

## **Risks related to the Company's business and the Participation Certificates**

The Company is a holding company with no commercial operations of its own. Its value and ability to generate returns depend entirely on the performance of its subsidiaries, which are expected to operate a trading platform ecosystem and provide a wide range of services bridging traditional finance and decentralized finance, as well as other related or ancillary services. Consequently, the Company is exposed to risks inherent in the operations of its subsidiaries, including the possibility that such subsidiaries may fail to successfully develop, maintain, or operate their platforms and services, encounter difficulties in raising capital to support growth, or experience operational or technological challenges. The Company's returns will also be affected by the financial performance, management decisions, and regulatory compliance of its subsidiaries. There is a risk that key management or personnel of the subsidiaries may be lost or difficult to replace, potentially impacting the execution of business strategies. Legal or regulatory actions against the subsidiaries, or changes in applicable economic, financial, or administrative regulations, could materially affect the Company's investments. Furthermore, the Company's investment value may be impacted if its subsidiaries fail to secure adequate partnerships, customer relationships, or insurance coverage, or if they encounter unfavorable market conditions or competitive pressures. Participation Certificate Holders must recognize that holding Participation Certificates Tokens in the Company involves reliance on the performance, governance, and risk management of multiple underlying subsidiaries, none of which are directly controlled in day-to-day operations by the Company itself.

To understand the risks associated with the Company's business and the Participation Certificates, each Participation Certificate Holder should thoroughly and in detail assess and analyze this Annex 10. Prospective Participation Certificate Holders should carefully consider each of the risks described below and all of the other information before deciding to invest in the Participation Certificates. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risks. As a result, the price of the Participation Certificates may decline and Participation Certificate Holders may lose their investment. The risks described below are not the only ones applicable to the Company. Additional risks that are not known to the Company at this time, or that the Company currently considers to be immaterial based on its regular risk assessment, could significantly impair the Company's business activities and have a material adverse effect on the Company's business, financial condition or results of operations. The order in which these risks are presented is not intended to provide an indication of the likelihood of occurrence nor of their severity or significance. Therefore, only prospective Participation Certificate Holders who are fully aware of the risks described in this Annex 10 and who are financially able to bear the possible loss of their entire investment should consider investing in this Participation Certificates.

## **The Participation Certificates will be recorded outside of the custodian system and transfers of Participation Certificates are subject to legal uncertainty**

The Participation Certificates are associated with the Participation Certificates Tokens (the "Participation Certificates Token"), i.e. digital tokens recorded on the public Ethereum blockchain (Ethereum's "mainnet").

To date, there are no court precedents regarding the acquisition or transfer of tokenized securities. In addition, the Swiss legislator may adopt new rules regarding the acquisition or transfer of tokenized securities, the impact of which cannot be predicted. Such acquisition or transfer is therefore subject to legal uncertainties that are more significant than for non-tokenized securities.

If a court were to decide that a transfer on the relevant blockchain is not sufficient to transfer the rights and obligations associated with tokenized securities, the validity of transfers of Participation Certificates effected by transferring the relevant Participation Certificates Tokens on the Ethereum blockchain may be challenged.

These factors, and the resulting uncertainty regarding our Participation Certificates and tokenized securities in general, may significantly affect the price and ability of our shareholders to acquire or dispose of Participation Certificates. In addition, if tokenized securities become more difficult to acquire or transfer, we may be forced to rely on other ways of raising capital, which may be significantly more expensive. This could materially affect our ability to execute our strategy and our prospects.

## **The Participation Certificates will be associated with digital tokens recorded on a blockchain**

The Participation Certificates, once issued, will be associated with the Participation Certificates Tokens, i.e. digital tokens, which will be recorded on the public version of the Ethereum blockchain. The Company has adopted internal regulations, pursuant to which the Participation Certificates Tokens and the underlying Participation Certificates will be tied to each other in a manner that will prevent the Participation Certificates from being transferred without the corresponding Participation Certificates Tokens and vice-versa.

The Participation Certificates Tokens will be created and managed under the terms of a so-called "smart contract", i.e. computer code that defines the manner in which digital tokens can be created, transferred and cancelled. Smart contracts are non-trivial pieces of computer code and their interactions with the blockchain for which they have been created are complex. It cannot be excluded that the computer code for the smart contract used by the Company contains flaws, errors, defects and bugs, which may disable some functionality of the Participation Certificates Tokens, expose tokenholders' information or otherwise be harmful to the tokenholders or the Company. Participation Certificate Holders contemplating an investment in the Participation Certificates should review the functioning of the smart contract underpinning the Participation Certificates Tokens and seek advice from third party experts, if necessary, to understand it before acquiring Participation Certificates.

Should the smart contract based on which the Participation Certificates Tokens are operated cease to function for any reason, the ability of existing holders of Participation Certificates to transfer such shares to third parties or the ability of the acquirers of Participation Certificates to exercise the rights associated with such Participation Certificates may be impaired. The regulations that the Company has adopted to associate the Participation Certificates with the Participation Certificates Tokens make it possible for the Company to cancel existing Participation Certificates Tokens and to issue replacement tokens or to issue the Participation Certificates in a different form (e.g. in the form of paper certificates). Such an operation may however complicate the transfer of the Participation Certificates or the exercise of the rights associated with newly acquired Participation Certificates.

## **Risks related to the Ethereum blockchain technology**

Blockchain technology is new and untested and subject to known and unknown risks, including the risks set out below:

The Ethereum source code could be updated, amended, altered or modified from time to time by the developers and/or the community of Ethereum users. There can be no guarantee that such update, amendment, alteration or modification will not adversely affect the functionality of the Participation Certificates Tokens.

Changes to the protocol that govern the Ethereum blockchain may result in the development of parallel chains of blocks (so-called "hard forks") when some of the blockchain's nodes are validating transactions on the basis of the old version of the protocol, while other nodes are validating transactions on the basis of the new protocol. The smart contract governing the Company's tokenized Participation Certificates makes it possible for the Company to "freeze" the digital tokens associated with the Participation Certificates (i.e. to prevent execution of transactions on the blockchain) until the Company has made a decision as to which version of the protocol it will support. In the event of such a freeze, holders of frozen Participation Certificates will not be in a position to transfer their Participation Certificates. Such a freeze may however occur after the hard fork has started to take effect. This could lead to significant uncertainties as to the ownership of Participation Certificates which have been transferred (by way of the Share Token) immediately before the freeze has been implemented.

Blockchain technology functions based on concepts belonging to asymmetric cryptography, or public key cryptography. Scientific research regarding blockchain technology is still at an early stage. Code cracking or technical advances such as the development of quantum computers, could present a risk for all blockchain technology. This could result in the theft, loss, disappearance, destruction or devaluation of Participation Certificates Tokens.

Hackers or other groups or organizations may attempt to interfere with wallets maintained by tokenholders in any number of ways, including without limitation denial of service attacks, Sybil attacks, spoofing, smurfing, malware attacks or consensus based attacks. In addition, the Ethereum blockchain is susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks (or "51% attacks"),

"selfish-mining" attacks, and race condition attacks.

## **Legal and regulatory risks associated with the use of blockchain technology**

Blockchain technology is recent. In many jurisdictions, the legal and regulatory regime applicable in case of use of that technology in the financial sector remains debated, and regulatory actions by the Swiss or foreign governments restricting the ability to use the technology in the manner contemplated by the Company cannot be excluded. To associate the Participation Certificates with digital tokens, the Company is relying on the legal tokenization model developed and published by the Capital Markets and Technology Association, a non-governmental organization based in Geneva, Switzerland. That tokenization model is based on advice provided by reputable Swiss legal experts, and the Company believes the principles underlying that model to be sound and reasonable. The legal aspects of the tokenization of securities are however debated in Switzerland, and no court decision has been published on the topic. Disputes regarding certain aspects of the acquisition and transfer of the Participation Certificates in the form of digital tokens, such as for example the validity of transfers, cannot therefore be excluded. Court decisions, depending on their content, may result in the Company having to cancel the digital tokens associated with the Participation Certificates, and to issue the Participation Certificates in a different form (e.g. in the form of paper certificates). This could restrict the ability of the holders of Participation Certificates to transfer such shares.

## **Inability of holders of Participation Certificates to influence the decisions of the Company**

The Participation Certificates are Participation Certificates. Upon completion of the Offering, holders of the Participation Certificates will not be able to exert significant influence over the election of the Company's directors or independent auditors, or the appropriation of the Company's earnings (and in particular the distribution of dividends). Holders of the Participation Certificates will have none of the rights generally associated with voting rights under Swiss corporation law, such as the right to request the holding of a general meeting of shareholders, the placement of items of the agenda of a general meeting of shareholders or the right to ask questions or to make proposals on the occasion of such meeting. Accordingly, the holders of the Company's voting shares will continue to be able to exert voting control and will be able to elect all of the Company directors, to determine the outcome of any matter being voted upon by shareholders, including the declaration of dividends, amendments to the Company's articles of association, capital increases or decreases, the conversion of voting shares into Participation Certificates, mergers and other important matters.

## **The traditional framework for combatting anti-money laundering and terrorist financing does not apply to the Participation Certificates**

To be in a position to determine the source of the capital raised through the Offering and avoid becoming the recipient of funds of illicit origin, the Company relies on the "AML Standards for Digital Assets" (in their version of October 2018) adopted by the Capital Markets and Technology Association, a non-governmental organization based in Geneva, Switzerland. Although the Company believes these standards to be sound and reasonable, the Capital Markets and Technology Association is not a governmental or regulatory authority and the standards it issues are not "safe harbors". Regulatory actions against the Company under Swiss or foreign regulations against money laundering or terrorist financing cannot consequently be excluded in the future. The Company may also be restricted in its ability to open or maintain accounts with banks or other regulated financial intermediaries if the manner in which it identifies the source of the capital raised or future capital raisings is, in the future, deemed inappropriate.

If we are subject to investigations or regulatory actions in connection with money laundering or terrorist financing, or if we are unable to open or maintain bank accounts at satisfactory conditions, we may be unable to execute our strategy, face material financial difficulties and may even be forced to cease operations.

## **Volatility in the market for and the price of the Participation Certificates**

The market for and the market price of the Participation Certificates (to the extent such a market develops) may be highly volatile. Such volatility could be caused not only by the Company's operational performance or other events involving the Company and/or its customers, suppliers or competitors, but also by changes in general conditions in the economy or the financial markets, and the Fintech industry in particular. As a result of such

fluctuations, holders of Participation Certificates may not be able to resell their Participation Certificates at or above the offering price and may incur losses.

Factors that could cause this volatility in the market price of the Participation Certificates include, but are not limited to: (i) actual or anticipated fluctuations in the Company's results of operations or financial condition; (ii) market expectations for the Company's financial performance; (iii) the entrance of new competitors or new products in the markets of the Company; (iv) actual or anticipated sales of the Company's Participation Certificates; (v) the liquidity of the market for the Participation Certificates; (vi) new laws or regulations or changes in interpretations of existing laws and regulations affecting the business of the Company; (vii) general market and economic conditions; (viii) sentiment in the Fintech industry; (ix) announcements of developments related to the Company's business; (x) local market conditions; (xi) cyberattacks or security breaches, or other events affecting tokenholders confidence or the transferability of the Participation Certificates Tokens.

### **Risk of lack of liquid market for the Participation Certificates**

Subject to certain conditions, Taurus SA is considering the trade of the Participation Certificates on the OTF that it operates under the name TDX. The decision of Taurus SA to trade the Participation Certificates of the Company on its OTF is however subject to conditions and may be reversed at any time by Taurus SA. As a consequence, there can be no assurance (i) that an active and liquid trading market, or even a market at all, will develop or continue, (ii) that the market price of the Participation Certificates will not decline below the issuance price or that (iii) prospective Participation Certificate Holders will be able to sell their Participation Certificates quickly or at all. The issuance price of the Participation Certificates will be determined by the Company. The issuance price may not be indicative of the market price of the Company's Participation Certificates and there can be no assurance that the market price of the Participation Certificates will reflect the Company's actual financial performance or the state of its business, results of operations and/or prospects.

### **Lack of analyst coverage**

The unavailability of financial analysts' coverage may prevent or delay the development of a liquid market for the Participation Certificates.

### **Potential decline in market price of the Participation Certificates due to the sale of a substantial number of Participation Certificates**

The market price of the Participation Certificates may decline as a result of future sales of such Participation Certificates in the market by members of the board of directors or executive management of the Company or as a result of a perception that such sales could occur. A shareholder resolution to convert voting shares into Participation Certificates may also be perceived as a willingness of holders of voting shares to dispose of their shares in the market, and could also negatively affect the market price of the Company's Participation Certificates. Such a decline in the market price of the Participation Certificates may make it more difficult for the Company to issue equity securities in the future at a time and price that it deems appropriate.

### **Non-application of the Swiss rules applicable to listed companies**

The Company is contemplating a potential future listing of the Participation Certificates Tokens on TDX or BX Digital AG, a Swiss securities token exchange licensed under the Financial Market Infrastructure Act (FinMIA), which operates a Distributed Ledger Technology (DLT) trading facility with on-chain settlement via the Ethereum blockchain and integration with the Swiss Interbank Clearing (SIC) system for delivery-versus-payment (DvP). As of the date of this Annex 10, the Participation Certificates will be traded off-exchange exclusively. As a result, the Swiss regulations that apply to issuers that have equity securities listed on a stock exchange in Switzerland will not apply to the Participation Certificates. In particular, the provisions of the Swiss Financial Market Infrastructure Act ("FMIA") regarding the mandatory disclosure of large interests in listed companies (Article 120 et seq. FMIA) or public takeovers (Article 125 et seq. FMIA) will not apply. This means, among other things, (i) that the beneficial owners of large interests in the Company will not be under any duty to make the nature of their interest in the Company public, (ii) that the provisions of the FMIA designed to guarantee equal treatment and undistorted choice of shareholders in the event of a public takeover offer will not apply if a public takeover offer is made for the shares of the Company and (iii) that the provisions of the FMIA that require any person who acquires more than one third of the voting rights of a company to make a

cash offer at a minimum price for all the listed shares of the company will not apply. Also, the provisions of the FMIA prohibiting insider trading and market manipulation will not apply to the trading of the Participation Certificates. Swiss authorities will therefore have less legal means to sanction market abuses relating to the Participation Certificates than they would have had the Participation Certificates been listed on a stock exchange in Switzerland. If the Company's Participation Certificates Tokens are subsequently listed on TDX or BX Digital or another licensed DLT trading facility, certain Swiss disclosure and regulatory obligations may then apply, including mechanisms for on-chain settlement and delivery-versus-payment (DvP) designed to reduce settlement risk and enhance transaction finality, but there can be no assurance that such listing will occur or on what timeline.

## **Risk of loss or theft of the digital tokens associated with the Participation Certificates**

Control over the Company's tokenized Participation Certificates requires a so-called "private key", i.e. a code that is paired with the blockchain address on which the digital tokens associated with the relevant Participation Certificates have been recorded. Loss or theft of the private key associated with a particular blockchain address makes it impossible for the owner of such private key to identify itself as the legitimate owner of the digital tokens recorded on the relevant blockchain address.

Contrary to what is the case for shares incorporated into physical certificates, Swiss law does not contemplate any legal means to dissociate securities from the digital tokens with which they have been associated. The Company's regulations and Registration Agreement specify the procedure to be followed if a tokenholder loses access to its digital tokens, e.g. because the corresponding private key has been lost or stolen. See Section 3.3.7 (Loss or theft of digital tokens) below. The applicable procedure involves the tokenholder being in a position to demonstrate in a manner satisfactory to the Company that it is the rightful owner of the lost or stolen digital tokens. Such demonstration may be difficult to bring if the tokenholder has not previously identified itself to the Company as the owner of the blockchain address with which the lost or stolen private key is associated.

## **The complete trading history of each digital wallet will be available to the general public and it may be possible for members of the public to determine the identity of the holders of Participation Certificates**

The Participation Certificates are associated with the Participation Certificates Tokens, i.e. digital tokens recorded on the public version of the Ethereum blockchain. Any trades of Participation Certificates will be public shortly after such trades are entered into. Although the data made available on the public version of the Ethereum blockchain is anonymous, it includes the blockchain address of each tokenholder transacting in Participation Certificates, and the entire trading history of each blockchain address (including the number of securities traded by each digital wallet, the price of each trade and the balance of the securities held in each digital wallet). As a result, the trading history of each blockchain address is available to the general public. It may be possible for members of the public to determine the identity of the holders of certain blockchain addresses based on publicly available information.

Potential Participation Certificate Holders who desire to execute their trades in relative anonymity may find these aspects of the Participation Certificates unattractive, which may further limit the liquidity in the Participation Certificates and may have a material adverse effect on the development of any trading market in the Participation Certificates.

## **Transaction fees are payable in Ethers**

The Participation Certificates will only be transferable in the form of digital tokens recorded on the Ethereum blockchain. On the Ethereum blockchain, every operation of the smart contract is subject to a fee (so-called "gas"), which must be paid in a cryptocurrency called "Ethers". Gas fee is not only due in the event of transfer of digital tokens from one blockchain address to another but also for other operations, such as the deployment of the smart contract on the Ethereum blockchain or communications between tokenholders and the Company (provided that such communications take place through the Ethereum blockchain by means of the smart contract).

On the Ethereum blockchain, operation fees are generally levied on the party that initiates the operation. For

transfers of the Company's tokenized Participation Certificates, the fees will be levied on the transferor. Because such fees must be paid in Ethers, the ability of any holder of a tokenized Participation Certificates to transfer such non-voting share will require such holder to own a sufficient quantity of Ethers.

## **Unanticipated Risks**

Cryptographic tokens such as the Participation Certificates Tokens are a new and untested technology. In addition to the risks included in this Annex 10, there are other risks associated with the Participation Certificates Tokens, including those that the Company cannot anticipate. Such risks may further materialize as unanticipated variations or combinations of the risks discussed in this Annex 10.