

## **PART 2A OF FORM ADV: BROCHURE**

### **Item 1. Cover Page**

#### **DRAGONFLY DIGITAL MANAGEMENT, LLC**

66 Franklin Street, Suite 300  
Oakland, CA 94607

March 30, 2023

This Brochure provides information about the qualifications and business practices of Dragonfly Digital Management, LLC and its relying adviser affiliates, Dragonfly Management Limited, and Meta Stable, LLC (collectively “Dragonfly” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Dragonfly’s Chief Compliance Officer at (415) 795-8868. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to Dragonfly as a registered investment adviser does not imply a certain level of skill or training. Additional information about Dragonfly also is available on the United States Securities and Exchange Commission’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

---

**Item 2: Material Changes**

---

The following material changes have been made to this Brochure since its Other-Than-Annual Amendment filing on November 9, 2022:

- Item 4E has been updated to reflect that as of December 31, 2022, Dragonfly Digital Management Limited manages approximately \$1,934,858,193 in regulatory assets under management.
- Item 8 risk disclosures have been updated to best reflect current strategies and associated risks.

---

**Item 3: Table of Contents**

---

Item 1. Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	6
Item 6: Performance-Based Fees and Side-by-Side Management.....	8
Item 7: Types of Funds .....	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9: Disciplinary Information .....	20
Item 10: Other Financial Industry Activities and Affiliations .....	20
Item 11: Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading.....	20
Item 12: Brokerage Practices .....	21
Item 13: Review of Accounts.....	22
Item 14: Fund Referrals and Other Compensation .....	22
Item 15: Custody.....	23
Item 16: Investment Discretion.....	23
Item 17: Voting Fund Securities .....	23
Item 18: Financial Information .....	24

---

**Item 4: Advisory Business**

---

**Item 4.A.**

Dragonfly Digital Management, LLC, a Delaware limited liability company, commenced operations as an investment manager in July 2018, and is owned by Dragonfly Management Limited, a relying adviser. Effective May 19, 2022, Meta Stable, LLC, a Delaware limited liability company and investment adviser, was acquired by Dragonfly Management Limited and serves as a relying adviser of Dragonfly Digital Management, LLC (collectively referred to herein as “Dragonfly” or the “Firm”). Bo Feng and Haseeb Ahmad Qureshi serve as Dragonfly’s Managing Partners and lead the Firm’s team of investment professionals. Dragonfly’s principal place of business is located in the San Francisco, CA area.

**Item 4.B.**

Dragonfly 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”) per an investment advisory agreement or a sub advisory agreement with each Fund. Specifically, Dragonfly the Funds are intended for investment by certain sophisticated investors (“Limited Partners”). Such Limited Partners are accredited investors under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and are typically Qualified Purchasers under Section 2(a)(51) of the Investment Company Act of 1940, as amended (the “Company Act”). The Funds rely on the exemption under Sections 3(c)(1) and 3(c)(7) of the Company Act. Dragonfly generally does not limit its investment advice to only certain types of investments. An affiliate of Dragonfly serves as the general partner (the “General Partner”) of each Fund.

The Firm employs three investment strategies on behalf of the Funds, all of which generally pursue an investment objective to achieve long-term capital appreciation by investing in and holding cryptocurrencies, decentralized application tokens and protocol tokens, liquid cryptoassets, NFTs (non-fungible tokens), various forms of network participation, blockchain-based assets and other cryptofinance and digital assets, or instruments for the purchase of such, whether issued in a private or public transaction (collectively, “Digital Assets”). Certain Funds utilize a venture-style approach with respect to Digital Asset-related companies, while other Funds focus on direct investing in Digital Assets. With respect to those Funds which employ a venture strategy, such Funds pursue early-stage investments in companies in the cryptography, blockchain and cryptocurrency ecosystems (including, companies, technologies, and protocols, that the Firm believes may help develop or contribute to such ecosystems), and invest in technology-driven opportunities that have the opportunity for venture scale returns, including blockchain and financial technology companies that are building market infrastructure, protocols and tokens, and future unforeseen opportunities that are likely to be enabled by the decentralized web 3.0 movement. With respect to those Funds which invest directly in Digital Assets, for certain of those Funds, the investments are generally made within event driven and liquidity mining opportunities, looking to opportunistically capitalize on temporary market dislocation and asymmetric risk-reward yield opportunities. Other Funds which invest directly in Digital Assets instead rely on a more value-investor based approach to identify and select Digital Assets with the strongest likelihood of delivering long-term returns.

**Item 4.C.**

Dragonfly’s advisory services are provided to the Funds, pursuant to the terms of the Funds’ relevant governing documents and agreements referenced to therein (the “Governing Documents”) and based on the specific investment objectives and strategies as disclosed in the Governing Documents. The advisory services each Fund receives is tailored to its individual needs, specified investment objectives and strategies as set forth in each Funds' Governing Documents. The Funds may impose restrictions on investing in certain types of Digital Assets in accordance with achieving their investment objectives and strategies.

**Item 4.D.**

Dragonfly does not participate in a wrap fee program.

**Item 4.E.**

As of December 31, 2022, Dragonfly manages approximately \$1,934,858,193 in regulatory assets under management on a discretionary basis. Dragonfly does not manage any of its Funds' assets on a non-discretionary basis.

---

## **Item 5: Fees and Compensation**

---

### **Item 5.A.**

#### *Fees and Compensation of the Funds*

Dragonfly or an affiliate is compensated for its advisory services through a management fee, calculated as a percentage of the annual rate and based on the account balance of each Limited Partner in a Fund as of the first day of the month (the “Management Fee”). Dragonfly or an affiliate may, in its discretion, reduce, waive or calculate differently the Management Fee with respect to any Limited Partner.

Dragonfly or an affiliate, in its role as General Partner of a Fund, is entitled to receive an allocation, generally annually, of the net income allocated for the year to each Limited Partner’s account as of the end of each calendar year (the “Performance Allocation”). A Performance Allocation is also made to amounts withdrawn, as of the effective time of the withdrawal or redemption by Limited Partners.

These Performance Allocations are subject to a “high water mark” under which the General Partner receives an Incentive Allocation only to the extent the net income allocated to a Limited Partner’s capital amount exceeds any net losses previously allocated to it since the date the last Incentive Allocation was assessed (or the original date of contribution if no Incentive Allocation has previously been assessed).

Dragonfly may cause certain of the Funds to purchase interests in in other Funds, in order to gain exposure to certain Digital Assets. Dragonfly may have incentive to make such purchases in order to receive additional Management Fees and Performance Allocations. To mitigate this potential conflict of interest, the Funds have entered into agreement whereby a Fund’s investment will not be subject to the Management Fees or Performance Allocation of the Fund in which an interest was purchased.

**It should be noted that any Fund launched by Dragonfly after the date of this brochure may have materially different terms than those summarized above and any terms for any existing Funds may be amended from time to time. The fees for each Fund are described in more detail in each Fund’s Governing Documents.**

### **Item 5.B.**

Dragonfly or an affiliate deducts its fees and compensation from the Funds’ accounts by instructing the Funds’ administrator to facilitate such deductions. Fees and compensation from the Funds are collected at the frequency discussed above for the Management Fee and Performance Allocation in response to Item 5.A.

### **Item 5.C.**

Except as disclosed in the Funds’ Governing Documents, Dragonfly or the General Partner bear its own separate expenses arising out of its services to the Fund, including all of its general overhead expenses including the rent of its offices, compensation and benefits of its staff, maintenance of its books and records, and its fixed expenses, telephones, and general-purpose office equipment, but are not responsible for any expenses of the Funds.

#### *Organizational Expenses*

Each Fund will bear its own organizational expenses, which, in certain of the Funds, are subject to specific thresholds.

## *Expenses of the Funds*

The Funds will bear all expenses that are incidental to the operations and business and its pro rata share, as a Limited Partner of the Funds, which generally include, but are not limited to:

(i) Expenses incurred in the buying, selling and holding of portfolio investments for the Funds' investment programs, such as all taxes, administrative expenses, as well as all expenses that Dragonfly reasonably determines to be directly related to the evaluation, acquisition, holding or disposition of the Funds' assets (whether incurred by the Firm or others), such as: (A) brokerage and commission expenses (including clearing and settlement charges); (B) margin, premium and interest expenses; (C) out-of-pocket expenses related to investments and potential investments, including travel expenses; (D) research (including related travel expenses and any expenses associated with participation at industry conferences), monitoring, data, software and related equipment expenses; (E) expenses, if any, incurred directly or indirectly through a service provider in connection with any Digital Asset mining or staking operations, including the costs of hardware, software, energy consumption, internet connections, leasing of space and maintenance and other operating and replacement costs and any fees or compensation paid to such service provider; (F) consultant expenses (including the remuneration of members of the advisory board of the Firm); (G) fees, charges and disbursements of custodians and sub-custodians; (H) fees, charges and disbursements of escrow agents; (I) fees and expenses relating to any special purpose investment vehicle or other subsidiary used to facilitate a transaction; (J) fees and expenses relating to investment transactions not consummated; and (K) fees and expenses relating to reorganizations, restructurings and workouts involving the Funds' investments;

(ii) The cost of maintaining the Firm's and the Funds' registered office;

(iii) Governmental, regulatory, licensing, filing or registration fees and service provider fees incurred in connection with the Firm's or Funds' respective regulatory, legal or compliance obligations (such as costs and expenses, including fees and expenses of third-party compliance consultants, incurred in connection with the preparation or filing by the Firm of various filings or registrations with, or licenses obtainable from, any federal, state or local, non-U.S. or multi-national governmental, regulatory, self-regulatory or other authority, including Form ADV), in each case to the extent relating to the Firm's activities on behalf of the Funds;

(iv) Insurance Expenses;

(v) Fees and expenses related to accounting, middle/back-office services, bookkeeping, reconciliation, data aggregation, trade processing reporting, monitoring, quality control or other services provided to the Funds or to or by the Firm relating to its activities on behalf of the General Partner and the Funds, including fees of the Funds' service providers retained to provide any such services or of the Firm incurred to shadow or monitor such services;

(vi) Legal, accounting, auditing, banking, tax-preparation and valuation expenses;

(vii) All financing costs, including interest and fees on borrowing of (or commitments to lend) cash or securities;

(viii) Any withholding or transfer taxes imposed on any of its Limited Partners and the Funds or any of its Limited Partners;

(ix) Expenses incurred in connection with the offering and provision of services to existing Limited Partners, including (A) preparation, modification, duplication and distribution to Limited Partners and prospective Limited Partners, annual reports and other financial information, and (B) travel expenses incurred in connection with conducting the ongoing offering (including such expenses that may be

incurred by the General Partner, the Firm or their respective affiliates when visiting existing or prospective Limited Partners, attending conferences providing opportunities to market to prospective Limited Partners and negotiating side letters or similar arrangements with existing or prospective Limited Partners);

(x) Expenses incurred in connection with any distributions;

(xi) Expenses incurred in connection with any indemnification obligation of the Funds;

(xii) Extraordinary or non-recurring expenses, including expenses incurred in connection with any litigation, government investigation or dispute in connection with the business of the Firm or the Funds and the amount of any judgement or settlement paid in connection therewith, or the enforcement of the Funds' rights against any person;

(xiii) All expenses incurred in connection with the reorganization, dissolution, winding up or termination of the Firm and the Funds;

(xiv) The expenses of holding any meetings of the Limited Partners and meetings of the Limited Partners of the Fund;

(xv) The costs of and expenses of the Funds' anti-money laundering compliance and reporting officers; and

(xvi) Any other expenses that the Firm shall reasonably determine to be necessary, appropriate, or advisable to carry on the business of the Funds to realize their objectives.

The Funds will incur brokerage and transaction costs, which are discussed in Item 12 below.

#### **Item 5.D.**

As discussed above in response to Item 5.A., the Management Fee of each of the applicable Funds is payable monthly in advance.

#### **Item 5.E.**

Neither Dragonfly, nor any of its supervised persons, are compensated for the sale of securities or other investment products or mutual funds. Additionally, Dragonfly does not charge advisory fees in addition to commissions or markup fees for the purchase and sale of securities for the Funds' portfolios.

---

### **Item 6: Performance-Based Fees and Side-by-Side Management**

---

Dragonfly The or an affiliate, in its role as General Partner of a Fund, may receive a performance-based fee in the form of a Performance Allocation, as discussed in response to Item 5.A. Dragonfly understands that there exist certain potential conflicts of interest associated with the presence of performance-based fees. Such a fee may create an incentive for Dragonfly to cause the Funds to make investments that are riskier or more speculative than would be the case if there were no performance fee. Performance-based compensation may vary with respect to the Funds and any special purpose vehicles, which may create an incentive to favor Funds that pay higher performance-based compensation in the allocation of investment opportunities. However, Dragonfly advises each of the Funds in accordance with its investment strategy and any allocation restrictions set forth in each Funds' Governing Documents so that Limited Partners in the Funds are aware of the applicable investment strategy, restrictions, and risks.



Additionally, Dragonfly has established policies and procedures designed to address potential conflicts of interest relating to the side-by-side management of pooled investment vehicles and special purpose vehicles used for co-investment where the performance-based compensation varies, including the allocation of investments and opportunities. Dragonfly reviews the portfolio holdings of each Fund to determine whether any patterns exist which indicate improper allocation, or whether there is any other indication of impropriety. Dragonfly's procedures require fair and equitable treatment in light of the relevant circumstances for the allocation of limited opportunities among Funds.

---

## **Item 7: Types of Funds**

---

Dragonfly's Funds are privately offered pooled investment vehicles, which are intended for investment by certain Limited Partners that are accredited investors under Rule 501 of Regulation D of the Securities Act of 1933, as amended, and are typically Qualified Purchasers under Section 2(a)(51) of the Investment Company Act of 1940, as amended, in reliance on with the exemption under Sections 3(c)(1) and 3(c)(7) of the Company Act. Dragonfly's Funds generally have a minimum investment amount of \$1 million. The General Partner or an affiliate may change the minimum investment amount with respect to any Limited Partners at its discretion.

---

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

---

### **Item 8.A.**

**The Funds may be deemed to be a highly speculative investment and are not intended as a complete investment program. The Funds are designed only for sophisticated persons who can bear the economic risk of the loss of their investments in the Funds and who have a limited need for liquidity in their investment. There can be no assurance that the Funds will achieve their investment objective or that substantial losses will not be incurred. Each prospective limited partner in a Fund should carefully review the applicable Fund's Governing Documents and the agreements referred to therein prior to deciding to invest in the Funds.**

### *Investment Strategy*

As noted in Item 4.B., the Firm employs two investment strategies on behalf of the Funds, both of which are focused on Digital Assets. Dragonfly invests in Digital Assets, as well as Digital Asset derivatives and other instruments, that the Firm believes present both attractive beta and alpha opportunities, in an unconstrained way across all parts of the market and all trading strategies. This includes, but is not limited to, fundamental and technical analysis, monitoring of exchange activity and market sentiment, application of behavioral finance and an understanding of market psychology, algorithmic execution, thematic investing, event driven strategies, statistical arbitrage, leverage, activist investing, early stage investing, market neutral and non-directional strategies, quantitative and systematic strategies, and other such investment and trading strategies as deemed appropriate. The Funds will seek to implement strategies in a thoughtful way through professional portfolio management to maximize return while managing risk.

Certain of the Funds, however, are not limited with respect to the types of investment strategies it may employ, the markets or instruments in which it may invest. Depending on the conditions of the Digital Asset market, Dragonfly or the applicable General Partner may alter its investment strategy and/or employ different techniques that it considers to be appropriate and in the best interest of the Fund. The Governing Documents do not impose any limits on the specific types of investments in which the Fund may invest, the types of positions it may take, the concentration of investments by sector, industry, issuer, counterparty,

service, country, asset class or otherwise. Depending on conditions and trends, the Fund may pursue any strategies or employ any techniques that Dragonfly or the General Partner considers appropriate and, in the Fund's best interests.

## **Items 8.B. and 8.C.**

### *Risks of Investment in the Funds*

**The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Each Limited Partner and prospective Limited Partner in a Fund should carefully review the applicable Fund's Governing Documents and the agreements referred to therein for risks involved in an investment in the Funds.**

**Risk of Loss.** A Limited Partner could incur substantial, or even total, losses on an investment in the Funds. Investment in the Funds are only suitable for persons willing to accept this high level of risk.

**Limited Operating History.** Although the principals of the Firm have experience and background in the investment industry, as well as experience personally investing in Digital Assets, the Funds have limited operating history upon which prospective Limited Partners can evaluate their likely performance. There can be no assurance that the Funds will achieve their investment objectives. **Past performance is not indicative of future results.**

**Start-Up Periods.** The Funds may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. The start-up periods represent a special risk in that the level of diversification of the Funds' portfolios may be lower than in a fully invested portfolio, among other risks associated with those periods.

**Dependence on the General Partner; No Control by Limited Partners.** The General Partner has broad management discretion over the business of the Partnership. No Limited Partner, in such person's capacity as a Limited Partner, may participate in the conduct or control of the business of the Funds, except as otherwise provided in the limited partnership agreement. Any investment decision made on behalf of the Funds will be in the sole and absolute discretion of the General Partner and the Funds. Accordingly, Limited Partners will be entirely dependent upon the judgement of the General Partner and the Funds to appropriately deploy and manage the capital of the Funds. No assurance can be given that the Funds will be successful or that the objectives of the Funds will be achieved.

**Dependence on Key Personnel.** The Firm is dependent on the services of its principals and key personnel. The success of the Funds will depend to a great extent on the investment skills of the Firm's principals and key personnel. The Funds could be adversely affected if, because of illness, resignation or other factors, the services of the relevant people were not available for any significant period of time.

**Governmental and Regulatory Scrutiny; Litigation and Regulatory Risks.** Dragonfly 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 Dragonfly's senior management from the business of the Funds. In addition, commencement of a lawsuit or regulatory proceeding against a Fund or Dragonfly,

regardless of the eventual outcome, could adversely affect the reputation of the Funds and of Dragonfly and could result in the imposition of penalties or limit the ability of Dragonfly 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 Dragonfly'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 Dragonfly 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.

**No FDIC or SIPC Protection.** Assets held by the Funds are not subject to Federal Deposit Insurance Corporation (“FDIC”) or Securities Investor Protection Corporation (“SIPC”) protections. Each of the Funds is not a banking institution or otherwise a member of the FDIC or SIPC and, therefore, deposits held with or assets held by such Fund are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. While private insurance may be available at times, the undivided interest in each assets represented by Interests in the Fund are not insured.

**Changes in Investment Strategies.** Dragonfly has broad discretion to expand, revise or contract the Funds' business with or without the consent of Limited Partners. The Funds' investment strategies may be altered, with or without prior approval by, or notice to, the investors if the Firm determines that such

change is in the best interest of the Funds. Additionally, for certain of the Funds, the Firm may not cause the Fund to invest in assets other than those described in such Fund's offering and governing documents.

**Undisclosed Investing Strategy.** Dragonfly's investment strategy and the techniques that will be employed to achieve the Funds' goals are proprietary and will not be disclosed to potential Limited Partners. As a result, potential Limited Partners' decision to invest in the Funds must be made without the benefit of being able to review and analyze Dragonfly's strategy and techniques.

**Lack of Liquidity and Transferability.** The Funds' redemption provisions place certain restrictions on the right to redeem all or part of, transfer, pledge or otherwise encumber Funds interests. Thus, it is unlikely that a holder of Fund interests will be able to liquidate such Fund interests in the event of an unanticipated need for cash. Fund interests may not be transferred or pledged except in compliance with significant restrictions on transfer as required by federal and state securities and commodities laws and as provided in each Fund's Governing Documents. The Governing Documents do not permit a Limited Partner to transfer or pledge all or any part of its Fund interests to any person without the prior written consent of the General Partner, the granting of which is in the General Partner's sole discretion; provided, however, that the General Partner shall not unreasonably withhold its consent to such transfer. These limitations, taken together, will significantly limit a Limited Partner's ability to liquidate an investment in a Fund quickly. As a result, an investment in a Fund would not be suitable for a Limited Partner who needs liquidity.

In addition, a Fund may invest part of its assets in investments that the General Partner or Dragonfly believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstances (i.e., "Side Pocket Investments"). A Fund may not be able to readily dispose of Side Pocket Investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time. For accounting purposes, Side Pocket Investments and other assets and liabilities for which no such market prices are available (including loans) will generally be carried on the books of a Fund at fair value as reasonably determined by the General Partner or Dragonfly. 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 Limited Partner with an interest in a Side Pocket Investment will not receive any amount with respect to such interest until the related Side Pocket Investment is realized or deemed realized.

**Asset Valuation.** Dragonfly and the General Partners have substantial 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 Blockchain Company is generally determined pursuant to the Blockchain Company's valuation procedures, and reported by the relevant Blockchain 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 Dragonfly's recommendations or instructions to a Fund's administrator. Dragonfly will value any security, digital currency or Digital Asset in accordance with Dragonfly's valuation policy. Dragonfly 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 Dragonfly 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 Dragonfly or the applicable General Partner if Dragonfly or that General Partner determines that a significant and unusual circumstance with an investment warrants a downward net asset value adjustment. Dragonfly 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 Distributions.** The Funds expect to distribute cash to Limited Partners upon a withdrawal. However, there can be no assurance that the Fund will have sufficient cash to satisfy withdrawal requests, or that it will be able to liquidate investments at the time of such withdrawal request at favorable prices. Although the Funds do not currently intend to make distributions in-kind, Limited Partner may receive in-kind distributions from a Fund and any such investments so distributed may not be readily marketable or saleable and may have to be held by such Limited Partner for an indefinite period of time. The risk of loss and delay in liquidating these distributed investments will be borne by the Limited Partners.

**Effect of Substantial Withdrawals.** Substantial withdrawals by Limited Partners within a short period of time could require a Fund to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of such Fund's assets and/or disrupting such Fund's investment strategies (but not generally those assets which are allocated to a Side Pocket Investment). Reduction in a Fund's size could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in such Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

**Suspension of Withdrawals and Deferment of Withdrawal Process.** In certain circumstances, the Firm in its discretion, may suspend the valuation of the Funds' property, the right or obligation to redeem interests, or extend the period for payment on withdrawals. In addition, the Firm may suspend the right of withdrawal or postpone the date of payment for any period during which there is an extraordinary circumstance as determined in good faith by the Firm.

**Allocations of Investments by the Funds.** The Affiliated Parties may give advice or take action with respect to such other entities or accounts that differs from the advice given with respect to a Fund. As such, conflicts of interest may arise in that other entities or accounts managed by the Affiliated Parties may compete with the Funds for investments. Conversely, conflicts of interest may arise when other entities or accounts managed by the Affiliated Parties are indirectly benefited by a Fund's investments and/or other activities conducted by the Fund in connection with its investments. To the extent a particular investment is suitable for a Fund and other clients of the Affiliated Parties, such investments may be allocated between the Fund and the other clients in some manner that Dragonfly determines is fair and equitable under the circumstances to all clients, including the Fund. In furtherance of the foregoing, Dragonfly will consider participation in all appropriate opportunities within the purpose and scope of each Fund's objectives which are under consideration, and Dragonfly will evaluate such factors as it considers relevant in determining whether a particular situation or strategy is suitable and feasible for each Fund. Dragonfly is not obligated to purchase or sell for each Fund every security or other investment which Dragonfly may purchase or sell for the accounts of other Fund, if such a transaction or investment appears unsuitable, impractical or undesirable for a Fund.

Dragonfly may use other allocation methods such that there can be no assurances that an investment opportunity which comes to the attention of the Affiliated Parties, including investment opportunities that may be appropriate for a Fund, will not be allocated wholly or primarily to one or more clients of the Affiliated Parties, with a Fund being unable to participate in such investment opportunity or participating only on a limited basis. If, in the discretion of Dragonfly, a Fund and/or one of more clients of the Affiliated Parties, should not participate in a particular investment opportunity due to one or more other such considerations, such investment opportunity will be allocated only to any such client not affected by such considerations. To the extent an investment is not allocated pro rata, a Fund could incur a disproportionate amount of income or loss related to such investment relative to the other clients of the Affiliated Parties.

**Effect of Performance Allocation.** The General Partner will receive a performance allocation from a Fund based on a percentage of any net realized and unrealized profits (other than those assets attributable to Side Pocket Investments). Performance allocations may create an incentive for Dragonfly to make investments that are riskier or more speculative than would be the case in the absence of such incentive

compensation arrangements.

**Digital Assets.** Digital Assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, 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 Assets is generated by speculators and Limited Partners seeking to profit from the short or long-term holding of Digital Assets. Many Digital Assets will derive their speculative value from the perceived usefulness of the blockchain networks to which they are attached, as many are designed to be consumed in transactions that record data or provide access to certain functionality on these networks. The relative lack of acceptance of Digital Assets beyond their own blockchain networks in the retail and commercial marketplace limits the ability of end-users to pay for other goods and services with Digital Assets. A lack of expansion by Digital Assets or use of their underlying blockchain networks into retail and commercial markets, or a contraction of such use, may result in increased volatility.

Several factors may affect the price of Digital Assets, including, but not limited to: supply and demand, Limited Partners' expectations with respect to the rate of inflation, interest rates, currency exchangerates or future regulatory measures (if any) that restrict the trading of Digital Assets or the use of Digital Assets. There is no assurance that Digital Assets will maintain their long-term value in terms of purchasing power in the future, or that acceptance of Digital Assets by mainstream retail merchants and commercial businesses, or by Limited Partners, or by institutions, or other adoption throughout the world will continue to grow.

**Trade Aggregation.** For open-end funds, when it is determined that it would be appropriate for a Fund and one or more other investment accounts managed by the Affiliated Parties to participate in an investment opportunity, Dragonfly will seek to execute orders for all of the participating investment accounts, including the Fund, on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, tax and regulatory concerns, and the investment programs and portfolio positions of the Fund and the affiliated entities for which participation is appropriate. 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 account cannot be fully executed under prevailing market conditions, Digital Assets and/or securities may be allocated among the different accounts on a basis which Dragonfly considers equitable.

**Decentralized Finance and DeFi Staking.** The primary focus of certain Funds' investment strategy will be on investments within the decentralized finance ecosystem of Digital Assets ("DeFi"). DeFi refers to projects and protocols that seek to re-create traditional financial products and services in decentralized form, i.e., without a centralized party or intermediary as would typically exist in the traditional financial services industry. It may also entail building entirely new financial products and services, as might be enabled through the advent and proliferation of Digital Assets. Funds may invest in DeFi opportunities that do not yet exist, but that fit within the overall strategy of a Fund. Certain Funds may opportunistically engage in DeFi staking from time to time in an attempt to maximize Limited Partner's returns. Staking will expose the Funds' assets to smart contracts on Digital Asset blockchains. Smart contracts are high risk and may result in losses stemming from errors, bugs or other failures. Additionally, DeFi staking provides no guarantee of return nor are there efficient ways to insure against such risks. Smart contract insurance does exist provided by platforms but may not cover the assets or opportunities utilized by the Funds. Additionally, these insurance markets are built on smart contracts as well which poses their own set of unique risks. The Funds may engage in these activities but in no way promises they act as an efficient hedge or mitigate of the relevant risks.

**Liquidity Risk.** Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Funds from selling out of these illiquid investments at an advantageous price. The Funds may make investments that are subject to legal or other restrictions on transfer and for which no liquid market exists, such as private placements. There is no public market for such investments, and it may be

impossible to sell such investments when desired or to realize their fair value in the event of a sale. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid.

**Hedging Transactions.** Dragonfly on behalf of the Funds will not, in general, attempt to hedge all market or other risks inherent in a Fund's portfolio positions, and will hedge certain risks, if at all, only partially. The Funds may choose not, or may determine that it is economically unattractive, to hedge certain risks – either with respect to particular positions or with respect to its overall portfolio. The Funds' portfolio composition will commonly result in various directional market risks remaining unhedged. Even if Dragonfly is successful in reducing or controlling risk through hedging, the cost of hedging may have the effect of reducing returns. Furthermore, it is possible that Dragonfly's hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses.

**Diversification Policies.** The Funds have no diversification policies and may concentrate investments in particular types of positions. The Funds will have a non-diversified portfolio, with all the Funds' assets directly or indirectly invested in Digital Assets. Such lack of diversification substantially increases the risk of loss associated with an investment in the Funds versus that of a portfolio that is invested in a more diversified manner.

**Digital Asset Trading is Volatile and Speculative.** Digital Assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, 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 Assets is generated by speculators and limited partners seeking to profit from the short or long-term holding of Digital Assets. A lack of expansion by Digital Assets into retail and commercial markets or other use cases, or a contraction of such use, may result in increased volatility.

**Risk of Loss of Private Key.** Various Digital Assets are controllable only by the possessor of unique private keys relating to the addresses in which the Digital Assets are held. The theft, loss or destruction of a private key required to access a Digital Asset 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 Assets could result in the loss of the Digital Assets and a Limited Partner could incur substantial, or even total, loss of capital.

**Risk of Loss Due to Incapacitation of Key Personnel.** In certain instances, the principals of Dragonfly are the sole individuals in possession of the unique private keys required to access the Digital Assets held by the Funds. The incapacitation of a principal could likely result in the loss of private keys and, consequently, the loss of access to the Digital Assets held by the Funds. In the event of both incapacitation of the principals and failure of any disaster recovery plan, Limited Partners could incur substantial, or even total, loss of capital.

**Technology and Security.** The Funds must adapt to technological change in order to secure and safeguard Fund accounts. While Dragonfly believes it has developed an appropriate security system reasonably designed to safeguard the Funds' Digital Assets from theft, loss, destruction or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats. As technological change occurs, the security threats to the Funds' Digital Assets will likely adapt and previously unknown threats may emerge. To the extent that a Fund is unable to identify and mitigate or stop new security threats, such Fund's Digital Assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of such Fund or result in loss of such 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 the Firm believes it has developed an appropriate security system, it is not impenetrable and may not be free from defect, and any loss due to a security breach or software defect will be borne by the Funds, absent gross negligence, willful misconduct or fraud on the part of the Firm.

**Operational and Information Security risk from Software or Cyber Failures.** A software or cyber failure refers to both intentional and unintentional events that may cause a business to lose proprietary information, suffer data corruption or lose operational capacity. The Firm and its Fund and their service providers may be prone to operational and information security risks resulting from software or cyber failures. Cyber failures include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber security breaches. The Firm and its Funds and their service providers may incur additional costs related to cybersecurity management and preparations, and such preparations, though taken in good faith, may be inadequate. Cybersecurity failures are viewed as a developing risk, and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

**Trading on Digital Asset Networks.** The Funds will convert U.S. dollar contributions made by Limited Partners to Digital Assets over specific networks, as applicable. Each may use certain Digital Assets to purchase other Digital Assets. Many Digital Asset networks are online end-user-to-end-user networks that host a public transaction ledger, known as the blockchain, and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many Digital Asset transactions, the recipient of the Digital Asset must provide its public key, which serves as an address for a digital wallet, to the party initiating the transfer. In the data packets distributed from Digital Asset software programs to confirm transaction activity, each Digital Asset user must "sign" transactions with a data code derived from entering the private key into a "hashing algorithm," whose signature serves as validation that the transaction has been authorized by the owner of such Digital Asset. This process is vulnerable to hacking and malware, and could lead to theft of a Fund's digital wallets and the loss of such Fund's Digital Assets. Many Digital Asset exchanges have been closed due to fraud, failure or security breaches.

**Intellectual Property Rights Claims May Adversely Affect the Operation of Digital Asset Networks.** Third parties may assert intellectual property claims relating to the operation of various Digital Assets and their source codes 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 a Digital Asset's long-term viability or the ability of end-users to hold 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 a Digital Asset network or holding or transferring their Digital Assets, which could force the Fund to terminate and liquidate its Digital Assets (if such liquidation of a Fund's Digital Assets is possible). As a result, an intellectual property claim against the Fund could adversely affect an investment in such Fund.

**Initial Coin Offerings Risk.** Each Fund may invest some of its Digital Assets in initial coin offerings ("ICOs"). ICOs allow for Limited Partners to purchase certain Digital Assets offered or created by blockchain based companies on various platforms in exchange for dollars or already established Digital Assets which can then be converted to dollars on a Digital Asset exchange. Prior to an ICO, many blockchain based companies offer presale tokens or Digital Assets. Presale tokens or currencies may be sold or used to buy additional tokens or currencies at a later point in time for a potentially higher value than originally purchased for. The Funds may invest in all stages, including presale rounds of ICOs. ICOs and various token presales are currently unregulated and are subject to fraud, security breaches, regulatory developments, enforcement actions, and technological developments. There is no guarantee that the token or currency purchased will have any value or worth. ICOs can at any point become subject to federal and state securities laws, federal commodity laws, and various international regulations, among other



restrictions. The Securities and Exchange Commission (“SEC”) has issued a release stating that, depending on the specific facts and circumstances of the Digital Asset in question, some ICOs may fall under securities regulation. Such future restrictions may have an adverse impact on a Fund’s assets or on such Fund’s ability to sell its assets. As Limited Partners can purchase new tokens with already existing Digital Assets, investments in ICOs and presales subject the Funds to all risks associated with Digital Assets in general.

**Stolen or Incorrectly Transferred 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 Assets or a theft of 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 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 which has received such Fund’s Digital Assets through error or theft, such Fund will be unable to revert or otherwise recover incorrectly transferred 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 such Fund.

**Risk to Digital Asset Networks from Malicious Actors.** If a malicious actor 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 Asset networks, it may be able to alter the blockchain on which the Digital Asset transaction relies by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the Digital Asset 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 Assets or transactions using such control. Using alternate blocks, the malicious actor could double spend its own 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 Asset networks or the Digital Asset 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 Fund to transact.

**Counterparty Risk.** Some of the markets in which Dragonfly may affect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of “exchange-based” markets. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, might not be available in connection with such OTC transactions. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Dragonfly is not restricted from dealing with any particular counterparty or from concentrating any or all of a Fund’s transactions with one counterparty. The ability of the Funds 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 the Funds.

**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. Dragonfly 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, the Funds, Dragonfly, and/or the General Partners may be required to register and comply with additional regulation under the Commodity Exchange Act of 1936, as amended. Moreover, Dragonfly and/or the General Partners may be required to register as a commodity pool operator and to register the Fund as a commodity pool with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary, non-recurring expenses of the Funds. If Dragonfly and/or the General Partners determine not to comply with such additional regulatory and registration requirements, the Funds will terminate and liquidate at a time that may be disadvantageous to Investors.

**Qualified Custodians and the Custody Rule.** 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 provide less security for the Funds’ assets than a cold storage or self-custody solution. Depending on the Funds’ 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. In the event future guidance or regulations with respect to the Custody Rule extend to Digital Assets, the Funds may be adversely affected. Dragonfly has full discretion to determine the appropriate custody solutions to safeguard the Funds’ 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.

**Foreign Investments.** The Venture 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 Venture 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 Venture Fund may incur costs in connection with conversions between various

currencies.

**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.

**Epidemic or Pandemic Considerations:** As of the date of this Brochure, the Coronavirus (or "COVID-19") is an ongoing international epidemic. This, or some future epidemic or pandemic, may have a negative impact on economic fundamentals including disruption of global supply chains, consumer confidence, tourism and/or the performance of essential government services. There is a risk that an investment could be, directly or indirectly, affected by one or more outbreaks of disease and its subsequent negative impact. Specifically, the effects of a pandemic such as COVID-19 may materially and adversely impact the value and performance of any of Dragonfly's Funds and their investment objectives.

**Business Continuity and Disaster Recovery.** Dragonfly's business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and/or prolonged power outages. Although Dragonfly has implemented various measures to manage risks

relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Funds may be adversely affected.

---

**Item 9: Disciplinary Information**

---

There are no material legal or disciplinary events related to Dragonfly.

---

**Item 10: Other Financial Industry Activities and Affiliations**

---

**Item 10.A., 10.B. and 10.C.***Material Relationships or Arrangements with Industry Participants*

Dragonfly does not have any material relationships that it believes present a material conflict of interest. Dragonfly or its affiliates, may manage funds for individuals or other entities, either directly in managed accounts or indirectly through pooled investment vehicles. These accounts or other entities may utilize investment and/or trading strategies similar to or different from the Funds, may pay different fees than the Funds, and may contain terms and conditions different from those of the Funds. Dragonfly is not required to share with the Funds or any Limited Partners any portion of any profits or proceeds realized from such other activities.

This may result in conflicts of interest in allocating time and resources among the Funds and such other business activities, although the Funds will have access to the managers of Dragonfly on an as-needed basis. Additional conflicts of interest between the Funds and these entities could exist, including with respect to the allocation of investment opportunities among the Funds and such other entities.

**Item 10.D.***Personal Interests in Other Funds and Businesses*

Dragonfly employees may have ownership interests in the Funds, third-party managed funds, or businesses and therefore may have an incentive to favor those funds or businesses, including businesses in the financial industry, (and therefore themselves) over certain of the Funds. Dragonfly has implemented policies and procedures designed to mitigate potential conflicts of interests and that seek to ensure that the Funds are treated fairly and ensure that investment professionals act in the best interests of a Fund, including policies and procedures discussed in Item 11 below.

Dragonfly does not recommend or select other investment advisers for its Funds.

---

**Item 11: Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading**

---

**Item 11.A.**

Dragonfly has adopted a Code of Ethics (the “Code”) under Rule 204A-1 under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) designed to provide that Dragonfly employees comply with applicable federal securities laws. The Code addresses, among other things, Dragonfly’s standard of business conduct, requirements and restrictions relating to personal securities trading, policy regarding political contributions, policy regarding gifts and entertainment and confidentiality. Dragonfly employees must acknowledge, both initially upon employment and annually thereafter, in writing having

received and read a copy of the Code. The Code requires all employees to report personal securities holdings (initially and annually) and certify quarterly personal trading activity. The Code places certain restrictions on employees when transacting in the same investments as the Funds. The Code is monitored by Dragonfly's Chief Compliance Officer and any exceptions to the Code need prior approval by Dragonfly's Chief Compliance Officer.

A copy of Dragonfly's Code of Ethics is available to investors in the Funds and prospective investors upon their individual request.

#### **Items 11.B., 11.C., and 11.D.**

Dragonfly, as a fiduciary, endeavors to always make decisions in the best interest of its Funds if a conflict of interest arises between Dragonfly's transactions on behalf of its Funds and those of Dragonfly's personnel and related persons. In order to monitor any conflict of interest, Dragonfly employees are required to pre-clear certain contemplated transactions in their personal accounts which may present the appearance of impropriety and must disclose on an initial and annual basis the holdings of all personal accounts, as well as all transactions on a quarterly basis.

From time to time, Dragonfly recommends to its Funds Digital Assets that a related person, such as a person with ownership interest in the Firm, has a financial interest in, or to which a related person serves in a business advisory role which may provide them with compensation or other benefit. Additionally, an employee or related person may invest in a Digital Asset at or about the same time that Dragonfly recommends the investment to a Fund. These recommendations present a conflict of interest resulting from the possibility that related persons or employees might benefit from market activity by a Fund in a security held by a related person or employee.

When making recommendations of such Digital Assets to Fund accounts, Dragonfly will consider all relevant factors including without limitation Funds' investment objectives, the availability of the Digital Assets in the marketplace, and the potential effect on the Funds of executing purchase and sale transactions in the underlying Digital Assets in the marketplace.

Dragonfly employees are permitted to maintain ownership interests in the Funds. While the Firm believes that such ownership activity provides for common rather than conflicted investment interests, Limited Partners should be aware of the potential for ownership and transactions in Funds by Dragonfly employees, which creates the risk that employees may seek to favor certain Funds or certain transactions in which they have ownership interest. Transactions in Funds by Dragonfly employees are subject to the pre-clearance requirements of the Code.

Dragonfly's Chief Compliance Officer, or his designee, reviews employee trading under the Code to reasonably detect and mitigate conflicts of interest between Dragonfly and its Funds. Also, for this purpose, the Chief Compliance Officer, or his designee, monitors transactions that Dragonfly makes of Digital Assets in which a related person has a financial interest, to which they serve in an advisory role, or from which they obtain compensation or other benefit, as applicable.

---

#### **Item 12: Brokerage Practices**

---

##### **Item 12.A.1.**

The Funds intend to make portfolio investments that will be privately placed, on digital exchanges or over the counter ("OTC") without the use of a broker-dealer. In the event Dragonfly requires the services of a

broker-dealer, Dragonfly will seek to obtain the best execution for all transactions.

To inform Dragonfly's decisions in placing transactions with digital exchanges or in assessing the quality of an OTC counterparty, Dragonfly considers the following factors: speed, ability to handle various trades and orders, liquidity, reliability, transaction fees, pricing, customer services, security and geography, among other criteria.

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

**Item 12.A.2.**

Dragonfly does not participate in selecting or recommending broker-dealers in exchange for Fund referrals.

**Item 12.A.3.**

Dragonfly does not engage in directed brokerage by its Funds.

**Item 12.B.**

Dragonfly may face actual or potential conflicts of interest when allocating investment opportunities among the Funds. The general policy of Dragonfly is to allocate investment opportunities among the applicable Funds in a fair and equitable manner and in accordance with the terms of its policies and the applicable Governing Documents for such Funds. In the event that multiple Funds have the rights to a specific investment, as provided in such Fund's Governing Documents, the Firm shall allocate such investment in accordance with the Firm's investment allocation policy.

---

**Item 13: Review of Accounts**

---

**Items 13.A. and 13.B.**

Fund holdings are reviewed on a regular basis by Dragonfly's investment personnel to determine their conformity with their risk parameters, investment objectives, and guidelines. Dragonfly regularly monitors the portfolio investments of the Funds. Dragonfly's investment personnel periodically convene to evaluate each position's conformance with the relevant Fund's offering memorandum and any investment limitations, restrictions or risk parameters.

**Item 13.C.**

Dragonfly will generally provide each Limited Partner in the Funds a written unaudited report of the performance of each Fund in which they are a Limited Partners on a quarterly basis. Additionally, Limited Partners in the Funds will receive written audited year-end financial statements prepared by independent accountants using U.S. generally accepted accounting principles.

---

**Item 14: Fund Referrals and Other Compensation**

---

**Item 14.A.**

Dragonfly does not receive an economic benefit, directly or indirectly from any third party for advisory or other services rendered to the Funds.

**Item 14.B.**

Neither Dragonfly nor any related person directly or indirectly compensate any person who is not a

supervised person for Fund referrals. However, Dragonfly has in the past, and may in the future, use an unaffiliated third-party placement agent for investor referrals.

---

#### **Item 15: Custody**

---

In accordance with Rule 206(4)-2 under the Advisers Act, the Funds will be subject to an annual audit by an independent public accountant registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board and audited financial statements of each Fund will be prepared in accordance with the U.S. generally accepted accounting principles and distributed to Limited Partners on an annual basis. Limited Partners should carefully review the audited financial statements of the Funds upon receipt and should compare these statements to any account information provided by Dragonfly.

With respect to Digital Assets, Dragonfly will use qualified custodians, self-custody methods and devices, software wallets and/or offline key generation methods and devices to maintain assets held by Funds. Additionally, the Firm may use multi party computation or other key sharing methods for custody of certain assets and/or hold on hardware wallets where appropriate. In addition, Digital Assets are held at exchanges, which take various measures to safeguard the Digital Assets held by such exchanges. Although Dragonfly is not a qualified custodian under the meaning of Rule 206(4)-2 under the Advisers Act, the Firm has developed policies and procedures for safekeeping of Digital Assets that it self-custodies that it believes are consistent with the objectives of the Advisers Act's custody provisions. The nature of custodial arrangements, and associated risks, are also described in the Governing Documents for the relevant Funds.

---

#### **Item 16: Investment Discretion**

---

Through either an investment advisory agreement or a sub advisory agreement applicable to each Fund, Dragonfly accepts discretionary authority to manage portfolios on behalf of Funds and therefore determine which Digital Assets and the amounts of Digital Assets it buys and sells for the Funds. This authority has been granted to Dragonfly by means of the execution of the relevant organizational and/or advisory agreements that set forth the scope of Dragonfly's discretion with respect to each of the Funds.

---

#### **Item 17: Voting Fund Securities**

---

##### **Item 17.A.**

Dragonfly generally has proxy voting authority with respect to securities held by the Funds due to the fact that it has discretionary authority over the securities held by the Funds. Although it is unlikely that Dragonfly will receive proxies based on its current and anticipated investments, the Firm understands its fiduciary responsibility to its Funds to vote the proxies of any securities the Firm may manage in Fund accounts. Accordingly, Dragonfly has adopted proxy voting policies and procedures to vote proxy proposals, amendments, consents or resolutions (collectively, "proxies") relating to the Funds' investments. The Funds, Limited Partners, or other funds generally cannot direct the proxy voting of Dragonfly. Dragonfly understands its fiduciary responsibility to monitor corporate events and to vote or not vote proxies and cast votes in the best economic interests of its Funds and their Limited Partners, and not to put these interests second to its own economic interests. Conflicts may arise between the interests of the Funds and their Limited Partners versus the interests of Dragonfly and its affiliates. In such cases, Dragonfly will address each such conflict, and endeavor to resolve it in a fair and equitable basis.

A copy of Dragonfly's proxy voting policies and procedures and applicable proxy voting records by

contacting Dragonfly's Chief Compliance Officer.

**Item 17.B.**

As noted above, Dragonfly has authority to vote securities held in the Funds' portfolios.

---

**Item 18: Financial Information**

---

**Item 18.A.**

Dragonfly does not require nor solicit pre-payment of more than \$1,200 in fees per Fund, six months or more in advance.

**Item 18.B.**

Dragonfly is not aware of any financial condition that is reasonably likely to impact its ability to meet its contractual commitments to the Funds.

**Item 18.C.**

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