science from Vishweshraya Technical University and an MBA with a specialization in IT and Operations from NITIE in Mumbai.



### **Risk Management – Nate Arenchild**

Nate Arenchild, Global Head of Operations & Client Services at Edgewater Markets LLC since 2013, leads a global team in delivering operational solutions to financial markets. Nate holds a BS in Economics from The California State University in Sacramento.



### **Liquidity Management – Mike Serpa**

Mike Serpa, Global Head of Liquidity at Edgewater Markets LLC, has been with the company since 2015. Mike leads a global team in delivering liquidity management solutions to Edgewater's customers. Mike holds a BA in Economics from Dickinson College.

## Advisors



### **Matthew Roszak, Chairman & Co-Founder, Bloq**

Matthew Roszak is a leading blockchain investor, entrepreneur and advocate. Mr. Roszak is chairman and co-founder of Bloq, a blockchain technology company and the creators of Metronome, a next generation cryptocurrency. Mr. Roszak is also founding partner of Tally Capital, a private investment firm focused on cryptocurrencies and blockchain-enabled

technology, with a portfolio of market leading companies, including: Binance, Block.One, Blockstream, Civic, Genaro, Orchid, Polymath, Rivetz, Spacechain, tZERO and QTUM.

Mr. Roszak serves as chairman of the Chamber of Digital Commerce, the world's largest trade association representing the blockchain industry – and the founder of Token Alliance, an industry-led initiative developing best practices and standards for the responsible issuance of tokens. In addition, Mr. Roszak serves on the board of BitGive, a non-profit foundation that improves philanthropic impact with blockchain technology. Mr. Roszak is also the founder of the Chicago Blockchain Center, a public-private partnership with the State of Illinois, CME Group, DRW and Lightbank. Mr Roszak was a producer of the industry's first ever documentary, The Rise and Rise of Bitcoin.

Mr. Roszak is a sought after thought leader on blockchain technology and has testified as an expert before US Congress and spoken at the US Federal Reserve. Mr. Roszak has presented at TEDx, been featured on CNBC and quoted in The Wall Street Journal, Bloomberg and Financial Times. In addition, Mr. Roszak has been a keynote speaker at fintech conferences worldwide, including Money20/20, CES and Consensus.



### **Richard S. Rofé, Managing Partner, Arcadia Crypto Ventures**

Richard S. Rofé has a diverse business background on both main street and wall street spanning more than 30 years. Richard manages Arcadia Capital Management, LLC and Arcadia Crypto Ventures, LLC. Prior to ACM and ACV, Richard was a serial entrepreneur founding, growing and financing companies in a variety of industries.

Alongside his investments in crypto currencies, Richard sits on the boards of Arcadia Chemical & Preservative, Studio Wildway, SeaMax America, eBoost and the Cradle of Aviation Museum. He is an investor and advisory board member at Bloq, Genaro, LaLa World and Noble Markets. A licensed pilot and avid boater, Richard lives with his wife and two children in Great Neck, NY.

# SECURITY TOKEN OFFERING

The Company is offering Preferred Equity to accredited investors with an ERC20 security token offering.

The capital raised will accelerate development of the Company's digital asset trading system, Crypto Prime Trader, and support a successful product launch. As in the fiat trading market, there are many trading platforms that will co-exist in the crypto market. We believe the leading crypto platforms will be established in the next 12-18 months and Edgewater has the currency trading expertise, technology and relationships to establish itself as one of the leading platforms.

To achieve this, Edgewater Digital Technologies is issuing Preferred Stock which the Company intends to be in the form of digital Security Tokens or Uncertificated Shares. The Security Tokens or Shares will provide purchasers with equity ownership and dividends.

Security Tokens provide many benefits for Purchasers and the Company: including: lower cost issuance as compared to traditional capital markets, automated compliance thru programmable "smart contracts", improved transparency and accuracy of ownership records, efficient investor management (streamlined payment of dividends, communications, etc.), increased accessibility thru fractional ownership, global reach, and 24/7/365 availability via secondary markets enhance price discovery and improve liquidity.

It is intended that the Security Tokens will be listed for trading on multiple security token platforms (available for trading following the required lock-up period).

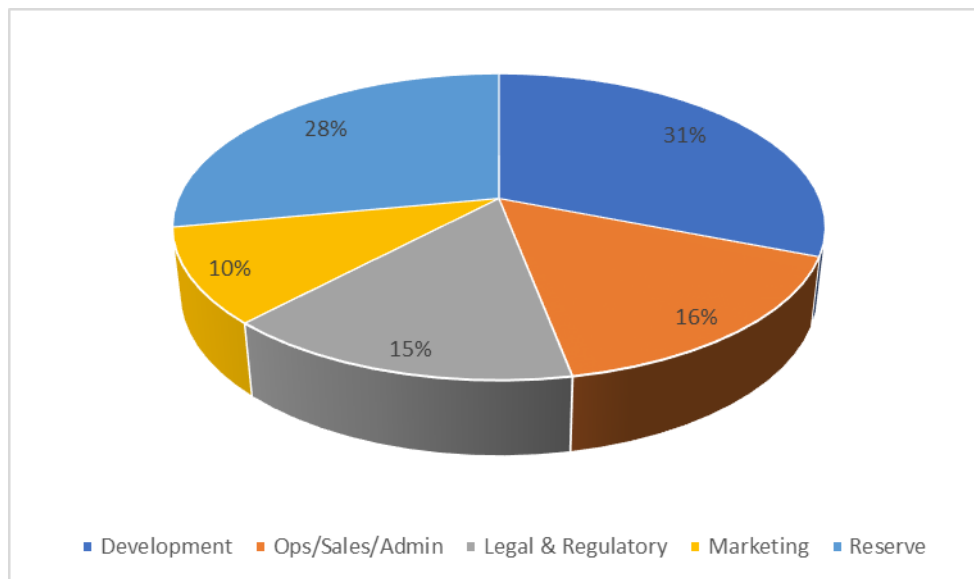
A strict limit of 250 million Security Tokens will be created, creating an upper cap on the total number of tokens.

The Company will accept USD, ETH and BTC.

The Securities are being offered to non-U.S. persons within the meaning of Regulation S and to U.S. persons that are accredited investors in compliance with U.S. securities laws under Regulation D 506(c).

A detailed financial forecast is available upon request.

# USE OF PROCEEDS



Following is a breakdown of the anticipated use of proceeds over 24 months following the token offering.

**Development:** 31% of token sale proceeds will be used for platform development. The Company is adapting its current fiat currency trading platform for digital assets, including refining its Vision rate engine and smart order router (SOR), building Crypto Prime Trader web-based GUI, mobile trading system and developing Crypto Mission Control. Infrastructure requirements include building the Exchange Gateway system, establishing low latency connections to the major crypto exchanges and OTC desks, building quote adaptors, tick loggers and other critical infrastructure required to aggregate liquidity globally.

**Operations/Sales/Admin:** 16% of proceeds will be used for marketing, sales, operations, and administration. A global operations and customer service team will be established to provide live support 24/7. The Platform Operator's go-to-market strategy includes introducing CPT to digital asset hedge funds, OTC desks and exchanges as well as Edgewater Markets' existing customer base. To execute the strategy a digital asset focused institutional sales force will be established.

**Legal and Regulatory:** 15% of token sale proceeds will be used for legal and regulatory purposes, including securing the necessary licenses as required. The Platform Operator will employ relevant domain expertise and resources to manage compliance. The Platform Operator plans to work closely with regulators to ensure regulatory compliance as well as contributing to relevant

pg. 30

industry rules as they are developed. Understanding and adhering to relevant rules and regulations has been a critical component of Edgewater's success and that will continue in the rapidly developing digital asset marketplace.

Marketing: 10% of token sale proceeds will be used for sales and marketing promotion, including the product launch. Building brand and product awareness with institutional customers and digital asset investors across the digital asset marketplace will require a sustained, globally coordinated marketing and sales effort.

Reserve: 28% of token sale proceeds will be reserved for operating liquidity and unforeseen capital requirements.

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# Appendix A | Glossary

**Algorithmic Trading:** The process of using computer programs to follow a defined set of instructions for executing a trade at a speed and frequency that is impossible for a human trader.

**API (Application Programming Interface):** A clearly defined protocol for communication between different exchanges and systems.

**Central Limit Order Book (CLOB):** A centralized database of orders placed by market participants. A central limit order book will match different orders to reduce execution cost by crossing the bid/ask spread. The CLOB offers the ability to see market depth, in which customers can view the various prices and size available at each level, providing fully transparent, real-time, anonymous and low cost in execution.

**Consolidated Order Book:** The aggregation of orders and prices from multiple market exchanges in a single consolidated view.

**ESP pricing:** Executable Streaming Price. Real-time pricing of a financial product whose rate is continuously streaming and can be executed upon immediately.

**Fill Ratio:** The ratio between the cumulative amount of trades executed versus trades attempted. This is calculated on either the number of orders executed/attempted, or the volume of orders executed/attempted.

**FIX Protocol:** Short for the Financial Information exchange protocol, FIX protocol is a technical specification for electronic communication of trade-related messages. FIX protocol acts as a standardized format of messaging used for real-time exchange of information related to security transactions and the financial market.

**FOK Order Type:** "Fill or Kill" order types specify that the order is executed immediately. The order is either filled in its entirety, or otherwise cancelled completely.

**GUI:** Graphical User Interface – a user interface that enables users to interact with a computer through use of graphical elements, such as windows, icons, buttons and point devices.

**IOC Order Type:** Immediate or Cancel order types specify that the order is executed immediately. If the entire order quantity becomes unavailable during execution, a partial fulfillment of the order is possible.

**Keystroke Efficiency:** A measurement of the efficiency of a software program, defined as the number of keystrokes required to perform a specific function. More efficiency in the software program leads to a lower the likelihood of human error or confusion occurs.

**Limit Order Type:** Limit order types will attempt to buy or sell a financial product at no more or less than a specified price and are used when a trader wishes to control the price of the execution, rather than the certainty of the quantity of the execution.

**MIS:** Management information system or management information systems refers to the complementary networks of hardware and software cooperating to collect, process, store, and disseminate information in order to support the managerial role of leveraging information technology to increase and monitor market performance and client experience.

**RFQ/RFS pricing:** Request for Quote or Request for Stream. In comparison to ESP pricing, the pricing of a financial product is not continuously streaming. For RFQ/RFS pricing, a trader specifies the product, size and tenor which they are looking to execute, and submit the request. Pricing is then returned for the exact specifications of the execution.

**Slippage:** The allowable deviation from the price where a trade is submitted which a trader will accept the execution. This allows for a higher certainty of the quantity of the execution attempted.

**Smart Order Router (SOR):** An automated process of executing large orders via a Volume Weighted Average Price (VWAP), aimed at taking the best available opportunity by following defined rules, configurations and algorithms. The rules and algorithms within the smart order router analyze all connection venues for a variety of performance factors including, but not limited to, price, fill ratio, market impact, latency and execution/venue cost.

**STP (Straight-Through Processing):** The electronic and automatic transfer of a financial transaction for the purpose of settlement and reporting. STP reduces the time required to process a transaction and increases the accuracy of settlement instructions.

**Time-In-Force:** The time period for which an order is considered live/active.

**Trading Platform:** Software though which investors and traders can open, close and manage market positions through a financial intermediary.

## APPENDIX B | RISK FACTORS

The further development and acceptance of blockchain networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of blockchain networks and blockchain assets would have a material adverse effect on successful development.

The growth of the blockchain industry, in general, as well as the blockchain networks on which the Company will rely upon in its business operations are subject to a high degree of uncertainty. A decline in the popularity or acceptance of cryptocurrencies such as Bitcoin or Ethereum would adversely affect the Company's results of operations, the development, launch and/or operations of the Company. Factors that affect the development of the cryptocurrency industry and blockchain networks, include, but are not limited to:

- worldwide growth in the adoption and use of Bitcoin, Ethereum, and other blockchain technologies;
- government and quasi-government regulation of Bitcoin, Ethereum, and other blockchain assets and their use, or restrictions on or regulation of access to, and operation of blockchain networks or similar systems;
- the maintenance and development of the open-source software protocol of the Bitcoin or Ethereum networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services; and
- general economic conditions and the regulatory environment relating to cryptocurrencies.

Blockchain networks are based on software protocols that govern peer-to-peer interactions between computers connected to these networks. The suitability of the networks for the Company's business, depends upon a variety of factors, including, but not limited to:

- the effectiveness of the informal groups of (often uncompensated) developers contributing to the protocols that underlie the networks;
- the effectiveness of the network validators (sometimes called "miners") and the network's consensus mechanisms to effectively secure the networks against confirmation of invalid transactions;
- disputes among the developers or validators of the networks;

- changes in the consensus or validation schemes that underlie the networks, including, without limitation, shifts between so-called “proof of work” and “proof of stake” schemes;
- the failure of cybersecurity controls or security breaches of the networks;
- the existence of other competing and operational versions of the networks, including, without limitation, so-called “forked” networks;
- the existence of undiscovered technical flaws in the networks;
- the development of new or existing hardware, software tools, or mechanisms that could negatively impact the functionality of the systems;
- the price of blockchain assets associated with the networks;
- intellectual property rights-based claims or other claims against the networks’ participants; and
- the maturity of the computer software programming languages used in connection with the networks.

Unfavorable developments or characteristics of any of the above circumstances could adversely affect the Company’s business, the development, launch and/or operations of the Company.

The regulatory regime governing blockchain technologies, cryptocurrencies, tokens, and token offerings is uncertain. Developments in regulations in the United States or in other jurisdictions may alter the nature of the Company’s business or restrict the use of blockchain assets or the operation of a blockchain network upon which the Company and its business will rely in a manner that adversely affects the Company’s business, the development and/or operation of the Company.

As blockchain networks and blockchain assets have grown in popularity and in market size, federal and state agencies have begun to take an interest in, and, in some cases, regulate their use and operation. In the case of virtual currencies, US state regulators like the New York Department of Financial Services, have created new regulatory frameworks. Other states, such as Texas, have published guidance as to how their existing regulatory frameworks apply to virtual currencies. Other states have amended their state’s statutes to apply existing licensing regimes to virtual currencies. Treatment of virtual currencies continues to evolve under US federal law as well. Both the US Department of the Treasury and the Commodities Futures Trading Commission (the “CFTC”), for example, have published guidance on the treatment of virtual currencies like Bitcoin. Further, the IRS released guidance on virtual currencies classifying Bitcoin and Ether as property for the purposes of US federal income taxes. Both US federal and state agencies have instituted enforcement actions against those violating their interpretation of existing laws.

The regulation of non-currency use of blockchain assets is of particular relevance to the Company's business and the software upon which it will rely. Neither the SEC nor the CFTC has formally asserted regulatory authority over any particular blockchain network. The CFTC has publicly taken the position that certain blockchain assets are commodities, but the SEC has not officially taken the position all blockchain assets are securities; rather, it is a facts and circumstances test. To the extent that a US government or quasi-governmental agency exerts regulatory authority over a blockchain network, including one upon which the Company's business relies, or a blockchain asset, the Company's business and the functionality of the Company may be adversely affected.

On July 25, 2017, the SEC issued an investigative report cautioning market participants that offers and sales of digital assets by "virtual" organizations are subject to the requirements of the US federal securities laws. The report, entitled "Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO" (the "DAO Report"), found that tokens offered and sold by a "virtual" organization known as "The DAO" were securities and were therefore subject to the US federal securities laws. The DAO Report confirmed that issuers of distributed ledger or blockchain technology-based securities must register offers and sales of such securities unless a valid exemption applies.

Certain non-US regulators have also released statements or issued some form of guidance regarding their position on "initial coin offerings" and token sales. The Company's business, the development, launch and/or operations of the Company could be adversely affected by regulations that restrict the use or trading of cryptocurrencies or digital assets and as a result, and as a consequence, the value of The Shares may diminish to zero.

If regulatory changes or interpretations require the regulation of digital currencies under the United States Securities Act of 1933, as amended (the "Securities Act") and the United States Investment Company Act of 1940, as amended (the "Investment Company Act") by the SEC, we may be required to register and comply with such regulations. To the extent that we decide to continue operations, the required registrations and regulatory compliance steps may result in extraordinary, non-recurring expenses to us. We may also decide to cease certain operations. Any disruption of our operations in response to the changed regulatory circumstances may be at a time that is disadvantageous to purchasers of The Shares.

Current and future legislation and rulemaking of the SEC, CIMA and other regulatory developments, including interpretations released by a regulatory authority, may impact the manner in which cryptocurrencies are treated for classification and clearing purposes. In particular, digital currencies may not be excluded from the definition of "security" by SEC or CIMA rulemaking or interpretation. As of the date of this whitepaper, we are not aware of any rules or interpretations

that have been proposed to regulate cryptocurrencies as securities in the United States. We cannot be certain as to how future regulatory developments will impact the treatment of cryptocurrencies under applicable law. Such additional registrations may result in extraordinary, non-recurring expenses, thereby materially and adversely impacting the Security Tokens. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease certain of our operations. Any such action may adversely affect the Company and CPT.

To the extent that cryptocurrencies are deemed by the SEC to fall within the definition of a security, we may be required to register and comply with additional regulation under the Investment Company Act, including additional periodic reporting and disclosure standards and requirements and the registration of our Company as an investment company. Additionally, one or more states may conclude cryptocurrencies are a security under state securities laws which would require registration under state laws including merit review laws which would adversely impact us since we would likely not comply. Such additional registrations may result in extraordinary, non-recurring expenses of our Company, thereby materially and adversely impacting the Security Tokens. If we determine not to comply with such additional regulatory and registration requirements, we may seek to cease all or certain parts of our operations. Any such action may adversely affect an investment in us.

Developments in foreign regulations and laws may alter the nature of the Company's business or restrict the operation of a blockchain network upon which the Company relies, including the use of blockchain assets, in a manner that adversely affects our business.

Blockchain networks currently face an uncertain regulatory landscape in not only the United States, but also in many foreign jurisdictions, which have issued guidelines or regulatory communications regarding cryptocurrencies, digital assets and "initial coin offerings" and are still working on ways to regulate this industry. Various foreign jurisdictions may, in the future, adopt laws, regulations, or directives that affect the Ethereum network and its users, particularly Ether exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations, or directives may conflict with those of the United States, or may directly and negatively impact the Company's business, the development, launch and/or operations of the Company. The effect of any future regulatory change is impossible to predict, but such change could be substantial and adverse to the Company's business, the development, launch and/or operations of the Company and the development of the Company. Developments in US commercial and corporate laws may alter the nature of the Company's business or the development or operation of the software in a manner that adversely affects the Company's business.

The Company may not successfully develop, market and launch CPT or a Token Trading System.

The Company views the development of CPT as a key commercial milestone. The development of CPT and a Token Trading System has not yet commenced, and CPT may never be developed. In addition, the development of CPT would require significant capital funding, expertise of the Company's management and time and effort in order to be successful. The Company may have to make changes to the specifications of CPT for any number of reasons or the Company may be unable to develop CPT in a way that realizes those specifications or any form of a functioning network. It is possible that CPT may not ever be released and there may never be an operational system or launch of CPT may never occur. CPT, if successfully developed and maintained, may not meet expectations of Potential Purchasers at the time of purchase. Furthermore, despite good faith efforts to develop and complete the launch of CPT and subsequently to maintain CPT, it is still possible that CPT will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact CPT and The Shares.

The Company may, but is not obligated to, use the proceeds of its sale of The Shares to make significant investments to develop and launch a viable Token Trading System and subsequently to build a fulsome network upon which users can realize utility and value. The Company may not have or may not be able to obtain the technical skills and expertise needed to successfully develop CPT and progress it to a successful launch. While the Company has sought to retain and continue to competitively recruit experts, there, may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain CPT. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain CPT and addressing such considerations will require significant time and resources. If the Company is not successful in its efforts to develop CPT that is compliant with all regulatory and legal requirements and to demonstrate to users the utility and value of CPT, there may not be sufficient demand for The Shares for the Company to proceed with the launch of CPT. As a result, or if the launch does not occur, purchasers of The Shares may lose all of their investment.

Blockchain industry is highly competitive and should intensify in the future.

There are many platforms that enable the use of blockchain technologies in the payment ecosystem. Additional competitors are likely to enter the industry in the future. It is possible that alternative platforms could be established that utilize the same or similar open source code and protocol underlying CPT and attempt to facilitate services that are materially similar to the services offered by or within CPT. CPT may compete with these alternatives, which could negatively impact CPT and Security Tokens.

Risks associated with unauthorized access.

Third parties that gain access to a user's login credentials or private keys may be able to transfer the user's value. To minimize this risk, the users should guard against unauthorized access to their electronic devices. Hackers or other groups or organizations may attempt to interfere with the blockchain technology or the availability of our anticipated blockchain technology solutions in any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware attacks, or consensus-based attacks.

Risk of security weaknesses in the core infrastructure and software.

Some parts of the core software may be based on open-source software. There is a risk that the development team, or other third parties may intentionally or unintentionally introduce weaknesses or bugs into the core infrastructure elements of our anticipated blockchain technology solutions interfering with the use of or causing the loss to the Company.

Risk of weaknesses or exploitable breakthroughs in the field of cryptography.

Advances in cryptography, or technical advances such as the development of quantum computers, could present risks to cryptocurrencies and network, which could result in theft or loss.

Risk of hard-fork: CPT will need to go through substantial development works as part of which it may become the subject of significant conceptual, technical and commercial changes before release.

There is no existing trading market for Security Tokens and an active trading market may not develop. Security Tokens will not be listed on any exchange and secondary trading may be limited.

Security Tokens are a new issue of digital tokens for which there is no established public market.

The Company may not enable or otherwise facilitate any secondary trading or any such external valuation of Security Tokens. This may restrict the contemplated avenues for using Security Tokens to the token functionality described in in this whitepaper and could therefore create illiquidity risk with respect to any Security Tokens you own. Even if secondary trading of Security Tokens is facilitated by third-party exchanges, such exchanges may be relatively new and subject to little or no regulatory oversight, making them more susceptible to fraud or manipulation. Furthermore, to the extent that third parties do ascribe an external exchange value to Security



Tokens (e.g. as denominated in a crypto or fiat currency), such value may be extremely volatile and diminish to zero.

The liquidity of any market for the Security Tokens will depend on many factors, including:

- the number of holders of Security Tokens;
- the market for similar digital tokens;
- the interest of potential users of the Platform in the Platform;
- the Company's performance and financial condition;
- the Company's successful development of the Platform;
- developments in the Company's industry; and
- regulatory developments in the digital token or cryptocurrency industries.

The digital token market is a new and rapidly developing market which may be subject to substantial and unpredictable disruptions that cause significant volatility in the prices of digital tokens. We cannot assure you that the market, if any, for Security Tokens will be free from such disruptions or that any such disruptions may not adversely affect your ability to sell your Security Tokens. Therefore, we cannot assure you that you will be able to sell your Security Tokens at a particular time or that the price you receive when you sell will be favorable.

Only certain persons and entities are able to acquire The Shares.

Only limited categories of persons and entities may purchase The Shares. The Company expects that these limitations will limit liquidity in Security Tokens, and the limitations may have a material adverse effect on the development of any trading market in the Security Tokens. Out of an abundance of caution, the Company is restricting the issuance and transfer of Security Tokens as if Security Tokens were securities under the Securities Act. The Shares have not been registered under the Securities Act or any United States state securities laws or under the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, United States persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. In addition, in offshore transactions The Shares may be purchased only by non-U.S. Persons in accordance with applicable restrictions under the securities laws of the jurisdictions in which they are sold. Generally, foreign securities laws restrict the categories of persons permitted to purchase securities to specified classes of sophisticated investors. No action has been taken in any jurisdiction to permit a public offering of The Shares.

Consequently, it is expected that there will only be a limited number of Security Token holders, a purchaser of The Shares and an owner of beneficial interests in those Security Tokens must be able to bear the economic risk of their investment in The Shares for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see Appendix C.

The wallet or wallet service provider used to receive Security Tokens must conform to the ERC20 token standard in order to be technically compatible with Security Tokens.

The failure to ensure such conformity may have the result that Potential Purchaser will not gain access to his Security Tokens.

You may not have the skills necessary to secure, trade or use the Security Tokens.

Participating in any offering of digital tokens requires technical skill beyond that of many investors in digital tokens. Securing, trading or using digital tokens requires working knowledge of blockchain technology, blockchain assets and their attendant systems and processes. Similar knowledge of blockchain asset exchanges and other industry participants may be required to make obtain the full benefit of Security Tokens.

Security Tokens may not be insurable.

Unlike bank accounts or accounts at some other financial institutions, Security Tokens are uninsured unless you specifically obtain private insurance to insure them. Thus, in the event of loss, there is no public insurer or private insurance arranged by us, to offer recourse to you.

The tax characterization of Security Tokens, the Company and the offering of Security Tokens is uncertain.

You must seek your own tax advice in connection with acquisition, storage, transfer and use of Security Tokens, which may result in adverse tax consequences to you, including, without limitation, withholding taxes, transfer taxes, value added taxes, income taxes and similar taxes, levies, duties or other charges and tax reporting requirements. The tax characterization of Security Tokens also affects the Company's tax liability in connection with this offering. There are also significant uncertainties about the taxation of the operations of the Company.

We may require additional capital to fully utilize our business plan on a going forward basis as the Company develops and deploys its anticipated blockchain technology solutions and related ecosystem.

While the Company expects that funding of the project will be from the proceeds of this offering, the Company might require additional capital to fully utilize its business plan on a go forward basis as the Company develops and deploys the ecosystem, cost of development of the ecosystem, value-added solutions as well as deployment and distribution costs. There is no assurance that the Company will be able to obtain sufficient capital on acceptable terms when needed.

The use of new and untested technologies, including blockchain technology, may result in risks that we may not be able to currently anticipate.

Blockchain technology is a relatively new and untested technology. In addition to the risks set forth here, there are risks with the use of this technology that the Company cannot anticipate. Risks may further materialize as unanticipated combinations or variations from the risks set forth here.

Security Tokens do not grant governance rights with respect to the Company.

Because Security Tokens confer no governance rights of any kind with respect to CPT or the Company, all decisions involving Company (including to sell or liquidate Company) will be made by the Company and its board of directors, and all decisions involving CPT including, but not limited to, decisions to discontinue CPT, to create and issue more Security Tokens, will be made by the Company. These decisions could adversely affect CPT and/or Security Tokens you hold.

The Company is a new entity with no operating history.

The Company was incorporated in January 2019 and has not commenced operations.

## APPENDIX C | NOTICE TO PURCHASERS

No offering of The Shares has been registered or qualified under the securities laws of any jurisdiction anywhere in the world. The Shares are being offered and sold only in jurisdictions where such registration or qualification is not required, including pursuant to applicable exemptions that generally limit the purchasers who are eligible to purchase The Shares and that restrict their resale. The Shares may not be offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of except as permitted under applicable securities laws and the restrictions imposed on The Shares hereunder.

Until a trading platform that is capable of trading the Tokens and other tokens or coins that are determined to be securities for purposes of U.S. securities laws is available (the “Token Trading System”), or the Company in the future designates a digital token exchange pursuant to which holders of Security Tokens may transfer or resell their Security Tokens (such an exchange, together with the Token Trading System, a “Designated Exchange”), the Tokens will not be transferrable on any trading platform even if there are no legal restrictions on transfer. There can be no assurance that any Designated Exchange will be chosen or created or that all Token holders will have access to a Designated Exchange. The Token Trading System is not expected to have been developed by on the date that the Security Tokens are initially issued.

In addition, Token holders will not be able to transfer their Tokens until the Company designates or creates a Designated Exchange. Peer-to-peer trading will not be permitted unless and until Token holders are notified otherwise by the Company and informed of the requirements to do so. Furthermore, there can be no assurance that any Designated Exchange will be chosen or created or that all Token holders will have access to a Designated Exchange.

### **Notice to Residents of the United States**

The Shares have not been registered under the Securities Act or any securities laws of any state and, unless so registered, The Shares may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other securities laws. The Shares are being initially offered and sold only (1) to “accredited investors” (as defined under Regulation D) in compliance with Regulation D, in each case, in a private transaction in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation D under the Securities Act, and (2) outside the United States to non-U.S. persons in offshore transactions in reliance upon Regulation S under the Securities Act. The Shares are being offered outside the United States to non-U.S. persons in offshore transactions in reliance upon Regulation S under the Securities Act.

As used herein, the terms “United States,” “U.S. person” and “offshore transactions” have the meanings given to them in Regulation S under the Securities Act.

Each purchaser of The Shares will be deemed to have acknowledged, represented and warranted to, and agreed with, the Company as follows:

- (1) It understands and acknowledges that (i) the issuance of The Shares has not been and will not be registered under the Securities Act or any other applicable securities law, (ii) The Shares are being offered for sale in transactions not requiring registration under the Securities Act or any other applicable U.S. state securities law, (iii) The Shares will be issued in transactions not requiring registration under the Securities Act or any other applicable U.S. state securities law, and (iv) The Shares may not be offered, sold or otherwise transferred or disposed of, except in compliance with the registration requirements of the Securities Act and any other applicable securities law, or pursuant to an exemption therefrom and, in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.
- (2) It acknowledges that this whitepaper relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.
- (3) It is:
  - (a) an “accredited investor” (as defined in Regulation D) acquiring The Shares, and it is aware that The Shares are being issued in reliance on an exemption from the registration requirements of the Securities Act; or
  - (b) not a “U.S. person” and it is not acquiring The Shares for the account or benefit of a “U.S. person,” and it is acquiring such The Shares in an offshore transaction in accordance with Regulation S under the Securities Act and in accordance with the laws applicable to it in the jurisdiction in which such acquisition is made.
- (4) It acknowledges that the neither the Company, nor any of its representatives or affiliates, have made any statement, representation or warranty, express or implied, to it other than the information contained in this whitepaper, which has been delivered to it and upon which it is relying in making its investment decision with respect to The Shares. It has had access to such financial and other information concerning the Company and The Shares as it has deemed necessary in connection with its decision

to invest, including an opportunity to ask questions of and request information from the Company, and such information has been made available to it.

- (5) It is acquiring The Shares for its own account, or for one or more purchaser accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of its property or the property of such purchaser account or accounts be at all times within its or their control and subject to its or their ability to resell The Shares pursuant to Rule 144A, Regulation S, or any other exemption from registration available under the Securities Act.
- (6) Each holder of Security Tokens, if, as and when issued, issued pursuant to Regulation S acknowledges on its own behalf and on behalf of any purchaser account for which it is acquiring The Shares, and each subsequent holder of such Security Tokens by its acceptance thereof will be deemed to acknowledge that, until the expiration of the one year “distribution compliance period” under Regulation S (the “Distribution Compliance Period”), it will not make any offer or sale of Security Tokens to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rules 902 and 903 of the Securities Act, except in compliance with applicable securities laws. In addition, such holder further acknowledges that with respect to The Shares received pursuant to Regulation S, hedging transactions involving such Security Tokens may not be conducted unless in compliance with the Securities Act.

Each holder of The Shares agrees (on its own behalf and on behalf of any purchaser account for which it is acquiring The Shares), and each subsequent holder of Security Tokens by its acceptance thereof will be deemed to agree, that (A) prior to the expiration of the applicable holding period set forth in Rule 144 (the “Resale Restriction Termination Date”), it will not offer, sell, assign transfer, pledge, encumber or otherwise dispose of Security Tokens, except to the Company or any of its subsidiaries and (B) after the Resale Restriction Termination Date, if it is an affiliate of the Company (or has been an affiliate of the Company within the immediately preceding three months), will offer, sell or otherwise transfer Security Tokens only (i) to the Company or any of its subsidiaries, (ii) pursuant to a registration statement that has been declared effective under the Securities Act or (iii) pursuant to any other available exemption from the registration requirements of the Securities Act (including in accordance with Rule 144, if available), subject, in each of the foregoing cases, to any requirement of law that the disposition of its property or the property of such purchaser account or accounts be at all times within its or their control and, in each case, in compliance with applicable

securities laws of any U.S. state or any other applicable jurisdiction. In addition, the Company will require, prior to any offer, sale or transfer pursuant to clause (B)(iii), the delivery of an opinion of counsel, certification or other information satisfactory to the Company.

Each holder of The Shares acknowledges that the Company is not making any representations as to the availability of the exemption provided by Rule 144 for resale of Security Tokens.

It agrees that it will not transfer Security Tokens unless it is given reasonable assurance that each person to whom it transfers Security Tokens receives notice of any restrictions on transfer of such Security Tokens.

- (7) If it is an acquirer in a transaction that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the Distribution Compliance Period, any offer or sale of The Shares within the United States or to a U.S. Person by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.
- (8) It acknowledges that the Company will not be required to accept for registration of transfer any Tokens, except upon presentation of evidence satisfactory to the Company and the Transfer Agent that the restrictions set out therein have been complied with.
- (9) It understands that no action has been taken in any jurisdiction in the U.S. or elsewhere by the Company that would result in a public offering of The Shares or the possession, circulation or distribution of this whitepaper or any other material relating to the Company or The Shares in any jurisdiction where action for such purpose is required. Consequently, any transfer of Security Tokens will be subject to the transfer restrictions set forth under this "Notice to Purchasers."
- (10) It (a) is able to act on its own behalf in the transactions contemplated by this whitepaper, (b) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in The Shares and (c) (or the account for which it is acting) has the ability to bear the economic risks of its prospective investment in The Shares, and can afford the complete loss of such investment.
- (11) It acknowledges that the Company will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements set forth in this

“Notice to Purchasers” section and agrees that, if any acknowledgements, representations, warranties and agreements deemed to have been made by its participation in the offering of The Shares are no longer accurate, it will promptly notify the Company.

- (12) If it is acquiring The Shares as a fiduciary or agent for one or more purchaser accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations, warranties and agreements set forth in this “Notice to Purchasers” section on behalf of each such purchaser account.
- (13) Either (i) the holder of a Security Tokens is not acquiring or holding The Shares or an interest therein with the assets of (A) an employee benefit plan that is subject to Part 4 of Subtitle B of Title I of The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), (B) a “plan” to which Section 4975 of the Code applies (including an individual retirement account), (C) an entity deemed to hold “plan assets” of any of the foregoing by reason of an employee benefit plan’s investment in such entity, (D) a governmental plan (as defined in Section 3(32) of ERISA), (E) a church plan (as defined in Section 3(33) of ERISA) that has not made an election under Section 410(d) of the Code, or (F) a non-U.S. plan, or (ii) the Holder is acquiring or holding such Securities or an interest therein with the assets of (A) a governmental plan, a church plan that has not made an election under Section 410(d) of the United States Internal Revenue Code, or a non-U.S. plan and (B) the acquisition and holding of such Securities by the purchaser, throughout the period that it holds The Shares and the disposition of such Securities or an interest therein will not constitute or result in a violation of any provisions of any applicable United States federal, state or local laws or non-U.S. laws that regulate such plan’s investments.

## Digital Notices

Purchasers (including secondary purchasers) of The Shares will be required to be presented with the restrictions on transfer of Security Tokens and, at a minimum, must affirmatively signal their understanding of the information and provide the Company with certain representations on their investor status and location. The Token Terms and Conditions will be presented at that time as well.



## **Tax Matters**

You must seek your own tax advice in connection with acquisition, storage, transfer and use of security tokens, which may result in adverse tax consequences to you, including, without limitation, withholding taxes, transfer taxes, value added taxes, income taxes and similar taxes, levies, duties or other charges and tax reporting requirements. The tax characterization of security tokens also affects the Company's tax liability in connection with this offering. There are also significant uncertainties about the taxation of the operations of the Company.

## **SELLING RESTRICTIONS**

No action may be taken in any jurisdiction that would permit a public offering of The Shares or the possession, circulation or distribution of this whitepaper in any jurisdiction where action for that purpose is required. Accordingly, The Shares may not be offered or sold, directly or indirectly, and neither this whitepaper nor any other offering material or advertisements in connection with The Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.