

## **RISK STATEMENT**

This Risk Statement is presented to you at the time of opening your account and is available to you within your documents settings in the Netcoins App. We are required to provide you with this Statement under the terms of exemptive relief granted by the Canadian Securities Administrators. You must acknowledge having received, read and understood this Statement in order to open and operate an account with Netcoins Inc. (Netcoins). Please read this Statement in its entirety.

No Canadian securities regulatory authority has expressed an opinion about the Crypto Rights Contracts or any of the crypto assets made available through the Netcoins' Platform, including an opinion on whether any such crypto asset is a security and/or derivative.

This Statement does not disclose all of the risks or relevant considerations of entering into an agreement (such agreement, a Crypto Rights Contract) with Netcoins to buy or sell cryptocurrencies (crypto assets) through the Netcoins' Platform. In light of the risks, you should undertake such transactions only if you understand the nature of the contractual relationship with Netcoins into which you are entering, and the extent of your exposure to the risks associated with trading in crypto assets. Please refer to Netcoins' Relationship Disclosure Information found here for a more detailed description of this relationship.

When you enter into a Crypto Rights Contract to buy or sell crypto assets, that contract provides you with certain rights, including a contractual right to the future delivery of the crypto assets. However, these contracts or instruments do not result in an obligation to



make and take immediate delivery of the crypto assets, or provide you with any rights as an owner of the crypto assets. Because you will not take immediate delivery of the crypto assets underlying a Crypto Rights Contract and do not have the rights of an owner of such crypto assets, this creates certain risks including the risk that we are for any reason unable to meet our contractual obligations to you. To mitigate these risks, we use an independent third-party financial institution and custodian to hold your cash and the crypto assets underlying your Crypto Rights Contracts.

We have appointed BitGo Trust Company, Inc. (BitGo) to act as a third party custodian of the crypto assets that we purchase in relation to the Crypto Rights Contracts we enter with clients. BitGo is a trust company organized under the laws of the State of South Dakota and regulated as a trust company by the Division of Banking in South Dakota. BitGo's head office is located at 2443 Ash Street, Palo Alto, CA 94306, United States (contact information: +1-650-847-0009). Although BitGo does not qualify as a "foreign custodian" as defined by Canadian securities laws, Netcoins is permitted to use BitGo as the custodian of crypto assets owned by clients pursuant to exemptive relief granted by securities regulators.

BitGo's systems permit Netcoins to generate a unique digital address for each client account to identify the crypto assets relating to a client's interest under a Crypto Rights Contract, and which account to credit. When a client sends funds or deposits crypto assets to fund their account, Netcoins creates a new BitGo sub-account, which feeds into one main account in the name of Netcoins. All sub-accounts are in the name of Netcoins and Netcoins maintains records to identify the client associated with each a sub-account. Once a client sub-account is funded with the relevant crypto asset, BitGo assumes custody of the crypto asset. BitGo utilizes 100% multi-signature technology to



remove single points of failure, user and wallet controls to establish and enforce internal policies and procedures, and two-factor authentication for all accounts.

BitGo provides insured wallet management and custody solutions for a crypto assets. BitGo maintains a comprehensive insurance policy for digital assets covering \$100 million in losses for crypto assets held in cold storage and in hot wallets, including clients' crypto assets held by BitGo. BitGo is not responsible for any losses resulting from inaccurate instructions from Netcoins or its personnel or third parties, and Netcoins is responsible for maintaining adequate security and control of any and all keys, IDs, passwords, hints, personal identification numbers, API keys, two-factor authentication devices or backups, or any other codes that Netcoins uses to access the accounts held by BitGo. Furthermore, BitGo is not responsible for any damage or interruptions caused by any computer viruses, spyware, scareware, Trojan horses, worms or other malware that may affect Netcoins' computer or other equipment, or any phishing, spoofing or other attack, unless such damage or interruption directly resulted from BitGo's gross negligence, fraud, or willful misconduct. There are no limitations on liability if BitGo breaches its confidentiality obligations or if any damage or interruptions directly result from BitGo's gross negligence, fraud, or willful misconduct. All other damages are limited to the fees paid to BitGo within the twelve-month period preceding the incident giving rise to such liability.

We have authority access to the crypto assets held by BitGo for the purposes of settling transactions for our clients. Providing Netcoins access to clients' crypto assets, exposes clients' crypto assets to risk of loss in the case of fraud, wilful or reckless misconduct, negligence or error of Netcoins or its personnel or third parties. While Netcoins may be required or elect to insure against the additional risk of loss which arises due to our



access to clients' crypto assets, there is no guarantee that any such insurance will be adequate to protect against any such loss. Additionally, there is a risk you will not be able to successfully obtain possession of the crypto assets, and a risk that the crypto assets in the account with BitGo will not be sufficient to ensure that you receive the value of your interest in the crypto assets.

Netcoins has conducted due diligence on BitGo that included, among other things, a review of the SOC 2 Type 2 report and certification (System and Organization Controls Report Relevant to Security conducted by Deloitte), and has not identified any material concerns.

Netcoins has assessed the risks and benefits of using BitGo to act as custodian of the crypto assets, including Netcoins' ability to access clients' crypto assets through the accounts held by BitGo, and has determined that in comparison to a Canadian custodian it is more beneficial to use BitGo, a U.S. custodian, to hold client assets in order to facilitate transactions on behalf of clients through the Platform, than using a Canadian custodian.

The cash received from clients when clients purchase crypto assets is held by a Canadian financial institution in Netcoins' name in a designated segregated trust account for our clients. Currently, all cash is held in our clients' name is held separately from our assets in a designated trust account with Concentra Trust. We have authority over and access to the cash held at the financial institution for the purpose of settling transactions for our clients and collecting transaction fees payable to us.



Trading in crypto assets may not be suitable for all investors. You should carefully consider whether trading is appropriate for you in light of your knowledge, experience, financial objectives, financial resources and other relevant circumstances.

Netcoins is offering Crypto Rights Contracts in reliance on a prospectus exemption contained in the exemptive relief decision Re Netcoins Inc. dated September 29, 2021. Please be aware that the statutory rights of action for damages relating to misrepresentations and the right of rescission in the securities legislation of each province and territory of Canada would not apply to a misrepresentation in this Statement.

What are crypto assets?

Crypto assets are digital representations of value that function as a medium of exchange, a unit of account, or a store of value, but do not have legal tender status. Crypto assets are sometimes exchanged for currencies, but they are not generally backed or supported by any government or central bank. Their value is derived by market forces of supply and demand, and they are traditionally more volatile than fiat currencies. The value of crypto assets may be derived from the continued willingness of market participants to exchange fiat currency for crypto assets, which may result in the potential for permanent and total loss of value of a particular crypto asset should the market for a crypto asset disappear entirely. Federal, provincial, territorial or foreign governments may restrict the use and exchange of crypto assets, and regulation in North America and internationally is still developing. Legislative and regulatory changes or actions may adversely affect the use, transfer, exchange, and value of crypto assets.



Crypto assets differ in their functions, structures, governance and rights. Netcoins permits the trading of well-established crypto assets that function as a form of payment or means of exchange on a decentralized network, such as Bitcoin and ether. These crypto assets have certain features that are analogous to existing commodities, such as currencies and precious metals, but are also different in many key respects, as described in this disclosure statement.

Stablecoins are a type of crypto asset whose value is tied to an outside asset to stabilize the price. Stablecoins are generally pegged to a fiat currency, such as the U.S. dollar, or a commodity, such as gold. In the case of fiat-backed stablecoins, the value of the stablecoins is based on the value of the backing currency, which is held by a third-party regulated financial entity. Crypto assets backed by fiat currency are the most common and were the first type of stablecoins available on the market. The characteristics of stablecoins are as follows: (i) the value is tied to an outside asset, such as the U.S. dollar or gold; (ii) the Tether is realized off-chain, through banks or other types of financial institutions which serve as depositaries of the asset used to back the stablecoin; and (iii) the amount of asset used for backing the stablecoin must reflect the circulating supply of the stablecoin.

Netcoins evaluates all crypto assets available through the Platform against Canadian securities and derivatives laws to determine whether or not the asset is classified as a security and/or derivative, and also against other applicable laws to determine whether the crypto assets would affect Netcoins' ability to meet compliance obligations. Netcoins will monitor ongoing developments related to the crypto assets available through the Platform that may cause a crypto asset's legal status, or the compliance assessment described above, to change. In connection with the evaluation of crypto



assets, Netcoins evaluates crypto assets based on publicly available information, including (but not limited to): (i) the creation, governance, usage and design of a crypto asset, including the source code, security and roadmap for growth in the developer community and, if applicable, the background of the developer(s) that first created the crypto asset; (ii) the supply, demand, maturity, utility and liquidity of the crypto asset; (iii) material technical risks associated with a crypto asset, including any code defects, security breaches and other threats concerning the type of blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and the legal and regulatory risks associated with a crypto asset, including any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of such crypto asset. In addition and if appropriate, Netcoins will seek independent legal advice as to whether the crypto asset is a security and/or a derivative under Canadian securities laws. Additionally, notwithstanding Netcoins' evaluation of any crypto asset's legal status, Netcoins understands that any regulators or securities regulatory authorities of any province or territory of Canada may make a determination that a crypto asset is a security and/or derivative, and may be required to halt, suspend or withdraw such crypto asset from trading on Platform and clients holding such crypto asset may be required to liquidate their positions, potentially at a significant loss. In the event that Netcoins halts, suspends or withdraws a crypto asset from trading on Platform, affected clients will be notified via the Platform or other electronic means and advised of the options available to them in relation to such crypto asset and any applicable periods to sell or withdraw their positions in such crypto asset.

For more information about each crypto asset available through the Platform, including the due diligence performed by Netcoins before making each crypto asset available



through the Platform (including Netcoins' determination on whether such crypto asset is a security and/or a derivative under applicable securities laws), please refer to the Crypto Asset Statement for each crypto asset found [here](#).

#### Risks in trading crypto assets and Crypto Rights Contracts

Trading in crypto assets through the purchase and sale of Crypto Rights Contracts comes with a number of risks, including volatile market price swings or flash crashes, market manipulation, and cybersecurity risks. In addition, crypto asset markets and exchanges are not regulated with the same controls or client protections available in equity, option, futures, or foreign exchange investing. There is no assurance that a person who accepts a crypto asset as payment today will continue to do so in the future. Investors should conduct extensive research into the legitimacy of each individual crypto asset, including its platform, before investing. The features, functions, characteristics, operation, use and other properties of the specific crypto asset may be complex, technical, or difficult to understand or evaluate. The crypto asset may be vulnerable to attacks on the security, integrity or operation, including attacks using computing power sufficient to overwhelm the normal operation of the crypto asset's blockchain or other underlying technology. Some crypto asset transactions will be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that a transaction may have been initiated.

Crypto asset trading requires knowledge of crypto asset markets. You should have appropriate knowledge and experience before engaging in substantial crypto asset





trading. Any individual crypto asset may change or otherwise cease to operate as expected due to changes made to its underlying technology, changes made using its underlying technology, or changes resulting from an attack. These changes may include, without limitation, a “fork”, a “rollback”, an “airdrop”, or a “bootstrap”. Such changes may dilute the value of an existing crypto asset position and/or distribute the value of an existing crypto asset position to another crypto asset. Any crypto asset may be cancelled, lost or double spent, or otherwise lose all or most of their value, due to forks, rollbacks, attacks, or failures to operate as intended.

In addition, any insurance or surety bonds maintained by Netcoins for the benefit of its clients may not be sufficient to cover any losses by clients as a result of theft of such clients’ crypto assets.

Crypto assets trading can be extremely risky. Crypto assets trading may not generally be appropriate, particularly with funds drawn from retirement savings, student loans, mortgages, emergency funds, or funds set aside for other purposes. Crypto assets trading can lead to large and immediate financial losses. The volatility and unpredictability of the price of crypto asset relative to fiat currency may result in significant loss over a short period of time. Transactions in crypto assets may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable. The nature of crypto assets may lead to an increased risk of fraud or cyber attack.

Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a particular crypto asset suddenly drops, or if a crypto asset is halted, suspended or withdrawn from trading on the Platform due to recent news events, unusual trading



activity, changes in the underlying crypto asset system, or changes in the regulation of such crypto asset.

The greater the volatility of a particular crypto asset, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to one or more of the following: system failures, hardware failures software failures, network connectivity disruptions, and data corruption.

Netcoins believes that its clients should be aware of the risks involved in trading in crypto assets through the purchase and sale of Crypto Rights Contracts. Crypto asset trading through the purchase and sale of Crypto Rights Contracts may not be appropriate for you, particularly if you use funds drawn from retirement savings, student loans, mortgages, emergency funds, or funds set aside for other purposes. The volatility and unpredictability of the price of crypto assets relative to fiat currency may result in significant loss over a short period of time.

The following is a brief non-exhaustive summary of certain more significant factors and special risks you should take into account when deciding whether to trade crypto assets.

#### (1) Short history risk

As a relatively new open source technology, it is expected that there will continue to be technical developments in blockchain technology, which could impact the value of a crypto asset. Due to this short history, it is not certain whether the economic value,

governance or functional elements of crypto assets will persist over time. The crypto asset community has successfully navigated a considerable number of technical and political challenges since the genesis of the Bitcoin blockchain, which Netcoins believes is a strong indicator that it will continue to engineer its way around future challenges. That said, the continuation of a vibrant crypto asset community is not guaranteed, and insufficient software development, contribution rates, community disputes regarding the development of the network and scaling options, or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the price of a crypto asset.

Open source developers of blockchain technology have signaled that they will continue to make efforts to improve the scalability and security of public blockchains like Bitcoin and Ether. For example, in respect of the Ether blockchain, developers are planning to replace the current hash-based mining consensus mechanism of proof-of-work with a proof-of-stake mechanism. Changes may also occur to the Bitcoin blockchain, for example with the continued development of scalability protocols like the Lightning Network, which operate on top of the Bitcoin blockchain. The expected timing and impacts of this change are uncertain.

## (2) Volatility in the price of crypto asset and loss of liquidity

The crypto asset markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment (by way of sensationalism in the media or otherwise) can induce large swings in volume and subsequent price changes. Crypto asset prices on trading platforms have been volatile and subject to influence by

many factors, including the levels of liquidity, public speculation on future appreciation in value, swings in investor confidence and the future growth of alternative crypto assets that may gain market share. In certain circumstances, it may become difficult or impossible to assess the value of your crypto assets.

The trading of crypto assets on public trading platforms has a limited history. The prices available on those platforms have, in some cases, been more volatile and subject to influence by additional factors not specific to the value of crypto assets, including liquidity levels and operational interruptions. Operational interruptions can limit the liquidity of crypto assets on the trading platform, which could result in volatile prices and reduced confidence in the crypto assets traded on those platforms.

Netcoins uses multiple brokers, which we refer to as liquidity providers, to buy and sell the crypto assets that we trade for you. These liquidity providers connect to multiple trading platforms in order to ensure ongoing liquidity of crypto assets. Use of multiple liquidity providers and multiple trading platforms is designed to reduce the liquidity risk and operational risk associated with any one trading platform. Additionally, the liquidity providers facilitate all settlement post-trade thereby eliminating counterparty risk. However, there is a risk that the liquidity sources accessed directly and indirectly by Netcoins are unable to provide a fair price. This risk may be greater during periods of high market volatility or operational outages at a major trading platform. To mitigate this risk, Netcoins will always execute a purchase or sale at the best price available at the time among its liquidity providers.

(3) Potential decrease in global demand for crypto assets

Crypto assets represent a new form of digital value that is still being digested by society. Their underlying value is driven by their utility as a store of value, means of exchange, or unit of account. Just as oil is priced by the supply and demand of global markets, as a function of its utility to, for instance, power machines and create plastics, so too is a crypto asset priced by the supply and demand of global markets for its own utility within remittances, B2B payments, timestamping, etc. Speculators and investors using crypto asset as a store of value then layer on top of means of exchange users, creating further demand. If consumers stop using crypto assets as a means of exchange, or their adoption slows, then the price may suffer. Investors should be aware that there is no assurance that crypto assets will maintain their long-term value in terms of purchasing power in the future or that the acceptance of crypto assets for payments by mainstream retail merchants and commercial businesses will continue to grow.

While the value of Bitcoin may be derived primarily from its capitalization and position as first mover, the value of ether relies far more on its underlying blockchain technology. The Ether blockchain is intended to allow people to operate decentralized applications using blockchain technology that do not rely on the actions of a centralized intermediary. Ether, which is the primary currency of the Ether blockchain, can then be used to compensate for the effort of others to power these decentralized applications and ensure that any transactions that occur on these applications are recorded in the blockchain. Accordingly, the long term value of ether may be tied to the success or failure of the blockchain technology and the decentralized applications built upon the Ether blockchain.

(4) The blockchains on which crypto assets operate may temporarily or permanently fork

Both the Bitcoin and Ether blockchain networks are powered by open source software. When a modification to that software is released by developers, and a substantial majority of miners consent to the modification, a change is implemented and the blockchain network continues uninterrupted. However, if a change were to be introduced with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software in operation prior to its modification, the consequence would be what is known as a “fork” (i.e. a split) of the blockchain. One blockchain would be maintained by the pre-modification software and the other by the post-modification software. The effect is that both blockchains would operate in parallel, but independently. There are examples of such forks occurring in the past on both the Bitcoin and Ether blockchain networks. In the future, such a fork could occur again, and affect the viability or value of a crypto asset. Netcoins may choose not to support any future fork of the underlying blockchain of the crypto assets available on our platform, in which case you may not have any rights to the new crypto assets that may be created as a result of that fork.

(5) Issues with the cryptography underlying the crypto-networks

In the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users’ personal information and/or resulted in the theft of users’ digital assets. Although the Bitcoin and Ether blockchains have demonstrated resiliency and integrity over time, the

cryptography underlying either one could, in the future, prove to be flawed or ineffective. For example, developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in the cryptography of the blockchain network being vulnerable to attack. This could negatively affect the value of crypto assets including those underlying the Crypto Rights Contracts purchased and sold through Netcoins.

(6) Uncertainty in regulation and future financial institution support

The regulation of crypto assets continues to evolve in Canada and in foreign jurisdictions, which may restrict the use of crypto assets or otherwise impact the demand for crypto assets. There may be limitations on the ability of a securities regulator in Canada to enforce Canadian laws on foreign entities, and foreign rules that apply to crypto asset activities which occur in other jurisdictions may not necessarily be enforced in that jurisdiction. Furthermore, banks and other financial institutions may refuse to process funds for crypto asset transactions, process wire transfers to or from crypto asset trading platforms, crypto asset-related companies or service providers, or maintain accounts for persons or entities transacting in crypto assets.

(7) Concentration risks

Certain addresses on the Bitcoin and Ether blockchain networks hold a significant amount of the currently outstanding Bitcoin and ether, respectively. If one of these

addresses were to exit their Bitcoin or ether positions, it could cause volatility that may adversely affect the price.

Further, if anyone gains control over 51% of the computing power (hash rate) used by the blockchain network, they could use their majority share to double spend their crypto assets. If such a “51% attack” were to be successful, this would significantly erode trust in public blockchain networks like Bitcoin and Ether to store value and serve as a means of exchange, which may significantly decrease the value of crypto assets.

#### (8) Electronic trading and dependence on the internet

There are risks associated with using an internet-based trade execution software application including, but not limited to, the failure of hardware and software. Netcoins maintains an independent and secure ledger of all transactions to minimize loss, and maintains contingency plans to minimize the possibility of system failure. However, Netcoins does not control signal power, reception, routing via the internet, configuration of your equipment or the reliability of your connection to the internet. The result of any failure of the foregoing may be that you are unable to place an order, your order is not executed according to your instructions, or your order is not executed at all. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a particular crypto asset suddenly drops, or if trading is halted due to recent news events, unusual trading activity, or changes in the underlying crypto asset system. The greater the volatility of a particular crypto asset, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may



experience losses due to one or more of the following: system failures, hardware failures, software failures, network connectivity disruptions, and data corruption.

#### (9) Cyber security risk

The nature of crypto assets may lead to an increased risk of fraud or cyber attack. A breach in cyber security refers to both intentional and unintentional events that may cause Netcoins to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause Netcoins to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Cyber security breaches may involve unauthorized access to Netcoins' digital information systems (e.g. through "hacking" or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e. efforts to make network services unavailable to intended users). In addition, cyber security breaches of Netcoins' third-party service providers (e.g. the liquidity providers and custodian) can also give rise to many of the same risks associated with direct cyber security breaches. As with operational risk in general, Netcoins has established risk management systems designed to reduce the risks associated with cyber security.

#### (10) Open loop system

The Netcoins' Platform operates on an "open loop" system – meaning that clients are permitted to transfer into their account, crypto assets purchased outside the Platform



and obtain delivery from Netcoins any crypto assets to which they have an interest in pursuant to their Crypto Rights Contracts with Netcoins. While an open loop system provides certain advantages such as flexibility on the transfer of your crypto assets, you may also be exposed to certain other risks, including receiving crypto assets that may have been stolen or otherwise have been tainted and could subject you to a third party claim in relation to those crypto assets.

#### (11) Custody of crypto assets

As noted above, BitGo serves as a third party custodian of the crypto assets that are purchased in relation to the Crypto Rights Contracts. Netcoins has authority access to the crypto assets held by BitGo for the purposes of settling transactions for clients. While Netcoins believes that these arrangements adequately protect our clients, these arrangements do expose clients to certain risks, including, but not limited to: (i) risks relating to crypto assets being held in hot wallets and not being able to obtain possession of their crypto assets, including as a result of loss or theft of the crypto assets in the case of fraud, wilful or reckless misconduct, negligence or error of Netcoins or its personnel or third parties or in the case that Netcoins fails to maintain adequate security and control of any and all keys, IDs, passwords, hints, personal identification numbers, API keys, 2-factor authentication devices or backups, or any other codes that Netcoins uses to access the accounts held by BitGo; and (ii) any potential deficiencies in BitGo's insurance or risk management, or in Netcoins' insurance or surety bonds maintained by Netcoins, which may not be adequate to protect against loss or theft of the crypto assets.

(12) Custody of client cash

As noted above, all cash received by Netcoins from clients is held by a Canadian financial in Netcoins' name in a designated segregated trust account for our clients. While Netcoins believes that these arrangements adequately protect our clients, these arrangements do expose clients to risk of loss in the case of willful or reckless misconduct, negligence or error of Netcoins or its personnel. In addition to any insurance obtained by Netcoins to protect against such losses, Netcoins mitigates against this risk by ensuring that client cash is held separately from its own funds and that all client cash holdings are reconciled on a weekly basis. Additionally, Netcoins manually processes any cash withdrawals for amounts less than \$10,000 as soon as possible on the same day, when a request is received during business hours and otherwise as soon as possible on the next business day. Any requests to withdraw cash in an amount greater than \$10,000 must be reviewed and approved by Netcoins.

(13) Lack of investor protection insurance

Crypto Rights Contracts and crypto assets purchased and held in an account with Netcoins are not protected by the Canadian Investor Protection Fund, the Canadian Deposit Insurance Corporation or any other investor protection insurance scheme.

(14) Commission and other charges



Although Netcoins does not charge a commission fee, there are certain costs built into the spread offered on your purchase and sale of crypto assets, including transaction fees, as disclosed to you within the Netcoins' Platform. Fees are based in part on the fee charged to us by our third-party liquidity providers and custodian, which are subject to change.

#### (15) Risks relating to asset-backed crypto assets

Asset-backed crypto assets, such as Tether (considered "stablecoins"), are subject to the same volatility and risks associated with the underlying asset that is backing that crypto asset, without the entitlement or benefits associated with holding the underlying assets. Additionally, the status of asset-backed crypto assets under securities law is uncertain. As such, there is also a risk that trading in stablecoins could be restricted by securities regulators. Netcoins has conducted due diligence on Tether prior to making them available on the Netcoins' Platform, which included a review of the technical aspects of the stablecoins and the companies and management teams affiliated with the stablecoins.

#### (16) Leverage risk disclosure

Using borrowed money to finance the purchase of crypto assets involves greater risk than using cash resources only. If you borrow money to purchase crypto assets, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the crypto assets purchased declines.

