

DIGITAL ASSET RISK DISCLOSURE

Last update September 6, 2023

The present Digital Assets Risk Disclosure (the “**Risk Disclosure**”) provides an overview of various risks generally associated with the holding and trading of digital assets (the “**Risk Factors**”). They are merely a non-exhaustive and exemplary list of possible risks. A digital asset represents a value and/or a right created, stored and transferable through blockchain technology (also called “distributed ledger technology”) (hereinafter “**Digital Asset**”). The Digital Asset can either hold a native utility, but no right against a third party, or it can hold a relative right against a third party.

The present Risk Disclosure does not attempt to name or elaborate on all the risks occurring when making use of Skyline Digital AG’s (hereinafter “**Skyline**”) services regarding Digital Assets. The Risk Disclosure must be read within the context of Contractual Terms and Conditions for Using Skyline’s Services (the “**Terms**”) and forms an integral part thereof. The definitions contained in the Terms will apply to this Risk Disclosure and have the same meanings when used herein. It is important that the clients, prospective clients and all people interested in using Skyline’s services fully understand the risks involved before making a decision to use Skyline’s services.

This Risk Disclosure will be made available on Skyline’s website or provided to the client upon request. Skyline reserves the right to update, amend or supplement the Risk Disclosure at any time. clients are responsible to inform themselves about changes of the Risk Disclosure.

SKYLINE STRONGLY RECOMMENDS THAT ALL CLIENTS AND PROSPECTIVE CLIENTS OF SKYLINE AS WELL AS ALL PEOPLE INTERESTED IN USING SKYLINE’S SERVICES (ALTOGETHER THE “**CLIENTS**”) SEEK OUT ADVICE FROM A PROFESSIONAL ADVISOR BEFORE MAKING ANY INVESTMENT DECISIONS. PLEASE NOTE THAT SKYLINE DOES NOT OFFER ADVICE IN ANY FORM TO ITS CLIENTS.

1. GENERAL RISK FACTORS

1.1. Risks related to Digital Assets as new financial market instruments

Digital Assets may comprise numerous financial or non-financial rights, claims or assets. They may especially comprise rights, claims or assets not usually incorporated in traditional financial market instruments. Therefore, clients must carefully review rights and obligations incorporated in Digital Assets before taking any decisions.

1.2. Risks in connection with assessing the fair value of Digital Assets

Digital Assets may incorporate a wide range of rights. Due to this, their fair value may be difficult to assess and can turn out to be significantly lower than initially expected. This might particularly be the case with Digital Assets, which include a right to supply goods or services. In this case, the focus is usually not on the supply of such goods or services, but on the expectation of making a profit out of the purchase and sale.

1.3. Risks in case of limited exercise of Digital Asset rights

The value of Digital Assets results primarily from the incorporated rights. Since the client may not be able to exercise these rights at all times, the value of the Digital Assets may be limited. The client may also be

in a position not to take advantage of opportunities, namely to repurchase Digital Assets and/or pay for products and/or services of the issuer or of third parties.

1.4. Risks related to the understanding of smart contracts

The technical functionalities of a Digital Asset (e.g., its creation, transfer, trading, among others) depend on the smart contract used for the Digital Asset in question. Smart contracts are based on sophisticated computer code and their interaction with the respective distributed ledger network is often very complex. Therefore, clients should always make sure they understand how smart contracts work before transacting with a particular Digital Asset.

1.5. Risks in connection with execution of smart contracts

A bug-free execution of smart contracts or their usage in the distributed ledger network according to the expectations of the Digital Asset issuer, investors or users cannot be guaranteed. A Digital Asset issuer has the possibility to change the code of the smart contract at any time. Depending on the rights and obligations in the smart contract, issuers have considerable discretion in the management of their Digital Assets. For example, they could decide to cancel the Digital Assets and replace them with other forms of evidence such as paper certificates. Skyline is not obliged to provide storage services for any Digital Assets, paper certificates or other products replacing Digital Assets.

2. RISK FACTORS RELATED TO ISSUERS OF DIGITAL ASSETS

2.1. Risks due to limited user/investor protection in the absence of a security exchange listing

Digital Assets may not be listed on a security exchange and therefore their issuers may not be subject to the rules applicable to listed companies. Consequently, issuers of Digital Assets could not be bound by important user/investor protection rules. In particular, issuers may not be required to disclose, inform or publish relevant documents related to Digital Assets in order to ensure transparency and equal treatment at any time.

2.2. Risks associated with susceptibility to fraud and insider trading

If the Digital Assets are not listed or admitted to trading on a regulated security exchange or multilateral or organized trading system, the Digital Assets may not be subject to insider trading and market manipulation regulation. Accordingly, the market for Digital Assets may be more prone to fraud or insider trading.

3. VALUATION RISK FACTORS

3.1. Risks in connection with high price volatility and unpredictable value changes

The prices of Digital Assets may change significantly, even on an intraday basis. The volatility of Digital Assets tends to be high and changes in valuation are often unpredictable.

3.2. Risks associated with high volatility due to market development, fraud and/or lack of historical fair values

The volatility of Digital Assets can increase with changes and advances in technology, fraud, theft and cyber-attacks, as well as regulatory changes. Digital Assets have only been on the market for a short time.

In contrast to traditional financial instruments, currencies or commodities, Digital Assets lack historical fair values that allow a reliable assessment of volatility.

3.3. Risks due to a lack of supervision by authorities or institutions

The client acknowledges that Digital Assets may not be supervised by any authorities or institutions (i.e., central banks). Therefore, there are no authorities or institutions that could intervene in, stabilize or support the value of Digital Assets and/or prevent or mitigate irrational price developments. The risk of a significant or complete loss of Digital Assets exists at all times. The client acknowledges and agrees that it transacts with and uses Digital Assets solely at its own risk.

3.4. Risks related to irrational bubbles or a lack of market confidence

Digital Assets are vulnerable to irrational bubbles or loss of confidence that could cause the demand to collapse in relation to the supply. This is possible, for example, if a market participant (e.g., software developer) behaves unexpectedly, or if government actions or macroeconomic changes occur (e.g., creation of superior competing alternative currencies or a deflationary or inflationary spiral). Market confidence could also collapse due to technical problems, such as large losses of Digital Assets.

3.5. Risk due to an illiquid market

The market for Digital Assets may have limited liquidity or even illiquidity. The prices and fees charged by Skyline for the provision of the services in connection with Digital Assets may be partially based on fees provided by at least one liquidity provider. There may be only one liquidity provider, which may represent an increased illiquidity risk to a client. If it is not possible for Skyline to transact Digital Assets permanently (e.g., due to a lack of a trading venue or counterparty), the client may be unable to transact Digital Assets. Low liquidity also means the risk of rapid and hectic price movements, unusually wide spreads or high rejection rates. In certain market situations, it may be difficult or even impossible for a client to liquidate its position. This is the case, for example, in an illiquid market where Skyline cannot quote prices and/or execute orders or transactions. In this situation, it can also be extremely difficult for the client to compare prices of Digital Assets.

4. TECHNOLOGY RISK FACTORS

4.1. Risks due to technological innovations

Digital Assets are based on distributed ledger technology, which is at an early stage of development and will still be subject to considerable technological changes. Technological innovations cannot only represent an opportunity, but can also be a risk for the security of Digital Assets. In addition, alternative technologies to certain Digital Assets could be established, making them less relevant or even obsolete. If the distributed ledger a Digital Asset is based upon becomes less relevant or obsolete, this could negatively affect its price and liquidity.

4.2. Risks in connection with open-source software

The functioning of Digital Assets is based on open-source software. Developers of such open-source software are not appointed or controlled by Skyline. Open-source software code is freely accessible and may be copied, used and modified legally at any time. Therefore, such software is generally exposed to vulnerabilities and bugs. Further development of open-source software could be discontinued, exposing Digital Assets to vulnerabilities, programming errors and threats from fraud, theft and cyber-attacks.

4.3. Risk of availability of Blockchain Networks, increased processing time and transaction fees

Distributed ledger networks have experienced a large increase in transactions in recent years. If distributed ledger technology should not be further developed or renewed, this can lead to longer processing times per transaction and/or a significant increase in transaction fees paid to miners (i.e. programmers verifying Digital Asset transactions). Such a situation could limit Skyline's ability to process transactions and lead to an increase in the fees charged by Skyline. Skyline reserves the right to determine the finality of transactions, this is, the number of block confirmations on public blockchains required before it accepts a blockchain transaction as final. In the unlikely case that there is a sufficient disruption of a public blockchain network, Skyline reserves the right to pause services related to such blockchain network interruptions, and to take actions it considers necessary to ensure business continuity.

4.4. Risk of hard forks

Since there is no governmental supervision for the development of distributed ledger technology, for the functioning of distributed ledgers or for any improvements of this technology, the cooperation and consensus of different interest groups (e.g. developers and miners) is crucial. Any disagreement between the parties can lead to a hard fork. A hard fork is an open-source software upgrade that is not downward compatible. Hard forks can lead to the instability of the relevant distributed ledger. In addition, hard forks or the threat of a potential hard fork can prevent the adoption of Digital Assets as a viable alternative to traditional asset trading. Hard forks or the potential of a hard fork can limit Skyline's ability to process transactions and lead to an increase in transaction fees.

Skyline is not able to foresee all upcoming hard forks. The client is responsible to make itself aware of upcoming hard forks and consider how to deal with them. In the event of a hard fork, Skyline may, at its reasonable discretion, decline to support either or both branches of a hard fork. client acknowledges the risks presented by a hard fork and accepts that Skyline has no responsibility to assist the client to move or sell an unsupported branch of a forked protocol.

Skyline hereby excludes any and all liability for losses or damages relating to, arising out of or resulting from a hard fork. client hereby agrees to indemnify, defend and hold harmless Skyline and their respective directors, officers and employees, and each of the successors and assigns of any of the foregoing, from and against any and all claims arising out of or resulting from a hard fork.

4.5. Risks of fraud, theft and cyber-attacks

The characteristics of Digital Assets (e.g., their existence in the virtual computer network as well as the irreversibility and anonymity of transactions on the blockchain) make them an attractive target for fraud, theft and cyber-attacks. Various attacks have been reported which attempted at stealing Digital Assets or disrupt the underlying distributed ledger technology. Such attempts can cause loss or at least skepticism about the long-term future of Digital Assets, prevent the adoption of Digital Assets, and increase the volatility and illiquidity of the Digital Assets in question.

4.6. Risks in a virtual environment

Digital Assets exist only virtually in a computer network and have no physical equivalent. The value of Digital Assets can be difficult to evaluate and may depend on market confidence as to what extent they will be suitable as a future payment and exchange instrument. Among other things, continued high volatility, changes and advances in technology, fraud, theft and cyber-attacks, but also regulatory changes may prevent Digital Assets from establishing as recognized long-term instruments of exchange, which may make them significantly less valuable or even worthless.

4.7. Risks in connection with adjustments to legal, regulatory and/or tax regulation

Distributed ledger technology has only been available for a relatively short time. Nevertheless, regulators around the world are considering amending current regulation to suit the new technology (e.g., money laundering, taxes, consumer protection or disclosure requirements). New regulations could restrict or even prohibit trading with Digital Assets. Similarly, increased regulatory controls could significantly increase the transaction fees of Digital Assets. There is an uncertainty regarding the legal, regulatory and tax characterization of Digital Assets and/or transactions.

5. LIMITATION OF LIABILITY AND INDEMNITY

To the fullest extent permitted by Swiss law, Skyline limits or excludes any indirect, special, incidental, consequential or other losses or damages of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with the operation of Skyline's services. In particular, such limitation or exclusion shall exclude any liability of Skyline for losses or damages caused by the Risk Factors as described in this Risk Disclosure. All Risk Factors shall entirely be borne by the client. For the avoidance of doubt, the limitation or exclusion of liability as set out above shall not include willful intent or gross negligence.

The client shall indemnify, defend and hold harmless Skyline and its respective past, present, and future employees, officers, directors, contractors, consultants, equity holders, suppliers, vendors, service providers, parent companies, subsidiaries, affiliates, agents, representatives, predecessors, successors, and assigns from and against all claims, demands, actions, damages, losses, costs, and expenses (including attorneys' fees) that arise from or relate to: (i) the use of Skyline's services and (ii) the client's responsibilities under this Risk Disclosure.

Due to technical restrictions it may be possible that fractions or a certain minimal balance of Digital Assets cannot be transferred to other wallets. This may be applicable for certain protocols of Digital Assets and is typically related to the gas price required to execute a transaction or to technical minimal balance requirements. The client agrees for such cases that any potential remaining Digital Assets will remain with Skyline without any further claims and rights to it.

6. PRIVACY

Clients should be aware that any transaction with Digital Assets may be stored in a public distributed ledger and may therefore be visible to the public. Distributed ledgers on which Digital Assets are issued and/or recorded are neither owned by Skyline, nor are they under the control of Skyline. The client therefore bears the risks associated with the information available on the distributed ledgers.