CoinFund: A diversified security tracking the blockchain technology space.

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Contents

1 Executive Summary

The exciting space around Bitcoin, blockchain technology, and socio-economic decentralization is experiencing accelerating growth.

Traditionally, it is difficult or impossible for individuals to obtain investment exposure to private technology companies. However, the nature of blockchain startups presents a unique opportunity for direct investment by way of their underlying cryptosecurities.

CoinFund is a private, diversified fund to make investments in the blockchain technology space based on cryptocurrencies. The fund acts like a 3-year hold to maturity security, accepting capital and providing returns in Bitcoin.

This document outlines the structure of CoinFund, the possible vehicles for investments, and presents risk characteristics of its portfolio.

2 Important Notice

2.1 Purpose Of This Document

This document is presented for informational purposes only, in order to describe the investment opportunity in cryptocurrencies and the structure of CoinFund. It does not represent a legal agreement of any kind.

2.2 Risks of Investing

Investing in cryptocurrencies, blockchain applications, and emerging technologies in general is highly risky and speculative. Any of the investments mentioned below carry a substantial amount of risk, including but not limited to provider defaults, inventory risk, and liquidity risks. By reading this document, you implicitly confirm that you understand these risks.

There are no guarantees of returns whatsoever.

You should never invest capital before doing a substantial amount of research into the investment vehicle, especially in the Bitcoin space where anonymity sometimes incentivizes opportunists to pilfer funds.

Never invest any capital that you are not willing to lose.

3 Bitcoin and Blockchain Technologies

3.1 Facts and Trends

1. Bitcoin is a decentralized digital cryptocurrency that, like gold, derives its value from its utility and scarcity[1]. It uses a global network of nodes to sustain a global decentralized cryptographically-enforced ledger of transactions between pseudonymous addresses. Transactions are typically securely accepted into the ledger in 10-60 minutes.

2. As of June 2015, a number of reputable exchanges including Coinbase Exchange, itBit, BitStamp, and Bitfinex exist that provide conversion, and therefore implied value, in USD and other fiat currencies.

3. Bitcoin is volatile. In November 2014, its exchange rate exceeded $1000, while it has been relatively stable around $200-300 in 2015.

4. Blockchain technology is the generalized ledger technology underlying Bitcoin. The fundamental utility of blockchain-based technologies is decentralization, and the trade-off is system complexity.

5. Blockchain technology offers the potential for across-the-board innovation in traditional spaces as well as brand new spaces. Areas of innovation include:

    (a) digital assets and IP ownership (ascribe.io);

    (b) smart contracts (ethereum.org);

    (c) digital financial derivatives (hedgy.co);

    (d) highly optimized blockchain-based financial services (ripple.com);

    (e) fee-less asset exchange (bitreserve.com);

    (f) cryptoequity (counterparty.io);

    (g) prediction markets (augur.net);

    (h) micropayments (neucoin.org);

    (i) decentralized domain name registration (namecoin.com);

    (j) decentralized marketplaces (openbazaar.org);

    (k) decentralized autonomous organizations (swarm.fund);

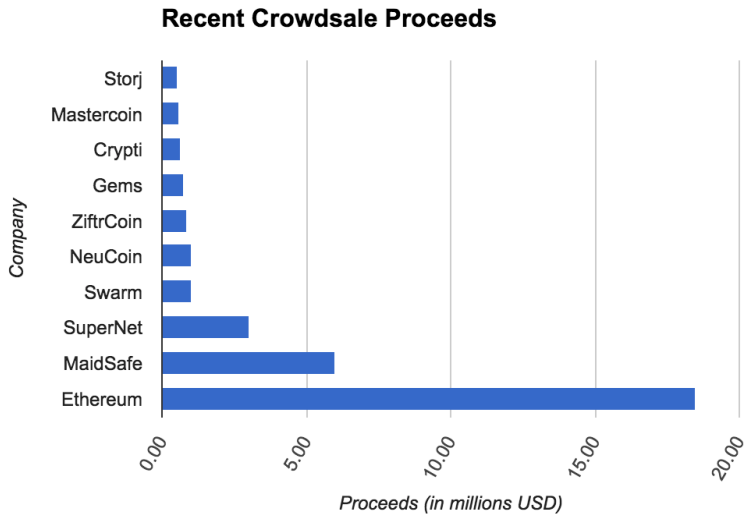
[1] http://moneyandstate.com/bitcoin-libertarian-introduction-used-care/

(l) decentralized identity services (onename.com);

(m) decentralized reputation systems (reputationcoin.com)

6. New blockchains typically operate as records distributed among users running clients on their individual computers. Blockchain protocols typically require an underlying cryptocurrency to incentivize the network of users to process financial transactions.[2]

7. Recently, emerging blockchain startups have been able to participate in an unprecedented model of fundraising. By preselling their intended platform's backing cryptocurrency or tokens prior to launch, "crowdsales" have generated a notable amount of capital for blockchain startups[3]:



8. The blockchain space has received $300M in traditional VC investments in 2014, and is on pace to surpass $1B+ in 2015[4]. The startup 21.co currently holds the record investment at $116M.[5]

9. As of June 2015, a large portion of these new startups and technologies are

[2]Two other approaches to blockchain applications are available that do not create new cryptocurrencies:"sidechaining" moves coins from the Bitcoin blockchain to separate blockchains on which other rules can operate (see: blockstream.com); "colored coins" is an approach that uses special markup to create other tokens on top of the Bitcoin blockchain (see: coinprism.com).

[3]https://docs.google.com/document/d/1XkffsLaSSJrokTOgHZ2WTtyu70T2oXTHRjroltTsjM/edit

[4]http://insidebitcoins.com/news/bitcoin-venture-capital-funding-pace-1-billion-2015/30665

[5]http://www.coindesk.com/21-record-116-million-funding-all-star-investors/

in pre-beta, which presents a number of prescient investment opportunities.

4 In The News

"UBS to Open Blockchain Research Lab in London"
—*Wall Street Journal*

"Barclays is experimenting with bitcoin's blockchain"
—*Business Insider*

"'Dope' Becomes First Film to Accept Bitcoin"
—*Newsweek*

"OpenBazaar gets $1 million seed round from Andreessen-Horowitz and Union Square Ventures"
—*Business Insider*

"Secretive Bitcoin Startup 21 Reveals Record Funds, Hints at Mass Consumer Play "
—*Wall Street Journal*

"Santander: Banks Can Save $20B Using Blockchain Technology"
—*eFinancialNews*

"Venture Capital Funding for Bitcoin Startups Triples in 2014"
—*CoinDesk*

"Bitcoin Venture Capital Funding on Pace for $1 Billion in 2015"
—*CoinDesk*

5 Notable Startups

5.1 Smart Contracts and Platforms

5.1.1 Ethereum (http://ethereum.org)

- Largest-spanning vision: a Turing-complete language on the blockchain that theoretically generalizes all other applications at once.
- Large team, including Vitalik Buterin, a 21-year-old Thiel scholar and arguably biggest celebrity in the space.
- Largest proceeds from crowdsale of their cryptocurrency, valued at $18.5M at time of sale.

5.1.2 Blockstream (http://blockstream.com)

- Backed by Reid Hoffman and others at $21M of funding.
- World-class team, containing some of the original theoreticians behind digital currency including Adam Back, creator of proof-of-work, and a number of Bitcoin core developers.
- An extremely diligent and research-scientific approach to providing blockchain services via sidechains.

5.2 Prediction Markets

5.2.1 Augur (http://augur.net)

- Highly-visible upcoming project on top of Ethereum.
- Novel approach to prediction markets using automated marketmakers.
- Cryptoequity-based scheme (REP licenses) to deliver market outcomes.

5.2.2 Truthcoin (http://truthcoin.info)

- Being built as a Bitcoin sidechain, on top of Blockstream.
- An oracle for decentralized, blockchain applications.[6]

5.3 Micropayments

5.3.1 NeuCoin (http://neucoin.org)

- Proof-of-stake[7] based cryptocurrency that allows for much faster transaction times.

[6] http://www.truthcoin.info/presentations/what-is-truthcoin.pdf
[7] https://bitcoinmagazine.com/6528/what-proof-of-stake-is-and-why-it-matters/

- Building on other proof-of-stake concepts like PrimeCoin, PeerCoin, BlackCoin, Stellar, etc.
- Squarely focused on adoption in the micropayments space.

5.4 USD-pegged Currencies

5.4.1 Tether (`http://tether.to`)

- A cryptocurrency pegged to the US dollar.

5.4.2 NuBits (`http://nubits.com`)

- Has NuBits, a cryptocurrency pegged to the US dollar.
- NuShares holders stabilize the market to keep price relatively constant.

5.5 Real-world Finance

5.5.1 Ripple (`http://ripple.com`)

- Second largest cryptocurrency (XRP) after Bitcoin.
- Penetration into real-world financial applications.

5.5.2 Stellar (`http://stellar.org`)

- Public infrastructure for money backed by a non-profit company.

5.6 Digital Assets

5.6.1 NXT (`http://nxt.org`)

- Digital asset trading platform.

5.6.2 Counterparty (`http://counterparty.io`)

- Digital asset trading platform, using the Bitcoin blockchain.

5.6.3 Bitshares (`http://bitshares.org`)

- Digital asset trading platform.

5.7 Domain Registration

5.7.1 Namecoin (`http://namecoin.info`)

- Blockchain-based identity information storage.
- Good for domains, TOR nodes, PGP keys.
- One of the earliest forks of Bitcoin Core and first to implement merged mining and decentralized DNS.

5.8 Identity Services

5.8.1 OneName (`http://onename.com`)

- Blockchain-based identity.
- Implemented as a sidechain of Bitcoin.

5.9 Decentralized Marketplaces

5.9.1 OpenBazaar (`http://openbazaar.org`)

- The legal, VC-backed version of Silk Road.
- Backed by Andreessen-Horowitz and Union Square Ventures to the tune of $1M.

5.10 Decentralized Cloud Storage

5.10.1 Storj (`http://storj.io`)

- Distributed file storage platform.
- Has multiple applications on top, including DriveShare.

5.10.2 Filecoin (`http://filecoin.io`)

- Project from the creator of IPFS (Interplanetary File System).

5.10.3 SiaCoin (`http://siacoin.com`)

- Only distributed storage blockchain in public beta.

5.10.4 MaidSafe (`http://maidsafe.net`)

- Distributed file storage backed by a cryptocurrency.

5.11 Other

5.11.1 21, Inc. (http://21.co)

- Hardware chip embeddable into many devices, which mines Bitcoin.[8]
- Largest traditional VC investment at $116M, beating out Coinbase.
- Many believe the business is not viable because power consumption will outweigh returns on mining.

5.11.2 ShapeShift (http://shapeshift.io)

- Headed by Erik Voorhees, one of the major Bitcoin evangelists.
- Exchange that maintains privacy as a matter of principle.
- Famously pulled out of New York State after imposition of BitLicense regulation.[9][10]

5.11.3 Bitreserve (http://bitreserve.com)

- Founded by former CEO of CNET, Halsey Minor.
- Fee-less conversion between Bitcoin, USD, Gold, Silver, Palladium, and other stores of value.

[8] https://imgur.com/a/q9cbL
[9] https://fortune.com/2015/06/11/bitcoin-shapeshift-new-york-bitlicense/
[10] https://www.zapchain.com/u/861635129308

6 CoinFund

6.1 What is CoinFund?

CoindFund is a private, proprietary Bitcoin-based fund with exposure to the emerging blockchain technology space. By leveraging a variety of unique investment opportunities in cryptosecurities and Bitcoin-based financial services, it provides diversified exposure to this potentially revolutionary space.

CoinFund will have the characteristics of a hold to maturity security or bond.

The fund will announce a launch date and it will accept capital contributions from up to and including, but not after, that date. Once the launch phase is completed, the fund will proceed to take positions in cryptosecurity investment vehicles in particular allocations, as outlined in the rest of this document.

The fund will exist for approximately 3 years. At the end of its lifetime, the fund will liquidate its positions into Bitcoin and distribute the proceeds to investors commensurate with their stake in the fund.

As with any emerging space, the risk profile of trading cryptosecurities backed by early-stage companies and nascent marketplaces is unquestionably high. Moreover, the pseudonymous and unregulated nature of cryptocurrency-based financial services presents the risk of provider defaults, thefts, and hacking. However, given the potential of this new technology and the diversified nature of the investments, we believe that CoinFund represents a unique investment offering with mitigated risk characteristics.

In the next sections, we outline why we believe this is space is a compelling investment. In the section titled "Prospective Investment Vehicles", we outline the investments that CoinFund can make use of to gain exposure to this market. In "Proposed Allocations", we propose a breakdown of capital allocations for CoinFund.

6.2 Why blockchain companies?

6.2.1 Private Company Exposure and Growth

Today, much growth capital is concentrated in the private markets. Companies increasingly and more commonly finance their growth with venture capital, grow to larger valuations, and IPO on average much later than 20 years ago, if at all. Where Yahoo's IPO was merely $33.8M in 1996, allowing public investors to participate in the company's growth, today investors routinely see technology companies go public with proceeds measured in billions or tens of billions. As a consequence, individuals and institutions alike are seeing less opportunity to invest in "growth stocks" and must turn to the private markets for access to growth equity.

However, neither individuals nor financial institutions traditionally have easy access to private investment in the technology sector. Institutions, simulating venture capitalists, must participate in private funding rounds in order to gain exposure; however, no systematic market for such investment exists and intelligence on private company financials is limited or nonexistent. Investors do potentially have access to

secondary market offerings of startup shares, such as MicroVentures or SharesPost; however, the equity diversity is low and individuals are still bound by regulation to meet accredited investor criteria.

In short, most regular individuals at large find it difficult or impossible to invest in growth equity of private companies.

The advent of Bitcoin, cryptosecurities, and crowdsales provides a futuristic funding model based on standard crowdfunding that is globally accessible to everyone. Because cryptocurrency price is often correlated with demand for the parent company or service, these vehicles offer a unique opportunity for exposure to early stage growth in the blockchain space.

6.2.2 Prescience of Blockchain Technologies

As of June 2016, there are at least 522 known cryptocurrencies, tens of reputable and reliable cryptocurrency exchanges, and at least 170 venture-funded startups exploring Bitcoin, blockchain-related technologies, and their applications. Today, a significant number of the next generation products, commonly termed Bitcoin 2.0, are pre-beta.

6.3 Why invest?

6.3.1 Exposure to Growth Equity

By investing in CoinFund, stakeholders will get direct investment exposure to the growth of a potentially disruptive space populated by private companies.

6.3.2 Diversification and Scale

CoinFund will provide a thoroughly diversified investment opportunity, while encapsulating the administrative complexity of maintaining positions in a large number of cryptosecurities and Bitcoin financial services.

By scaling its capital, CoinFund can provide more diverse investment opportunities. For instance, mining operations become possible or profitable at scale. Furthermore, scale gives the fund a leveraged position to negotiate better price entries points into emerging cryptosecurities directly with their parent companies.

6.3.3 Cryptocurrencies As Bets On Future Technologies

Cryptocurrencies offer an interesting opportunity for diversification.

Most analysis today centers around the question of whether Bitcoin itself will replace the dollar, or common currency, or will be the dominant payment platform, or whether a particular cryptocurrency will win mass adoption. Our opinion is that, in the shorter term, neither Bitcoin nor another particular cryptocurrency is actually likely to see mass adoption in the sense of generalized payments.

Cryptocurrencies can be roughly divided into two categories: standalone currencies vying for adoption in payments (e.g. Bitcoin, Litecoin, Dogecoin), and currencies incentivizing blockchain networks to process transactions for other applications (e.g. Namecoin, Ether, XCP, NXT). In the former case, price is correlated to demand for the currency for payments purposes. In the latter case, price is correlated to demand for the services that their blockchain provides.

Cryptocurrencies can thus be viewed as securities correlated to certain niches. For example, Namecoin and similar blockchains service the distributed domain registration niche, while Ether and XCP are betting on the success of the smart contract niche. Similarly, NeuCoin is much more likely to succeed locally as a micropayments currency than it is as the generally adopted standard of payment.

CoinFund will be taking positions in strategically positioned cryptocurrencies, effectively creating a portfolio betting on the success of a number next generation technologies.

7 Prospective Investment Vehicles

7.1 Liquid Financial Services

7.1.1 Interest-Bearing Accounts

Interest-bearing savings accounts will hold Bitcoin and pay low-risk interest. For instance, Magnr offers an AER of 2.18% through 2016, followed by a variable rate.

7.1.2 P2P Lending

At least three Bitcoin-based P2P lending platforms are available. Investment opportunities are rolling, with loans ranging from 30 days to 5 years, and predefined payment schedules. CoinFund will favor shorter-term loans for smaller amounts across primary and secondary grade borrowers across these three platforms.

Expected APR ranges from 9-19% and default rates are reported as less than 10% across these sites.

CoinFund will also assess the possibility of speculative borrowing with the intention of reinvestment into P2P loans.

7.1.3 Risk Assessment

For Interest-Bearing Accounts, the main risk is provider fraud or default. Currently no solutions offer multi-signature wallets.

For P2P Lending, the main risk is credit risk across borrowers. P2P lending sites protect against this risk via diversification, credit checks, and reputation auditing. The provider risk is lower in this case because these companies are well-known, vetted, VC-backed startups.

7.2 Cryptocurrency

7.2.1 Standalone Altcoins

CoinFund will purchase and hold positions in several non-Bitcoin standalone cryptocurrencies. These currencies do not back a particular blockchain product and are intended to be general payment methods. CoinFund will select these currencies based on greatest degree of innovation upon the blockchain protocol, with the thesis that a more advanced cryptocurrency may gain traction over Bitcoin in the future.

7.2.2 Niche-tracking Cryptocurrency

CoinFund will select a portfolio of cryptocurrencies that back particular blockchain applications and therefore are correlated with next-generation technology niches, including but not limited to the Smart Contracts, Real-world Finance Applications, Micropayments, Prediction Markets, and others.

7.2.3 Promotional Cryptocurrency

CoinFund will acquire costless cryptocurrency through promotions, deals, and faucets (free cryptocurrency providers).

7.2.4 Risk Assessment

The main risk for cryptocurrencies is inventory risk against Bitcoin. Cryptocurrencies backing blockchain services also carry provider risk, as failure of the greater platform may cause a sharp drop in demand for that currency. There is no risk for promotional cryptocurrency, as it has no cost basis.

7.3 Mining

7.3.1 Ether Mining

Ether mining will become available at the launch of Frontier, the next Ethereum release, which has no concrete launch date but is likely to be between July and September of 2015. At presale, Ether value was 2000 ETH/BTC, or $0.12 as of June 16th, 2015.

CoinBase will rent AWS EC2 instances for the purpose of mining Ether using the geth client provided by the project.

7.3.2 File Storage Mining

A number of startups are pre- or in Beta in the distributed file storage space, and each provides the ability to exchange storage resources for cryptocurrency. Of these, only

Sia is in open beta as of June 25, 2015. The other promising candidates are MaidSade, FileCoin, and DriveShare.

CoinFund will closely follow developments in this space and dedicate storage resources to mine file storage cryptocurrency.

7.3.3 Risk Assessment

For Ethereum mining, the chief risk is that the Ethereum project will fail. However, since it is the best funded blockchain startup with a foundation and numerous stakeholders, this is an up-to-par bet. We can limit our exposure by limiting the cost and duration of our mining operation. Given launch, Ether is expected to be fairly liquid because of a priori agreements between Ethereum and certain cryptocurrency exchanges, as well as the number of stakeholders.

For file storage mining, the main risk is with fixed costs associated with hardware which would not be recouped in future value of file storage cryptocurrency.

7.4 Speculative Cryptoequity

This tier of investments will make speculative bets on emerging technologies through crowdsales and digital assets.

7.4.1 Crowdsales and Digital Assets

The fund will seek promising emerging blockchain technology crowdsales, primarily focused on cryptoequity. For example, Augur REP licenses give license-holders the ability to provide prediction market event outcomes in exchange for cryptocurrency compensation in Ether. Similarly, LaZooz tokens are a future coin for ridesharing but are being presold at a discount. Additional cryptoequity may be purchased on digital asset trading platforms such as Counterparty or NXT.

7.4.2 Risk Assessment

The main risk is usually liquidity risk, since nascent cryptosecurities may not immediately have penetration into exchanges. This is also a bet on the success of a particular platform which carries provider risk.

8 CoinFund Allocations

8.1 Proposed Portfolio

The following table represents the approximate target allocations across a portfolio of investments drawing on the vehicles we have described above.

Investment Type	Allocation	Suballocation	Investment Method / Niche	Liquidity	Provider Risk	Overall Risk	Return Expectation
Fixed Income	40%	12.00%	Interest-bearing Accounts	High	Medium	Low	1-3% AER
		28.00%	P2P Lending	Medium	Low	Low	5-20% APR
Standalone Altcoins	10%	10.00%	Exchange Purchase	High	Low	High	+/-50% Yearly
Mining	15%	7.50%	Ether Mining	High	Medium	Medium	Speculative
		1.50%	File Storage Mining	Medium	Medium	Low	$20/Month/TB
		6.00%	Other Mining	Medium	Medium	Medium	Speculative
Promotional Cryptocurrency	0%	0.00%	Promotional Assets	Medium	Medium	None	Infinite
Cryptoequity	15%	10.50%	Crowdsales	Medium	High	High	Speculative
		4.50%	Other Acquisitions	Low	High	High	
Niche-Tracking Cryptocurrency	20%	4.00%	Niche: Smart Contracts	High	Medium	High	Speculative
		4.00%	Niche: Real-world Finance				
		4.00%	Niche: Micropayments				
		1.60%	Niche: Decentralized Commerce				
		1.60%	Niche: Incentivized File Sharing				
		1.60%	Niche: Other				
		1.20%	Niche: Prediction Markets				
		1.00%	Niche: Pegged Currency				
		1.00%	Niche: Digital Assets Exchange				

8.2 Portfolio Properties

This set of allocation has the following characteristics:

- 49.5% of the portfolio will be highly liquid at any time, with opportunities to convert the holdings into Bitcoin or fiat.
- 46% of the portfolio will be of medium liquidity. Of these holdings, 18% of the portfolio will be reasonably redeemable on reputable exchanges within hours or days, and 28% being reasonably redeemable within weeks or months.
- 4.5% of the portfolio is highly speculative and carries substantial liquidity and default risks, in particular with respect to acquired proprietary tokens.
- 15% of the portfolio will be allocated to mining operations, which have fixed upfront costs for hardware. The output of mining is cryptocurrency which, on average, will be of medium liquidity risk.

9 CoinFund Structure and Stipulations

9.1 Participants and Ownership

CoinFund (the Fund) defines two kinds of participants, Administrators and Stakeholders. All participants share ownership of the capital in the Fund in proportion to their Contributions to the Fund.

9.1.1 Stakeholders

Stakeholders will provide Contributions to the Fund in the form of Bitcoin capital and will be entitled to liquidation proceeds in Bitcoin in proportion to their Stake in the Fund, as outlined in the rest of this document.

9.1.2 Administrators

Administrators will all have equal rights and responsibilities to hold access to the capital of the Fund, are in charge of making investments and liquidations on behalf of the Fund, to report on changes in holdings, profit and loss, and final liquidation and termination of the Fund.

Administrators must additionally be Stakeholders in order to demonstrate an interest in maintaining the fund with a minimal contribution of **10 BTC**.

9.1.3 Stake

Stake in the Fund for all Stakeholders shall be determined by the Administrators on the Launch Date and communicated to Stakeholders. For a particular Stakeholder, Stake is defined to be the sum of his or her contributions to the Fund prior to the Launch Date, divided by the sum of all contributions to the Fund prior to the Launch Date.

- *Example: Two Administrators contribute 10 BTC each, and a Bob contributes 5 BTC. Each Administrator then owns a 10/25 = 40% stake, and Bob owns a 20% stake.*

9.1.4 Administrator Stake

Administrator Stake shall be used to determine the proportion of any Performance Fees assessed by the Fund that is distributed among Administrators. For a particular Administrator, Administrator Stake is defined to be the sum of his or her contributions to the Fund prior to the Launch Date, divided by the sum of all contributions to the Fund by all Administrators of the Fund prior to the Launch Date.

- *Example: Alice and Bob are Administrators of the Fund, contributing 40 BTC and 20 BTC, respectively. Carl is a Stakeholder contributing 20 BTC. As*

Stakeholders, Alice has 40/80 = 50% Stake, Bob has 20/80 = 25% Stake, and Carl has 25% Stake. Additionally, Alice has 40 / 60 = 66.67% Administrator Stake and Bob has 20 / 60 = 33.33% Administrator Stake.

9.1.5 CoinFund Shares

By the Launch Date, the Administrators shall issue 1,000,000 shares of the Fund (CoinFund Shares) on a Digital Assets Platform such as Counterparty or NXT. Each Stakeholder will then be entitled to take possession of that number of CoinFund Shares as is proportional to their Stake in the Fund, at any time during the Lifetime of the Fund.

Once the Stakeholder takes possession of CoinFund Shares, those shares are considered Distributed Shares and may be traded as digital assets on the Digital Assets Platform, since they will have certain value guaranteed by the Fund.

After Final Liquidation of the Fund, the Fund will honor the exchange of Distributed Shares for liquidated proceeds of the Fund, as described in Proceeds Distribution below.

Stakeholders are entitled to proceeds from liquidation of the Fund whether or not they take possession of CoinFund Shares. However, if they do take possession of CoinFund Shares, they must exchange these shares for proceeds at Final Liquidation.

- *Example: Bob owns 20% of the Fund and is entitled to 200,000 shares, which he collects. Bob then sells 100,000 on the Digital Assets Platform. The Fund now has 200,000 shares distributed, and will honor exchange for up to 200,000 shares at time of Final Liquidation. When the Fund liquidates, it will exchange Bob's remaining 100,000 shares for proceeds. It will also exchange any proven holder of shares besides Bob, up to 100,000 shares, for proceeds.*

9.1.6 Contributions

A Contribution is a Bitcoin transaction from an individual to the Bitcoin address which is designated as the Contribution Address by the Fund, which is prearranged by the individual with the Fund and explicitly consented to by the Fund. Such an individual who makes a capital Contribution to the Fund before the Launch Date will automatically become a Stakeholder and is granted all Stakeholder rights as described in this document.

Any unsolicited Bitcoin transactions to the Contribution Address of the Fund by individuals who have not prearranged a Contribution with the Fund, or whose Contribution was not explicitly consented to by the Fund, shall be returned to the sending Bitcoin address. Returned Contributions may incur applicable transaction processing fees for which the Fund is hereby not liable.

9.2 Lifetime of the Fund

9.2.1 Launch Date and Termination Date

The Fund will set a Launch Date. Stakeholders will be allowed to contribute capital to the Fund up to and including, but not after, that date. The initial Termination Date will be defined as 3 years[11] after the initial Launch Date.

No later and possibly before the Termination Date, all holdings in the Fund will be liquidated by the Administrators and the proceeds will be distributed according to the Liquidation Procedures below.

The Lifetime of the Fund is defined to be the period of time between the Launch Date and Final Liquidation.

- *Example: The Fund sets the Launch Date to 8/1/2015 and its Termination Date is therefore 8/1/2018. On 5/1/2018, the Administrators call Final Liquidation. The Lifetime of the Fund was from 8/1/2018 until 5/1/2018. The Fund is liquidated over several months and all proceeds are paid to Stakeholders by 8/1/2015.*

9.2.2 Termination Date Extension

At any time during the Lifetime of the Fund, the Administrators have a right to request a vote on the extension of the Termination Date of the Fund by 1 year. If the extension is upheld by vote, the Fund will acquire a new Termination Date (an Extended Termination Date) equal to the original Termination Date plus one year[12]. The voting process is described below.

1. A vote on Termination Date Extension can happen at most once after the Launch Date has passed.
2. During the vote, the Administrators shall gather an active vote of Yes, No, or Abstain from every Stakeholder.
3. A Termination Date Extension shall be upheld if the sum of the Stake of all Stakeholders contributing Yes votes will be greater than or equal to 85%. In this event, the Extended Termination Date, as described above, will be set as the new Termination Date. All rules described in this document will apply to the Extended Termination Date as if it were the initial Termination Date.
4. Otherwise, no action shall be taken and the Termination Date will stand.

- *Example: The Fund has 10 Stakeholders each having a 10% Stake and a Termination Date of 8/1/2018. On 6/1/2018, the market is favorable and Stakeholders are bullish on alternative cryptocurrencies. Rather than force the liquidation of the Fund by 8/1/2018, the Administrators call a vote to extend the life of*

[11] Found by adding 3 to the year of the Launch Date and keeping the day and month constant.

[12] Found by adding 1 to the year of the initial Termination Date and keeping the day and month constant.

the Fund by 1 year. Nine out of 10 Stakeholders vote Yes, and the Termination Date is extended to 8/1/2019.

9.2.3 Final Liquidation

At any time, the Administrators may elect to liquidate all assets of the Fund in a Final Liquidation. At Final Liquidation, all proceeds from liquidation will be distributed to Stakeholders in proportion to their Stake and the Fund will be terminated. Final Liquidation must be called on or before the Termination Date, and holdings must be liquidated before the Termination Date.

9.3 Operations and Fees

9.3.1 Discretionary Trading

By contributing capital to the Fund, the Stakeholders agree to give the Administrators the right to take positions and make liquidations in cryptosecurities, cryptocurrency-based financial services, and cryptocurrency mining operations (as described but not limited to those described above in this document) using the capital collected in the Fund at any time for any reason.

The Administrators agree to make the most educated and favorable investment decisions on behalf of the Fund and its Stakeholders based on the best possible information available to them.

9.3.2 Liability

By reading this document, or by sending a Contribution to the Fund, the Stakeholders understand that they are making a risky investment and that there is hereby no guarantee of returns on their Contribution. Stakeholders are encouraged to do their own research into the blockchain space to make the assessment of whether this risk profile is the right profile for the investment that they intend to make.

Stakeholders agree that the Fund, or any Administrators of the Fund, are not financially liable for any reason for any loss of capital that they incur as a result of investment in the Fund.

9.3.3 Statements and Reporting

At least once per quarter, the Administrators shall send notice to Stakeholders outlining the status of the Fund, transactions that have taken place since the inception or last statement period, whichever is latest, of the Fund, and the approximate estimated value of the Fund, as measured in Bitcoin and in USD.

9.3.4 Proof of Holdings

The Stakeholders at any point in time during the Lifetime of the Fund have the right to request a Proof of Holdings from the Administrators, and the Administrators are obligated to provide Proof of Holdings wherever it is available, as detailed below. The following will constitute Proof of Holdings:

1. For any blockchain-based security with a cryptographic wallet and a public blockchain, the Administrators will provide a cryptographic signature proving their ownership of the private key to that wallet. The Stakeholders will be able to then verify holdings on the public blockchain for that cryptosecurity.
2. For any holdings in cryptosecurities, financial services, or other services (including but not limited to Savings Accounts, P2P Lending Services, Stellar, or other high-level services) where the Administrators do not possess the private key to a cryptographic wallet, or no wallet exists, the Administrators will make a best effort to disclose the holdings through screenshots, official statements, email communications with providers, or any other applicable materials showing holdings.
3. For any holdings in the form of physical hardware purchased or rented for the purposes of mining, website hosting, or other operations on behalf of the fund, the Administrators shall provide receipts, billing emails, or other proofs of purchase or expense.

9.3.5 Performance Fee

Upon Final Liquidation, the Fund reserves the right to assess a Performance Fee on Excess Returns. Excess Returns are defined to be the value of capital owned by a Stakeholder in excess of the initial Contribution of the Stakeholder.

The Fund reserves the right to assess a Performance Fee of the Bitcoin-denominated or other cryptocurrency-denominated proceeds in the amount of **15%**.

Any Performance Fees assessed by the Fund shall be distributed among all Administrators of the Fund, in proportion to their Administrator Stake.

- *Example 1: Bob invests 1 BTC in the Fund. When the Fund is liquidated, his proceeds are 0.9 BTC and 1000 shares of illiquid cryptocurrency. In this case, Bob has participated in the Fund, but is not charged a fee.*
- *Example 2: Bob invests 1 BTC in the Fund. When the Fund is liquidated, his proceeds are 1.5 BTC. Bob's excess return is 0.5 BTC. Bob leaves 15%, or 0.075 BTC, with the Fund and keeps 0.425 BTC as returns.*
- *Example 3: Bob invests 1 BTC in the Fund. When the Fund is liquidated, his proceeds are 0.9 BTC. The USD value of 0.9 BTC at time of liquidation is higher than the USD value of 1 BTC at the Fund launch. The Fund does not assess performance fees in this case.*

9.4 Liquidation Procedures

9.4.1 Final Liquidation

At some point before the Termination Date, the Administrators shall call Final Liquidation and begin to liquidate the holdings of the Fund. The liquidation process is outlined below.

9.4.2 Liquidation Process

All liquidations will be in the form of Bitcoin proceeds, to the best of the ability of the Administrators to receive the best Bitcoin value for those holdings at the time of liquidation, and unless the Stakeholder requests otherwise (see Liquidation Without Bitcoin Conversion below).

Once the holdings are liquidated, they will be distributed to Stakeholders and made available in the form of exchange to Owners of CoinFund Shares, as described in Proceeds Distribution below.

1. For Interest-bearing Savings Account, all cryptocurrency and interest shall be withdrawn.

2. For P2P Lending holdings, the Fund will have invested capital in such a way that P2P loans will come to maturity before the Termination Date of the Fund.

    (a) At the time of liquidation, all cryptocurrency and interest shall be withdrawn.

    (b) If by the time of Final Liquidation loans are outstanding, the Administrators shall make a best effort to liquidate those loans as notes on secondary markets, if those markets are available on the particular platform in question. Any proceeds recovered from defaults or outstanding loans at or past the Final Liquidation or Termination Date of the Fund will still be considered distributable proceeds and subject to the distribution procedure as described in Proceeds Distribution below.

3. All cryptocurrency, cryptoequity, or token holdings that have markets on a reputable exchange shall be liquidated for Bitcoin.

    (a) At time of liquidation, the Administrators shall make a best effort to perform the exchange.

    (b) In the absence of liquidity for a particular cryptosecurity, or in the event that the cryptosecurity is only redeemable for goods or services, the Stakeholders or Owners of CoinFund Shares will be entitled to take ownership of the underlying cryptosecurities.

4. Any hardware that was rented using Fund capital will be returned and the rental contracts terminated.

5. Any hardware that was purchased using Fund capital for the purpose of mining or other types of generation of cryptosecurities will be sold, and the proceeds shall be denominated in Bitcoin.

9.4.3 Liquidation Without Bitcoin Conversion

During Final Liquidation, and upon request of the Stakeholder to the Administrators, the Stakeholder has the right to receive the proceeds of the liquidation in the original cryptocurrency or cryptosecurity and without conversion into Bitcoin, applicable to any holding that is invested in any cryptocurrency, cryptoequity, token, or other digital asset other than Bitcoin and other than physical hardware, or other resources, acquired for the purpose of mining or other operations.

- *Example: The Fund is being liquidated, but Bob is bullish on a particular cryptocurrency and doesn't wish to convert to Bitcoin. Bob can request the Administrators to deliver his proceeds for that holding in that cryptocurrency and without converting it to Bitcoin.*

9.4.4 Proceeds Distribution

Both Stakeholders and Owners of CoinFund Shares (other than Stakeholders) are entitled to participate in the proceeds from Final Liquidation of the Fund. The following describes the procedure for distributing proceeds to Stakeholders and Owners of CoinFund Shares.

1. The proceeds shall be distributed to every Stakeholder who has not taken ownership of their CoinFund Shares, in proportion to their Stake and net any applicable Performance Fee.

2. The proceeds shall be exchanged for CoinFund Shares with an exchange rate of one one-millionth (1/1000000th) of the liquidation proceeds net any applicable Performance Fee per 1 CoinFund Share for any Owner of CoinFund Shares.

    (a) Stakeholders who have claimed their CoinFund Shares must exchange CoinFund Shares for proceeds as described above.

    (b) The Fund shall perform the exchange of CoinFund Shares for at most as many shares as the number of Distributed CoinFund Shares and not more.

1. *Example 1: Alice is a Stakeholder with 10 BTC contributed and she has not claimed CoinFund Shares. At Final Liquidation, Alice's Stake is worth 15 BTC in gross proceeds. The Fund assesses a 15% Performance Fee on Alice's 5 BTC of excess returns, and distributes 14.25 BTC to Alice.*
2. *Example 2: Bob is a Stakeholder with a 20% stake. Bob claims his CoinFund Shares and obtains 200,000 CoinFund Shares. He sells 100,000 CoinFund Shares on a Ditital Assets Platform to Carl and keeps the remaining 100,000 for himself. At Final Liquidation, the Fund has a total of 500,000 shares that have been distributed (Distributed CoinFund Shares) and each share is worth 0.001 BTC*

after Performance Fees. Both Bob (even though he is a Stakeholder) and Carl must exchange their CoinFund Shares for proceeds in the Fund.

9.5 Summary of Rights

9.5.1 Stakeholders

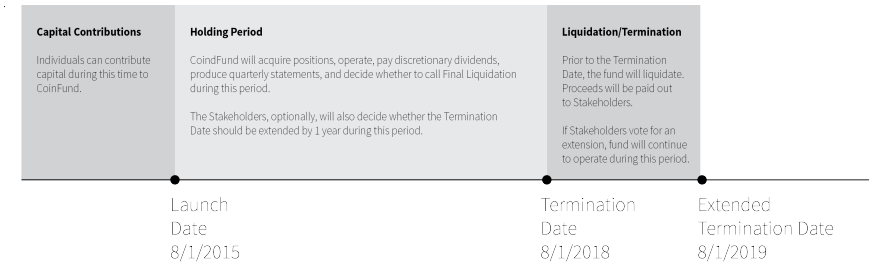
1. After the Launch Date, Stakeholders have the right to know their Stake in the Fund.
2. At any time during the Lifetime of the Fund, Stakeholders have a right to request and receive Proof of Holdings for the Fund from the Administrators.
3. Stakeholders are entitled to quarterly statements about the holdings of the Fund.
4. Stakeholders are entitled to the distribution of liquidated investments when Administrators announce Final Liquidation, and certain other proceeds as outlined in "Liquidation Procedures".
5. Upon request from the Stakeholder, Stakeholders are entitled to receive proceeds from Final Liquidation in the original cryptosecurity of the holding and without conversion into Bitcoin.
6. Stakeholders have the right to take possession of CoinFund Shares.
7. Stakeholders are entitled to vote on the Lifetime extension of the Fund by 1 year.

9.5.2 Administrators

1. Administrators have the right to trade cryptocurrencies and cryptosecurities, invest in cryptocurrency-based financial services, purchase hardware for the purposes of mining, and buy, sell, and trade other resources on behalf of the Stakeholders in a discretionary manner, using the capital of the Fund.
2. Administrators have the right to call Final Liquidation of the Fund at any time.
3. Administrators have the right to a Performance Fee on excess returns at Final Liquidation in the amount of 15%.
4. Administrators have the right to call a Stakeholder vote in order to extend the Lifetime of the Fund by 1 year.

9.6 Lifetime Diagram

The following diagram shows the hypothetical timeline of CoinFund, given the Launch Date of 8/1/2015.



10 CoinFund Parameters

The latest CoinFund parameters are given in Table 1.

Table 1: CoinFund Parameters (as of June 25, 2015)

Administrator 1	Jake Brukhman (jake@coinfund.io)
Administrator 2	Michael Bosworth (michael@coinfund.io)
Launch Date	8/1/2015
Termination Date	8/1/2018
Extended Termination Date (upon vote)	8/1/2019
Minimum Administrator Contribution	10 BTC
Performance Fee	15%
Fund Contribution Address (Bitcoin)	`14w6DtEywCmoV3EW744kUV2nWnKjaVMvEH`

11 Proof of Authorship and Ownership

The following are proofs of ownership of this document and the Fund Contribution Address. Jake Brukhman's public key is available on GPG Tools public keyservers, with the ID D2851778. You can check Bitcoin private key ownership at brainwallet.com.

If you would like to cryptographically verify these signatures, please use the following link:

`http://coinfund.io/assets/documents/proofs.txt`

11.1 Authorship

```
-----BEGIN PGP SIGNED MESSAGE-----
Hash: SHA512

I, Jake Brukhman, hereby certify the authorship
of this document, entitled "CoinFund: A diversified
security tracking the blockchain technology space."
and which may be found at
http://coinfund.io/assets/documents/coinfund.pdf.
```

```
-----BEGIN PGP SIGNATURE-----
Comment: GPGTools - https://gpgtools.org

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=BwoB
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```

11.2 Contribution Address

```
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I, Jake Brukhman, certify that the Bitcoin address at

  14w6DtEywCmoV3EW744kUV2nWnKjaVMvEH

is the Contribution Address for CoinFund.
-----BEGIN PGP SIGNATURE-----
Comment: GPGTools - https://gpgtools.org

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```

11.3 Ownership of Private Keys

```
-----BEGIN BITCOIN SIGNED MESSAGE-----
This message certifies that CoinFund and its
Administrators own the private keys to the
Bitcoin address:

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-----BEGIN SIGNATURE-----
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-----END BITCOIN SIGNED MESSAGE-----
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