

To summarize, Battery is developing loans with the following features:

- Bitcoin can be used as collateral alongside other assets
- Bitcoin's market price will not factor into the LTV ratio for a fixed period of time, minimally four years
- The lender and the borrower share in bitcoin's upside
- The longer the borrower stays in the loan, the more upside they share
- The use of bitcoin as collateral will lower the interest rate of the loan

The use of bitcoin as collateral here has so many beautiful features, but at its heart, it is my opinion that it is going to redefine what creditworthiness actually means and provide a significant arbitrage opportunity for lenders and borrowers who can understand the changing dynamics.

## **Subordination Redefined**

Credit markets operate around the expected behavior of lenders and borrowers. What compels borrowers to prepay their loans or default on them? Much effort goes into the behavioral modeling of credit products. Universally, credit structures are built on the idea of subordination, which