

ITEM 1: COVER PAGE



**PARAFI CAPITAL LP
41 Madison Avenue, Floor 20
New York, NY 10010**

**PART 2A OF FORM ADV
FIRM BROCHURE**

March 29, 2024

This brochure (the “Brochure”) provides information about the qualifications and business practices of ParaFi Capital LP (collectively, “ParaFi”). If you have any questions about the contents of this Brochure, please contact us at compliance@parafi.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Any reference to ParaFi as a registered investment adviser does not imply a certain level of skill or training.

Additional information about ParaFi is also available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

This is the annual amendment for the year ended December 31, 2023. A new venture fund was launched on May 15, 2023. This brochure also updates the risk and conflicts of interest disclosures in Item 8.

Investors are encouraged to review this Brochure in its entirety. The information set forth in this Brochure is qualified in its entirety by the applicable offering and governing documents of each Fund advised by ParaFi. In the event of a conflict between the information set forth herein and the applicable offering and governing documents, the information in the applicable offering and governing documents shall control.

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ITEM 4: ADVISORY BUSINESS

Item 4.A. General Description of Advisory Firm

ParaFi Capital LP (“**ParaFi**”) is a Delaware limited partnership formed in January 2018. ParaFi Capital Management LLC (“**ParaFi Capital Management**”), a Delaware limited liability company formed in November 2020, is the general partner of ParaFi. Benjamin Forman is the principal owner of ParaFi and the Managing Member of ParaFi Capital Management.

Item 4.B. Description of Advisory Services

ParaFi is an investment management firm that provides advisory services on a discretionary basis to privately offered pooled investment vehicles (each, a “**Fund**” and collectively, the “**Funds**”). The Funds are offered to certain qualified investors (each, an “**Investor**” and collectively, the “**Investors**”).

The Funds include:

- ParaFi Digital Opportunities LP and ParaFi Digital Opportunities International LP (collectively, “**PDO**”);
- ParaFi Quantitative Strategies LP (“**PQS**”);¹
- ParaFi Growth Fund LP d/b/a ParaFi Venture Fund LP (“**PVF**”)
- ParaFi Venture Fund II LP (“**PVF II**” and together with PVF, the “**Main Venture Funds**”); and
- ParaFi Private Opportunities LLC (“**PPO**”), which is structured as a series fund (each a “**PPO Series**”) with each PPO Series generally invested in a single portfolio company. Each Fund that has a closed-end fund structure (currently, each PPO Series, PVF, and PVF II is referred to as a “**Venture Fund**” and collectively, the “**Venture Funds**”).

ParaFi Digital Holdings LLC (“**PDH**”) serves as general partner or managing member to each of the Funds, other than the Venture Funds. The general partner of PVF is ParaFi Growth GP LLC (“**PGGP**”) and the general partner of PVF II is ParaFi Venture GP II LLC (“**PVGPII**” and together with PDH and PGGP, the “**General Partners**”). Each of the General Partners is a related person of and under common control with ParaFi. While the General Partners retain management authority over the Funds’ business and affairs, ParaFi has been delegated the role of investment adviser to the Funds.

ParaFi’s investments focus on blockchain and decentralized finance markets. ParaFi applies an institutional framework to portfolio management, seeking idiosyncratic opportunities across the blockchain and digital asset ecosystem. Additional information regarding ParaFi’s investment strategies is provided in Item 8 below.

¹ PQS was formerly named ParaFi Digital Credit Fund LP. The name was changed on March 15, 2024.

Item 4.C. Availability of Customized Services for Individual Clients

ParaFi's investment management and advisory services to the Funds are provided pursuant to the terms of each Fund's private placement memorandum and/or other offering documents, investment advisory agreement, limited partnership agreement, limited liability company agreement, or other governing documents (collectively, the "**Governing Documents**"). Investors cannot obtain services tailored to their individual specific needs.

ParaFi and/or the applicable General Partner has entered into certain side letter arrangements (each, a "**Side Letter**" and collectively, "**Side Letters**") with certain Investors pursuant to which they have agreed to vary certain of the terms applicable to any such Investor or grant to any such Investor specific rights, benefits or privileges that are not made available to Investors generally. ParaFi and/or the applicable General Partner may also agree to provide a greater level of disclosure regarding the investments and activities of the applicable Fund to certain Investors than other Investors. Such agreements will be disclosed only to those actual or potential Investors that have separately negotiated with ParaFi and/or the applicable General Partner for the right to review such agreements.

Item 4.D. Wrap Fee Programs

ParaFi does not participate in a wrap fee program.

Item 4.E. Regulatory Assets Under Management

As of December 31, 2023, ParaFi managed \$944,974,583 in regulatory assets under management. ParaFi manages its assets solely on a discretionary basis.

ITEM 5: FEES AND COMPENSATION

Item 5.A. Description of Compensation Arrangements

Management Fees

With respect to an Investor in each of PDO and PQS, ParaFi will generally receive a monthly management fee calculated at an annual rate of 2.0% (for PDO) and 1.0% - 2.0% (for PQS), on such Investor's capital account. The management fee is calculated and paid monthly in advance, based on the value of each Investor's capital account as of the first day of the month. If capital contributions are made at any time other than at the beginning of a calendar month, a pro rata portion of the management fee will be paid to ParaFi in respect of such capital contribution (based on the actual number of days remaining in such partial month).

With respect to an Investor in the Main Venture Funds, ParaFi will generally receive a quarterly management fee calculated at an annual rate of 2.5%. The management fee will be reduced by 0.25% per year, but not lower than 1.5%, beginning with the full fiscal year following the earlier of the fifth anniversary of an Investor's initial contribution or suspension period as provided in each Main Venture Fund's Governing Documents. The management fee shall be payable in equal quarterly installments in advance, with the management fee for any partial fiscal quarter prorated based on the number of business days in such fiscal quarter.

With respect to an Investor in certain PPO Series, ParaFi will generally receive an upfront management fee equal to a percentage (ranging from 0%-2%) of such Investor's initial and/or additional capital commitment as set forth in each applicable PPO Series' Governing Documents. The management fee payable to ParaFi is separate from, and in addition to, any management fee payable to the underlying portfolio company as described in the applicable PPO Series' Governing Documents.

ParaFi, in its sole discretion, has and in the future may reduce, otherwise modify, or waive the management fee with respect to any Investor.

Performance-Based Compensation

PDH is entitled to receive an allocation, generally annually or quarterly, equal to 20% of the net income allocated for the year or quarter to each Investor's capital account, for Investors in each of PDO and PQS, respectively (the "**Incentive Allocation**"). An Incentive Allocation is also made as to amounts withdrawn, as of the effective time of the withdrawal by Investors. Incentive Allocations are generally subject to a "high water mark", as more fully set forth in the Governing Documents of PDO and PQS.

Subject to the terms and limitations set forth in applicable Governing Documents for each PPO Series, PDH generally is entitled to receive carried interest ("**Carried Interest**") distributions equal to a percentage (generally, ranging from 0% to 20%) of the net profits derived from disposition of investments, following the return of capital contributions attributable to disposed assets. Carried Interest due to PDH is separate from, in addition to, and calculated after the deduction of, any carried interest paid by the relevant PPO Series to any underlying fund's general partner.

Subject to the terms and limitations set forth in each Main Venture Fund's Governing Documents, the relevant General Partner generally is entitled to receive Carried Interest distributions equal to 20% of the net profits derived from the disposition of investments, following the return of capital contributions attributable to disposed assets.

The applicable General Partner, in its sole discretion, has and in the future may reduce, otherwise modify (but not increase), or waive the Incentive Allocation or Carried Interest with respect to any Investor.

It should be noted that any fund launched by ParaFi after the date of this Brochure may have materially different terms than those summarized above and any terms for any existing Fund may be amended from time to time.

Item 5.B. Manner of Payment

ParaFi deducts its fees and compensation from the Funds' accounts by instructing the Funds' administrator. Fees and compensation from the Funds are collected at the frequency discussed above for the management fee, transaction fee, Incentive Allocation, and Carried Interest in response to Item 5.A. above.

Item 5.C. Other Fees and Expenses Clients May be Charged

As set forth more fully in each Fund's Governing Documents, each Fund generally bears and is responsible for its own expenses (whether incurred directly or by ParaFi, the applicable General Partner, or their respective affiliates), including, but not limited to, (i) the management fee applicable to that Fund; (ii) that Fund's organizational expenses; (iii) all fees, costs, and expenses incurred in connection with (A) identifying, investigating, evaluating, acquiring, consummating, holding, maintaining, monitoring, and disposing of the investments (including, but not limited to, legal, accounting, auditing, custodial, consulting, investment banking and other fees and expenses, brokerage commissions and other trading expenses, lending platform transaction fees, costs and expenses; currency exchange fees; data processing costs and expenses; network and smart contract gas costs, appraisal fees, taxes, finders fees, merger fees, registration fees, due diligence and similar fees and expenses, third party research tools and software, investment related consultants, fees for attendance of industry conferences, and all reasonable out-of-pocket travel and related expenses (including, but not limited to, air travel, car services, hotel accommodations, and meals (collectively, "**Travel Expenses**")), in each case, incurred by employees and/or other agents of the ParaFi, the General Partners, or their respective affiliates in connection with the foregoing, regardless of whether such investment and disposition opportunities are or are not consummated, including any broken deal fees or expenses; (B) that Fund's allocable share of the costs and expenses of special purpose vehicles (including their organizational, offering and operating costs and expenses); (C) any bank or margin account, credit facility, guarantee, line of credit, loan commitment, letter of credit or similar credit support or other indebtedness involving that Fund or any of its investments (including any fees, costs and expenses incurred in obtaining such borrowings and indebtedness and interest arising out of such borrowings and indebtedness); (F) custody of that Fund's assets, including, without limitation, custodial fees and costs of hardware and physical vaults for storage of private keys; (E) the managed distribution of in-kind distributions; (F) complying with (or facilitating compliance with) any applicable law, rule or regulation (including legal fees, costs and expenses), regulatory filing or other expenses of that Fund, ParaFi, and the General Partners, including, but not limited to, Form PF filings, blue sky filings, anti-money laundering compliance and any compliance, filings or other obligations related to or arising out of the Alternative Investment Fund Managers Directive 2011/61/EU, in each case, involving or otherwise related to that Fund; (G) complying with tax withholding and other information reporting regimes, including FATCA and similar laws or regulations; (H) systems and technology fees, costs, and expenses, including, but not limited to, data services, and the developing, licensing, implementing, maintaining or upgrading any web portal (e.g., investor portals), extranet tools, computer software or other administrative or reporting tools (including subscription-based services) for the benefit of that Fund, that Fund's investments, or that Fund's Investors; (I) that Fund's third party services providers, including, without limitation, ordinary course legal, auditing, accounting, fund administration (including middle and back office services), custodial, valuation, record-keeping, tax-form preparation, consultants, and other professional services related to that Fund (including (1) fees and expenses of any third-party administrator a Fund's partnership representative and designated individual and (2) expenses associated with the preparation of that Fund's financial statements, tax returns and Schedules K-1); (J) annual or other meetings of the Investors, whether individually or as a group, including Travel Expenses of representatives of ParaFi (and, potentially, select representatives from portfolio investments) attending such meetings; (iv) any taxes or other governmental charges incurred or payable by that Fund and withholding and transfer fees, each as determined by ParaFi; (v) premiums, fees, and other costs and expenses, for liability insurance allocated to that Fund by the applicable General Partner in good faith (including ParaFi's and its affiliates' group insurance policy; cyber-security

policy; general partners', directors', and officers' liability or other similar insurance policies; errors and omissions insurance; financial institution bond insurance; and any other insurance for coverage of liabilities to any person that are incurred in connection with the activities of that Fund) to protect that Fund, ParaFi, the General Partners, the members and partners of ParaFi or the General Partners, and/or the directors, officers, employees or agents of ParaFi or the General Partners in connection with the activities of that Fund; (vi) fees, costs, and expenses incurred with the offer, sale, and transfer of that Fund's interest, including, but not limited to, marketing and syndication expenses worldwide; (vii) expenses incurred with respect to the preparation, duplication and distribution to Investors and prospective Investors offering documents, annual reports, and other financial information; (viii) all non-ordinary course expenses, including, without limitation, all fees, costs, and expenses (including reasonable attorneys' and accountants' fees and indemnification expenses) incurred in connection with any threatened, pending, anticipated, or ongoing investigation, inquiry, audit or examination, regulatory proceeding, litigation, or other legal proceeding; (ix) all costs and expenses of any votes or consents of Investors or any amendments to or waivers of a Fund's Governing Documents or any related agreement; (x) all costs and expenses incurred in connection with the reorganization, dissolution, winding up or termination of a Fund and/or its General Partner; and (xi) any other fees, costs, or expenses deemed necessary by the applicable General Partner on behalf of that Fund.

ParaFi and each General Partner bears and is responsible for its own expenses, including office space and utilities, computer equipment and software (not otherwise paid by the Funds) and secretarial, clerical, employee related and other personnel, except as assumed by the Funds or except as paid for through the permitted use of commission dollars, as well as expenses related to marketing and fundraising.

To reflect the reduced time and effort ParaFi or a managing member of a Main Venture Fund's General Partner will devote to a Main Venture Fund by reason of performing services as a director or consultant to portfolio companies of that Main Venture Fund, share of any directors' fees or consulting fees, break-up fees, transaction fees, monitoring fees, structuring fees, finders' fees or equivalent compensation of an Investor in a Main Venture Fund, whether in cash or in kind, received by ParaFi, a Main Venture Fund's General Partner, or a managing member of that Main Venture Fund's General Partner, so long as he is a managing member of that Main Venture Fund's General Partner (collectively "**Offset Covered Persons**"), from any company in which that Main Venture Fund then holds an interest (other than direct reimbursement of out-of-pocket expenses) (such fees, "**Fees Subject to Offset**") shall be offset against and reduce the amount of the management fee payment due to that Main Venture Fund with respect to such Investor in each subsequent fiscal quarter pursuant the terms of that Main Venture Fund's Governing Documents until the entire amount of such Investor's share of the Fees Subject to Offset has been offset in full. In the event that as of the expiration of a Main Venture Fund's term the management fees paid to ParaFi have not been reduced by the full amount of the Fees Subject to Offset (such fees that have not been reduced, the "**Excess Amounts**"), then each applicable Investor (unless such Investor elects to decline such payments) shall be entitled to receive from ParaFi an amount that such Investor would have received had such Excess Amounts been repaid to that Main Venture Fund and distributed to the Investors in accordance with that Main Venture Fund's Governing Documents.

Any Fees Subject to Offset paid to an Offset Covered Person in respect of a Main Venture Fund's portfolio company in which any related Fund has also invested shall, for purposes of reducing the management fee, be allocated between such Main Venture Fund and such related Fund(s) pro rata

in accordance with the relative investments made by each of them in such portfolio company, provide that that in no event shall the amount of the management fee offset or amount subject to such other arrangement among all entities in the aggregate exceed the amount of Fees Subject to Offset.

Fees Subject to Offset shall not include fees or other remuneration received by a Main Venture Fund, a related Fund, a portfolio company or an individual whose primary relationship with an Offset Covered Person is as a mere “venture partner,” “entrepreneur-in-residence,” “executive-in-residence,” “consultant,” “contractor” or “adviser” (as those terms are generally understood in the venture capital industry) or another similar professional.

Item 5.D. Timing of Fee Payments

As noted in Item 5.A. above, the management fee of each of the Funds is payable either monthly or quarterly in advance, or upfront. If an Investor was permitted to withdraw capital on a date other than the end of a calendar month or quarter, as applicable, the management fee will not be refunded to the Investor for such partial month or quarter.

Transaction fees of each of the applicable PPO Series are payable upfront, in accordance with such PPO Series’ Governing Documents.

Item 5.E. Receipt of Compensation for Sales

Neither ParaFi nor its supervised persons are compensated for the sale of securities or other investment products.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted under Item 5 above, ParaFi is generally entitled to receive Incentive Allocations or Carried Interest distributions with respect to the Funds. ParaFi recognizes that there could exist certain potential conflicts of interest associated with the presence of a performance-based fee. Incentive Allocations and Carried Interest distributions could motivate ParaFi to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. ParaFi seeks to address these conflicts of interest by advising the Funds in accordance with ParaFi’s fiduciary duty, as well as the Funds’ respective investment strategies, guidelines and any allocation restrictions as set forth in the Governing Documents.

ITEM 7: TYPES OF CLIENTS

ParaFi provides discretionary investment advice to the Funds, as described in Item 4.B. above. Investors in the Funds are generally “accredited investors” within the meaning of Rule 501(a) under the Securities Act of 1933, as amended, “qualified clients” within the meaning of Rule 205-3 under the Investment Advisers Act of 1940, amended (the “**Advisers Act**”), and/or “qualified purchasers” within the meaning of Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Funds’ interests may generally be offered to high net worth individuals, funds of funds, pension funds, endowments, and other institutions. Each Fund generally has a minimum investment amount for potential Investors as provided in each

Fund's Governing Documents. Such minimum investment amounts may be waived by ParaFi or the applicable General Partner at their sole discretion.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Item 8.A. Methods of Analysis and Investment Strategy

ParaFi applies an institutional framework to portfolio management, seeking idiosyncratic opportunities within the blockchain and digital asset ecosystem. ParaFi believes its knowledge of digital assets and blockchain technology, coupled with its background in traditional finance and portfolio management, facilitates differentiated market insights and superior investment performance for the Funds. ParaFi believes this will drive strong absolute returns and market alpha in four primary ways:

- Sourcing
- Due Diligence
- Opportunistic Portfolio Management
- Active Engagement with Management and Developer Teams

ParaFi Digital Opportunities

PDO invests behind decentralized infrastructure and applications for peer-to-peer, open financial networks through a portfolio of digital assets. ParaFi employs a thesis-driven, research-intensive approach to assessing investment opportunities with a focus on token valuation, protocol level research, on-chain analytics, and active engagement with management and developer teams. ParaFi seeks to curate a portfolio that has attractive absolute return characteristics, prudent risk management, and over a long-term time horizon.

PDO thematically focuses on investing behind financial applications and infrastructure enabled by blockchain technology with an emphasis on opportunities across the decentralized finance ecosystem. PDO's investments may take the form of digital assets that underpin blockchain protocols ranging from store of value assets, programmable money, web3 applications, decentralized finance applications, exchange tokens, decentralized autonomous organizations ("DAOs"), and other blockchain-based assets (collectively, "**Digital Assets**").

Digital asset investments are typically acquired through exchanges, OTC markets, or directly from a protocol team's treasury. These investments may also take the form of Simple Agreements for Future Tokens ("**SAFTs**" or "**SAFTes**"), equity in a company, equity in a company with warrants for tokens if and when the tokens launch, and/or Private Investment in Public Token ("**PIPT**") - similar to a private investment in public equity but for tokens instead. Investments in Digital Assets may be made directly or indirectly through one or more companies, corporations, or other entities (each, a "**Special Purpose Vehicle**"), which may be alongside other, third-party investors. From time to time (i) the blockchain code for a Digital Asset may be split, resulting in two different Digital Assets: one that is unaltered and a second, new Digital Asset whose code is based on, but differs from, the original Digital Asset's code (such process, a "**Hard Fork**"); and/or (ii) new Digital Assets may be distributed automatically to, and without any action on the part of, holders of certain existing Digital Assets (an "**Airdrop**"). To the extent a Digital Asset held by PDO undergoes a Hard Fork or PDO receives an Airdrop, ParaFi has the sole discretion to determine

whether or not to claim the Digital Assets resulting from the Hard Fork or the Airdrop, as applicable (each, a “**New Digital Asset**”) on behalf of PDO.

ParaFi Quantitative Strategies

PQS’s investment objective is to generate uncorrelated returns through a multi-strategy underwriting that employs both systematic and discretionary approaches, utilizing ParaFi’s strong knowledge of the digital asset space and blockchain technology.

PQS intends to achieve its investment objective through a multi-strategy approach that includes, but is not limited to, fixed income, lending, credit, arbitrage, derivatives, and other digital asset linked strategies. Specifically, PQS intends to achieve its investment objectives through a combination of: (1) fixed income investments through stablecoins, Digital Assets, or other fixed-income instruments such as crypto-specific zero-coupon bonds, bonds, and other fixed-income instruments like derivatives across centralized and decentralized markets, (2) lending, risk-conscious lending of Digital Assets, cash, and/or other financial instruments to protocols and counterparties, (3) credit, opportunistic, and systematic capture of yield-spreads across digital asset instruments, money markets, and liquidity venues, as well as direct credit-specific underwriting investments to DAOs, protocols, and others, (4) price arbitrage, including but not limited to stablecoin price arbitrage through statistical and deterministic styles, (5) derivatives, for the purpose of hedging and/or capturing market-neutral yield, and (6) digital asset linked strategies, such as opportunistically capitalizing uncorrelated and attractive risk-adjusted investments.

In seeking to achieve PQS’s investment objective, PQS may acquire, hold, operate, manage, finance, lend, and dispose of any asset or instrument that ParaFi deems necessary or advisable for PQS to execute on its investment objective, including, without limitation, (1) any stablecoin, Digital Asset, equity, option, future, derivative, loan, bond, and other instrument, (2) other assets or smart contracts that represent credit and/or yield instruments, and (3) any Digital Asset acquired by PQS through an airdrop, fork or other organic blockchain event in connection with the normal course of pursuing the investment strategy.

ParaFi Main Venture Funds

Each of PVF and PVF II pursues a venture strategy focused on investing in equity stakes of early to late-stage companies in the blockchain and decentralized finance ecosystem. Each of PVF and PVF II may also receive Digital Assets in conjunction with its equity investments. PVF is fully deployed.

ParaFi Private Opportunities

PPO’s investment objective is to seek capital appreciation by investing in (i) venture opportunities in securities of one or more companies that operate in Digital Asset ecosystems (“**Digital Asset Companies**”) (ii) Digital Assets, or (iii) the privately placed securities of pooled investment vehicles or investment trusts that invest in Digital Assets, or similar, or Digital Asset Companies. The investment that each PPO Series will invest in will be chosen by ParaFi and described in the Governing Documents for each PPO Series.

Items 8.B. and 8.C.

Materials Risks Involved for ParaFi’s Strategies

An investment in a Fund involves a high degree of risk. No guarantee or representation is made that the Funds' investment programs will be successful, or that the Funds' returns will exhibit low correlation with an Investor's traditional securities portfolio. An Investor should be aware that it may lose all or part of its investment in a Fund.

Prospective Investors should carefully consider the risks involved in determining whether an investment in a Fund is a suitable investment, including the risks discussed below. Prospective Investors should consult their own legal, tax and financial advisers to determine whether to invest in a Fund.

For a more complete description of the specific risk factors and conflicts of interest relevant to an investment in a Fund, Investors should refer to the relevant Fund's Governing Documents.

General Fund Risk Factors

Limited Operating History. The Funds have limited operating histories and therefore may not be able to continue to operate their businesses, implement their investment strategies or generate sufficient revenue to make or sustain distributions to Investors. Failure to procure adequate funding and capital could adversely affect the Funds' ability to grow and/or expand its business, which can negatively impact their performance. The past investment performance of the Funds or other entities or accounts managed by ParaFi, the General Partners, or any of their employees or affiliates may not be indicative of the future performance of the Funds.

Reliance on ParaFi. The success of the Funds depends on the ability of ParaFi to develop and implement investment strategies to achieve the Funds' investment objectives. Although ParaFi may impose limits on the types of positions certain Funds may take, or the concentration of their investments, the Governing Documents may not impose such limits for certain Funds. Investors will have no right or power to take part in the management of the Funds. The Funds' investment performance could be materially adversely affected if any members of the investment team were to die, become ill or disabled, or otherwise cease to be involved in the active management of the business of the Funds' portfolios.

Operating Deficits. The expenses of operating the Funds (including fees payable to ParaFi) could exceed the Funds' income. This would require that the difference be paid out of the Funds' capital, reducing the amount of capital available to the Funds for investment and the Funds' potential for profitability.

Absence of Regulatory Oversight. While the Funds may be considered similar to an investment company, they are not required, and do not intend, to register as such under the laws of any jurisdiction. For instance, the provisions of the Investment Company Act, which may provide certain regulatory safeguards to Investors, are not applicable.

Governmental and Regulatory Scrutiny; Litigation and Regulatory Risks. ParaFi operates in a highly regulated industry, trading a highly scrutinized asset class. Over the past few years, governments have passed numerous laws increasing regulations on financial services markets and private fund managers. Likewise, regulators have increased scrutiny on both private fund managers and Digital Assets. Routine and targeted examinations of private fund managers have increased and regulators have been more likely in recent years to commence investigations and bring enforcement actions against industry participants. Responding to examinations, investigations, and enforcement actions is both time consuming and expensive, and would divert

the time and effort of ParaFi's senior management from the business of the Funds. In addition, commencement of a lawsuit or regulatory proceeding against a Fund or ParaFi, regardless of the eventual outcome, could adversely affect the reputation of the Funds and of ParaFi and could result in the imposition of penalties or limit the ability of ParaFi to conduct its business.

Future legislation aimed at financial markets, private funds, investments advisers, and/or Digital Assets, may have an adverse effect on the private investment fund industry generally and/or on the Funds, specifically. In addition, regulatory agencies in the U.S., Europe, or elsewhere may adopt burdensome laws (including tax laws) or regulations, or changes in law or regulation, or in the interpretation or enforcement thereof, which are specifically targeted at the private investment fund industry or Digital Assets, or other changes that could adversely affect private investment firms and the funds they sponsor, including the Funds. Specifically, the SEC has announced a series of new initiatives that could further burden the private funds industry. Additionally, President Biden has announced several initiatives to bring Digital Assets under U.S. regulation (and other countries have announced similar initiatives). Additional governmental scrutiny may increase ParaFi's and the Funds' exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight, enhanced regulation and the adoption of new statutes, rules or regulations with respect to the investment activities of the Funds may also reduce the amount and availability of the investment opportunities of the Funds. Further, new laws, regulations or directives that affect Digital Assets, digital currency networks and their users, particularly digital currency exchanges and service providers that fall within such jurisdictions' regulatory scope may negatively impact the acceptance of digital currencies and Digital Assets by users, merchants and service providers and may therefore impede the growth of the digital currency and Digital Assets economy. The reduction of such investment opportunities and/or a slowed rate of adoption of Digital Assets could have a material and adverse effect on the investment performance of the Funds. Increased regulatory oversight and regulation may also impose additional administrative burdens on ParaFi and the General Partners. Unfortunately, changes in law and regulation are impossible to predict. Future laws and regulations could adversely affect the Funds, including the business, financial condition and prospects of the Funds.

State Regulatory Authorities. To the extent that the activities of the Funds cause it to be deemed a "money transmitter" under State statutes or regulations, it may incur significant fees in becoming licensed in each state in which it does business, and may also be required to adhere to state statutes or regulations. To the extent that a state requires an additional license or registration for activities involving digital currency and Digital Assets that require the Funds to obtain a license or register with the state for its activities involving digital currency and Digital Assets, it may incur significant fees in becoming licensed/registered in those states, and may also be required to adhere to the state's statutes or regulations. States may impose fines or penalties with respect to any unlicensed activity. Accordingly, to the extent the Funds are operating without appropriate licenses, it may be subject to fines or penalties, and/or criminal liability under state laws or 18 U.S.C. § 1960, if applicable. Such additional regulatory obligations may cause the Fund to incur extraordinary expenses and ongoing expenses, possibly affecting an investment in the Fund in a material and adverse manner. To the extent the Funds limit or reduce the scope of certain Fund activities, Investors' rights or investment initiatives, in order to limit the applicability of government regulation and supervision over the Funds, investment in the Funds may be adversely affected.

Other Laws and Regulations. The Funds, the General Partners, and ParaFi are subject to various other securities and similar laws and regulations that could limit some aspects of a Fund's operations or subject any of the foregoing to the risk of sanctions for noncompliance.

FDIC and SIPC Protection. The Funds themselves are not subject to Federal Deposit Insurance Corporation (“**FDIC**”) or Securities Investor Protection Corporation (“**SIPC**”) protections because they are not banking institutions or otherwise a members of FDIC or SIPC. Thus, Interests in the Funds are not insured.

To the extent that the Funds keep assets with members of FDIC (i.e., the Funds’ banks) or SIPC (i.e., the Funds’ brokers), those assets generally are subject to the then-current protections of FDIC and SIPC. However, FDIC and SIPC insurance often is less than the amounts held at member institutions, subjecting the Funds’ assets in excess of such insurance limits to risk of loss. While private insurance may be available at times, such insurance may be expensive and, currently, no Fund has private deposit insurance. Thus, the Funds are exposed to the counterparty risk of their banks and brokers in excess of the FDIC and SIPC insurance limits.

Performance-Based Compensation to the General Partners. The General Partners may be entitled to receive performance-based compensation. For open-end Funds, the General Partner may be entitled to receive a periodic performance allocation, based upon the net capital appreciation (and subject to a high water mark), if any, allocated to the capital account of an Investor. Because the performance allocation is calculated on a basis which includes unrealized appreciation of a Fund’s assets, it may be greater than if such compensation were based solely on realized gains. For closed-end Funds, the General Partner may be entitled to carried interest, based upon realized gains, if any, distributed to an Investor. Performance-based compensation creates an incentive for ParaFi to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect.

Asset Valuation. ParaFi and the General Partners have discretion in determining the value of the Funds’ assets and liabilities, whether or not a public market exists for securities of the same class or type. The value of a Fund’s interest in each Digital Asset Company is generally determined pursuant to the Digital Asset Company’s valuation procedures, and reported by the relevant Digital Asset Company during a financing round. Such values will be deemed accurate and will be used in determining the value of a Fund’s assets and liabilities. Determinations on the value of certain investments, and how to value assets and liabilities as to which limited prices or quotations are available, are based on ParaFi’s recommendations or instructions to a Fund’s administrator. ParaFi will value any security, digital currency or Digital Asset in accordance with ParaFi’s valuation policy. ParaFi and the General Partners may face a conflict of interest in making any of these valuation decisions or recommendations. As a general matter, the Governing Documents of a Fund provide that any securities or investments that are illiquid, not traded on an exchange or in an established market or for which no value can be readily determined, are assigned such estimated fair value as ParaFi or the General Partners may determine in its judgment based on various factors. Such factors, include, but are not limited to, dealer quotes or independent appraisals, and may include estimates. Such valuations may not be indicative of what actual fair market value would be in an active, liquid or established market. There may be extraordinary circumstances in which actual or estimated net asset values of a Fund’s investments would be adjusted by ParaFi or the applicable General Partner if ParaFi or that General Partner determines that a significant and unusual circumstance with an investment warrants a downward net asset value adjustment. ParaFi may not be able to effectively manage a Fund’s investment portfolio, diversification and other internal guidelines and risks if the Fund’s portfolio is inaccurately valued. Any such inaccuracy could affect the Investors adversely.

In-Kind Contributions of Digital Assets. Certain of the Funds may accept capital contributions of Digital Assets in the relevant General Partner's sole discretion. However, Investors making in-kind capital contributions should be aware that changes in relative value of the in-kind capital contribution against the value of the U.S. dollar will affect the value of the in-kind capital contribution. Immediately prior to the subscription date, ParaFi will value the Investor's in-kind capital contributions in accordance with its valuation policies and procedures and that Investor's initial capital account balance will reflect ParaFi's valuation of such Digital Asset(s) as of the subscription date, regardless of (x) the valuation of such Digital Asset(s) by the contributing Investor and/or (y) the value of such Digital Asset(s) when they were sent to the Fund. ParaFi's valuation of in-kind capital contributions is final and binding on all Investors. All of the risks of a Fund's trading of Digital Assets will thus be borne directly by the Investor during the period from when such Digital Assets are contributed to a Fund and when a Fund accepts the capital contribution. Digital Assets are volatile and speculative, and Investors may experience a significant loss of value of the in-kind capital contribution before their capital contribution is accepted by a Fund.

Cross-Class Liability. Certain of the Funds have the power to issue Interests in different classes (each, a "Class"). However, each of the Funds is a single legal entity and there is no limited recourse protection for any Class. Accordingly, all of the assets of a Fund will be available to meet all of its liabilities regardless of the Class to which such assets or liabilities are attributable. In practice, cross-Class or cross-series liability is only expected to arise where liabilities referable to one Class are in excess of the assets referable to such Class and it is unable to meet all liabilities attributed to it. In such a case, the assets of a Fund attributable to other Classes may be applied to cover such liability excess and the value of the contributing Classes will be reduced as a result.

Master-Feeder Structure. Certain of the Funds may also be investment vehicles for an offshore fund or may utilize a full master-feeder structure whereby each of an offshore and onshore fund combine their assets in one primary trading vehicle (the "master fund"). In the "mini-master" structure, the offshore fund invest substantially all of its assets in that of an onshore fund that serves as both the investment vehicle for onshore investors as well as the primary trading vehicle for all investors. Either way, master-feeder structures present certain unique risks to Investors. For example, a smaller feeder fund investing in a master fund may be materially affected by the actions of a larger feeder fund investing in such master fund. If a larger feeder fund redeems its shares of a master fund, a remaining feeder fund may experience higher pro rata operating expenses, thereby producing lower returns. A master fund may become less diverse due to a redemption by a larger feeder fund, resulting in increased portfolio risk. A master fund is a single entity and creditors of such master fund may enforce claims against all assets of such master fund.

Certain Funds may enter into an arrangement with other investment funds managed by ParaFi or the General Partners with the same or substantially similar investment objectives as the Funds' to either allow other funds to contribute their assets to the Funds to invest, or to pursue its investment activities by investing all or a portion of its assets in a "master fund" that will conduct the investment activities.

Assignment of Advisory Contracts. Federal and state laws applicable to investment advisers (including, without limitation, the Investment Advisers Act and rules promulgated thereunder) may impose limitations on ParaFi's or the General Partners' ability to assign certain of its rights and obligations under the Governing Documents. Normally, such limitations would permit ParaFi or the General Partners, as applicable, to engage in transactions that do not involve a change of

control of ParaFi or the General Partners without consent of the Investors. However, to the extent that an assignment does involve a change of control, ParaFi or the General Partners, as applicable, will be required to seek consent of the Investors before the transaction will be consummated. To the extent that the consent of Investors is required for a particular assignment, such consent may be withheld to a transaction that would, in the view of ParaFi or the General Partners, benefit the Funds and/or the Investors. Generally, these laws do not require a minimum length of time for notices or deadlines to provide or withhold consent. ParaFi or the General Partners may establish reasonable notice periods and deadlines in its discretion. ParaFi or the General Partners may seek Investor consent via electronic means and/or negative consent.

Cybersecurity Risk. As part of their business, ParaFi and the General Partners process, store and transmit large amounts of electronic information, including information relating to the transactions of the Funds and personally identifiable information of the Investors. Similarly, service providers of ParaFi, the General Partners, or the Fund, especially a Fund's administrator, may process, store and transmit such information. ParaFi and the General Partners have procedures and systems in place to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to ParaFi and/or the General Partners may be susceptible to compromise, leading to a breach of ParaFi's or the General Partners' network. ParaFi's or the General Partners' systems or facilities may be susceptible to employee error or malfeasance, government surveillance, or other security threats. Breach of ParaFi's or the General Partners' information systems may cause information relating to the transactions of the Funds and personally identifiable information of the Investors to be lost or improperly accessed, used or disclosed.

The service providers of ParaFi, the General Partners, and the Funds are subject to the same electronic information security threats as ParaFi and/or the General Partners. If a service provider fails to adopt or adhere to adequate data security policies, or in the event of a breach of its networks, information relating to the transactions of the Funds and personally identifiable information of the Investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of ParaFi's, the General Partners', or the Funds' proprietary information may cause ParaFi, the General Partners, or the Funds to suffer, among other things, financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational damage. Any of the foregoing events could have a material adverse effect on the Funds and the Investors' investments therein.

Force Majeure. The Funds' investments may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including the Funds or a counterparty to the Funds) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition,

forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the Funds' returns, cause personal injury or loss of life, disrupt global markets, damage property, or instigate disruptions of service. In addition, the cost to the Funds of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on the Funds' expected returns. Certain force majeure events (such as war, terrorism, or an outbreak of an infectious disease) could have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the Funds may invest and the markets the Funds may trade specifically. Military action or governmental sanctions prompted by certain force majeure events may further impact general economic conditions and market liquidity internationally or in the specific markets the Funds invest. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over industry assets, could result in losses to the Funds, including if their investments are canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of the Funds and their investments.

Side Letter Agreements. In accordance with common industry practice, a Fund, its General Partner, and/or ParaFi may enter into one or more "Side Letters" or similar agreements with certain Investors pursuant to which they may agree to vary certain of the terms applicable to any such Investors or grant to any such Investor specific rights, benefits, or privileges that are not made available to Investors generally. ParaFi may also agree to provide a greater level of disclosure regarding the investments and activities of the Fund to certain Investors than other Investors. Such agreements will be disclosed only to those actual or potential Investors that have separately negotiated with the ParaFi for the right to review such agreements.

Litigation Risk; Responses to Regulatory Inquiries. ParaFi seeks to be an active participant in portfolio companies and development teams in which its clients invest. These activities are not without risk. On-chain governance participation is particularly risky because the liability of participants in such governance remains an open legal question. Various lawsuits have alleged that personal liability in a DAO or a decentralized protocol could attach in a number of ways, including but not limited to, merely holding tokens, voting governance tokens, participating in a matter as to exert "control", or by aiding and abetting illegal behavior of the decentralized organization. The required remains an open legal question, as well as the question of what constitutes "control" of a DAO or a protocol.

ParaFi seeks to balance risk and reward with respect to its and the Fund's participation with portfolio companies and development teams. Given the lack of legal and regulatory clarity, ParaFi may misjudge this risk or the legal landscape may change in a way that is adverse to ParaFi and/or the Funds. Further, lawsuits in this area have a chilling effect on ParaFi's and a Fund's participation, which may decrease the value ParaFi could drive to a Fund's investments and/or decrease the positive network effects that can arise. Even if ParaFi did not attempt to assist portfolio companies and development teams at all, ParaFi and/or a Fund could still be the target of lawsuits and/or regulatory inquiries.

Increased regulatory scrutiny, may impose additional burdens on ParaFi and the Funds, including responding to examinations, regulatory inquiries, and regulatory requests. Regulatory inquiries and requests often are confidential in nature, may be focused on an industry participant or

particular investment, may involve a review of an individual's or a firm's activities, or may involve studies of the industry or industry practices, as well as the practices of a particular institution. It is the policy of ParaFi to generally cooperate with regulatory inquiries and requests. Regardless of whether it is responding to a lawsuit or to a regulatory inquiry, a Fund may need to expend significant assets in fighting lawsuits and/or responding to regulatory matters.

Open-End Fund Risks

Limited Liquidity Rights. An investment in a Fund is suitable only for certain sophisticated investors who have no need for liquidity in the investment. Generally, Investors may withdraw their capital accounts only after satisfying a lock-up period. Further, distribution of proceeds upon an Investor's withdrawal may be limited where, in the view of ParaFi or the General Partners, as applicable, the disposal of all or part of a Fund's assets, or the determination of the value of the Investor's capital account, among other reasons, would not be reasonable or practicable or would be prejudicial to the non-withdrawing Investors. Furthermore, distribution of proceeds to Investors are subject to the withdrawal restrictions and contingency reserves of the portfolio investments in which a Fund is invested.

Interests in the Funds have not been registered under the Securities Act or under the securities laws of any other jurisdiction. The Interests may therefore not be sold, pledged or otherwise transferred or disposed of unless they are first so registered or unless an exemption from such registration is available. Investors will have no right to require the registration of their Interests. In addition, there is no public or other market for Interests, nor is such a market likely to develop. To avoid the application of certain provisions of ERISA, transfers to "benefit plan investors" (as defined in ERISA) may be further restricted. In addition, the transfer of Interests will be significantly restricted under the terms of the Governing Documents. Accordingly, any Investor may be required to retain its investment in a Fund for the entire term of that Fund.

Side Pocket Investments. A substantial portion of an Investor's investment may be invested in Side Pockets, which generally are not readily disposable. There is no guarantee that fair value will represent the value that will be realized by a Fund on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A withdrawing Investors with an interest in a Side Pocket will not receive any amount in respect of such interest until the related Side Pocket is realized or deemed realized.

Effect of Substantial Withdrawals. Substantial withdrawals by Investors within a short period of time could require or result in the liquidation of investment positions more rapidly than would otherwise be desirable, possibly reducing the value of a Fund's assets and/or disrupting ParaFi's investment strategy. Reduction in the size of a Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in a Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. The General Partners may permit some Investors to have access to more information about a Fund's investments, or to obtain information more rapidly, than Investors generally. In addition, withdrawals or redemptions by investors in other investment vehicles or accounts managed by the General Partners, some of which may have more advantageous information and/or liquidity rights than those provided to Investors, could adversely affect the value of portfolio positions held by a Fund.

Potential Mandatory Withdrawal. The General Partners may, in their sole discretion at any time, require an Investor to withdraw all or a portion of his or her capital account. Such a mandatory withdrawal could result in adverse tax and/or economic consequences to such Investor.

In-Kind Distributions. In the discretion of the General Partners, following consultation with ParaFi, an Investor may receive in-kind distributions from certain Funds' portfolios. Such investments so distributed may not be readily marketable or saleable and may have to be held by such Investor for an indefinite period of time. Any such in-kind distributions will not materially prejudice the interests of the remaining Investors.

Contingency Reserves. The General Partners, at any time in its discretion, may on behalf of a Fund establish reserves for contingencies (including general reserves for unspecified contingencies). The establishment of such reserves will not insulate any portion of a Fund's assets from being at risk, and such assets may still be traded by a Fund. A pro rata portion of any reserve may be withheld from distribution to a withdrawing Investor.

Risk of Asset Growth. It may adversely affect a Fund's investment performance if the assets that are managed by ParaFi and its affiliates grow significantly. It becomes more difficult to find attractive investment opportunities as the amount of assets that ParaFi must invest increases. In this event, ParaFi may find it necessary to invest in a greater number of positions than it currently intends, which could dilute its focus on individual positions, impair its ability to monitor existing and potential investments, and result in investments in positions that it otherwise would not select. In addition, with greater assets to invest, it will be increasingly difficult for a Fund to make investments large enough to be meaningful to their overall portfolios.

Tax Liability Without Distributions. Investors will be liable to pay taxes on their allocable shares of a Fund's taxable income. Taxable income can be expected to differ from profit, primarily because generally only realized gains and losses are considered for income tax purposes but profit and loss will include unrealized gains and losses. It is possible that sales of appreciated assets in a particular period could cause some Investors to have taxable gain for that period at the same time that unrealized losses result in an overall loss. It will generally be necessary for Investors to pay such tax liabilities out of separate funds or withdrawals from a Fund. There are significant limitations on an Investor's right to withdraw funds from a Fund.

Closed-End Fund Risks

Potential Blind Pool Risk. Other than for a PPO Series, the capital commitments received from the Investors in a Venture Fund go into a blind pool. In general, the Venture Funds have not identified the particular investments it will make at the time capital commitments are made. Accordingly, an investor in a Venture Fund must rely upon the ability of ParaFi in making investments consistent with each Venture Fund's investment objectives and policies. An Investor will not have the opportunity to individually evaluate the relevant economic, financial and other information that will be utilized by ParaFi in its selection of investments or otherwise approve of such investments. Moreover, the investment purpose of each Venture Fund as set forth in such Venture Fund's Governing Documents, as may be amended and/or restated from time to time, are subject to the good faith interpretation of ParaFi and transactions within such objectives may be effected using a broad array of transaction types, structures and techniques.

Lack of Diversification. Each Venture Fund is subject to limited diversification requirements and invest in a limited number of companies, sectors, countries or regions. This risk is heightened (i) because, generally, each Venture Fund will only invest in Digital Asset Companies, and (ii) for PPO, because each Series generally will invest in a single portfolio company (or an underlying fund investing in a single portfolio company). Thus, the Venture Funds' investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, sector, country or region. As a consequence, the aggregate return of each Venture Fund may be adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which such Venture Fund has invested. In certain cases, a Venture Fund may acquire a majority of the interests in portfolio companies, which could further increase the vulnerability of such Venture Fund's portfolio.

Issuer and Non-Issuer Transactions. In general, each Venture Fund may acquire its investments through both issuer and non-issuer transactions. In the case of a non-issuer transaction, a Venture Fund would purchase securities from existing shareholders (either directly or by means of a secondary market). In many cases, the price that a Venture Fund must pay to acquire securities in a non-issuer transaction may exceed the price that such Venture Fund would have paid if it were able to have acquired such securities directly from the issuer. Furthermore, in the event of a non-issuer transaction, there is no guarantee that the Venture Fund will accede to the same rights (e.g., information rights, voting rights and rights of first refusal) as the selling shareholder.

Difficulty in Valuing Portfolio Investments. The fair market value of all portfolio investments or of property received in exchange for any portfolio investments will be determined by ParaFi in accordance with a Venture Fund's Governing Documents. Accordingly, the fair market value of a portfolio investment may not reflect the price at which the investment could be sold in the market, and the difference between fair market value and the ultimate sales price could be material. The valuation of such investments will generally be determined by ParaFi in accordance with procedures set forth in a Venture Fund's Governing Documents. Different methods of valuing securities may provide materially different results. Actual realized returns on all unrealized investments will depend among other things on the value of the securities at the time of disposition, any related transaction costs and the manner of sale. Accordingly, the actual realized return on all unrealized investments may differ materially from the values presented to the limited partners of a Venture Fund.

Generally, there will be no readily available market for a substantial number of each Venture Fund's investments and hence, most of such Venture Fund's investments will be difficult to value. Despite ParaFi's efforts to acquire sufficient information to monitor certain of a Venture Fund's investments and make well-informed valuation and pricing determinations, ParaFi may only be able to obtain limited information at certain times. It is possible that ParaFi may not be aware on a timely basis of material adverse changes that have occurred with respect to certain of a Venture Fund's investments. ParaFi may have to make valuation determinations without the benefit of an adequate amount of relevant information. Prospective limited partners in a Venture Fund should be aware that as a result of these difficulties, as well as other uncertainties, any valuations made by ParaFi may not represent the fair market value of the securities acquired by a Venture Fund.

Competitive Marketplace. The marketplace for venture capital investing has become increasingly competitive. Participation by financial intermediaries has increased, substantial amounts of funds have been dedicated to making investments in the private sector and the competition for investment opportunities is at high levels. Some of a Venture Fund's potential

competitors may have greater financial and personnel resources than ParaFi. There can be no assurances that ParaFi will locate an adequate number of attractive investment opportunities. To the extent that a Venture Fund encounters competition for investments, returns to investors in such Venture Fund may be negatively impacted.

Minority Investments. A significant portion of a Venture Fund's investments may represent minority stakes in privately held companies. In addition, during the process of exiting investments, each Venture Fund is likely to hold minority equity stakes if portfolio holdings are taken public. As is the case with minority holdings in general, such minority stakes that a Venture Fund may hold will have neither the control characteristics of majority stakes nor the valuation premiums accorded majority or controlling stakes. Each Venture Fund may also invest in companies for which such Venture Fund has no right to appoint a director or otherwise exert significant influence. In such cases, each Venture Fund will be reliant on the existing management and board of directors of such companies, which may include representatives of other financial investors with whom the such Venture Fund is not affiliated and whose interests may conflict with the interests of such Venture Fund.

No Assurance of Additional Capital for Investments. After a Venture Fund has invested in a company, continued development and marketing of products may require that additional financing be provided. Each Venture Fund expects to invest in companies that have substantial capital needs that are typically funded over several stages of investment. No assurance can be given that such additional financing will be available and no assurance can be made as to the terms upon which such financing may be obtained. Alternatively, each Venture Fund, either directly or through one of its portfolio companies, may elect to sell developed or undeveloped technologies to existing companies. No assurance can be made that buyers for such technologies will be located or that the terms of any such sales will be advantageous.

Bridge Securities. From time to time, a Venture Fund may lend to portfolio companies on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge loans would typically be convertible into a more permanent, long-term security; however, for reasons not always in a Venture Fund's control, such long-term securities may not be issued and such bridge loans may remain outstanding. In such event, the interest rate on such loans may not adequately reflect the risk associated with the unsecured position taken by a Venture Fund.

Limitations on Ability to Exit Investments. Each Venture Fund expects to exit from its investments in two principal ways: (i) private sales (including acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be available to a Venture Fund, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

Potential Liabilities. In connection with its investments, each Venture Fund may negotiate the right to appoint one or more of the members of ParaFi as a member of the portfolio company's board of directors. Such membership on the board of directors of a company can result in the Venture Fund or the individual director being named as a defendant in litigation or other disputes or investigations. Each Venture Fund may also participate in portfolio company financings at valuations lower than the valuations in preceding rounds of financing. Disputes arising out of such down-round financings may result in the Venture Fund, ParaFi, or its members

being named as defendants. Typically, portfolio companies will have insurance to protect directors and officers, but this insurance may be inadequate. Each Venture Fund will also indemnify its General Partner, ParaFi, and their respective members and affiliates, among others, for liabilities incurred in connection with operations of such Venture Fund, including liabilities arising from such disputes. Such indemnification obligations and other liabilities could be substantial. Each Venture Fund's partners may also be required to return distributions previously made to them to satisfy such Venture Fund's obligations. While the General Partners intend to manage the Venture Funds in a way that will minimize exposure to these risks, the possibility of successful claims or lawsuits or adverse regulatory action cannot be eliminated, and such events could have significant adverse effects on the Venture Funds.

Contingent Liabilities on Disposition of Investments. In connection with the disposition of an investment in a portfolio company, a Venture Fund may be required to make representations about the business and financial affairs of such company typical of those made in connection with the sale of a business. To the extent that any such representations are inaccurate, a Venture Fund may be required to indemnify the purchasers of such investment and may be liable to the purchasers for breach of contract. These arrangements may result in the incurrence of contingent liabilities for which a General Partner may establish reserves and escrows. In that regard, distributions may be delayed or withheld until such reserve is no longer needed or the escrow period expires. A Venture Fund's partners may also be required to return distributions previously made to them to satisfy such Venture Fund's obligations with respect to the foregoing.

Reserves. As is customary in the industry, the General Partners may elect to establish reasonable reserves for follow-on investments by the Venture Funds in portfolio companies, operating expenses, such Venture Funds' liabilities and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which directly tie to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the Venture Fund's limited partners. If reserves are inadequate, the Venture Fund may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or similar terms. If reserves are excessive, the Venture Fund may decline attractive investment opportunities.

Investments Longer than Term. A Venture Fund may make investments which may not be advantageously disposed of, or have liabilities that may not be resolved, prior to the date that the such Venture Fund will be dissolved, either by expiration of such Venture Fund's term or otherwise. Although the General Partners expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the General Partners have a limited ability to extend the term of the Venture Funds, the Venture Funds may have to sell, distribute or otherwise dispose of investments or resolve litigation or other contingent liabilities at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of a Venture Fund its General Partner will be required to timely reduce to cash and cash equivalents such assets of such Venture Fund as its General Partner shall deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the such Venture Fund's limited partners will occur.

Absence of Liquidity and Public Markets. Each Venture Fund's investments will generally be private, illiquid holdings. As such, there will be no public markets for the securities held by the Venture Funds and no readily available liquidity mechanism at any particular time for any of the

investments held by the Venture Funds. In addition, the realization of value from any investments will not be possible or known with any certainty until a General Partner elects, in its sole discretion, to sell a Venture Fund's investments and subsequently distribute the proceeds to its investors or to distribute securities to investors in lieu of cash.

Risk of Dilution. Limited partners subscribing for interests at subsequent closings for a Venture Fund generally will participate in existing investments of such Venture Fund, diluting the interest of existing limited partners therein. Although such additional limited partners will contribute their pro rata share of prior capital contributions previously drawn down by the Venture Fund (plus, in certain cases, an additional amount thereon), there can be no assurance that such payment will reflect the fair value of such Venture Fund's existing investments at the time such additional limited partners subscribe for such interests.

Failure to Make Capital Contributions. If a limited partner in a Venture Fund fails to pay when due installments of its capital commitment to such Venture Fund, and the contributions made by non-defaulting limited partners and borrowings by such Venture Fund are inadequate to cover the defaulted capital contribution, such Venture Fund may be unable to pay its obligations when due or make investments as and when anticipated. As a result, the Venture Fund may be subjected to significant penalties that could materially and adversely affect the returns to the limited partners (including non-defaulting limited partners). If a limited partner defaults, it may be subject to various remedies as provided in the Venture Fund's Governing Documents.

Cross Investments. Except with the prior approval of a majority in interest of the limited partners of PVF or as otherwise permitted in PVF's Governing Documents, its General Partner will not invest PVF's funds for the first time in private companies the securities of which are then held by the PVF's General Partner, ParaFi, Benjamin Forman, any investment fund managed by PVF's General Partner or an affiliate or any affiliate of the foregoing; provided, however, that, without having to obtain any such approval, PVF's General Partner may cause the PVF to invest in Securities of a company that is a portfolio company of PPO (or any series of interests therein); and provided, further, that, without having to obtain any such approval, PVF's General Partner may cause PVF to invest in a private company in which a member of PVF's General Partner has previously made one or more personal seed investments in an aggregate amount not to exceed \$100,000. Such investment practices involve an inherent conflict of interest, and PVF's Governing Documents provide that its General Partner shall have no liability attributable to or based upon such conflict of interest in the absence of bad faith or intentional harm to the PVF.

Diverse Investors. The limited partners in a Venture Fund may have conflicting investment, legal, tax, business and other interests with respect to their investments in such Venture Fund. The conflicting interests of individual limited partners may relate to or arise from, among other things, the nature of investments made by the Venture Fund, the structuring or the acquisition of investments, and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by ParaFi, including with respect to the nature or structuring of investments that may be more beneficial for one investor than for another investor, particularly with respect to investors' individual tax situations. In selecting and structuring investments appropriate for a Venture Fund, ParaFi will consider the investment and tax objectives of such Venture Fund and the partners in such Venture Fund as a whole, and not the investment, legal, tax, business or other objectives of any limited partner individually. The General Partners may form parallel funds for tax or other reasons, and the investment returns of the limited partners of any such parallel funds may differ from the investment returns of the limited partners as a result

of the structure of the acquisition and disposition of portfolio investments, the economic terms of such parallel funds or other similar reasons.

No Assurance of Distributions, Appreciation or Liquidity. An investment in a Venture Fund will be illiquid and involves a high degree of risk. There is no public market for the interests in a Venture Fund, and it is not expected that a public market will develop. Consequently, limited partners in a Venture Fund will bear the economic risks of their investment for the term of such Venture Fund. Prospective investors will be required to represent and agree that they are purchasing the interests for their own account for investment only and not with a view to the resale or distribution thereof. There can be no assurance that any distributions to the Investors will be made by the Funds or that aggregate distributions, if any, will equal or exceed the Investor's capital contributions to the Funds. Net investment proceeds in respect of a portfolio investment will be the principal source of distributable cash to the Investors. With respect to a Fund's equity positions, there will be either no marketplace or a limited marketplace for the securities of a private Digital Asset Company, and the realization of the success of the investment may require the securities to be sold to other private investors or in a public offering, or for the Digital Asset Company to be acquired. There can be no assurance that any of these types of transactions will take place with respect to a particular investment. Consequently, there is no assurance that the operations of a Fund will be profitable or as to when or whether cash or securities will be available for distribution to holders of Interests. In addition, the General Partners have absolute discretion in the timing of distributions to the Investors; however, the income tax liability of Investors depends on the profits of a Fund, regardless of whether distributions are made. Securities acquired by a Fund through equity investments will be held by a Fund and will be sold or distributed at the sole discretion of ParaFi.

Distributions In-Kind. It is possible that not all portfolio investments will be realized by the end of a Venture Fund's term. Although the General Partners expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution and the General Partners have a limited ability to extend the term of the Venture Funds, a Venture Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In such cases, in a General Partner's sole and absolute discretion, there may be in-kind distributions by a Venture Fund of illiquid securities or instruments. In addition, during the term of a Venture Fund, such Venture Fund may make in-kind distributions of marketable securities. There can be no assurance that limited partners will be able to dispose of any securities or instruments received through an in-kind distribution or that the fair market value of such securities or instruments determined by a Venture Fund for purposes of the determination of distributions and the calculation of its General Partner's carried interest ultimately will be realized. In addition, if a Venture Fund receives distributions in-kind from any portfolio investment, it may incur additional costs and risks in connection with the disposition of such assets. Any such distribution could put downward pressure on the price of the issuer's securities.

Net Cash. The Funds may hold a significant portion of its portfolio in cash and cash equivalents. This may result in the Funds' investment results underperforming market indices.

Third Party Involvement. Certain Funds co-invest with third parties through SPVs, and at any given time substantially all of the Funds' assets may be invested in such SPVs. Such investments may involve risks not present in investments where a third party is not involved, including the possibility that a third-party co-venturer or partner may at any time have economic or business interests or goals which are inconsistent with those of the Funds, or may be in a position to take

action contrary to the interests and investment objectives of the Funds. There may be no restrictions on the allocations or movement of capital by such parties in an SPV, and such movements of capital may materially adversely affect the investments held by the SPV. In addition, the Funds may in certain circumstances be liable for actions of their third-party co-venturers or partners.

General Investment, Strategy, and Trading Risks

General Investment and Trading Risks. An investment in the Funds involves a high degree of risk, including the risk that the entire amount invested may be lost. The Funds invest in Digital Assets/digital currencies, securities, and/or other financial instruments using strategies and investment techniques with significant risk characteristics. No guarantee or representation is made that the Fund's program will be successful. Certain Funds' investment program may utilize investment techniques including, but not limited to option transactions, margin transactions, short sales, investing, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which the Funds may be subject.

Changing Economic Conditions. Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect a Fund's investments and prospects materially and adversely. None of these conditions is within a Fund's or ParaFi's control, and it may not be able to effectively anticipate these developments. These factors may affect the volatility and the liquidity of a Fund's investments. Unexpected volatility or illiquidity could impair a Fund's profitability or result in losses.

Recently, certain countries have experienced and could in the future experience substantial, and in some periods extremely high, rates of inflation. Inflation and rapid fluctuations in inflation rates have had and may continue to have very negative effects on the economies and markets (both public and private) of certain countries in which a Fund may invest. Inflation has, in turn, caused central banks to drastically increase interest rates, which has had profound effects in the tech sector broadly, crypto sector narrowly, and also on banks. Changing economic conditions can have a profound, negative effect on the Funds, their investments, and on ParaFi.

Effectiveness of Risk Reduction Techniques. For certain Funds, ParaFi may employ various risk reduction strategies designed to minimize the risk of their trading positions. A substantial risk remains, nonetheless, that such strategies will not always be possible to implement and when possible will not always be effective in limiting losses. If ParaFi analyzes market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with the relevant Fund's investments, such risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of a Fund and/or result in a loss if the counterparty to the transaction does not perform as promised.

Technology & Custody Risk. The Funds' strategies are focused in a nascent landscape. As such, the Funds frequently engage in investing, using, and transacting with new and untested technologies with limited operating histories. As part of its investment process, ParaFi may develop its own proprietary methods and technologies for custody and investing in order to pursue its strategies, including but not limited to, trading systems, execution systems, smart contract systems, self-custody systems and technologies, monitoring systems, wallet solutions, etc. These

technologies are new and have limited operating history and audits, and further may be subject to errors, hacking, exploitation, and/or bugs; any of which may lead to permanent loss of capital.

Limited Diversification. Unless otherwise specified in a Fund's Governing Documents, generally, a Fund is not limited in the amount of its capital that may be committed to any single digital currency, Digital Asset, blockchain-related company, counterparty, loan, stablecoin, or strategy. At any given time, it is therefore possible that ParaFi may select investments that are concentrated in a limited number or types of investments made through counterparties or in certain stablecoins, other digital currencies or Digital Assets, blockchain-related companies, or other financial instruments. This limited diversity could expose the Funds to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those investments.

Long-Term Investments. Disposition of investments may not occur for a number of years after a Fund's initial investment. Certain Funds' investment strategies are designed for relatively long holding periods. Investors in those Funds must be prepared to hold their investment for a number of years. While it is the intention of ParaFi to achieve the Funds' investment objectives, factors such as overall economic conditions, the competitive environment, the market for certain assets, as well as other factors, may affect the disposition of investments.

Leverage and Borrowing Risk. If permitted by a Fund's Governing Documents, a Fund may use leverage to achieve its investment objectives, including to enhance the Funds' returns and meet withdrawals which would otherwise result in the premature liquidation of investments. Funds borrowed will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on a Fund's portfolio.

Risks of Leverage Generally. Leverage will increase the investment return of a Fund if an investment purchased with or utilizing leverage earns a greater return than the cost to the Fund of such leverage. The use of leverage will decrease the investment return if a Fund fails to recover the cost of such leverage.

Because the use of leverage allows a Fund to control positions worth significantly more than its investment in those positions, the amount that a Fund may lose in the event of adverse price movements is high in relation to the amount of its investment. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to a Fund, and the use of leverage can, in certain circumstances, increase the losses to which the Fund's investment portfolio may be subject.

Risks of Borrowing from a Counterparty. If a Fund borrows Digital Assets under a master lending agreement, there is a risk that in the event the loan is terminated because of the counterparty's insolvency, that Fund might not be relieved of its obligation to return the Digital Assets and might not be permitted to offset that obligation against the counterparty's obligation to return that Fund's collateral. In that event, that Fund would merely have an unsecured claim for such collateral equal to its value on the date the insolvency proceeding is commenced.

Risks of Borrowing on a Decentralized Protocol. A Fund may be subject to liquidation risks when borrowing digital currencies and Digital Assets through a Decentralized Protocol (as defined below). Decentralized Protocols utilized by a Fund may force liquidation of the digital currencies

and Digital Assets offered by that Fund as collateral for loans. Generally, liquidation will be forced if the loan is defaulted on or if the value of the posted collateral falls below a specific collateral ratio in comparison to the value of the amount borrowed. If liquidation is forced, a Fund may be required to pay a liquidation penalty to the applicable Decentralized Protocol in addition to a separate discount on price of the amount of collateral sold, resulting in greater losses to that Fund's investments.

General Risks of Arbitrage Transactions. Certain Funds utilize arbitration strategies. The success of arbitrage strategies depends often on the ability to execute two or more simultaneous transactions at desired prices. Should such transactions not be executed simultaneously at the desired prices, losses may be incurred on both sides of the transaction. Additionally, separate costs are incurred on both sides of an arbitrage transaction, and substantial favorable price moves may be required before a profit can be realized.

Further, the market values of related financial instruments may not move in correlation with each other or in ways anticipated by ParaFi. Historical analysis may indicate probabilities of price movements that are not necessary or inevitable or which may not necessarily recur in the future in a manner that will support a profitable trading strategy. Moreover, to the extent that digital currency and/or Digital Asset markets disseminate and absorb relevant information more rapidly, periods of temporary mis-pricings, such as those endeavored to be exploited by arbitrage strategies, may become shorter, less frequent and of lesser quantitative significance. The Funds may be competing in the marketplace with numerous investors for the timely identification of such opportunities and the favorable execution of resultant transactions. There can be no assurances that the arbitrage strategies used by ParaFi will be successful.

Trading Decisions Based on Fundamental and Other Analysis. Certain Funds utilize fundamental or other analyses. For those Fund, trading decisions made by ParaFi are based on fundamental, technical, and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernable trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated.

ParaFi may base its trading decisions, in whole or in part, on fundamental analysis. Fundamental analysis considers numerous "fundamental" factors, which do not have an impact on technical trading systems, in an attempt to identify investment opportunities. To the extent that such factors provide mixed or conflicting signals, ParaFi's fundamental analysis may not be able to detect and/or accurately predict price trends. There can be no guarantee that ParaFi's fundamental analysis will enable ParaFi to accurately value the investments in which a Fund invests or that any anticipated price trends will materialize with respect to such investments. No assurance can be given that a Fund's strategies will be successful under all or any market conditions.

Risks Associated with Opportunistic Investments.

Investments in Undervalued Assets. Certain Funds from time to time invest in assets that ParaFi believes to be undervalued, including equity and equity-related securities and Digital Assets. The identification of undervalued investment opportunities is a difficult task. While investments in undervalued assets offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from such investments may not adequately compensate the Fund for the business and financial risks assumed. A Fund may take certain speculative investments in assets which ParaFi believes to be undervalued; however, there are no assurances that the assets purchased will in fact be undervalued. In addition, a Fund may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of a Fund's assets may be committed to the assets purchased, thus possibly preventing that Fund from investing in other opportunities. In addition, a Fund may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If a Fund takes long positions in stocks that decline and short positions in stocks that increase in value, then the losses of that Fund may exceed those of other portfolios that hold long positions only.

"Spreading Widening" Risk. For reasons not necessarily attributable to any of the risks enumerated herein (for example, supply/demand imbalances or other market forces), the prices of the assets in which a Fund invests may decline substantially. In particular, purchasing assets at what may appear to be "undervalued" levels is no guarantee that these assets will not be trading at even more "undervalued" levels at a time of valuation or at the time of sale. It may not be possible to predict, or to hedge against, such "spread widening" risk.

Investments in Distressed Assets. Investment in the assets of financially or operationally troubled businesses (whether equity of entities or tokens of protocols) involves a high degree of credit and market risk. Although a Fund invests in select opportunities that, in the view of ParaFi, have the potential over the long-term for capital growth, there can be no assurance that such financially or operationally troubled entities or protocols can be successfully transformed into profitable businesses. There is a possibility that a Fund may incur substantial or total losses on its investments. During an economic downturn or recession, financially or operationally troubled entities or protocols are more likely to face material operating issues than non-troubled entities and protocols. In addition, it may be difficult to obtain information about financially or operationally troubled entities or protocols.

Investment in the assets of financially or operationally troubled entities or protocols is a long-term investment strategy and, accordingly, investors in the Funds that pursue such strategies should have the financial ability and willingness to remain invested for the long term. Assets of financially or operationally troubled entities or protocols are less liquid and more volatile than assets of entities or protocols not experiencing such difficulties. The market prices of these entities or protocols are subject to erratic and abrupt market movements and the spread between bid and asked prices may be greater than normally expected for more liquid or less volatile assets. In addition, certain investments may not be widely traded and that a Fund's investment in such investments may be substantial relative to the market for such assets. As a result, a Fund may experience delays and incur losses and other costs in connection with the sale of its portfolio investment. In addition, a Fund may be subject to restrictions on the sale of certain assets in the portfolio, whether for contractual or legal reasons.

Liquidity Risk. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing a Fund from selling out of these illiquid investments at an advantageous price. As a Fund's assets increase relative to the size of the market, that Fund may encounter significant liquidity risk across one or more instruments and investments, which could materially affect the investment returns.

Net Cash. A Fund may hold a significant portion of its portfolio in cash and cash equivalents. This may result in that Fund's investment results underperforming market indices.

Market Valuation. The public and private market valuation of digital currencies and Digital Assets in which certain Funds will concentrate their investments is extremely volatile. This volatility can increase those Funds' risks associated with direct investments in digital currencies and Digital Assets.

Trade Errors. Trading errors are an intrinsic factor in any complex investment process and will occur notwithstanding the exercise of due care and the existence of procedures reasonably designed to prevent such errors. Such errors might include, for example, incorrect entry of a trade into an electronic trading system, errors when reconciling trade activity, or drafting errors related to trade contracts or confirmations. Except to the extent required by non-waivable provisions of federal or state securities laws, each Fund (and not ParaFo) will bear any losses resulting from portfolio management, trading, or administrative errors in connection with that Fund's investment activities in the absence of Disabling Conduct (as defined in each Fund's Governing Documents) by the relevant Indemnified Party(ies). Any gains or benefits that result from trade errors will also accrue to the Fund.

Currency Risk and Related Transactions. Although each Fund is denominated in U.S. dollars, it trades a variety of digital currencies that may greatly diverge from the U.S. dollar. Some stablecoins may be "pegged" to currencies other than the U.S. dollar, such as the Mexican peso. See also "Stablecoin Specific Risks" below. A Fund may attempt to arbitrage the difference between the stablecoin and the foreign currency, may engage in other trading for foreign currencies, and/or may attempt to hedge its exposure to foreign currencies. These transactions may be conducted at the prevailing spot rate for purchasing or selling currency in the foreign exchange market or may be conducted through derivative instruments (such as forward foreign currency exchange contracts), which may be "on-chain" or "off-chain." See also "Risks Associated with Investing through Derivative Products and Short Selling" below. Currency exchange rates can be very volatile.

Unidentified Investments; Competitive Market for Investments. ParaFi may be very selective when seeking investments. The business of identifying and structuring certain transactions is competitive (and may become more competitive in the future), and involves a high degree of uncertainty. There can be no assurance that the ParaFi will be able to locate and complete attractive investments or that it will be able to adhere to the investment strategy outlined in a Fund's Governing Documents. Furthermore, there can be no assurance that ParaFi will be able to invest the entire amount of a Fund's assets or that suitable investment opportunities will otherwise be identified. If ParaFi is unable to identify adequate investments at any given time, a significant portion of a Fund's assets may be held in cash or equivalents, which produce low rates of return.

Counterparty Risk. As permitted by a Fund’s Governing Documents, a Fund may transact business with a wide variety of counterparties and be exposed to the risk that they may encounter financial difficulties that could impair the operational capabilities or capital position of the Fund.

- (i) *Counterparties May Become Insolvent.* Centralized exchanges, broker-dealers, futures commission merchants (“**FCMs**”), trading desks, over-the-counter (“**OTC**”) counterparties, custodians, and other third-parties with which a Fund does business and/or to which the assets of a Fund have been entrusted for custodial purposes may become insolvent. In the event that a counterparty becomes bankrupt and fails to segregate a Fund’s assets on deposit, such assets may be subject to the claims of the general creditors of that counterparty. In addition, there can be no guarantee in the event of an exchange’s, FCM’s, or custodian’s insolvency that the pool of customer property held by that counterparty pursuant to applicable law will be sufficient to satisfy all customer claims, including those of the relevant Fund. Further, in the event of a counterparty’s (or its affiliate’s) insolvency, the possibility exists that a Fund’s ability to exercise remedies, such as the termination of transactions, netting of obligations and realization on collateral, could be stayed or eliminated under new special resolution regimes adopted in the United States, the European Union, and various other jurisdictions. Such regimes provide government authorities with broad authority to intervene when a financial institution is experiencing financial difficulty. In particular, the regulatory authorities could reduce, eliminate, or convert to equity the liabilities to a Fund of a counterparty who is subject to such proceedings in the European Union (sometimes referred to as a “bail in”). Further, even if a Fund does not lose its assets on deposit with its exchanges, FCMs, and custodians, the financial difficulties of any of them could cause that Fund to incur market losses, including, but not limited to, as a result of the inability of that Fund to access its assets and/or execute transactions through such counterparties in a timely manner.
- (ii) *OTC Counterparties Have Heightened Risks.* An OTC transaction typically can be closed only with the consent of the other party to the contract. This exposes the Funds that engage in such transactions to the risk that a counterparty is unable or unwilling to make timely settlement payments or otherwise honor their obligations (for example, because a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem), thus causing that Fund to suffer a loss. If the counterparty defaults, a Fund will still have contractual remedies but may not be able to enforce them. In addition, in the event of a counterparty bankruptcy, a Fund may experience significant delays in obtaining any recovery under the derivative contract in a bankruptcy or other reorganization proceeding or may obtain a limited or no recovery of amounts due to it under the derivative contract, including the return of any collateral that has been provided to the counterparty.

Each Fund is reliant on ParaFi to select OTC counterparties. Unlike participants in exchange-based markets, where the exchange tends to subject participants to credit evaluation and regulatory oversight, no such protections exist for a Fund outside of ParaFi’s selection of counterparties and negotiation of the OTC terms. However, neither ParaFi nor a Fund have any internal credit function that evaluates the creditworthiness of a Fund’s counterparties. Further, ParaFi may prioritize other OTC contract terms over counterparty risk mitigation. For example, a Fund may invest in derivatives that (i) do not require the counterparty to post collateral, (ii) require a

counterparty to post collateral but do not provide for a Fund's security interest in it to be perfected, (iii) require a Fund to post significant upfront collateral unrelated to the derivative's fundamental fair (or intrinsic) value, or (iv) do not require that collateral be regularly marked-to-market. When a counterparty's obligations are not fully secured by a perfected security interest in collateral, a Fund runs a greater risk of not being able to recover what it is owed if the counterparty defaults because it is essentially an unsecured creditor of the counterparty. The ability of a Fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties' financial capabilities, and the absence of a regulated market to facilitate settlement may increase the potential for losses by that Fund. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties.

- (iii) *Additional Non-U.S. Risks.* To the extent a Fund transacts business with non-U.S. counterparties, that Fund may be exposed to different bankruptcy or other regulatory regimes than those applicable to U.S. counterparties and, in doing business with such non-U.S. counterparties, that Fund may not be afforded certain of the protective measures provided by the rules and regulations of the SEC, the CFTC, the National Futures Association, and FINRA, with which certain U.S. counterparties must comply. A Fund may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by that Fund in another country. Further, should an exchange cease operation due to criminal actions or for financial or regulatory reasons, a Fund may suffer losses and will likely be subject to the laws of the exchange's home country when pursuing remedies. Although each Fund will attempt to minimize its risk in this area, there is no action that a Fund can take that will be completely risk-free.

Bankruptcy of Third Party Wallet Providers, Custodians, and Exchanges. The Funds may hold Digital Assets with one or more third party wallet providers, custodians, and/or exchanges (each, a "**Third Party Provider**"). There is a risk that a bankruptcy court would deem Digital Assets held with a Third Party Provider to be the property of the bankruptcy estate in the event of a Third Party Provider's bankruptcy. In that case, the relevant Funds could be treated as a general unsecured creditor of the Third Party Provider, which means that those Funds would not have a claim to its specific Digital Assets held with the Third Party Provider, and could only recover the value of its Digital Assets to the extent there are funds remaining after more senior and secured creditors' claims have been satisfied. Moreover, the value of such Digital Assets may fluctuate (up or down) after the filing of the bankruptcy petition and a Fund's claim may not receive the benefit of such higher valuation or could be reduced in the case of a lower valuation. In such an event, a Fund may be unable to recover the full value of its Digital Assets held at the Third Party Provider, which could result in significant losses.

Changes in Trading Approach. ParaFi will not follow one specific investment strategy, but rather, may employ different trading strategies that ParaFi feels are consistent with each Fund's investment objective. Because ParaFi may change a Fund's allocation of assets among a variety of diverse investments and strategies at any time, investors in each Fund will be exposed to the risks associated with each of those investments and strategies but will not know at the time of investment, or over the duration of their investment, the precise nature of such exposure. An

investment in a Fund therefore involves a high degree of uncertainty, and investors will be exposed to a significant degree of risk.

Derivatives Risks Generally. If permitted by a Fund’s Governing Documents, a Fund may invest in a variety of derivatives, including put and call options, futures contracts, options on futures contracts, forward contracts, swaps, and other derivatives contracts, which may be volatile and speculative. Derivatives may be either traded over exchanges (e.g., futures) or through “interdealer” or “over-the-counter” markets (e.g., forwards). The use of derivatives involves risks that are in addition to, and potentially greater than, the risks of investing directly in securities and other more traditional assets. Derivatives are financial contracts the value of which depends on, or is derived from, an underlying reference instrument (the “**Underlying Reference**”). Derivatives involve the risk that changes in their value may not move as expected relative to changes in the value of the Underlying Reference they are designed to track. Certain positions may be subject to wide and sudden fluctuations in market-value, with a resulting fluctuation in the amount of profits and losses. Derivatives risk may be more significant when derivatives are used to enhance return or as a substitute for a cash investment option, rather than solely to hedge the risk of a position held by the Fund. The Fund’s use of derivatives may not be effective or have the desired results. Use of derivative instruments presents various general risks, including the following:

- (i) *Tracking* — When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent the Fund from achieving the intended hedging effect or expose the Fund to the risk of loss.
- (ii) *Liquidity* — Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets the Fund may not be able to close out a position without incurring a loss.
- (iii) *Leverage* — Derivatives in which the Fund may invest may have embedded leverage (i.e., a notional value in excess of the assets needed to establish and/or maintain the derivative position). As a result, adverse changes in the value or level of the Underlying Reference may result in a loss substantially greater than the amount invested in the derivative itself. Further, the leverage offered by trading in derivative instruments may magnify the gains and losses experienced by the Fund and could cause its net asset value to be subject to wider fluctuations than would be the case if the Fund invested in just the Underlying Reference. See “Leverage and Borrowing Risk” above.
- (iv) *Volatility* — The prices of derivative instruments can be highly volatile. Certain positions may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. Price movements of derivative contracts in which the assets of the Fund may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. In addition, governments, from time to time, intervene, directly and by regulation, in certain markets, particularly those in currencies, securities, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction. No assurance can be given that the Fund will be profitable or that it will not incur substantial losses.

- (v) *Exchange-Traded Derivatives* — Many futures exchanges limit daily price fluctuations in futures contracts, in which case no trades may be executed at a price beyond the daily limit. Once the price of a particular futures contract has increased or decreased its daily limit, positions in the futures contract can be neither initiated nor liquidated unless traders are willing to execute trades at or within the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. Similar occurrences in the future might prevent prompt liquidation of unfavorable positions and result in substantial losses, which could exceed the margin initially committed to such positions. Even in the absence of a limit price movement, it may occasionally not be possible to execute futures and options trades at favorable prices if little trading in contracts is taking place. It is also possible that an exchange or a regulator may suspend or limit trading in a particular contract, order immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only.

Certain U.S. and non-U.S. exchanges may impose position limits with respect to the maximum net long or net short positions that any person may hold or control. While ParaFi presently believes that established position limits would not adversely affect its trading decisions, it is possible that its trading decisions may have to be modified and that positions held by the Fund could have to be liquidated to avoid exceeding such limits.

- (vi) *Over-the-Counter Trading* — Certain derivative instruments may not be traded on an exchange and may not be cleared by a central counterparty. Uncleared, OTC instruments that may be purchased or sold by the Fund may include, without limitation, foreign currency contracts, forwards and certain swap transactions. OTC instruments, unlike exchange traded instruments, are two party contracts with price and other terms negotiated by the buyer and the seller. The risk of non-performance by the obligor on such an instrument that is not cleared through a central counterparty may be greater and the ease with which the Fund can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange traded instrument or cleared swap. Because performance of uncleared, OTC instruments is not guaranteed by any exchange or clearinghouse, the Fund will be subject to the risk of the inability or refusal to perform with respect to such financial instruments on the part of the counterparties with which they trade. Any such failure or refusal, whether due to insolvency, bankruptcy, or other causes, could subject the Fund to substantial losses. See “Risk Factors – Counterparty Risk.”
- (vii) *Margin Risk* — In connection with entering into certain types of derivatives transactions (e.g., options and futures contracts), the Fund may post margin directly to a broker or an FCM, which will typically re-hypothecate that margin (i.e., use the margin posted by the Fund for its own transactions, including as collateral in another transaction by the broker or FCM) to a clearinghouse or another broker or FCM. Prior to re-hypothecation, margin so posted may be held in commingled accounts with margin from other clients of that broker or FCM. The margin maintained by these brokers and FCMs is not subject to the regulatory protections provided by bank custody arrangements commonly employed by investment companies. If margin posted to a broker or FCM is re-hypothecated, neither the Fund nor the broker or FCM, as applicable, will have possession of the margin. Margin posted by the Fund to a broker

or FCM is exposed to the credit risk and fraud risk of that broker or FCM. There is generally no limit on the amount of margin that the Fund may post directly to a single broker or FCM or to all brokers and FCMs, and the Fund typically posts a significant portion of its assets in this manner. As a result, at any time the Fund may have substantial credit exposure to one or more brokers and/or FCMs. In the event of the insolvency or liquidation of a broker or FCM to whom the Fund has posted collateral, the Fund is likely to experience substantial delays in recovering its margin, or it may not be able to recover it at all. Any inability or unwillingness of a broker or FCM to meet its obligation to return margin to the Fund, including by reason of insolvency or liquidation, or any improper activity involving such broker or FCM would likely result in a substantial loss to the Fund. In some foreign (non-U.S.) markets, brokerage arrangements may provide significantly less protection than in the U.S., potentially exposing the Fund to credit and other risks that it does not have in the U.S.

- (viii) *Regulation* — Financial instruments not traded on exchanges are also not subject to the same type of government regulation as exchange traded instruments and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. The counterparty to an OTC instrument entered into by the Fund may not be subject to the same credit evaluation and regulatory oversight as are members of exchange-based markets. The same may be true with respect to financial instruments traded on certain types of alternative exchanges (e.g., exempt commercial markets) that are less regulated than traditional securities, commodities, and futures exchanges.

The Dodd-Frank Act created a new, comprehensive U.S. regulatory regime for certain U.S. derivatives markets that currently is being introduced in stages. The new U.S. regulatory requirements include mandatory exchange trading and clearing of certain types of OTC derivative transactions, limits on the size of derivative positions that can be held by a single person, increased margin and capital requirements, and enhanced conduct standards for uncleared derivatives. Unlike OTC derivative transactions, cleared derivatives will be contracts between the Fund and a regulated clearing house and will have some of the risk factors previously associated exclusively with futures contracts. The impact of these changes on the Fund cannot be predicted with certainty but could adversely affect its business by increasing its operating costs and limiting its ability to conduct certain U.S. derivatives transactions.

- (ix) *Market Conditions* — Recent events in the financial markets resulting in the failure of large institutions that serve as counterparties to many OTC financial instruments have resulted in greater illiquidity of such instruments and heightened concern for counterparty risk.

Risks Related to Derivatives on Digital Assets. Certain Funds may invest in Digital Asset derivatives to gain synthetic exposure to Digital Assets, including “crypto-native” derivative instruments based on Digital Assets, such as perpetual derivatives contracts, that have characteristics similar to, but also distinct from, other types of derivative instruments deployed in traditional asset classes. These derivatives can be traded OTC or on exchanges – both centralized and decentralized – which may be unregulated. When compared to derivatives on other commodities and assets, the prices at which derivatives on Digital Assets trade have, historically, been more volatile. This volatility may adversely impact the Fund’s returns, particularly where the

Fund's potential losses on a derivative instrument are not limited to its initial premium. Continued volatility may also result in the Fund being required to post comparatively large initial or ongoing margin amounts with counterparties and may require that the Fund post additional margin on short time frames, potentially requiring the Fund to sell other assets at inopportune times and/or to close positions prematurely. In addition, some clearing brokers may pose restrictions on customer trading activity in derivatives on Digital Assets, such as prohibiting naked shorting or give-in transactions. As a general matter, derivative instruments referencing Digital Assets are limited (e.g., by available Underlying Reference, derivative instrument type and notional size), and as a result the Fund may be unable to efficiently pursue its investment objective. In addition, certain derivative contract markets may impose "circuit breaker" rules or otherwise halt trading in times of high volatility, which may prevent the Fund from executing trades it would otherwise have made and may result in a material adverse effect on the Fund.

More leverage may be available for digital asset derivatives than in traditional markets. The use of leverage by a Fund in a market that moves adversely to that Fund's investments could result in a loss to that Fund that would be greater than if leverage were not employed by that Fund. As a general matter, the prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. As a result, a relatively small price movement in a derivatives contract may result in immediate and substantial losses to a Fund.

To manage risk, platforms that offer digital asset derivatives contracts often employ a liquidation mechanism to protect leveraged users from incurring significant losses. In volatile markets, digital asset derivatives contracts may experience unexpected changes in price which could cause a Fund's derivatives positions to be automatically liquidated without sufficient advance notice to ParaFi. Additionally, such liquidation mechanisms may fail, causing a Fund, the Decentralized Protocol, or that Fund's counterparties, as the case may be, to incur substantial losses which could result in negative equity. In such an event, if the trading counterparty or Decentralized Protocol offering the digital asset derivatives contracts is unable to make profitable trades on the platform whole, a Fund may not be able to realize some or all of the gains from otherwise profitable digital asset derivative contract positions held by that Fund.

Additionally, a Fund may use digital asset derivative contracts available through Decentralized Protocols and smart contract platforms. For example, digital asset derivatives may be programmed to execute automatically when certain conditions are met using smart contracts. Since smart contracts typically cannot be stopped or reversed, any adverse or unintended effects, such as uneconomic collateral liquidations, may be exacerbated. Such digital asset derivative contracts are also subject to the risks of smart contracts described further in "Risks Associated with Investing through Smart Contracts" and elsewhere in this Form ADV.

Given the novel nature of digital asset derivatives, third-party platforms that provide digital asset derivatives may have a limited operating history and experience with digital asset derivative products which could result in increased operational or technical risks compared to traditional derivatives. For example, technical or operational errors may prevent a Fund from closing or opening a digital asset derivatives position at a favorable price.

Digital asset derivatives are a new type of financial product and their regulatory status is still uncertain. In the future, regulatory authorities may impose new restrictions or bans on digital asset derivatives products or Digital Assets and related products generally. Such actions could lead

digital asset derivatives trading platforms to limit the availability of certain digital asset derivatives or disallow certain market participants based on their citizenship, residence or location if doing so becomes commercially unsustainable or legally prohibited. In the event of new regulatory actions relating to digital asset derivatives, the price and liquidity of any digital asset derivatives contracts held by a Fund could be materially affected.

Investments in digital asset derivatives carry significant risk. A Fund may lose the value of its entire investment or part, its investments in digital asset derivatives. Digital assets and digital asset derivatives are a relatively new asset class, and the market is still developing. Accordingly, the risks of digital asset derivatives and trading digital asset derivatives may not be apparent and additional risks may be present in the future.

Options Risks Generally. An option is a right, purchased for a certain price, to buy or sell the Underlying Reference during or at the end of a certain period of time for a fixed price. The risks in trading options are different from the risks in trading the Underlying Reference and trading in options can provide a greater potential for profit or loss than an equivalent investment in the underlying. For example, if the Fund buys an option, it will be required to pay a “premium” representing the market value of the option. The value of an option may decline because of a decline in the value of the Underlying Reference relative to the strike price, the passage of time, changes in the market’s perception as to the future price behavior of the Underlying Reference or any combination thereof. Unless the price of the Underlying Reference changes and it becomes profitable to exercise or offset the option before it expires, the Fund may lose the entire amount of the premium. Conversely, if the Fund sells an option, it will be credited with the premium, but will have to deposit margin due to its contingent liability to deliver or accept the Underlying Reference in the event that the option is exercised. Sellers of certain options are subject to unlimited risk of loss, as the sellers will be obligated to deliver or take delivery of an asset at a predetermined price that may, upon exercise of the option, be significantly different from the then-market value. The ability to trade in or exercise options may be restricted in the event that trading in the Underlying Reference becomes restricted.

During the option period, the covered call writer has, in return for the premium on the option, given up the opportunity to profit from a price increase in the Underlying Reference above the exercise price, but, as long as its obligation as a writer continues, has retained the risk of loss should the price of the Underlying Reference decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the Underlying Reference at the exercise price. If a put or call option purchased by the Fund is not sold when it has remaining value and, if the market price of the Underlying Reference remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Fund will lose its entire investment in the option. Also, where a put or call option on a particular asset is purchased to hedge against price movements in a related asset, the price of the put or call option may move more or less than the price of the related asset.

A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived and well-executed options program may be adversely affected by market behavior or unexpected events. Successful options strategies may require the anticipation of future movements in Underlying Reference prices, interest rates, and other economic factors. No assurances can be given that ParaFi’s judgment in this respect will be correct. The Fund may

be restricted in respect of the type of Underlying Reference assets that it is permitted to acquire or take delivery (in the case of options that are not cash settled) and these restrictions may affect the returns to the Fund.

The market price of options will be affected by many factors, including changes in the market price of the Underlying Reference; changes in dividend rates, interest rates, exchange rates, or other economic factors affecting the Underlying Reference or options markets generally, as applicable; changes in the realized or perceived volatility of the relevant market and Underlying Reference; and the time remaining before an option's expiration.

The ability to trade in or exercise options may be restricted, including in the event that trading in the Underlying Reference becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size, and strike price, the terms of OTC options are generally established through negotiation with the other party to the option contract. While this type of arrangement allows the Fund greater flexibility to tailor an option to its needs, OTC options can be less liquid than exchange-traded options and generally involve greater credit risk than exchange traded options, which are guaranteed by the clearing organization of the exchanges where they are traded.

The market price of options, particularly OTC options, may be adversely affected if the market for the options becomes less liquid or smaller. The Fund may close out a written option position by buying the option instead of letting it expire or be exercised. There can be no assurance that a liquid market will exist when the Fund seeks to close out an option position by buying or selling the option. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or clearinghouse may not at all times be adequate to handle current trading volume; or (vi) a regulator or one or more exchanges could, for economic or other reasons, decide to discontinue the trading of options (or a particular class or series of options) at some future date. If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which such options are traded. These limitations govern the maximum number of options in each class that may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options that the Fund may sell or purchase may be affected by options sold or purchased by other investment advisory clients of ParaFi. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits and may impose certain other sanctions.

Options writing can cause the Fund's share price to be highly volatile, and it may be subject to sudden and substantial losses.

Options on Futures Risks. A Fund may enter into options on futures contracts. An option on a futures contract gives the buyer, in return for the premium paid, the right (but not the obligation) to either buy or sell the underlying futures contract during a certain period of time for a fixed price. The writing of a put or call option on a futures contract involves risks similar to the risks applicable to the purchase or sale of futures contracts. However, the difficulty of predicting changes in the value of the underlying futures contract may expose the Fund to a somewhat different set of risks. For example, variations in speculative market demand for futures contracts on the relevant Underlying Reference can cause the value of the futures contract to change at an unanticipated time or to an unanticipated degree; this or other factors may bring the value of the underlying future closer to the option's strike price, increasing the potential for risk of loss to the Fund. To the extent that the Fund enters into options on futures contracts for hedging purposes, an imperfect correlation between this derivative position and the value of the instrument underlying such a position could lead to losses. In addition, options on Digital Asset futures have begun trading only recently. As a result, options on Digital Asset futures markets have lower trading volumes relative to other options on futures markets.

Swaps Risks. The use of swaps involves investment techniques and risks that are different from those associated with traditional portfolio transactions. Like forwards, these instruments are typically not traded on exchanges and, in such cases, are subject to the risks associated with OTC derivatives generally. Under recently adopted rules and regulations, however, transactions in some types of swaps (including interest rate swaps and credit default swaps on North American and European indices) are required to be centrally cleared ("cleared swaps"). For OTC swaps, there is a risk that the other party to certain of these instruments will not perform its obligations to the Fund or that the Fund may be unable to enter into offsetting positions to terminate its exposure or liquidate its position under certain of these instruments when it wishes to do so. Such occurrences could result in losses to the Fund. For cleared swaps, the Fund's counterparty is a clearinghouse rather than a bank or broker. Since the Fund is not a member of the clearinghouses and only members of a clearinghouse ("clearing members") can participate directly in the clearinghouse, the Fund holds cleared swaps through accounts at clearing members. In cleared swaps, the Fund makes payments (including margin payments) to and receives payments from a clearinghouse through its account at clearing members. Clearing members guarantee performance of their clients' obligations to the clearinghouse. Cleared swaps are subject to different risks than OTC swaps, including the creditworthiness of the central clearing organization and its members.

In some ways, cleared swap arrangements are less favorable to funds than bilateral arrangements. For example, a Fund may be required to provide more margin for cleared swaps positions than for bilateral derivatives positions. Also, in contrast to a bilateral derivatives position, following a period of notice to the Fund, a clearing member generally can require termination of an existing cleared swap position at any time or an increase in margin requirements above the margin that the clearing member required at the beginning of a transaction. Clearinghouses also have broad rights to increase margin requirements for existing positions or to terminate those positions at any time. Any increase in margin requirements or termination of existing cleared derivatives positions by the clearing member or the clearinghouse could interfere with the ability of the Fund to pursue its investment strategy. Further, any increase in margin requirements by a clearing member could expose the Fund to greater credit risk to its clearing member because margin for cleared swaps positions in excess of a clearinghouse's margin requirements typically is held by the clearing member. Credit risk of market participants with respect to derivatives that are centrally cleared is concentrated in a few clearinghouses, and it is not clear how an insolvency proceeding of a clearinghouse would be conducted and what impact an insolvency of a clearinghouse would have

on the financial system. The Fund might not be fully protected in the event of the bankruptcy of the Fund's clearing member because the Fund would be limited to recovering only a pro rata share of the funds held by the clearing member on behalf of customers for cleared derivatives. Although a clearing member is required to segregate assets from customers with respect to cleared derivatives positions from the clearing member's proprietary assets, if a clearing member does not comply with the applicable regulations, or in the event of fraud or misappropriation of customer assets by a clearing member, the Fund could have only an unsecured creditor claim in an insolvency of the clearing member with respect to the assets held by the clearing member.

Also, the Fund is subject to risk if it enters into a derivatives transaction that is required to be cleared (or that the Adviser expects to be cleared), and no clearing member is willing or able to clear the transaction on the Fund's behalf. In those cases, the position might have to be terminated, and the Fund could lose some or all of the benefit of the position, including loss of an increase in the value of the position and loss of hedging protection. In addition, the documentation governing the relationship between the Fund and clearing members is drafted by the clearing members and generally is less favorable to the Fund than typical bilateral derivatives documentation.

Additionally, some types of cleared derivatives are required to be executed on an exchange or on a swap execution facility. A swap execution facility is a trading platform where multiple market participants can execute derivatives by accepting bids and offers made by multiple other participants in the platform. While this execution requirement is designed to increase transparency and liquidity in the cleared derivatives market, trading on a swap execution facility can create additional costs and risks for the Fund. For example, swap execution facilities typically charge fees, and if the Fund executes derivatives on a swap execution facility through a broker intermediary, the intermediary may impose fees as well. Also, the Fund may be required to indemnify a swap execution facility, or a broker intermediary who executes cleared derivatives on a swap execution facility on the Fund's behalf, against any losses or costs that may be incurred as a result of the Fund's transactions on the swap execution facility.

The U.S. government and the European Union have adopted mandatory minimum margin requirements for bilateral derivatives. As a general matter, under such requirements, the Fund's transactions are subject to variation margin requirements and, depending on the aggregate notional value of bilateral derivatives entered into by the Fund, initial margin requirements may apply in the near future. Such requirements could increase the amount of margin the Fund needs to provide in connection with its derivatives transactions and, therefore, make derivatives transactions more expensive.

These and other new rules and regulations could, among other things, further restrict the Fund's ability to engage in, or increase the cost to the Fund of, derivatives transactions, for example, by making some types of derivatives no longer available to the Fund, increasing margin or capital requirements or otherwise limiting liquidity or increasing transaction costs. Certain aspects of these regulations are still being implemented, so their potential impact on the Fund and the financial system is not yet known. While the regulations and central clearing of some derivatives transactions are designed to reduce systemic risk (i.e., the risk that the interdependence of large derivatives dealers could cause them to suffer liquidity, solvency or other challenges simultaneously), there is no assurance that they will achieve that result, and in the meantime, as noted above, central clearing and related requirements expose the Fund to new kinds of costs and risks.

Swap agreements may be subject to contractual restrictions on transferability and termination and they may have terms of greater than seven days. The Fund's obligations under a swap agreement will generally be accrued daily (offset against any amounts owed to the Fund under the swap).

Short Selling. Short selling involves selling securities or other assets which are not owned and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities or other assets at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities or other assets. The extent to which a Fund engages in short sales depends upon ParaFi's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security or other asset could theoretically increase without limit, thus increasing the cost to a Fund of buying those securities or other assets to cover the short position. There can be no assurance that a Fund will be able to maintain the ability to borrow securities or other assets sold short. In such cases, a Fund can be "bought in" (i.e., forced to repurchase securities or other assets in the open market to return to the lender). There also can be no assurance that the securities or other assets necessary to cover a short position are available for purchase at or near prices quoted in the market. Purchasing securities or other assets to close out the short position can itself cause the price of the securities or other assets to rise further, thereby exacerbating the loss.

General Risks of Digital Assets

Risks Associated with Digital Currencies and Digital Assets.

Digital Currencies and Digital Assets. Digital currencies and Digital Assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code, not by a central bank, and prices can be extremely volatile.

Several factors may affect the price of digital currencies and Digital Assets, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of digital currencies/Digital Assets or the use of digital currencies/Digital Assets as a form of payment. There is no assurance that digital currencies and/or Digital Assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of digital currency/Digital Assets payments by mainstream retail merchants and commercial businesses will grow.

Digital currencies and Digital Assets are created, issued, transmitted, and stored according to protocols run by computers in the digital currency and Digital Assets network. It is possible these protocols have undiscovered flaws which could result in the loss of some or all assets held by the Funds. There may also be network scale attacks against these protocols which result in the loss of some or all of the assets held by a Fund. Some assets held by the Funds may be created, issued, or transmitted using experimental cryptography which could have underlying flaws. Advancements in quantum computing could break the cryptographic rules of protocols which support the assets held by the Funds. Neither ParaFi nor the Funds makes any guarantees about the reliability of the cryptography used to create, issue, or transmit assets held by the Funds.

Digital Currencies and Digital Assets Trading is Volatile and Speculative. Digital currencies and Digital Assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, digital currencies and Digital Assets have not been widely adopted

as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of the demand for digital currencies and Digital Assets is generated by speculators and investors seeking to profit from the short or long-term holding of digital currencies and Digital Assets. The relative lack of acceptance of digital currencies and Digital Assets in the retail and commercial marketplace may limit the ability of end-users to pay for goods and services with digital currencies and Digital Assets. A lack of expansion by digital currencies and Digital Assets into retail and commercial markets, or a contraction of such use, may result in, or contribute to, increased volatility in the marketplace for certain Digital Assets or the entire Digital Asset marketplace.

Risk to Digital Currency and Digital Assets Networks from Malicious Actors. If a malicious actor, including nation-state actors, or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on certain digital currency and Digital Assets networks, it may be able to alter the blockchain on which the digital currency and/or Digital Assets transaction relies on by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the digital currency and/or Digital Assets network can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new digital currency and Digital Assets or transactions using such control. Using alternate blocks, the malicious actor could double spend its own digital currency and/or Digital Assets and prevent the confirmation of other users' transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power on various digital currency and Digital Assets networks or the digital currency and Digital Assets community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in the Funds or the ability of the Funds to transact.

Legality of Digital Currencies and Digital Assets. It may be illegal, now or in the future, to own, hold, sell or use digital currencies or Digital Assets in one or more countries, including the United States. Although currently digital currencies and Digital Assets are not regulated or are lightly regulated in most countries, including the United States, one or more countries may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use digital currencies or Digital Assets or to exchange Digital Assets or digital currencies for fiat currency. Such an action may restrict a Fund's ability to hold or trade digital currencies and Digital Assets, and could result in termination and liquidation of a Fund at a time that is disadvantageous to Investors, or may adversely affect an investment in a Fund.

Future Regulation of Digital Assets. Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which digital currencies and Digital Assets are treated for classification and clearing purposes. The SEC has issued a release stating that, depending on the specific facts and circumstances of the Digital Asset in question, some digital currencies or Digital Assets may fall under securities regulation. Additionally, although the CFTC has declared that digital currencies and Digital Assets are commodities, currently, only certain kinds of digital currencies and/or Digital Assets, including digital currency and/or digital asset transactions that are entered into, or offered, on a leveraged or margined basis, or financed by the offeror, may be subject to CFTC jurisdiction. ParaFi cannot be certain as to how future regulatory developments will impact the treatment of digital currencies and Digital Assets under the law.

To the extent that digital currencies and/or Digital Assets are deemed to fall within the definition of a commodity future pursuant to subsequent rulemaking by the CFTC, a Fund, ParaFi, and/or the relevant General Partner may be required to register and comply with additional regulation under the CEA. Moreover, ParaFi and/or the relevant General Partner may be required to register as a commodity pool operator and to register the relevant Fund as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses for that Fund. If ParaFi and/or the relevant General Partner determines not to comply with such additional regulatory and registration requirements, the Fund will terminate and liquidate at a time that may be disadvantageous to the Investors.

Concentration Risk. Blockchain technology and digital assets industries are in a nascent stage. Many of the products and protocols in these industries use similar technologies and activities such as ownership of assets, control over source code of a protocol, operation of infrastructure, digital assets mining and code development are concentrated in a small set of persons or entities. The actions of only a few actors could cause changes that could negatively impact any companies using a particular blockchain technology for their operation. If platforms utilized by a Fund or other digital currencies or Digital Assets invested in by a Fund are thus negatively impacted, that Fund may be adversely affected and may be unable to pursue its investment objectives.

Amendments to a Digital Asset Network's Protocols and Software Could Adversely Affect the Fund's Investment and Trading Activities. Digital currency and Digital Asset networks (collectively, "**Networks**") are typically based on protocols that govern peer-to-peer interactions between computers connected to a digital currency's or Digital Asset's Network. Generally, the code that sets forth a digital currency's or Digital Asset's protocol is informally managed by a development team known as the core developers. A digital currency's or Digital Asset's core developers, miners, and/or users (each such core group in respect of a particular digital currency or Digital Asset, the "**Community**") can propose amendments to a Network's source code through one or more software upgrades that alter such digital currency's or Digital Asset's protocols, the software that govern its Network and the properties of the digital currency or Digital Asset itself, including, but not limited to, the irreversibility of transactions and limitations on the mining/creation of new digital currency or Digital Asset units. To the extent that a majority of a Community installs such software upgrade(s), such digital currency's or Digital Asset's Network could be subject to new protocols and software that may adversely affect a Fund's investment and trading activities. If less than a majority of a Community installs such software upgrade(s), such digital currency's or Digital Asset's Network could "fork."

Many digital currencies and Digital Assets are open-source projects and, although there may be an influential group of leaders in a specific Community, there may be no official developers or group of developers that formally control the applicable Network. For many digital currencies and Digital Assets, any individual can download the applicable Network software and make any desired modifications, which are proposed to the relevant digital currency's or Digital Asset's Community through software downloads and upgrades. However, the Community must usually consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of that Network. A developer or group of developers could potentially propose a modification to a Network that is not accepted by the applicable Community, but that is nonetheless accepted by a substantial portion of such Community. In such a case, a "fork" in the blockchain could develop and two separate Networks could result, one running the premodification software program and the other running the modified version (i.e., a second such Network in respect of the same Digital Asset). Such a fork in the

blockchain typically would be addressed by Community-led efforts to merge the forked blockchains. This kind of split in a Network could materially and adversely affect the value of Fund investments and, in the worst-case scenario, harm the sustainability of the applicable digital currency's or Digital Asset's economy.

Forks and Airdrops. To the extent a Digital Asset held by a Fund undergoes a Hard Fork or a Fund receives an Airdrop, the New Digital Assets resulting from the Hard Fork or Airdrop are provided involuntarily and without consideration. A Hard Fork or Airdrop may affect the value of the original Digital Asset held by a Fund (the “**Original Digital Asset**”). A Fund may have difficulties in claiming the New Digital Assets. First, ParaFi may not have any systems in place to monitor or participate in Hard Forks or Airdrops. Second, it may need to transfer the Original Digital Assets to a wallet or chain that does not, for example, provide security or liquidity for the relevant Fund (and ParaFi would weigh the costs and benefits of claiming v not claiming the New Digital Assets). Third, storage solutions used by a Fund may not be able to accommodate the New Digital Asset or may only do so after a prolonged period of time. Fourth, if a Fund lent the Original Digital Assets, (i) the counterparty to which it lent may have its own contractual right to claim the New Digital Asset for their own account or (ii) may have, itself, lent the Original Digital Assets to a short seller, who is ineligible to receive the New Digital Assets. In such a case, a Fund may be unable to claim the New Digital Assets as its own or may have to engage counsel or even litigate in an attempt to receive the New Digital Assets. As a result of the foregoing, a Fund may not receive any New Digital Assets, thus losing any potential value from such Digital Assets. Further, is likely that the New Digital Assets claimed by ParaFi on behalf of a Fund may be illiquid (including, potentially being subject to a lock-up period) and difficult to value.

Digital Currency and Digital Assets Miners May Cease to Solve Blocks. If the award of new digital currency and Digital Assets, including bitcoins or other altcoins, as applicable, for solving blocks declines and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Further, if certain governments place regulations on mining in such a way that harms operations, institute bans on mining, or place limitations or regulations on electricity usage that causes mining to become unprofitable, miners in such countries may cease operations. Miners ceasing operations would reduce the collective processing power on such digital currency and Digital Assets network, as applicable, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the blockchain until the next scheduled adjustment in difficulty for block solutions) and make such network more vulnerable to a malicious actor or botnet obtaining control in excess of fifty percent (50%) of the processing power on such network. Any reduction in confidence in the confirmation process or processing power of such network may adversely impact an investment in the Funds.

Proof of Stake Risk. Certain Funds will invest some of its assets through protocols that verify transactions through a concept known as Proof of Stake (“**PoS**”). PoS generally allows holders of a Digital Asset to verify future transactions in a protocol based on various factors, depending on the rules of the protocol. Some protocols allow holders with a larger amount of the Digital Asset (i.e., stakes) deposited in the protocol to be awarded with additional Digital Assets through the verification of future transactions. Those with stakes in some protocols may also have the ability to govern and vote on how the protocol is controlled in the future. As PoS typically requires storing a large amount of the relevant Digital Asset in order to verify future transactions on the protocol. As such, PoS protocols tend to be more centralized than proof of work protocols, and are seen as more subject to intervention by governmental authorities. Further, PoS is subject to the same risks

associated with Digital Assets in general including, but not limited to, equipment failure, regulatory control, and a failure of the network which the stake is deposited on.

Risks of Investment in Validation Nodes for PoS Protocols. Certain Funds may engage in validation of transactions on a PoS protocol either through validation nodes operated by ParaFi or its affiliates or by delegating certain Digital Assets to a third-party that operates validation nodes. As noted above, validation nodes earn “rewards” (akin to interest). However, operating a validation node may be capital intensive and may require locking-up the requisite amount of tokens in the validation node. Thus, an investment in a validation node may be illiquid for an extended period of time, which could have an adverse effect on the relevant Fund. Among other risks of that illiquidity is the risk that underlying token suffers a material adverse event and that the Fund is unable to sell that token because it is locked up in the validation node. Validation nodes may also be vulnerable to hacks and/or may have custody issues.

Certain PoS protocols also have penalties for validators (known colloquially as “slashing”) for violating a rule of the PoS protocol, typically by forcing such validator to forfeit a defined proportion of staked tokens, which are then typically burned or redistributed to other stakeholders. Downtime and double-signing are examples of behaviors that may be deemed harmful to the protocol and that may result in slashing penalties. Most PoS protocols have defined slashing parameters with corresponding penalties and varying degrees of severity, although some PoS protocols do not penalize such activities and, instead, rely on opportunity costs and validator reputation to create an efficient validation market. Certain PoS protocols therefore will pose more risks due to parameters around slashing. To the extent a Fund engages in validation on a PoS protocol that is subject to slashing, either through one or more nodes operating by ParaFi or its affiliates or by delegating Digital Assets to a third-party validator, a Fund’s assets in the are also subject to slashing which may result in a partial or complete loss of such assets. In either event, ParaFi will only bear costs of such slashing to the extent that the slashing was the result of its own Disabling Conduct.

Intellectual Property Rights Claims May Adversely Affect the Operation of the Digital Currency and Digital Assets Network. Third parties may assert intellectual property claims relating to the operation of digital currencies and Digital Assets and their source code relating to the holding and transfer of such assets. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the digital currency and Digital Asset’s long-term viability or the ability of end-users to hold and transfer digital currency and Digital Assets may adversely affect an investment in the Funds. Additionally, a meritorious intellectual property claim could prevent the Funds and other end-users from accessing the digital currency and Digital Assets network or holding or transferring their digital currency and Digital Assets, which could force a Fund to terminate and liquidate the Fund’s digital currencies and Digital Assets. Such liquidation of a Fund’s digital currencies and Digital Assets could adversely affect an investment in the Fund.

Rebasing of Digital Assets. Unlike Bitcoin and other Digital Assets where the supplies of such Digital Assets are readily and predictably known, certain other Digital Assets are engineered through smart contracts where the supplies of such Digital Assets are not fixed and adjust routinely. Such Digital Assets have a dynamic or elastic supply (and may be referred to as elastic supply tokens), and the mechanism used to adjust the supply is referred to as a rebase. The rebasing mechanism adjusts an elastic supply token’s circulating supply periodically when a related parameter of any such token, such as price, changes. Elastic supply tokens aim for a target price with a time-varying supply of such tokens. For example, if the target price for an elastic supply

token is \$1 USD and such price falls below \$1 USD, the current supply of such elastic supply token will decrease and the value of each such token will increase. Conversely, if the price increases above \$1 USD, the rebase will increase the supply of such elastic supply tokens and the value of each such token will decrease. Because investments in any elastic supply tokens may be subject to periodic rebasing's, a Fund's investments in any elastic supply tokens may fluctuate greatly with respect to the number and value of such tokens held. While a rebase may potentially result in a profitable event, investments in elastic supply tokens may be extremely volatile, even more volatile than the Digital Asset space, generally. An investment in elastic supply tokens may result in a loss of value or amount of an investor's total holdings as each rebase occurs, and in a downtrend, this may cause a spiral of negative rebases. In the worst-case scenario, the supply changes are unable to increase demand and re-stabilize the price and market cap of such elastic supply token, resulting in further losses.

Risk of Rug Pull Scam. In recent years, “rug pull” scams have become a predominant exit scam in the digital asset and decentralized finance space. A “rug pull” scam (also known as “rugging”) occurs when a hacker or a fraudulent issuer injects liquidity into an underlying asset that is thinly traded and, in some cases, encourages other investors to do the same, causing a significant increase in the underlying price (such increase otherwise known as the “pump” in a “pump-and-dump scheme”). In a rug pull, the hacker or issuer subsequently sells its underlying assets, receiving generally a large profit (otherwise known as the “dump”). Such a large sell-off of the assets may cause a chain reaction in the marketplace that crashes the value of the asset. While it may be difficult to detect a rug pull before it has been completed, ParaFi conducts extensive research before investing in any Digital Assets whether an asset is susceptible to becoming victim to a rug pull to minimize the likelihood of a rug pull affecting a Fund's investments. A rug pull may adversely affect a Fund and could result in a total loss of capital with respect to the particular investment.

Stablecoin Specific Risks. Stablecoins are distinct from other digital currencies and Digital Assets in that their value is intended to be “pegged” to a referenced asset, normally a fiat currency like USD, but also, potentially, commodities or other Digital Assets. For example, a stablecoin that is intended to be pegged 1:1 to USD should generally always be worth 1 USD. Stablecoins are subject to the same risks as other digital currencies and Digital Assets as set forth above under “Risks Associated with Digital Currencies, Digital Assets and Digital Asset Networks” but are also subject to unique risks.

Certain stablecoins are backed by other assets. Often, a centralized group is responsible for the reserve fund supporting that stablecoin. This exposes the holder of such stablecoins to risks associated with that centralized group; for example, the centralized group could mismanage the reserve (including stealing some or all of the reserve) or make poor decisions in selling assets to defend the “peg.” “Backed” stablecoins require the holder of such stablecoins to rely on the stablecoin to have sufficient reserve to back up all of the issued stablecoins. For example, USDT issued by Tether is subject to controversy due to the lack of transparency and claims that Tether does not hold sufficient USD reserves to back all of the issued USDT tokens, which resulted in a significant drop in value of USDT October 2018. Further, backed stablecoins are subject to greater oversight and regulation, and will be further dependent on the banking industry and other geopolitical factors, all of which could affect the value of such stablecoins.

To avoid both the capital requirements associated with a backed stablecoin as well as the risks associated with a centralized group responsible for the reserve fund (and the focused regulatory

attention), certain developers have launched algorithmic stablecoins that are intended to not be backed by any assets. Certain algorithmic stablecoins attempt to “solve” the peg problem by launching two tokens: the stablecoin and a complementary token, generally a governance, utility, or native gas token (the “Protocol Token”), each of which are always convertible into the other at the “peg” price. A person wishing to purchase the algorithmic stablecoin must “mint” (i.e., create) it by “burning” (i.e., permanently destroying) the corresponding amount of the Protocol Token, restricting supply and, in theory, causing the price of the Protocol Token to go up. The process also works in reverse. Theoretically, if the price of the algorithmic stablecoin drops below its “peg,” holders are incentivized to convert it into the Protocol Token, removing some of the stablecoin from existence and, in theory, causing its price to rise (ideally, back to the peg). Likewise, if the algorithmic stablecoin rises above its “peg,” holders are incentivized to convert some of their Protocol Token into the algorithmic stablecoin, increasing supply, and in theory causing the price to fall (ideally, back to the peg). So long as both tokens have value (i.e., so long as people have faith in both tokens), this process works. However, in certain market conditions, algorithmic stablecoins can experience a “death spiral” in that conversion of the stablecoin into the Protocol Token by holders of the stablecoin via the protocol smart contracts causes the protocol to mint exponentially increasing quantities of the Protocol Token until the Protocol Token is worthless due to hyperinflated supply and the stablecoin itself becomes worthless due to mass selling in the wake of the collapsing system. Thus, the primary risk of algorithmic stablecoins is a loss of faith – a “run on the bank” – in which the arbitrage incentives are overridden by everyone trying to permanently sell their positions. In times of crisis, algorithmic stablecoins have historically been prone to losing value based on traders acting on unclear information and uncertainty, causing a herd mentality resulting in a broad selloff and death spiral.

Thus, while stablecoins are intended to be less volatile than digital currencies, they are subject to risks, especially in times of crisis. A Fund may utilize stablecoins as part of its trading strategies and may be exposed to some or all of the risks described above.

Risks of Wrapped Tokens. A wrapped token – a token operating on one blockchain that has an Underlying Reference (as defined herein) of another asset, which, frequently is different token on a different blockchain, but could be any asset (digital or traditional) – shares many of the same risks of derivatives in that changes in the value of a wrapped token may not move as expected relative to changes in the value of the Underlying Reference they are designed to track. Certain positions may be subject to wide and sudden fluctuations in market-value, with a resulting fluctuation in the amount of profits and losses.

Wrapped tokens are also subject to other risks. Wrapped tokens are “minted” when the Underlying Reference is deposited with the relevant counterparty or trading venue, which exposes a Fund to counterparty risk and/or smart contract risk, depending on where the tokens are deposited. In exchange, a Fund receives the new token; however, the new token only has value so long as the Underlying Reference has value. If, for example, a Fund deposits tokens on a bridge and receives a wrapped token in return and the bridge is hacked and the Underlying Reference tokens are stolen, the wrapped token is now worthless.

Certain wrapped tokens may require a centralized party to intermediate certain aspects of the token, which for a decentralized issuance, exposes a Fund to counterparty risk of the centralized party, smart contract risk of the Decentralized Protocol, and centralization risk that the centralized party acts nefariously or is subject to a security breach that allows a nefarious third-party access to the smart contracts. For example, a bond token may still require an administrator. Wrapped tokens

may be subject to a lock-up or may be thinly traded, which may cause a Fund to incur slippage or to be unable to trade the wrapped token entirely. Wrapping and unwrapping may also cause a Fund to incur transaction costs, which may be substantial (especially if trying to unwrap the wrapped token on a Decentralized Protocol during times of high demand). See “Risks Associated with Trading through Decentralized Exchanges and Bridges” below.

Risks Associated with PIPTs.

Contractual Risk of PIPTs. Certain Funds may make private investments in public tokens (“PIPTs”). Unlike the purchase of freely tradable Digital Assets in the open market, a Fund’s PIPTs investments generally involve contractual obligations by the issuer of such Digital Assets requiring the issuer to take certain actions, including, sometimes, to transfer the Digital Assets to that Fund. In order for a Fund’s investment strategy to be effective, Fund’s counterparty must abide by its contractual obligations. A Fund intends to enforce its rights under its contractual relationships with issuers, taking into account the costs of such enforcement. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, a Fund may be unable to dispose of the Digital Assets at appropriate prices if at all, or may experience substantial delays in doing so, and thus that Fund may not be able to realize the anticipated profit with respect to such investment for a substantial period of time, if ever.

Lack of Liquidity of PIPTs. The Digital Assets that a Fund receives from a PIPT transaction will generally be subject to resale restrictions. Even if such Digital Assets are tradeable, they may be thinly-traded, making purchase or sale of such Digital Assets at desired prices or in desired quantities difficult or impossible and unlikely to provide current income. Unless and until widespread, public adoption occurs, there may be no market for the restricted Digital Assets, the sale of any such Digital Assets may be possible only at substantial discounts, and it may be extremely difficult at times to value any such Digital Assets accurately.

Regulatory Framework of Certain PIPTs. If a particular Digital Asset is a security (or is deemed a security by the SEC), a Fund will be subject to regulatory requirements related to the purchase, sale, and distribution of securities related to Regulation D of the Securities Act, pursuant to which PIPTs of securities purchased by the Fund may be exempt from registration. Section 2(a)(11) of the Securities Act defines an “underwriter” as any person who has purchased securities from an issuer with a view towards distribution. In connection with its sales of securities purchased pursuant to Regulation D or otherwise exempt from registration, a Fund could be deemed to be a “statutory underwriter” based on the method and timing of such sales. If a Fund were deemed to be a “statutory underwriter” it could have an adverse effect on the transaction(s) in respect of which such determination is made and, possible, on that Fund’s ability to continue to effectively pursue its investment strategy. If a Fund is deemed to be an “underwriter” in the case of securities offered or sold by that Fund after exercise of registration rights with respect to those securities, that Fund could be held jointly and severally liable with the issuer to the persons purchasing such securities from it for damages based upon misstatements or omissions of material facts in a prospectus or oral communication delivered or made in connection with such offer or sale. If the securities held by a Fund are not registered, that Fund will be able to resell those securities only (i) publicly pursuant to Rule 144 of the Securities Act or (ii) privately in a manner in which that Fund will not be deemed to be engaged in a distribution of such securities and therefore not to be an “underwriter” with respect to such securities.

The SEC may investigate the Digital Assets subject to a PIPT transaction. Such investigations may adversely affect a Fund by creating a disincentive for companies to enter into PIPTs transactions. In addition, if a Fund or any protocol or entity that originates PIPTs in which a Fund invests, were to be the subject of such an investigation, such protocol's or entity's business may be impeded during the duration of the investigation, thus limiting the supply of PIPTs available to that Fund.

Risks Associated with Safeguarding of Digital Currencies and Digital Assets.

Custody of Fund Assets. In 2003, the SEC amended Rule 206(4)-2 of the Investment Advisers Act (the “**Custody Rule**”), requiring investment advisers registered with the SEC to maintain custody of client funds and securities with “qualified custodians” (as defined under the Investment Advisers Act). Because the changes to the Custody Rule were implemented prior to the existence of Digital Assets, the Custody Rule (and the securities and commodities regulatory framework in general) did not contemplate or accommodate for the business and technological limitations of investments in the digital asset industry, which is still in a nascent stage. There are currently a limited number of qualified custodians in the digital asset space with limited capabilities with respect to the types and amounts of Digital Assets that they can maintain. In some cases, utilizing a third-party custodian may negatively impact a Fund's returns than if that Fund has instead relied on alternative custody solution. Depending on a Fund's investments, it may be difficult or impossible to fully comply with the qualified custodian requirement. Further, it remains unclear how or whether the Custody Rule applies to Digital Assets. The SEC has not issued any guidance about whether Digital Assets are considered “client funds or securities” under the Custody Rule and whether investment advisers are required to maintain custody of Digital Assets with qualified custodians in order to comply with the rule. The SEC has issued a proposed update to the custody rule, which it deems the “safeguarding” rule. Certain parts of the rule could have a material, adverse effect on the Funds, certain portfolio investments of certain Funds, and ParaFi. ParaFi has full discretion to determine the appropriate custody solutions to safeguard each Fund's investments, and retains the right to use any third-party custodian, including qualified custodians, in the future as firms and Digital Asset custody standards begin to evolve.

ParaFi maintains custody of several of each Fund's digital currencies/Digital Assets through third-party custodians, on or within exchanges, with counterparties, and through various direct custody solutions. In the future, ParaFi may maintain custody of the Fund's digital currencies and Digital Assets with other storage solutions if ParaFi determines such storage solutions are appropriate for a Fund's digital currencies and Digital Assets. However, to the extent a Fund provides any digital currencies or Digital Assets as collateral in connection with amounts borrowed by that Fund, custody of such digital currencies or Digital Assets will be maintained by a third party and will be subject to the potential risks of such third party's custodial solutions. ParaFi also utilizes proprietary storage methods developed by ParaFi. Several of the exchanges utilized by a Fund may be unable to provide for “cold storage.” Such exchanges and other hot-wallets storage solutions have developed security systems to maintain confidential access to the private keys that have been generated and which control movement of the currencies. ParaFi may not be able to obtain control of the private keys generated by hot-storage solutions utilized by a Fund. However, ParaFi may utilize offline “cold storage” when, in its sole discretion, such storage is possible and practicable. ParaFi employs a comprehensive due diligence process regarding custodial solutions that it determines have developed sophisticated security systems, and will continue to reevaluate the due diligence process and the security systems of the various storage solutions. However, the systems and methodologies of the storage solutions utilized by a Fund may be subject to exposure from hacking, malware and general security threats. ParaFi is not liable to a Fund or to the Investors for

the failure or penetration of the security system absent its own gross negligence, fraud, or willful misconduct.

Technology and Security. Each Fund, the General Partners, and ParaFi rely on third party providers for security accounts and information and based on their inputs adapts to technological change in order to secure and safeguard client accounts. As technological change occurs, the security threats to a Fund's digital currencies will likely adapt and previously unknown threats may emerge. Furthermore, ParaFi believes that a Fund may become a more appealing target of security threats as the size of that Fund's assets grows. To the extent that a Fund is unable to identify and mitigate or stop new security threats, that Fund's digital currencies may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of that Fund or result in loss of that Fund's assets.

Security Breaches. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could result in the halting of a Fund's operations, the suspension of redemptions or a loss of Fund assets. While ParaFi believes it has developed a proprietary security system, it is not impenetrable, especially by nation-state actors or other non-state actors with significant resources and capabilities, and may not be free from defect, and any loss due to a security breach or software defect will be borne by the relevant Fund(s), absent gross negligence, willful misconduct or fraud on the part of ParaFi.

Risk of Loss of Private Key. Digital currencies and Digital Assets are controllable only by the possessor of unique private keys relating to the wallets in which the digital currencies and Digital Assets are held. The theft, loss or destruction of a private key required to access a digital currency and Digital Assets is irreversible, and such private keys would not be capable of being restored by a Fund. Any loss of private keys relating to digital wallets used to store a Fund's digital currencies and Digital Assets could result in the loss of the digital currencies and/or Digital Assets and an Investor could incur substantial, or even total, loss of capital.

Risk of Loss Due to Incapacitation of or Attack on Key Personnel. Certain key personnel of ParaFi may be the sole individuals in possession of the unique private keys required to access the digital currencies and Digital Assets held by a Fund. Despite that the safe-keeping of such private keys may be part of a multi-person quorum, the incapacitation of the key personnel could likely result in the loss or inaccessibility of the private keys and, consequently, the loss of the digital currencies and Digital Assets held by a Fund. Further, the key personnel may be appealing targets for cybercrime or physical attacks by malicious actors seeking to gain access to a Fund's private keys or Digital Assets. If such attacks are successful, a Fund may be unable to reverse such malicious transactions. In such an event, an Investor could incur substantial, or even total, loss of capital.

Risk of Loss Due to Failure of Custodial Systems. ParaFi seeks to manage the custody of each Fund's Digital Assets in a manner that seeks to mitigate risk from any single malicious individual or security threat, however there are a variety of risks that could lead to a system failure, resulting in the loss of a Fund's Digital Assets. Any hardware, including physical backups, used by ParaFi to store a Fund's Digital Assets could fail or become unusable. As noted above, risk of loss, theft, or destruction of private keys could result in a substantial loss of capital. ParaFi's custody system as well as third-party wallet providers and platforms on which they are based are also vulnerable to a malicious insider sabotaging the system or sophisticated malware and cryptographic errors or

attacks, which could lead to a loss of funds. Additionally, while funds are being transferred from the applicable custody system, protocol, application, smart contract or user errors could lead to incorrect sends that cause funds to be irrecoverably lost. In any of the events described above, an Investor could incur substantial, or even total, loss of capital.

Stolen or Incorrectly Transferred Digital Currencies and Digital Assets May be Irretrievable. Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of digital currencies or Digital Assets or a theft of digital currencies or Digital Assets generally will not be reversible and a Fund may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, a Fund's digital currencies and/or Digital Assets could be transferred in incorrect amounts or to unauthorized third parties. To the extent that a Fund is unable to seek a corrective transaction with such third party or is incapable of identifying the third party that has received that Fund's digital currencies and/or Digital Assets through error or theft, that Fund will be unable to revert or otherwise recover incorrectly transferred digital currencies and/or Digital Assets. To the extent that a Fund is unable to seek redress for such error or theft, such loss could adversely affect an investment in that Fund.

Risks Associated with DAOs Generally.

Uncertain Legal Status of DAOs. DAOs are organizations that rely on smart contracts to grant members the ability to control or direct the DAO's assets. Smart contracts and an underlying blockchain keep track of members, and membership can be purchased or allocated as a reward (such as in the form of a token) in exchange for capital, services, use, or resources. Membership in a DAO gives participants specific rights as enumerated in such DAO's smart contracts and other applicable constituent documents, which may include a portion of such DAO's profits or losses, the right to access, manage, or transfer the assets or services of the DAO, or specific privileges, such as the ability to engage in the DAO's decision-making processes.

The legal status of, and laws and regulations applicable to, DAOs is generally unclear and may vary based on jurisdiction, organizational structure (or lack thereof) and other factors such as the DAO's purpose or level of decentralization. Some previous approaches to DAOs have been regarded by the SEC as illegal offers of unregistered securities. Moreover, there is a substantial risk that DAOs formed for the purpose of making a profit would be deemed general partnerships, thus exposing their participants to unlimited joint and several personal liability for the DAO's debts and obligations. If characterized as general partnerships, DAOs may struggle to attract members or meet their intended objectives. Large businesses, institutional investors, and other regulated commercial entities may be reluctant to invest in, participate in or otherwise support a DAO for fear that membership would put their assets at risk. Due to the untested nature of DAOs and the risks inherent in Digital Assets in general, a Fund's investment or participation in DAOs is subject to loss.

Some DAOs have attempted to obtain recognized legal status and/or shield members from personal liability by incorporating as a corporation, limited liability company, or other currently recognized legal entity (a "wrapped" DAO), while other DAOs have either dissolved such legal entity after achieving a certain level of decentralization or sustainability or forgone such corporate formation altogether (an "unwrapped" or "DAO first" DAO).

Distributed Governance and Lack of Infrastructure in DAOs. DAOs rely on blockchain technology and smart contracts for governance instead of traditional corporate structures with clear fiduciaries and decision-makers (e.g., a board of directors for a corporation). Most early DAOs are managed by distributed consensus, while other methods for governance such as delegated authority are currently being tested. These wide-ranging and experimental approaches to governance may result in inefficient coordination mechanisms, voter apathy, collusion amongst participants and chaotic consensus efforts. DAOs will likely face internal disputes which could result in dissolution or “forks” of the DAO. Moreover, DAOs are attempting to discover more efficient proposal and execution processes to conserve assets (e.g., moving proposal and voting processes off-chain while continuing to execute decisions on-chain). Thus, DAO infrastructure is currently extremely kinetic and unsettled while DAO tooling is still in its infancy. Furthermore, DAO treasuries and other assets remain subject to smart contract risk and hack. See “Risks Associated with Investing through Smart Contracts” below. Due to the emerging nature of DAOs, DAO governance and infrastructure remains fluid and untested. The CFTC, in a recent civil action, has alleged that merely *voting* for a single governance proposal makes that person liable for the bad acts of the DAO. A lawsuit against a Fund for its votes on governance proposals could have a material, adverse effect on that Fund’s performance.

Regulatory Risks of DAOs. Participation in a DAO often is evidenced through a blockchain-based “token” that is coupled with the smart contracts that govern the organization. DAO tokens are generally increasingly designed to provide their holders with the right to govern the DAO’s activities through voting and execution mechanisms. Whether or not such tokens are considered securities, commodities, commodity interests, or other regulated assets is an open question and may vary on a case-by-case basis. Furthermore, even if these tokens are not deemed to be regulated assets, DAO investments in other assets such as securities would subject the DAO to securities regulations. For example, a DAO formed for the purpose of making venture investments (a “**Venture DAO**”) would need to comply with the Investment Company Act and the Investment Advisers Act. A failure to comply with such laws and regulations would subject the Venture DAO to enforcement actions and other penalties, and a Fund’s investment in such DAO could be forfeited.

Risks Associated with Digital Asset Exchanges Generally.

Digital Asset Exchanges Generally. The digital currency and Digital Asset exchanges on which digital currencies and Digital Assets trade are relatively new and largely unregulated and may therefore be more exposed to theft, fraud and failure than established, regulated exchanges for other products. Digital currency and Digital Assets exchanges have been closed due to fraud, failure, or security breaches. Any of a Fund’s funds that reside on an exchange that shuts down may be lost.

Digital asset exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of digital currency and Digital Assets for fiat currency difficult or impossible. Additionally, Digital Assets prices and valuations on digital currency and Digital Asset exchanges have been volatile and subject to influence by many factors including the levels of liquidity on exchanges and operational interruptions and disruptions. The prices and valuation of digital currency and Digital Assets remain subject to any volatility experienced by digital currency and Digital Asset exchanges, and any such volatility can adversely affect an investment in a Fund.

Digital currency and Digital Asset exchanges are appealing targets for cybercrime, hackers and malware. It is possible that while engaging in transactions with various digital currency and Digital Asset exchanges located throughout the world, any such exchange may cease operations due to theft, fraud, security breach, liquidity issues, or government investigation. In addition, banks may refuse to process wire transfers to or from exchanges. Over the past several years, many exchanges have closed due to fraud, theft, government or regulatory involvement, failure or security breaches, or banking issues.

Any financial, security or operational difficulties experienced by such exchanges may result in an inability of a Fund to recover money or digital currency and Digital Assets being held by the exchange, or to pay Investors upon withdrawal. Further, a Fund may be unable to recover digital currency and Digital Assets awaiting transmission into or out of that Fund, all of which could adversely affect an investment in that Fund. Additionally, to the extent that the digital currency and Digital Asset exchanges representing a substantial portion of the volume in digital currency and Digital Assets trading are involved in fraud or experience security failures or other operational issues, such Digital Asset exchange' failures may result in loss or less favorable prices of digital currency and Digital Assets, or may adversely affect a Fund, its operations and investments, or its Investors.

Limited Exchanges on Which to Trade. A Fund may trade on a limited number of exchanges (and potentially only a single exchange) either because of actual or perceived counterparty or other risks related to a particular exchange. Trading on a single exchange may result in less favorable prices and decreased liquidity for a Fund and therefore could have an adverse effect on that Fund and its Investors.

Exchanges Operating Outside of the U.S. Certain of a Fund's Digital Asset exchanges may operate outside of the United States. A Fund may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained by a Fund in another country. Further, should an exchange cease operation due to criminal actions or for financial or regulatory reasons, a Fund may suffer losses and will likely be subject to the laws of the exchange's home country when pursuing remedies. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies.

Digital asset exchanges operating outside the U.S. typically limit or prohibit, or may in the future without notice, limit or prohibit, investment by entities with U.S. beneficial owners in order to avoid U.S. regulations. Should an exchange on which a Fund trades prohibit U.S. beneficial owners or limit that Fund's trading, that Fund may be forced to liquidate its positions at an inopportune time and be further limited or prevented from making investments in accordance with its investment strategy. It is possible in such an event that the exchange could "freeze" that Fund's account thereby preventing that Fund from accessing its account completely, and that Fund would be unable to trade or withdraw funds from the exchange. Furthermore, any trading profits that a Fund would have made as a result of early liquidation will not be available to that Fund and that Fund, in certain cases, may be obligated to indemnify the exchange for losses incurred due to the liquidation and to participate in an investigation conducted by the exchange and/or relevant authorities. If a Fund, either directly or through a trading subsidiary, holds assets on an exchange where it is technically not an eligible counterparty, the exchange may have a claim for breach of contract against that Fund or such trading subsidiary. These legal and regulatory risks may adversely affect a Fund and its operations and investments.

A Fund may transact with private buyers or sellers or virtual currency exchanges. A Fund will take on credit risk every time it purchases or sells Digital Assets, and its contractual rights with respect to such transactions may be limited. Although a Fund's transfers of Digital Assets or cash will be made to or from a counterparty which ParaFi believes is trustworthy, it is possible that, through computer or human error, or through theft or criminal action, a Fund's Digital Assets or cash could be transferred in incorrect amounts or to unauthorized third parties. To the extent that a Fund is unable to seek a corrective transaction with such third party or is incapable of identifying the third party that has received that Fund's Digital Assets or cash (through error or theft), that Fund will be unable to recover incorrectly transferred Digital Assets or cash, and such losses will negatively impact that Fund.

Risks Associated with Centralized Exchanges. In general, many centralized digital currency and Digital Asset exchanges are start-up businesses with no institutional backing, limited operating history, and no publicly available financial information. Centralized exchanges generally require cash to be deposited in advance in order to purchase digital currency and Digital Assets, and no assurance can be given that those deposits can be recovered. Additionally, upon sale of digital currency and Digital Assets, cash proceeds may not be received from the centralized exchange for several business days. The participation in centralized exchanges requires users to take on credit risk by transferring digital currency and Digital Assets from a personal account to a third-party's account. A Fund takes the credit risk of a centralized exchange every time it transacts. In addition, because centralized Digital Asset exchanges are generally not regulated entities (e.g., they are generally not a "securities exchange" for purposes of U.S. securities laws), in the event of a failure of a centralized exchange, a bankruptcy court may not segregate client assets (including a Fund's assets) from the exchange's assets, allowing creditors of the exchange to be paid with assets that are putatively that Fund's. See also "Counterparty Risk," above.

Risks Associated with Trading through Decentralized Exchanges and Bridges. Certain Funds may trade using decentralized exchanges ("DEXs") and bridges, which are generally subject to the following risks, as well as decentralized protocol and smart contract risk.

Dependence on a Few DEXs and Bridges. There are currently very few decentralized, non-custodial decentralized exchanges and bridges through which the Funds may invest, trade, and exchange or bridge Digital Assets. If platforms representing any significant portion of the decentralized liquidity market were to become insolvent, liquidate, become exploited, or otherwise cease operations, change their business, and cease originating transactions, a Fund utilizing that DEX or bridge would be adversely affected.

DEXs and Bridges are Dependent on New Technology. DEXs and bridges are in the rapidly changing fields of blockchain technology and the Digital Asset markets and face special risks. ParaFi has no control over and limited visibility into future technological developments. The rapid pace of technological development creates the risk that a DEX's or bridge's products and services become obsolete, fail to gain meaningful market share, or fall out of favor as more appealing and advanced technologies and products emerge. A DEX's or bridge's intellectual property rights may be subject to legal challenge. Many protocols in the blockchain technology and Digital Asset space have limited operating histories. DEXs and bridges are also exposed to smart contract risk. For these and other reasons, trading through DEXs and bridges pose greater risks than those in certain other sectors.

Regulatory Risks Due to Novelty of Decentralized Exchanges. DEXs and bridges are fairly new, and their compliance with various aspects of regulatory regimes is untested. A federal or state regulator could take a position that a DEX's activities (and perhaps the activities of the lenders/borrowers/members of those platforms, such as the Fund) do not comply with applicable law. Further, there is a risk that DEXs are mandated to comply with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations applicable to traditional lenders as well as jurisdiction-specific lending laws. Any such regulatory action could adversely affect a Fund and its Investors.

Execution Risk. A Fund may rely on DEXs and bridges for trading, execution, and bridging between different blockchain. DEXs are dependent on sequential smart contract execution calls. A failure, bug, error, or other malfunction, could result in incorrect trading execution, and severe loss of funds. These risks, include incorrect pricing data and incorrect liquidity data, which could lead a Fund to trade on a DEX with incorrect information and lead to loss of funds. Similar risks apply to bridges.

Liquidity Risk; Slippage. A DEX's ability to process transactions is limited by (i) its blockchain's ability to process transactions and (ii) the amount of assets stored in its liquidity pools. When there is a lot of trading activity, the ability to a DEX to permit liquidity may be compromised.

Slippage occurs when there is a difference between the price the Fund expected a transaction to occur at what that price actually is. While slippage can occur simply because of unexpected price movements between when an order is placed and when it is executed, on a DEX, slippage also occurs as liquidity leaves the liquidity pool. A DEX's AMM operates by algorithmically increases the price of a token as the amount of that token in its liquidity pool decreases (and vice versa). Because the curve is generally publicly available, when a Fund seeks to execute a large transaction relative to a particular pool, it can estimate how the price will change based on its removal (or addition) of the token to that pool. If other persons trade in that pool while a Fund is executing the transaction, they will also cause the price to move, resulting in that Fund potentially receiving less of the asset that it bought (or the pair that it exchanged to).

Risks Associated with Investing through Decentralized Protocols. Certain Funds utilize decentralized protocols ("**Decentralized Protocols**"), which are generally subject to the following risks.

Limited Supply of Investments. ParaFi's ability to execute a Fund's investment strategy depends on its ability to access a sufficient supply of stablecoins or other Digital Assets. The extent of such supply is outside of a Fund's and ParaFi's control. A Fund may not be able to acquire investments in the quantities and at the times it otherwise desires. In such cases, a Fund may hold large cash positions for extended periods of time, which may adversely affect its performance. In addition, if insufficient attractive investments are available, a Fund may not accept additional capital, which could cause greater concentration in its and cause its expense ratio to be higher than it would with a larger asset base.

The Funds must also compete with other investors for investment opportunities on Decentralized Protocols. Competition for investment opportunities may adversely affect the terms of the investments and may prevent the Funds from finding a sufficient number of attractive opportunities to meet their investment objectives.

Systemic Economic Risk. Given the nascent state of the decentralized finance ecosystem, as well as interconnectivity of various protocols, there are unknown degrees of systemic risk.

Dependence on Service Providers. Decentralized Protocols rely on various parties to execute their business models. For example, Decentralized Protocols may rely on hardware security modules (HSMs), cloud-based solutions for key management, and other critical operating infrastructure, which could be the subject of failure, loss, or theft. In such cases, administrative governance and control of the Decentralized Protocols could be materially affected and, in some scenarios, lead to complete loss of funds. The platforms could be adversely affected if any such party ceases to provide those services, which would, in turn, adversely affect a Fund and its Investors.

Operational Risk. Certain Funds rely extensively on Decentralized Protocols and their computer programs and systems to borrow or make loans, settle transactions and monitor its portfolio. ParaFi may not be in a position to verify the risks or reliability of such systems. If there is a failure in the price mechanism, or the occurrence of data manipulation or other failure to retrieve correct market data owing to price source issues, the value of collateral provided by a buyer for any loans invested in by a Fund may be determined incorrectly, which could adversely impact that Fund.

Lack of Transparency. ParaFi selects investments for the Funds and executes their investment strategies based in part on information and data that Decentralized Protocols make available to their users, including interest rates set by these platforms. ParaFi is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

Scalability Risk. Although ParaFi believes that decentralized finance ecosystem presents an opportunity for attractive returns as compared to other markets, there is a possibility that as additional capital enters any Decentralized Protocol, the potential for returns will diminish which will negatively affect a Fund's returns.

Computer Malware, Viruses, Bugs, Etc. Computer malware, viruses, and computer hacking and phishing attacks have become more prevalent in the industries in which the Decentralized Protocols operate, and may occur on Decentralized Protocols systems or technologies, including increasingly by nation-state actors or other non-state actors with significant resources and capabilities. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, and availability of Decentralized Protocols' products and technical infrastructure may harm such Decentralized Protocols reputations, their ability to retain existing users and attract new users, and their results of operations.

Bugs, Exploits, Etc. Decentralized Protocols products and internal systems generally rely on nascent software (e.g., smart contracts) that is highly technical and complex, and Decentralized Protocols' internal systems depend on the ability of such software to store, retrieve, process, and manage transactions. Such software may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within such software may result in a negative experience for users who use Decentralized Protocols' products, delay product introductions or enhancements, or result in errors, including, but not limited to, loss of funds. Any errors, bugs, or defects discovered in Decentralized Protocols' software could result in damage to such Decentralized Protocols' reputations, loss of users, loss of capital, or liability for damages, any of

which could adversely affect such Decentralized Protocols' business and financial results, and could result in significant losses for a Fund.

No Recourse. Decentralized Protocols are merely computer code. One cannot sue computer code for losses, thus, there may be no recourse or liability for damages caused to a Fund by errors in the computer code. While a main development company may write much of the code, code can also often be adopted by the community (or from anonymous users). Even if there is a primary developer, such developer often disclaims any liability for the code (use at your own risk), similarly to any other software terms of use. Whether or not a main developer will be responsible for errors in code is an open legal question. In the event that a Fund sustains losses, ParaFi will have to make a decision as to whether to devote a Fund's resources to pursue (potentially novel) legal claims against developers.

In the event a Decentralized Protocol sustains losses due to bugs, hacks, etc., users may propose governance changes to the Decentralized Protocol. Those governance changes may not be overwhelmingly positive, either for the Decentralized Protocol or for a Fund. For example, a governance change could privilege certain users over others (for example, the victims of the bug over people who bought in afterwards), may help certain remedy certain governance issues while creating new ones. To the extent that a Fund suffered a loss, ParaFi may consider whether to pursue recourse through a governance proposal, but it may choose for other reasons to not pursue a proposal and, even if it does, its proposal may not be adopted.

Risks Associated with Investing through Smart Contracts. Certain Funds make investments utilizing a specific Decentralized Protocol called a smart contract. Smart contracts are computer codes that can be created and run by a blockchain network on which such smart contract is based. A smart contract can take information as an input, process that information through the rules defined in the computer code and execute certain actions, such as Digital Asset transactions, that have been programmed into the smart contract. In addition to the Decentralized Protocol risk factors above, smart contracts are subject to additional risks, below.

Smart Contracts Generally. A Fund's Digital Assets may at times be locked in a smart contract resulting in limited liquidity. The use of smart contracts creates risk exposure because smart contracts rely on new code, new logic, and often untested methods for code execution. The occurrence of code errors, software bugs or other flaws, including smart contract exploits, cannot be ruled out and could potentially result in the theft or destruction of funds or for the smart contract to execute differently than as expected. Smart contracts also rely on new cryptographic methods that may be subject to bugs or other flaws, leading to potential theft or destruction of funds. A Fund may have no recourse if a smart contract does not work as intended or is hacked.

Immutability; Upgradeability. Smart contracts can either be immutable (unable to be changed after being entered into) or upgradeable (able to be changed). Both have advantages and disadvantages. Immutable smart contracts are less prone to hacking and can't have bugs introduced through future changes (although if a bug exists from the outset, it is impossible to correct). Immutable smart contracts also, generally, eliminate non-performance risk. Upgradeable smart contracts permit terms to change and errors to be corrected in the future, but, exposes the smart contract participants to nefarious actions by the person who is permitted to make changes (which could be the original coder or a malicious third party that hacks the smart contract, gains controls, and changes the terms). Additionally, upgrades may introduce their own bugs and other vulnerabilities.

Oracles. Certain smart contracts may require external (off-chain) information to operate. These smart contracts utilize “oracles,” which provide a link between off-chain and on-chain data. A blockchain oracle retrieves, verifies, and authenticates external data for smart contracts from external sources (often online databases) and then relays that information to smart contracts. The data transmitted by oracles may include price information, successful completion of a payment, weather information, etc. The data provided to a smart contract by oracles determines how the smart contracts execute, which may pose concerns if the data is compromised or of inferior quality. Oracles are not part of the main blockchain consensus and as such, are not part of the security mechanisms that public blockchains can provide. Oracles may be subject to malicious attacks whereby a malicious actor gains access to the data flow between the oracles and the smart contract and modifies or falsifies the data. If an oracle is compromised, the smart contract relying on the oracle may also be compromised. Decentralized oracles have the potential to introduce safeguard mechanisms that could eliminate much of the systemic risk from the blockchain ecosystem.

Network Risk. Most smart contracts run directly on smart contract compatible networks, such as Ethereum, among others. To the extent the Fund uses smart contracts stored on other networks that currently exist or may exist in the future, the Fund will be subject to certain risks associated with such network. The development of the smart contract platforms could be impacted by one or more regulatory inquiries or regulatory actions. Other networks may face similar security issues related to the centralization of their governance. The Ethereum platform and other smart contract platforms are also subject to risks applicable to Networks, discussed above under “Risks Associated with Digital Currencies, Digital Assets and Digital Asset Networks.” Furthermore, smart contract platforms may become destabilized due to the increased cost of running distributed applications, if the demand for the underlying token used to power the platform grows at a pace that exceeds the rate with which miners can create new tokens. A destabilization of the platform could dampen interest in the platform and the underlying token, making it more difficult for platform-based businesses to operate, which could negatively impact the Fund and other users of such businesses.

Technology Risk. The software and technology of smart contracts is experimental and new and may now or in the future contain undetected bugs or security vulnerabilities. In addition, like digital exchanges, smart contracts are appealing targets for cybercrime, hackers and malware. All of these risks could result in the loss of some or all assets held by a Fund.

Risk of Smart Contract Approvals. Many Decentralized Protocols rely on the concept of withdrawal authorization which allows such Decentralized Protocol’s smart contracts to automatically withdraw money from user’s wallets. Such withdrawal authorization is often unlimited, allowing the Decentralized Protocol’s smart contracts to withdraw an unlimited amount of funds from user’s wallets. The wallets which a Fund operates are subject to adversarial attacks by determined agents. If malicious actors are able to exploit a bug in the Decentralized Protocol, they could gain the ability to withdraw all funds from wallets connected to the Decentralized Protocol. Such attacks can involve disguising malignant transactions as routing transaction, leading to potential loss of capital.

Risks Associated with “Lending” Activities Involving Digital Assets. Certain Funds may “lend” their Digital Assets in two ways. First, they may engage in activities akin to traditional securities lending – a Fund enters into agreements with various counterparties (e.g., an OTC trading desk) to borrow from that counterparty and/or lend to that counterparty certain Digital Assets. Second, a Fund may contribute Digital Assets to certain decentralized liquidity pools (a type of smart

contract). Certain of those decentralized liquidity pools are designed to permit persons to *borrow* from the liquidity pool – through a smart contract, a person can borrow a Digital Asset from the liquidity pool (most often on a collateralized basis). Other liquidity pools support a decentralized exchange or bridge and are intended to permit the AMM to fulfil exchange requests from users. These liquidity pools contain two “paired” tokens, permitting a user to sell one token to the pool in exchange for the other token. Liquidity providers are often granted (i) a tokenized “IOU” that is intended to permit the liquidity provider to generally receive back the assets it provided to the liquidity pool (often after a “lock-up”) and (ii) “rewards” (often measured in terms of an annual percentage yield). Each lending activity has its own risks, discussed herein. A Fund may lend only one or a limited universe of Digital Assets, including but not limited to stablecoins. In the event of the catastrophic failure of a particular Digital Asset protocol, such protocol may convert the entire Digital Asset to another digital currency or Digital Asset (such as ether), which may result in a particular risk that some or all of the principal may be lost, or assets placed into the protocol may be lost in their entirety.

Digital Asset Lending Programs. A Fund may participate in Digital Asset lending programs available through certain centralized exchanges, prime brokers or Decentralized Protocols or Decentralized Exchanges, including investors seeking to short such Digital Assets. Interest will accrue to a Fund until such Digital Assets are replaced. While the exchanges on which a Fund lends its Digital Assets may require borrowers to post collateral and may provide for forced liquidation procedures, there is no assurance that such procedures will prevent a Fund from losing capital in connection with its lending practices.

For any particular loan, and thus for all loans, there are many risks that some or all of the principal and interest may fail to be repaid, including but not limited to:

- the value of the borrower’s leveraged position declines so quickly that forced liquidation does not occur quickly enough to preserve some or all of the principal and interest;
- a “flash crash” causes a forced liquidation at a price insufficient to recover some or all of the principal and interest;
- the software systems enforcing forced liquidation do not function correctly or at all;
- the software systems enforcing forced liquidation function correctly but are too slow to preserve some or all of the principal and interest;
- the software systems enforcing forced liquidation are compromised due to an attack or “hack”;
- the exchange purported to enforce liquidation does not do so, for any reason or for no reason at all;
- the exchange purported to enforce liquidation experiences a disruption of service, is halted by an investigation, regulatory enforcement, or litigation, or otherwise becomes non-operational; and
- the reference price upon which a liquidation takes place is incorrect and damage is irreversible.

Interest Rate Risk. The yield received by a Fund is subject to interest rate risk. First, interest rates may be sensitive to macro-economic factors (e.g., increases or decreases in the federal funds rate by the Federal Reserve). Second, Decentralized Protocols may adjust yield based on supply-demand and/or amount of “total value locked” in that Decentralized Protocol. In the latter case, the algorithm governing the smart contracts of that Decentralized Protocol will set an interest rate, and neither the Fund nor ParaFi has any control over such a rate. Third, certain loans may have variable

interest rates, which can fluctuate even after a loan has been made. Accordingly, to the extent a Fund is exposed to variable interest rates, it may earn a lower interest rate on such loans if that variable rate is decreased while that Fund is exposed to such loans.

Risks of “Traditional” Lending of Digital Assets and/or Cash. A Fund may enter into lending agreements with a variety of counterparties (e.g., brokers, dealers, centralized exchanges, other investment managers and funds, and other financial institutions) under which that Fund will lend such counterparty specified Digital Assets or cash. In lending Digital Assets, the lending agreement covers scenarios under which a Fund will receive the benefit of airdrops and/or hard forks. This is a risk that a Fund would not receive these benefits if certain requirements are not met.

A Fund is exposed to counterparty risk of the borrower – the borrower could fail financially and, while a Fund would be a creditor of the borrower, may be unable to recover some or all of the value of the lent assets. A Fund may seek to mitigate this risk by requiring borrowers to borrow on a collateralized basis. The default of any counterparty on its obligations to a Fund under a lending agreement could have a material adverse effect on that Fund if (i) any assets lent by that Fund (A) are not returned, or (B) are not timely returned, or (ii) any collateral pledged but not perfected is not made available by a bankruptcy court to offset against the counterparty’s defaulted obligation. Specifically, if the counterparty is in an insolvency proceeding, a Fund may merely have an unsecured claim for the value of the securities that are not returned, as measured on the day the insolvency proceeding commenced. Further, even if a Fund does not lose the assets on deposit with a counterparty, that Fund could incur market losses as a result of financial difficulties at such institution (including, but not limited to, in situations where that Fund or ParaFi may be unable to access the assets of that Fund and/or execute transactions through its counterparty). In addition, non-U.S. institutions, including any non-U.S. counterparty, may be subject to different bankruptcy or other regulatory regimes than those applicable to U.S. institutions, and in doing business with such non-U.S. institutions, a Fund may not be afforded certain of the protective measures provided by U.S. laws and regulations. While ParaFi selects counterparties that it believes are creditworthy, ParaFi generally does not perform extensive credit analyses on its counterparties. Furthermore, any misconduct on behalf of the counterparties, including, without limitation, fraudulent activities, will increase a Fund’s possible risk exposure. *See also* “Counterparty Risk,” above.

Risks Associated with DeFi Platforms. A backbone of decentralized finance involves liquidity providers contributing assets to a liquidity pool for use by that blockchain-based Network, protocol, or platform (“**DeFi Platform**”). Liquidity providers, which may be certain Funds from time to time, contribute Digital Assets to a liquidity pool and receive interest on such Digital Assets. Liquidity pools are smart contracts that provide either the ability of third parties to borrow a Digital Asset from the liquidity pool (via a smart contract) or to exchange one token for the other token in that pair. The primary risk that a Fund has in being a liquidity provider is smart contract risk, discussed in more detail below under “Risks Associated with Investing through Smart Contracts”. At a high level, both the blockchain and the smart contracts may be subject to slow transaction speeds, denial of service attacks, and other vulnerabilities, flaws, bugs or loopholes which could be the subject of malicious hacks or result in accidental or unintended outcomes which can result in losses for some or all participants on such DeFi Platforms, including as a result of a rug pull scam whereby a liquidity provider lists a token on a DEX (as defined below) for the sole purpose of gaining investment for such token and then pulls all of its liquidity from the project, resulting in a rapid price crash that prevents other investors from retrieving their funds in time. Recovery from such outcomes may not be possible, and in decentralized DeFi Platforms,

may require the agreement or all or the majority of participants on such DeFi Platforms to amend or otherwise vary on the operations of the DeFi Platform.

Where the DeFi Platform lends Digital Assets, it most often does so on an over-collateralized basis (i.e., requires borrowers to post collateral valued greater than the value of the loan (typically 120%-150%)). Pursuant to the terms of the smart contract, the collateral can be automatically liquidated (to protect the liquidity providers) if the value of the collateral decreases below a certain threshold. However, there is a risk that, notwithstanding any margin calls or other collateral protection and maintenance mechanisms as may be built into the DeFi Platform the value of such collateral may not be sufficient to satisfy the principal (or interest) owed on any Digital Assets lent. The prices of Digital Assets can be extremely volatile, and the value of collateral pledged by a borrower may decrease, resulting in the borrower's loan being under-collateralized. For example, rapid volatility of Digital Assets may result in a situation where the value of the collateral that a borrower posted falls so rapidly that despite algorithmic liquidation triggers there is insufficient collateral value left over to repay the loan. If the value of the collateral decreases and in the event the DeFi Platform's smart contract forced the liquidation of the collateral upon a borrower's default, there is no assurance that liquidation of any collateralized Digital Assets would satisfy a borrower's obligations under the applicable loan. Certain DeFi Platform's have mechanisms designed to address liquidated loans that were under-collateralized but the Fund may be a liquidity provider to a DeFi Platform that does not have such mechanisms or such Mechanisms may still fail to fully compensate liquidity providers for defaulted loans.

Furthermore, DeFi lending is a new and relatively untested market, subject to further developments in the area. While it is intended that potential risks will be identified and resolved or otherwise mitigated, there may be risks or categories of risks for which it is not possible to identify or have prior knowledge of, given their novel nature and the failure to adapt to and resolve such novel risks may have an adverse effect on the relevant Fund.

Regulatory, Litigation, and Tax Risks Associated with DeFi. As DeFi lending may not be ring-fenced on a geographic basis, it is also possible for lending to occur across different jurisdictions, which may cause a Fund and/or the DeFi Platform to potentially be in breach of laws or subject to regulatory oversight in such jurisdictions, including as a result of laws or regulations governing the dealing in Digital Assets, usury laws, money lending laws, securities and commodities law, and may also give rise to the risk of the Fund being deemed to have a business in such jurisdictions.

When individuals wish to involve courts with disputes involving acts or omissions that involved a DeFi Platform, because a DeFi Platform is simply computer code, such individuals often target the main developer behind the DeFi Platform as well as, sometimes, certain key liquidity providers. Because of the novel issues raised by these lawsuits, there is no way to predict how the law will develop in this area. Nevertheless, if a Fund were to be sued because of its involvement with a DeFi Platform, it would still need to expend resources to litigate and/or settle such a lawsuit, which could have a material adverse effect on a Fund.

Finally, DeFi has uncertain tax status, and adverse tax developments could have a material adverse effect on the Funds.

Impermanent Loss. DEXs and other yield-bearing capital pools are a new and novel technology which allow a Fund to earn trading fees by providing liquidity to such pools. These systems may have risks that are not yet fully understood when there is volatility in the underlying Digital Assets which comprise the capital pool. Volatility within such yield-bearing capital pools could lead to

loss of committed Digital Assets (such loss, “**Impermanent Loss**”) or other unexpected adverse behaviors, thereby lowering the value of a Fund’s returns of Digital Assets from such yield-bearing capital pools. Additionally, such capital pools are open market systems that may be subject to a variety of economic/volatility attacks by other market participants. Such adverse action by other market participants may further increase the volatility of the underlying Digital Assets in the capital pools thereby compounding any Impermanent Loss.

Risks Associated with Investment Vehicles Managed by Others. Certain of the Funds may purchase, hold, and sell interests in investment vehicles by sponsored, managed, and/or advised by independent third parties (such investment vehicles, each, an “**Underlying Fund**” and each such manager, an “**Underlying Fund Manager**”). There are generally three types of Underlying Funds in which a Fund may invest:

- Exchange-traded products (“**ETPs**”), including exchange-traded funds (“**ETFs**”);
- Investment trusts, which may or may not be publicly quoted/traded (each, an “**Investment Trust**”); and
- Private investment vehicles.

While no Fund is a “fund-of-funds”, ParaFi may invest in Underlying Funds for a variety of reasons, including, without limitation, to express an investment thesis (or a part of one), to gain access to an opportunity that would otherwise be unavailable to a Fund, and/or for cash management purposes.

Investments in Underlying Funds Generally. Investments in Underlying Funds are subject to risks, including, without limitation, the following (each type is also subject to their own risks, discussed more fully below):

Risks Associated with Key Personnel of Underlying Funds. The day-to-day operations of each Underlying Fund will be the responsibility of that Underlying Fund Manager and its own management team, and not ParaFi. There is a risk that the Underlying Fund Manager or other manager or sponsor of any such Underlying Fund, or the Underlying Fund itself, will lose key personnel, engage in fraud, fail to achieve the Underlying Fund’s investment objective, be subject to security breaches and/or be subject to substantial withdrawals.

Availability of Information. ParaFi will generally be reliant on the information and disclosures furnished to it by the Underlying Fund Manager of a particular Underlying Fund, which may subject a Fund to late or incomplete disclosure or information, or even of fraudulent misrepresentation and other similar risks. At any given time, ParaFi may not know important information regarding the Underlying Fund or its investments. In addition, ParaFi may not learn of significant structural changes, such as personnel, manager withdrawals or capital growth, until after the fact. Generally, ParaFi seeks to avoid such risks through prudent due diligence and third-party verification wherever possible but ParaFi may not do such diligence on all occasions and, even if done, such diligence may prove unable to obtain accurate information from an Underlying Fund Manager, for example, if the Underlying Fund Manager provides inaccurate information.

Multiple Levels of Fees and Expenses. A Fund will likely incur management, performance, advisory, or other fees and expenses when it invests in or allocates assets to an Underlying Fund, which are in addition to the fees and expenses incurred by the Fund itself. Further, if an Underlying

Fund charges performance fees, such performance fees will be calculated separately for each Underlying Fund, so the Fund could bear substantial performance fees in respect of Underlying Funds whose trading is profitable even when the Fund as a whole has a loss. In sum, investments in Underlying Funds are likely to be most costly than if the Fund made the investment directly.

Indemnification of the Underlying Fund Manager. Each Underlying Fund broadly exculpates and indemnifies its Underlying Fund Manager and its affiliates and personnel from liability, damage, cost or expense arising out of many acts and omissions. The Underlying Fund can lose up to all of its capital if the Underlying Fund Manager either isn't liable for certain conduct detrimental to the Fund, or if the Underlying Fund's capital is used up indemnifying the Underlying Fund Manager.

Limited Recourse. There may be a number of unanticipated ways in which investing indirectly through a Fund rather than directly in an Underlying Fund could adversely affect the Investors. Investors will not themselves have any direct claims against any of such Underlying Fund or an Underlying Fund Manager, and ParaFi may have reasons not to pursue possible claims against such Underlying Fund or its Underlying Fund Manager.

Non-U.S. Underlying Funds. A Fund may invest in non-U.S. Underlying Funds. Investments in securities of non-U.S. issuers pose a range of potential risks which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding securities of non-U.S. issuers, and non-U.S. issuers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing in non-U.S. securities markets are generally higher than in the U.S. There is generally less government supervision and regulation of exchanges, brokers, and issuers than there is in the United States. An issuer of securities may be domiciled in a country other than the country in whose currency the instrument is denominated. A Fund might have greater difficulty taking appropriate legal action in non-U.S. courts. Non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect the performance of a Fund.

Risks Associated with Exchange-Traded Products. Certain Funds may invest in ETPs. The risks of owning ETPs generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETP could result in it being more volatile. Investors in ETPs bear a proportionate share of the expenses of those ETPs, including management fees, custodial and accounting costs, brokerage commissions, and other transaction costs. ETPs are also subject to other risks, including the risk that their prices may not correlate perfectly with changes in the underlying index and the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETP trades, would make trading in the ETP inadvisable. An exchange-traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based.

Risks Associated with Investment Trusts. Certain of the Funds invest in **Investment Trusts** sponsored, managed, and/or advised by independent third parties (each, a "**Trust Manager**"). The attributes of the Investment Trusts present unique risks to a Fund and the Investors.

Each Investment Trust is a publicly traded vehicle. The Investment Trusts issue equity securities, are organized in the United States, Canada, or other jurisdictions and are publicly traded. However, unlike ETFs, the Investment Trusts are generally merely publicly quoted (i.e., they are not listed and are not traded on an exchange), may not offer any redemption or creation program, and may be subject to a lock-up (each, a “**Lock-Up**”). Thus, certain Investment Trusts are less liquid than ETFs and subject to the risk that a Fund may be unable to dispose of its investment in an Investment Trust for a significant period of time. This risk is exacerbated if there is a significant event affecting the economy, the applicable Digital Asset, or that Investment Trust, its sponsor, or Trust Manager. In such event, a Fund may be unable to react because of the Lock-Up or because that Fund is unable to dispose of its investment on terms that ParaFi considers commercially reasonable. If a Fund invests in just one or a few Investment Trusts, it will have concentrated exposure to the risk that such Investment Trust(s) encounter adverse events (a form of counterparty risk).

Also, unlike ETFs, the Investment Trusts may not be registered with the SEC under the Investment Company Act, providing its investors (such as a Fund) fewer protections than ETFs provide to their investors.

However, Investment Trusts are similar to ETFs in that they are subject to many of the same types of risks, such as index or referenced asset tracking error, market and share price risks, as well as similar fee and expense structures. Each Investment Trust is subject to its own fees and expenses, including, but not limited to, management fees to the Trust Manager, and a Fund will bear its proportionate share of those expenses, in addition to the expenses of that Fund itself. Additionally, although the Investment Trusts are designed to provide exposure to the underlying Digital Asset, they may not be able to exactly replicate the performance of that Digital Asset. Indeed, a Fund may invest in an attempt to arbitrage on the fact that, historically, the Investment Trusts have not replicated the performance of the Digital Assets. However, if the Investment Trusts begin to better replicate the performance of the Digital Assets or if their premium or discount moves in the wrong direction, a Fund’s investment performance may be adversely affected.

Risks Associated with Investments in Private Investment Vehicles. The risks associated with investments in private investment vehicles include both the risks related to Underlying Managers, discussed above, as well as many of the risks discussed herein (as each Fund is a private investment vehicle), such as lack of liquidity and lack of regulation.

Risks of Equity Investments; Risks of Blockchain-Related Companies

Equity Investments. Certain Funds make equity investments. Equity investments may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. There are no absolute restrictions in regard to the size or operating experience of the companies in which the Funds may invest (and relatively small companies may lack management depth or the ability to generate internally, or obtain externally, the funds necessary for growth and companies with new products or services could sustain significant losses if projected markets do not materialize). Equity prices are directly affected by issuer specific events, as well as general market conditions. In addition, in many countries investing in common stocks is subject to heightened regulatory and self-regulatory scrutiny as compared to investing in debt or other financial instruments.

Risks Inherent in Venture Capital Investments. The types of investments that the Venture Funds anticipates making involve a high degree of risk. In general, financial and operating risks

confronting portfolio companies can be significant. While targeted returns should reflect the perceived level of risk in any investment situation, there can be no assurance that a Venture Fund will be adequately compensated for risks taken. A loss of an investor's entire investment is possible. The timing of profit realization is highly uncertain. Losses may occur early in a Venture Fund's term, while successes often require a long maturation (if and when realized).

Early-stage and development-stage companies often experience unexpected problems in the areas of product development, manufacturing, marketing, financing and general management, which, in some cases, cannot be adequately solved. In addition, such companies may require substantial amounts of financing which may not be available through institutional private placements or the public markets. The percentage of companies that survive and prosper can be small.

Venture Funds invest in both early-stage companies and later-stage companies, and may invest in later rounds of financing for its companies. Investments in more mature companies in the expansion or profitable stage involve substantial risks. Such companies typically have obtained capital in the form of debt and/or equity to expand rapidly, reorganize operations, acquire other businesses, or develop new products and markets. These activities by definition involve a significant amount of change in a company and could give rise to significant problems in sales, manufacturing, and general management of these activities.

Foreign Investments. The Funds are not prohibited from investing in companies that are based outside of the United States or the operations of which are primarily outside of the United States. Any investment in a foreign country involves risks not found in the domestic securities market, including the following: the risk of economic and financial instability in the foreign country, which in some cases may include a collapse in credit markets, stock prices, currencies and/or consumer spending; the risk of adverse social and political developments, including nationalization, confiscation without fair compensation, political and social instability and war; the risk that the foreign country may impose restrictions on the repatriation of investment income or capital or on the ability of foreign persons to invest in certain types of companies, assets or securities; risks related to the possible lack of availability of sufficient financial information as a result of accounting, auditing, and financial disclosure standards that differ, in some cases significantly, from those in the United States; risks related to foreign laws and legal systems, which are likely to differ from those of the United States, including in particular the laws with respect to the rights of investors which may not be as comprehensive or well developed as those in the United States and the procedures for the judicial or other enforcement of such rights which may not be as effective as in the United States; risks related to the fact that some investments or portfolio company operations may be denominated in foreign currencies and, therefore, will be subject to fluctuations in exchange rates; and risks related to applicable tax laws and regulations and tax treaties, which are likely to vary from country to country and may be less well developed than those in the United States, possibly resulting in retroactive taxation so that the Fund could become subject to an unanticipated local tax liability. The profits or losses of a Fund on any investment, as measured in United States dollars, will be affected by fluctuations in currency exchange rates and exchange control regulations as well as by the success of the investment itself. In addition, a Fund may incur costs in connection with conversions between various currencies.

Risks Relating to Due Diligence of and Conduct at Portfolio Company. ParaFi's due diligence of a portfolio company may entail evaluation of important and complex business, financial, tax, accounting, environmental and legal issues. When conducting due diligence and making an assessment regarding a portfolio investment, ParaFi will rely on the resources available to it,

including information provided by the target of the investment. The due diligence investigation that ParaFi carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, no such investigation will guarantee that such portfolio investment will be successful or ensure a return of invested capital. There can be no assurance that ParaFi will be able to detect or prevent irregular accounting, employee misconduct or other fraudulent practices during the due diligence phase or during its efforts to monitor the portfolio investment on an ongoing basis. In the event of fraud by a portfolio company or any of its affiliates, a Fund may suffer a partial or total loss of capital invested in that portfolio company.

Information Sources. ParaFi may select investments for a Fund based in part on information and data that the issuers of such securities file with various government agencies or make directly available to ParaFi, or that ParaFi obtains from other sources. ParaFi is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not readily available.

No Control over Portfolio Issuers. Certain of the Funds may acquire substantial positions in the securities of particular companies. Nevertheless, a Fund is unlikely to be represented on the board of directors or share any control over the management of any such company. The success of each investment depends on the ability and success of the management of that company, in addition to economic and market factors.

Limited History of Digital Asset Companies and Digital Assets. Due to the limited history of Digital Assets and Digital Asset Companies and the rapidly evolving nature of the Digital Asset industry, it is not possible to know all the risks involved in making an investment in the debt and/or equity of Digital Asset Companies, and new risks may emerge at any time. Digital Asset Companies and Digital Assets have gained commercial acceptance only within the past decade and, as a result, there is little data on the long-term sustainability of Digital Assets, as well as the business models among Digital Asset Companies that will provide for long-term profitability. Additionally, due to the rapidly evolving nature of the Digital Asset market, including the development of new Digital Assets, advancements in the underlying technology and the emergence of new Digital Asset Companies, it is not possible to predict which Digital Assets the Fund may have economic exposure to in the future or even to fully describe those potential Digital Assets. New Digital Assets or changes to existing Digital Assets may expose a Fund to additional risks which are impossible to predict. This uncertainty makes investments in this area risky.

Economic Risks of Digital Asset Companies. The business and operating results of Digital Asset Companies may be impacted by worldwide economic conditions. Any conflict or uncertainty, including due to natural disasters, public health concerns, political unrest or safety concerns, could harm their financial condition and results of operations and cash flows. In addition, if the government of any country in which products are developed, manufactured or sold sets technical or regulatory standards for products developed or manufactured in or imported into their country that are not widely shared, it may lead some of their customers to suspend imports of their products into that country, require manufacturers or developers in that country to manufacture or develop products with different technical or regulatory standards and disrupt cross-border manufacturing, marketing or business relationships which, in each case, could harm the business of Digital Asset Companies. In addition, Digital Asset Companies may be susceptible to economic slowdowns or recessions.

Investing in Blockchain Technology Companies. Companies in the rapidly changing fields of blockchain technology and the Digital Assets markets face special risks. ParaFi has no control over and limited visibility into future technological developments. The rapid pace of technological development creates the risk that an issuer's products and services become obsolete, fail to gain meaningful market share, or fall out of favor as more appealing and advanced technologies and products emerge. A Digital Asset Company's intellectual property rights may be subject to legal challenge. Many companies in the blockchain technology and Digital Assets space have limited operating histories. Such a company may be unable to engage and retain sufficient skilled engineering, marketing and management personnel to allow it to maintain its technological edge and develop the corporate infrastructure required to sustain and grow its business. Some Digital Asset or blockchain industries may be subject to greater governmental regulation than other sectors, and changes in governmental policies and the need for regulatory approvals may materially and adversely affect the business of companies in those sectors. For these and other reasons specific to particular industries and companies, investments in companies in blockchain technology industries pose greater risks than those in certain other sectors.

Technology and Security. Certain Funds may invest in portfolio companies in the Digital Asset ecosystem that have their operations rely on the secure processing, storage and transmission of confidential, sensitive, proprietary and other types of information relating to their business operations and confidential and sensitive information about their customers and employees in the portfolio companies' computer systems and networks, and in those of their third-party vendors. The cyber risks the portfolio companies face range from cyber-attacks common to most industries, to more advanced threats that target the portfolio companies because of its prominence in the blockchain technology industry. Breaches of the portfolio companies' or their vendors' technology and systems, whether from circumvention of security systems, denial-of-service attacks or other cyber-attacks, hacking, "phishing" attacks, computer viruses, ransomware, or malware, employee or insider error, malfeasance, social engineering, physical breaches or other actions, may result in manipulation or corruption of sensitive data, material interruptions or malfunctions in the portfolio companies or such vendors' web sites, applications, data processing, or disruption of other business operations, or may compromise the confidentiality and integrity of material information held by a Fund (including information about the portfolio companies' business, employees or customers), as well as sensitive personally identifiable information (PII), the disclosure of which could lead to identity theft. Measures that the portfolio companies take to avoid, detect, mitigate or recover from material incidents can be expensive, and may be insufficient, circumvented, or may become ineffective. Many companies operating in the Digital Asset ecosystem have invested and continue to invest in risk management and information security measures in order to protect their systems and data, including employee training, disaster plans, and technical defenses. The cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex, and sophisticated global cyber threats. Despite the best efforts of many such companies, they are not fully insulated from data breaches and system disruptions. Further, the extent of a particular cybersecurity incident and the steps needed to investigate may not be immediately clear, and it may take a significant amount of time before such an investigation can be completed and full and reliable information about the incident, including the extent of the harm and how best to remediate it, is known. Recent well-publicized security breaches at other companies have led to enhanced government and regulatory scrutiny of the measures taken by companies to protect against cyber-attacks, and may in the future result in heightened cybersecurity requirements, including additional regulatory expectations for oversight of vendors and service providers. Any material breaches of cybersecurity, including the accidental loss, inadvertent disclosure or

unapproved dissemination of proprietary information or sensitive or confidential data, or media reports of perceived security vulnerabilities to portfolio companies' systems or those of the portfolio companies' third parties, even if no breach has been attempted or occurred, could cause the portfolio companies to experience reputational harm, loss of customers and revenue, fines, regulatory actions and scrutiny, sanctions or other statutory penalties, litigation, liability for failure to safeguard the portfolio companies' customers' information, or financial losses that are either not insured against or not fully covered through any insurance maintained by the portfolio companies, which in turn could adversely affect the value of the interests in a Fund.

Risks Relating to Availability of Banking Services. A number of companies that provide Digital Asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to Digital Asset-related companies or companies that accept Digital Assets for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide Digital Asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of Digital Assets as a payment system and harming public perception of Digital Assets or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of Digital Assets as a payment system and the public perception of Digital Assets could be damaged if banks were to close the accounts of many or of a few key businesses providing Digital Asset-related services. This could decrease the value of an investment in a Fund.

Increased Regulatory Oversight. Given that the Venture Funds will invest in portfolio companies in the Digital Asset ecosystem and that the regulatory environment regarding Digital Assets is continuing to evolve, a Venture Fund may be affected if any of its portfolio companies is or becomes subject to state or federal regulation. Any additional regulatory obligations may cause a Venture Fund to incur extraordinary, non-recurring expenses, possibly affecting an investment in such Venture Fund in an adverse manner. For example, with respect to any investment of 10% or more of the equity or voting shares of a Venture Fund's portfolio company that is required to obtain state money transmitter licenses, such Venture Fund and/or its principals may be required to: (1) furnish financial statements of such Venture Fund and/or financial and biographical information of such Venture Fund's principals to state regulatory authorities; and/or (2) obtain approval from state regulatory authorities. Additionally, a Venture Fund may choose to limit, reduce or divest investments in a portfolio company in response to these or other perceived or actual regulatory requirements at a time that is otherwise disadvantageous to an investor in such Venture Fund. To the extent a Venture Fund limits or reduces the scope of certain investments or activities in order to limit the applicability or potential applicability of regulatory requirements, investment in such Venture Fund may be adversely affected.

Risk From Unique Governance Model. In many cases, the Venture Funds will be investing directly in portfolio companies that hold or trade Digital Assets that lack the governance aspects that generally pertain to equity securities. For example, a holder of a Digital Asset does not have the right to appoint board members or otherwise vote on corporate actions of the entity that has issued the Digital Asset. As a result, a portfolio company will have limited, if any, ability to influence the actions of the issuer of the Digital Asset and such lack of influence may negatively impact the value of any particular investment.

Risks of Open-Source Structure. The open-source structure of many of the digital currency network protocols means that certain core developers and other contributors may not be directly compensated for their contributions in maintaining and developing the network protocol. A failure to properly monitor and upgrade network protocol could damage the digital currency networks. Certain digital currency networks operate based on open-source protocol maintained by the groups of core developers. As these network protocols are not sold and their use does not generate revenue for development teams, core developers may not be directly compensated for maintaining and updating the network protocols. Consequently, developers may lack a financial incentive to maintain or develop the network and the core developers may lack the resources to adequately address emerging issues with the networks. There can be no guarantee that developer support will continue or be sufficient in the future. Additionally, some development and developers are funded by companies whose interests may be at odds with other participants in the network or with investors' interests. To the extent that material issues arise in respect of a Venture Fund's portfolio company with certain digital currency network protocols and the core developers and open-source contributors are unable or unwilling to address the issues adequately or in a timely manner, the digital currency networks and such Venture Fund's investment in such company (and, in turn, an investment in such Venture Fund) may be adversely affected.

Fluctuating Revenue Due to Nature of Digital Assets. All or most of the portfolio companies that operate in the Digital Asset ecosystem are dependent on Digital Assets and the broader crypto-economy. Due to the highly volatile nature of the crypto-economy and the prices of Digital Assets, results of portfolio companies operating in the Digital Asset ecosystem have, and will continue to, fluctuate significantly as a result of a variety of factors, many of which are unpredictable and in certain instances are outside of the control of these companies, including: dependence on offerings that are dependent on Digital Asset trading activity, including trading volume and the prevailing trading prices for Digital Assets, whose trading prices and volume can be highly volatile; a company's ability to attract, maintain, and grow its customer base and engage its customers; changes in the legislative or regulatory environment, or actions by governments or regulators, including fines, orders, or consent decrees; regulatory changes that impact the ability to offer certain products or services; pricing for products and services; investments made in the development of products and services as well as technology offered to ecosystem partners, international expansion, and sales and marketing; adding and removing of Digital Assets on a company's platform; macroeconomic conditions; adverse legal proceedings or regulatory enforcement actions, judgments, settlements, or other legal proceeding and enforcement-related costs; the development and introduction of existing and new products and services by a company or its competitors; increases in operating expenses that are expected to be incurred to grow and expand operations; system failure or outages, including with respect to a company's crypto platform and third-party crypto networks; breaches of security or privacy; inaccessibility of a company's platform due to its or third-party actions; a company's ability to attract and retain talent; and a company's ability to compete with its competitors.

Reputation and Credibility Concerns. The reputation of portfolio companies and the strength of their respective brands are key competitive strengths. To the extent that the Digital Asset ecosystem as a whole or portfolio companies, relative to their competitors, suffer a loss in credibility, portfolio companies' business will be significantly impacted. Factors that may have already affected credibility and could potentially continue to have an impact in this regard include the appearance of a conflict of interest, the performance of Digital Assets relative to the analysis assigned to such Digital Assets, a major compliance failure, negative perceptions or publicity and increased criticism by users of risk management tools, regulators and legislative bodies, poor

representation of portfolio companies' products and services by their respective partners or agents or unintentional misrepresentations of portfolio companies' products and services in advertising materials, public relations information, social media, or other external communications. Operational errors, whether by portfolio companies or a competitor, could also harm the reputation of portfolio companies or the Digital Assets trading, holding, and lending industry as a whole. Damage to reputation and credibility could have a material adverse impact on portfolio companies' business, operating results and financial condition.

Conflicts of Interest

Conflicts of Interest Generally. The General Partners, ParaFi, their respective affiliates, and their respective members, partners, shareholders, directors, officers, employees and other personnel (collectively, the “**ParaFi Parties**”) at times will have potential and actual conflicts of interest with respect to the Funds and the Funds' investments. These conflicts of interest may be between the Funds and Other Accounts (as defined below), or between the Funds and the ParaFi Parties. Generally, the ParaFi Parties resolve these conflicts of interest without input from disinterested third parties. The conflicts of interest set out below do not purport to be exhaustive. Additional conflicts of interest that are currently unknown or currently deemed immaterial may become material conflicts of interest that affect the Funds. other present and future activities of ParaFi will, from time to time, give rise to additional conflicts of interest. In the event that any such conflict of interest arises, ParaFi will attempt to resolve such conflicts in a fair and equitable manner. Investors should be aware that conflicts will not necessarily be resolved in favor of a Fund's interests. Prospective Investors should carefully consider the conflicts of interest discussed below. Prospective Investors should consult their own legal, tax and financial advisers as to all these conflicts of interest and as to an investment in the Funds generally.

The General Partners and ParaFi. The General Partner and ParaFi organized each Fund and have an economic interest in acting as each Fund's general partner and investment manager, respectively. The terms upon which each General Partner and ParaFi render services to a Fund were not negotiated at arm's length.

The performance of ParaFi is not subject to review and oversight by an independent party. There is a conflict between a General Partner's interest in having ParaFi direct investment and trading for a Fund and its duty to that Fund to oversee such activity.

Performance Compensation to the General Partner. Generally, each General Partner receive either an Incentive Allocation or Carried Interest from a Fund. Performance compensation creates an incentive for ParaFi to cause a Fund to make investments that are riskier or more speculative than would be the case if the General Partner, ParaFi's affiliate, were paid only a fixed amount.

Valuation. ParaFi is responsible for the valuation of each Fund's assets and liabilities and has an inherent conflict of interest in performing this function. It is in ParaFi's interest to value the assets of each Fund at as high a level as possible, as both its management fee and a General Partner's performance compensation are calculated based on the value of a Fund's assets.

Other Activities of the ParaFi Parties. Each of the ParaFi Parties will devote as much of its time and effort to the affairs of a Fund as it deems, in its judgement, necessary and appropriate to accomplish the purposes of that Fund and reserves the right and is free to devote significant time and attention to other business activities, including those related to securities and investments. Without limiting the generality of the foregoing, and as further discussed below, prospective

investors should be aware that the ParaFi Parties (i) advise Other Accounts; (ii) assist portfolio companies, including with respect to the development of certain Decentralized Protocols; and (iii) may engage in other proprietary activities and trading.

Management of Other Client Accounts. The ParaFi Parties act as general partner, managing member, sponsor, investment manager and/or in other similar capacities for persons, funds and/or accounts, including each of the Funds (“**Other Clients**”) and the personal or proprietary accounts of any of the ParaFi Parties (a “**ParaFi Account**” and, together with the Other Clients, the “**Other Accounts**”). The ParaFi Parties may give advice or take action with respect to such Other Accounts that differs from, or is similar to, the advice given with respect to any particular Fund. The ParaFi Parties invest capital in each Fund as well as Other Accounts and their capital interest in each is disproportionate.

The investment methods and strategies the ParaFi Parties utilize in managing and advising one Fund may be utilized by the ParaFi Parties in managing Other Accounts; however, investment decisions and allocations will not necessarily be the same among a Fund and Other Accounts. Investments made by a Fund may not, and are not intended in all cases to, replicate the investments or the investment methods and strategies of Other Accounts, and in some cases the ParaFi Parties may take positions for Other Accounts that are different or opposite those of a Fund. In such cases, the ParaFi Parties may have disparate interests in managing such investments for a Fund and Other Accounts. Other Accounts may produce results that are materially different from those experienced by one Fund.

ParaFi and the General Partners may have a conflict of interest in managing and advising the Other Accounts because, among other things, the financial benefit derived from certain Other Accounts may be greater than that derived from a Fund, which could provide an incentive to favor such Other Accounts (i.e., ParaFi may be incentivized to spend more time on one Fund rather than a different Fund). The records of any investment management or advisory activities that the ParaFi Parties may engage in on behalf of Other Accounts will not be available for inspection by the Investors.

Further, trading activities, including as a result of withdrawals from and subscriptions to such Other Accounts, could disadvantage a Fund (i.e., capital flows from one Fund could hurt another Fund). Investors may not be offered the opportunity to invest in Other Accounts.

Portfolio Companies and Development of Decentralized Protocols. The ParaFi Parties may serve as an officer, director, consultant, advisor, partner, or stockholder of one or more investment funds, investment advisors, and/or operating companies, which may include portfolio companies of one or more Funds (but not all of the Funds). The ParaFi Parties’ services to such entities may be detrimental to one or more different Funds and create conflicts of interest with those Fund(s). This risk is heightened if the ParaFi Party receives compensation for its services.

Additionally, the ParaFi Parties may assist in the development of certain Decentralized Protocols for one or more Funds (but not all the Funds). Such activities may be detrimental to one or more different Funds and create conflicts of interest with those Fund(s).

Proprietary Activities. The ParaFi Parties (i) develop internal technology platforms and (ii) invest and trade for their own accounts, including in Digital Assets, digital currencies, and other financial instruments with the same or a different investment objective, philosophy, and strategy as those used for the Fund (“**Proprietary Activities**”). The results of a Fund’s activities may differ

significantly from the results achieved by any of the ParaFi Parties in connection with trading related Proprietary Activities. The ParaFi Parties from time to time may have incentives to favor one or more of Proprietary Activities over the Fund (including, for example, in any principal transaction between a Fund and any ParaFi Account, in determining whether a trading strategy should be employed for the benefit of a ParaFi Account and/or a Fund or in the allocation of limited investment opportunities among a Fund and one or more ParaFi Accounts). The ParaFi Parties have established policies and procedures governing (i) the personal trading of “access persons” and (ii) the allocation of investment opportunities between each Fund and between the Funds and Other Accounts (which may include the ParaFi Accounts). The records of trading by the ParaFi Parties will not be made available to the Investors.

Specific Conflicts Between the Fund and Other Accounts. Each Fund and/or ParaFi Parties may invest in the same, different, or related investments. For example, part of one Fund’s investment strategy is to invest in tokens, which may be on a protocol heavily developed by a single developer. A different Fund may invest in the equity securities of that developer. A still different Fund may provide liquidity to the liquidity pools supporting that token. ParaFi and the Funds generally try to be active participants in each of these different niches.

However, there may be conflicts of interest between the Funds, including with respect to ParaFi’s activities. For example, due to the size of ParaFi, there are not currently siloed investment teams. This means that if one or more ParaFi personnel receive material, non-public information from a portfolio company that affects a token investment, the applicable Fund may be unable to trade that token until a cooling-off period has expired.

Additionally, one or more Funds and/or the ParaFi Parties may incur joint costs and expenses. The ParaFi Parties maintain policies and procedures for allocating expenses (i) as between the ParaFi Parties, on the one hand, and the Funds, on the other hand, and (ii) amongst each of the Funds. These policies and procedures require ParaFi to endeavor to allocate such expenses in a fair and equitable manner. However, the allocation of certain expenses involves subjective determinations by the ParaFi Parties, and, in certain circumstances, the ParaFi Parties may face conflicts of interests in making such determinations.

Allocation of Investment Opportunities; Trade Aggregation. To the extent a particular investment is suitable for multiple Funds, such investments may be allocated between such Funds. Allocations need not be made pro rata based on the capital in each account. Rather, such investments may be allocated among accounts in a manner that is fair and equitable over time and under the circumstances and may be based on, among other things, ParaFi’s perception of the appropriate risk and reward ratio for each account, the intended sector strategy of each account, the liquidity of the account at the time of the investment and on a going-forward basis, and the overall portfolio composition and performance of the account.

No assurance can be given, however, that a Fund will participate in all investment opportunities in which Other Accounts participate, particular investment opportunities allocated to Other Accounts will not outperform investment opportunities allocated to a Fund or that a Fund, on the one hand, and Other Accounts, on the other hand, will receive equal treatment with respect to participation in investment opportunities. Any of the ParaFi Parties may make particular investment opportunities available to a Fund and may, at the same time, concurrently invest in the same opportunity for Other Accounts (including in connection with the Proprietary Activities). As such, conflicts of interest may arise in that Other Accounts may make similar investments as a Fund.

Subsequently, conflicts of interest may arise when Other Accounts are indirectly benefited by a Fund's investments and/or other activities conducted by the Fund in connection with its investments.

As such, conflicts of interest may arise in that Other Accounts and the ParaFi Parties will compete with a Fund for investments. Conversely, conflicts of interest may also arise when Other Accounts and/or the ParaFi Parties are indirectly benefited by a Fund's investments and/or other activities conducted by a Fund in connection with its investments.

When ParaFi determines, in its discretion, that it would be appropriate for a Fund and one or more Other Accounts to participate in an investment opportunity, ParaFi will seek to execute orders for all of the participating parties, including the Fund, on a fair and equitable basis, applying such considerations as ParaFi deems appropriate, including relative account size of such entities and clients, amount of available capital, size of existing positions in the same or similar securities, relative exposure to short-term market trends, the investment programs and portfolio positions of such parties for which participation is appropriate, the impact of leverage, tax considerations and other factors. Orders may be combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price basis. Similarly, if an order on behalf of more than one party cannot be fully executed under prevailing market conditions, Digital Assets and/or securities may be allocated among the different accounts on a basis which ParaFi considers fair and equitable.

Cross Transactions; Principal Transactions. ParaFi may effect "cross transactions" (i.e., a transaction between the Fund and an Other Account). Cross transactions may be effected directly between clients advised by ParaFi or through open market transactions. Effecting cross transactions may result in a Fund holding less of a profitable investment, or more of an unprofitable investment, than would be the case if there were no cross transactions. Depending on the nature of the cross transaction, it may also expose a Fund to counterparty risk of another Fund. In the event of a materially adverse event with respect to such other Fund, ParaFi would owe fiduciary duties to both Funds, but be conflicted in attempting to resolve the dispute between the two Funds in a fair and equitable manner.

Additionally, there may be times where a specific investment opportunity needs to be split between Funds, but one Fund may disproportionately benefit. For example, one Fund may be offered an option to purchase tokens that are subject to vesting in exchange for providing liquidity to a liquidity pool. That Funds may seek to sell to another Fund the option (or may sell another Fund the tokens, once the option is exercised).

With respect to all cross transactions, ParaFi will endeavor to only cause these cross transactions where it is in the best interest of both clients and at fair value. However, especially if the cross transaction involves hard-to-value assets, one client may disproportionately benefit.

Any cross transactions may be effected generally without additional prior notice to or consent of the Investors or any approval or authorization from a representative of the Investors, unless such cross transaction constitutes a principal trade subject to the requirements of Section 206(3) of the Advisers Act.

With prior informed consent, ParaFi may also cause a Fund to trade with a ParaFi Party. To facilitate this, a Fund may select one or more persons, not affiliated with ParaFi, to serve on a committee, the purpose of which will be to consider and, on behalf of the Investors, approve or

disapprove, to the extent required by applicable law, principal transactions and certain other related-party transactions.

Fees to Third Parties. ParaFi or General Partners or their affiliates may pay a fee representing a portion of the management fee or incentive allocation earned to third parties that provide certain services. For example, the foregoing could arise in connection with payment of a solicitor for soliciting Investors in a Fund. Such fees will be paid out of the General Partners' or ParaFi's revenues from the Funds, and will not result in an increase in expenses paid by the Funds over the amount that would be paid to the General Partners or ParaFi in the absence of such fees.

Soft Dollars. ParaFi does not currently intend to use soft dollars but may do so in the future for items that fall within the Section 28(e) safe harbor. The use of brokerage commissions to obtain research services creates a conflict of interest between ParaFi and the Funds. This may result in the Funds paying higher brokerage commissions than might be paid if transactions were effected through brokers that do not provide such services. To the extent that ParaFi is able to acquire these products and services without expending its own resources or at reduced prices, ParaFi's use of "soft dollars" would tend to increase their profitability. In addition, the availability of these non-monetary benefits may influence ParaFi to select one broker rather than another to perform services for the Funds.

Selection of Exchanges and Counterparties; Affiliated Digital Currency and Digital Assets Service Providers. ParaFi may be subject to conflicts relating to its selection of digital currency/Digital Assets intermediaries, exchanges, and counterparties on behalf of the Funds. Portfolio transactions for the Funds will be allocated to intermediaries, exchanges, and counterparties (including but not limited to Decentralized Protocols) on the basis of numerous factors and not necessarily lowest pricing. Intermediaries, exchanges, and counterparties may provide other services that are beneficial to ParaFi, but not necessarily beneficial to the Funds. Investors will have no right to receive information regarding which digital currency/Digital Assets service providers, intermediaries, exchanges and counterparties the Funds transact with or invest in.

Additionally, ParaFi may engage affiliates that provide services to a Fund ("**Affiliated Service Providers**"). For example, an affiliate of ParaFi operates validation nodes. ParaFi may cause a Fund to delegate certain Digital Assets to nodes operated by that affiliate (causing that affiliate to become an Affiliated Service Provider). The Affiliated Service Provider charges fees for its services (with no reduction or offset to management fees borne by the Investors). Because of this compensation, ParaFi has an incentive to select an Affiliated Service Provider to provide services over unaffiliated entities. Additionally, if there is an agreement (which may not be negotiated on an arm's length basis) signed between a Fund and an Affiliated Service Provider, there may be indemnification obligations. If the Fund needs to fulfil such indemnification obligations, ParaFi will have a conflict of interest in backstopping such obligations. However, a decision to engage an Affiliate Service Provider by a Fund will be made consistent with ParaFi's fiduciary duties to that Fund.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with an investment in the Funds. Prospective Investors should read each Fund's Governing Documents and consult with their own advisers before deciding whether to invest in the Funds.

ITEM 9: DISCIPLINARY INFORMATION

ParaFi and its supervised persons have no reportable disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Item 10.A. Broker Dealer Affiliations

ParaFi and its management persons are not registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Item 10.B. Commodity or Futures Industry Affiliations

ParaFi and its management persons are not registered, and have not applied to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, futures commission merchant, or an associated person of any of the foregoing entities.

Item 10.C. Affiliate Relationships

PDH serves as general partner or managing member to the Funds (other than the Main Venture Funds), PGGP serves as general partner to PVF, and PVGP II serves as general partner to PVF II. each General Partner is entitled to Incentive Allocations and Carried Interest distributions from the Funds for which they serve as general partner or managing member in accordance with each Fund's Governing Documents.

Item 10.D. Investment Adviser Recommendations

ParaFi and its supervised persons do not recommend or receive compensation for the selection of other investment advisers for their clients.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Item 11.A. Code of Ethics Generally

ParaFi has developed a Code of Ethics (the “Code”), which sets forth standards of conduct that are expected of ParaFi's directors, officers, principals and employees and addresses conflicts of interests. The Code generally sets the standard of ethical and professional business conduct that ParaFi requires of its supervised persons, sets forth the fiduciary obligations that ParaFi and its supervised persons owe to their clients, and requires personnel to comply with applicable federal securities laws and regulations.

The Code sets forth ParaFi's policies and procedures with respect to personal trading and requires ParaFi personnel to obtain written approval before transacting in certain personal securities transactions, generally including transactions in digital assets, private placements or limited offerings and initial public offerings. ParaFi access persons must also report personal securities holdings initially and annually and personal securities transactions on a quarterly basis. Personal securities transactions by access persons who manage client accounts are required to be conducted in a manner that prioritizes the clients' interests in client eligible investments. Additionally, the

Code includes policies and procedures with respect to material non-public information and other confidential information, political contributions, gifts and entertainment and other matters related to potential conflicts of interest.

A copy of the Code is available to any Investor or prospective Investor upon request by contacting the number on the cover page of this Brochure.

Item 11.B through Item 11.D. Related Person Transactions

ParaFi, the General Partners, and certain personnel may maintain investments directly in the Funds. ParaFi's, General Partners' and certain personnel's financial interests in the Funds could create a potential conflict in that it could cause ParaFi to make different investment decisions than if such parties did not have a financial ownership interest. Potential conflicts also may arise due to the fact that ParaFi and its personnel may have investments in some Funds but not in others or may have different levels of investments in the various Funds.

Certain personnel of ParaFi also engage investment activities for their own accounts (including trading in Digital Assets) which may from time to time conflict with or be adverse to advice given or action taken for the Funds, including buying or selling Digital Assets at different times than the Funds, or when a Fund is doing the opposite. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more Funds.

ParaFi's investment professionals may participate in other activities outside of ParaFi. Conflicts may arise as a result of such activities. The possibility exists that the companies with which one or more of the investment professionals are involved with could engage in transactions that would be suitable for the Funds, but in which the Funds might be unable to invest.

ParaFi has established policies and procedures to monitor and resolve conflicts with respect to investment opportunities in a manner it deems fair and equitable, including the restrictions placed on personal trading in the Code, as described above, and regular monitoring of ParaFi personnel's transactions and trading patterns for actual or perceived conflicts of interest, including those conflicts that may arise as a result of personal trades in the same or similar securities made at or about the same time as client trades.

ITEM 12: BROKERAGE PRACTICES

Item 12.A. Factors Considered in Selecting Broker-Dealers for Client Transactions; Soft Dollars, Brokerage for Client Referrals, and Directed Brokerage

The Digital Assets or securities that ParaFi generally invests the Funds are privately placed, on Digital Asset exchanges, or over-the-counter (collectively, "**Digital Asset Trading Venues and Counterparties**" and each, a "**Digital Asset Trading Venue or Counterparty**"), in each case, without the use of a broker-dealer. In selecting Digital Asset Trading Venues and Counterparties, ParaFi may consider a variety of factors, including, without limitation, the ability of a Digital Asset Trading Venue or Counterparty to handle the trade, "slippage," potential investment return, fees and expenses borne by a Fund, execution speed/quality of execution, the security of a Digital Asset Trading Venue or Counterparty, and a variety of factors going to "trust" of a Digital Asset Trading Venue or Counterparty, which may include ParaFi's diligence, the ongoing experience with a Digital Asset Trading Venue or Counterparty (e.g., reliability in achieving expected results), and

industry reputation, among other items. In selecting Digital Asset Trading Venues and Counterparties, ParaFi need not solicit competitive bids and does not have an obligation to seek the lowest available cost. ParaFi has sole discretion in selecting a Fund's Digital Asset Trading Venues and Counterparties and will change Digital Asset Trading Venues and Counterparties without notice to the Investors.

Certain of the securities in which certain Funds invest are public equity investments which are principally purchased and sold through brokerage firms in the United States. ParaFi may in its sole discretion choose the broker or dealer through which purchases or sales of securities for such Funds are made. In selecting brokers to effect portfolio transactions, ParaFi considers a variety of factors, including, without limitation price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by a Fund and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with ParaFi's policies and procedures. In selecting broker/dealers to execute transactions, ParaFi need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

ParaFi does not currently engage in the use of soft dollars.

ParaFi does not participate in selecting or recommending broker-dealers in exchange for client referrals. In addition, ParaFi does not engage in directed brokerage by its clients. However, ParaFi may direct brokerage from the Funds' trades which introduce Investors to ParaFi, subject to applicable regulations.

Item 12.B. Order Aggregation

The Funds generally do not engage in trade aggregation because there is little opportunity to do so, especially within the Digital Asset ecosystem. Each Fund has its own wallets and, even if multiple Funds were trading in the same Digital Assets at the same time and in the same direction, which is rare, trading venues generally do not permit trade aggregation.

However, ParaFi retains the ability, when it deems it appropriate in its sole discretion, to aggregate a Fund's transaction with the same transaction completed by an Other Account. Generally, the price and fees of aggregated trades will be averaged and allocated to each client participating in the aggregated trade, pro rata, based on the relative participation in such trade, although ParaFi reserves the right to allocate price and fees to participating accounts in any other manner that it deems fair and equitable.

ITEM 13: REVIEW OF ACCOUNTS

Item 13.A. and 13.B. Review of Accounts

ParaFi will closely monitor the Digital Assets and portfolio investments of the Funds. The Funds' portfolios will be reviewed on an ongoing basis by ParaFi's investment committee, that reviews and monitors the Funds' investments, identifies investment opportunities that meet the Funds' investment objectives and goals, reviews individual investment performance and recommends changes when appropriate, and works closely with staff to ensure that the Funds' investment objectives are being met.

Item 13.C. Client Reports

Investors in each of PDO and PQS will typically receive, among other things, a monthly capital account statement, annual written report with respect to the Fund's performance, and audited financial statements of the Fund on an annual basis. Investors in each of the PPO Series will typically receive, among other things, financial statements of the applicable PPO Series on an annual basis. Investors in the Main Venture Funds will typically receive, among other things, a quarterly financial reports and annual audited financial statements. ParaFi may also, from time to time and in its sole discretion, provide additional information relating to the Funds to one or more Investors as it deems appropriate.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Item 14.A. Other Compensation

As described in Item 5.C., PGGP, PVGP, ParaFi, and their members, partners, and/or employees may perform services as a director or consultant to portfolio companies of the Main Venture Funds and, in exchange, receive Fees Subject to Offset.

Item 14.B. Client Referrals

While not a client solicitation arrangement, ParaFi has engaged certain persons to act as placement agents for the Funds (and may engage additional placement agents in the future) in connection with the offer and sale of interests to certain potential investors. While the compensation of placement agents varies, generally, placement agents are compensated based on a percentage of ParaFi's and the General Partners' management fees and/or performance-based compensation due from each Investor introduced by the placement agent. While generally Investors do not bear these fees, ParaFi and the Investor may separately agree for the Investor to bear these fees.

ITEM 15: CUSTODY

As a registered investment adviser, ParaFi is subject to Rule 206(4)-2 under the Advisers Act (i.e., the Custody Rule), which is intended to promote safeguarding of client assets.

Each Fund is subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. The audited financial statements of the Funds will be prepared in accordance with generally accepted accounting principles and distributed to Investors within 120 days of the end of each Fund's fiscal year. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by ParaFi or Fund administrators.

Custody of Traditional Assets. Brokers, dealers, banks, and FCMs that have custody of a Fund's assets will meet the definition of "qualified custodian" – generally, a bank, savings association, or certain state-regulated trusts; a broker or dealer; an FCM; or certain types of foreign financial institutions (as defined in the Custody Rule, a "Qualified Custodian").

Certain assets of the Funds may be exempt from the requirement to be held by a qualified custodian where: (1) the assets are acquired from the issuer in a transaction or chain of transactions not involving any public offering; (2) the assets are uncertificated, and ownership thereof is recorded

only on the books of the issuer in the name of the client; and (3) the assets are transferable only with prior consent of the issuer or holders of the outstanding securities of the issuer.

Safeguarding of Private Keys. Digital Assets are cryptographic bearer instruments that exist solely on the blockchain, a public, distributed ledger. Thus, unlike with traditional assets, where protecting the asset itself is important, with Digital Assets, what is important to protect is *access* to the bearer cryptographic private keys underpinning the Digital Assets. Any loss of a private key will cause a Fund to lose access to its Digital Assets on the blockchain (while the assets still exist, they are forever unusable and unrecoverable). The exposure of a cryptographic private key will permit a third-party to transfer the Digital Assets to a blockchain address under its own control.

Thus, ParaFi seeks to safeguard access to the private keys that give control over a Fund's Digital Assets. Sometimes, a Fund will utilize a Qualified Custodian, often a state-chartered trust company, to safeguard its private keys. However, the Funds face limitations in their ability to utilize Qualified Custodians. There are a limited number of Qualified Custodians that custody private keys. Further, those Qualified Custodians that do custody private keys are limited to certain protocols and may not support trading within the custodial solution with respect to those protocols that it does cover. For example, while Coinbase has a custodial solution with a Qualified Custodian, Coinbase Custody Trust Company LLC, no trading is permitted from that entity – the Digital Assets must first be transferred to the digital asset exchange, Coinbase, Inc., which itself is not a Qualified Custodian. The inability to conduct trading, either at all or on many of the Digital Assets in which the Funds invest, out of Qualified Custodians remains an issue. To the extent trading is permitted out of a Qualified Custodian (but also other entities), the non-Qualified Custodians may provide better execution than the Qualified Custodian.

For these reasons, ParaFi sometimes utilizes direct custody of a Fund's private keys. Although ParaFi is not a Qualified Custodian, it believes that its policies and procedures are reasonably designed to safeguard Digital Assets. Potential investors should note that this is an evolving area, in which technical aspects of existing SEC rules may conflict with a Fund's best interests in practice. To provide investors assurance regarding the safekeeping of a Fund's assets, ParaFi provides the client reports discussed in Item 13.C and distributes annual audited financial statements as discussed at the beginning of this Item 15. Investors should carefully review the audited financial statements of the Funds upon receipt, and should compare these statements to any account information provided by ParaFi or Fund administrators.

ParaFi approaches any direct custody solution with the same objective as it does with Qualified Custodians: it seeks to secure a Fund's private keys while also permitting that Fund to effectively implement its investment strategy. Sometimes, ParaFi may custody the private keys internally. However, there are also third-party security solutions that, while not custodial themselves (meaning, ParaFi still retains custody under the Custody Rule), in certain cases permit better security than that which ParaFi is able to create internally. These solutions only work with certain protocols, so ParaFi can only use these solutions when the applicable protocol is included in the solution.

Regardless of what sort of custodial solution ParaFi is evaluating, ParaFi employs a comprehensive due diligence process regarding custodial solutions that it believes have reasonably designed security systems that will protect each Fund's assets. ParaFi occasionally re-reviews its custodial solutions. However, regardless of ParaFi's diligence, the systems and methodologies of the custodial solutions utilized by a Fund may be subject to exposure from hacking, malware, and

general security threats. See the “*Risks Associated with Safeguarding of Digital Currencies and Digital Assets*” discussion in “Item 8: Methods of Analysis, Investment Strategies and Risk of Loss” for risks related to custody of private keys. Funds may also be exposed to smart contract risk, as discussed in “*Risks Associated with Investing through Smart Contracts*” discussion in “Item 8: Methods of Analysis, Investment Strategies and Risk of Loss”. To the extent that the security system protecting a Fund’s private keys is penetrated, or that a smart contract is misused, any loss of a Fund’s Digital Assets may adversely affect the Investors, and could result in total loss of capital.

ITEM 16: INVESTMENT DISCRETION

ParaFi has discretionary authority to manage the Funds’ accounts and therefore, determine which investments and amount of investments it makes for the Funds. This authority has been granted to ParaFi by means of the execution of the relevant organizational and/or advisory agreements that set forth the scope of ParaFi’s discretion with respect to each of the Funds. As explained in Item 4.B. above, each Fund’s investment strategy is set forth in detail in the applicable Fund’s Governing Documents. Investors do not have the ability to impose limitations on this discretionary authority. Investors must execute a subscription agreement in which they make various representations, including representations regarding their suitability to invest in the applicable Fund.

ITEM 17: VOTING CLIENT SECURITIES

To the extent that ParaFi has discretion to vote the proxies on behalf of a Fund, ParaFi will vote any such proxies in the best interests of the applicable Fund(s) and in accordance with its proxy voting policies and procedures. While the Digital Asset investments made by the Funds are not typically the subject of proxies, there could be certain circumstances where ParaFi, having discretionary authority over the Funds, may be asked to vote the investments of the Funds on certain matters. Under certain circumstances, ParaFi may abstain from voting specific proxies if it believes that doing so is in the best interests of the applicable Fund(s).

In the event of a material conflict of interest, ParaFi will follow its written proxy voting policies and procedures. Although not intended to be used on a regular basis, ParaFi may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Investors generally do not have the ability to direct proxy votes. Investors or prospective Investors may obtain additional information regarding how ParaFi voted proxies and may obtain a copy of ParaFi’s proxy voting policies and procedures by contacting ParaFi. ParaFi’s contact information is provided on the cover page of this Brochure.

ITEM 18: FINANCIAL INFORMATION

Item 18.A. Balance Sheet

ParaFi does not require nor solicit pre-payment of more than \$1,200 in fees per client, six months or more in advance. As such, ParaFi is not required to include a balance sheet with this Brochure.

Item 18.B. Financial Condition

ParaFi is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to clients.

Item 18.C. Bankruptcy Petitions

ParaFi has not been the subject of a bankruptcy petition at any time during the past ten years.