

*This short form base shelf prospectus has been filed under legislation in each of the provinces and territories of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities. The Units have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”) or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities legislation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.*

**Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of The Ether Fund at its head office located at 4800-1 King Street West, Box 160, Toronto, Ontario M5H 1A1, or by calling 1(416) 639-2130, and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

SHORT FORM BASE SHELF PROSPECTUS

February 8, 2021



## THE ETHER FUND

US\$500,000,000

Class A Units and Class F Units

**The Ether Fund (the “Fund”) invests in the digital currency Ether. Given the speculative nature of Ether and the volatility of the Ether markets, there is considerable risk that the Fund will not be able to meet its investment objectives. An investment in the Fund is not intended as a complete investment program and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. An investment in the Fund is considered high risk.**

During the 25-month period that this short form base shelf prospectus, including any amendments hereto, remains effective, The Ether Fund (the “Fund”) may from time to time offer and issue Class A units (“Class A Units”) and Class F units (“Class F Units”) and together with the Class A Units, the “Units”) in an aggregate principal amount of up to US\$500,000,000. Class A Units and Class F Units may be offered in such amount as may be determined in light of market conditions. The specific terms of the Class A Units and Class F Units in respect of which this short form base shelf prospectus is being delivered will be set forth in one or more prospectus supplements (each a “Prospectus Supplement”) to be delivered to purchasers together with this short form base shelf prospectus, and may include, where applicable, the aggregate offered amount, the number of Class A Units and Class F Units offered, the issue price and any terms for redemption at the option of the Fund or the holder.

The Fund is a non-redeemable investment fund but is not considered to be a mutual fund under the securities legislation of the Provinces and Territories of Canada. The Fund seeks to provide holders of Units (“Unitholders”) of the Fund with: (a) exposure to digital currency Ether (“ETH”) and the daily price movements of the U.S. dollar price of ETH; and (b) the opportunity for long-term capital appreciation.

The Fund may sell Class A Units or Class F Units to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to the Class A Units or Class F Units offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Class A Units or Class F Units and

will set forth the terms of the offering of such Class A Units or Class F Units, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The sale of Class A Units or Class F Units may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 – *Shelf Distributions* (“NI 44-102”), including sales made directly on the Toronto Stock Exchange (the “TSX”) or other existing trading markets for the Class A Units or Class F Units, and as set forth in a Prospectus Supplement for such purpose. The lead underwriter or lead agent or underwriters or agents with respect to the Class A Units or Class F Units sold to or through underwriters will be named in the related Prospectus Supplement.

Subject to applicable laws, in connection with any offering of Class A Units and Class F Units, other than an “at-the-market distribution” of Class A Units and Class F Units, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Sales of Class A Units and Class F Units under an “at-the-market distribution”, if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Class A Units and Class F Units under any “at-the-market” program will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102. The volume and timing of any “at-the-market distributions” will be determined at the Fund’s sole discretion.

No dealer or agent involved in an “at-the-market distribution”, no affiliate of such a dealer or agent and no person or company acting jointly or in concert with such a dealer or agent may over-allot Class A Units or Class F Units in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Class A Units or Class F Units in connection with an “at-the-market distribution”.

The Class A Units are listed on the TSX and trade in Canadian dollars under the symbol QETH.UN and in U.S. dollars under the symbol QETH.U as of the date hereof. On February 5, 2021, the closing price on the TSX of the Class A Units was US\$37.55 and C\$49.00.

Unless otherwise noted herein, all references to “\$”, “US\$” or “USD” in this short form base shelf prospectus are to the currency of the United States.

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term, nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved.

An investment in the Class A Units or the Class F Units involves a degree of risk. It is important for prospective investors to consider the risk factors described in this short form base shelf prospectus. See “*Risk Factors*”.

All shelf information permitted under applicable law to be omitted from this short form base shelf prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this prospectus. Each Prospectus Supplement will be incorporated by reference into this short form base shelf prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Class A Units and Class F Units to which the Prospectus Supplement pertains.

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## GLOSSARY OF TERMS

In this short form base shelf prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this short form base shelf prospectus are to United States dollars.

“**Administrator**” means the company appointed from time to time by the Manager to calculate the Net Asset Value of the Fund and the Net Asset Value per Unit, currently SGGG Fund Services Inc.

“**AML Regulation**” means statutes, regulations and other laws enacted by the government of the applicable jurisdiction aimed at the prevention and detection of money laundering and terrorist financing activities.

“**Annual Cut-Off Date**” has the meaning given to it under “Description of the Units of the Fund – Annual Redemptions”.

“**Annual In-Kind Redemption**” has the meaning given to it under “Description of the Units of the Fund – Annual Redemptions”.

“**Annual Redemption Date**” means the first business day following the 15<sup>th</sup> day of June in each year beginning on June 16, 2022.

“**business day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

“**Class A Units**” means the class of transferable, redeemable units of the Fund designated as the “Class A Units”.

“**Class A Redemption Price**” has the meaning given to it under “Description of the Units of the Fund – Monthly Redemptions”.

“**Class F Units**” means the class of transferable, redeemable units of the Fund designated as the “Class F Units”.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means (i) the closing price of such security on the principal stock exchange on such Monthly Redemption Date if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the principal stock exchange on such Monthly Redemption Date if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices of the security traded on a particular day; or (iii) the average of the last bid and the last asking prices of the security on the principal stock exchange on such Monthly Redemption Date if there was not trading on the applicable Monthly Redemption Date.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means Cidel Trust Company in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodianship agreement entered into on December 1, 2020 between the Manager in its capacity as manager of the Fund and the Custodian, as it may be amended from time to time.

“**Cut-Off Date**” means an Annual Cut-Off Date or a Monthly Cut-Off Date, as applicable.

“**DApps**” has the meaning given to it under “Investment Overview”.

“**Declaration of Trust**” means the declaration of trust establishing the Fund dated as of December 1, 2020, as it may be amended from time to time.

“**DeFi**” has the meaning given to it under “Investment Overview”.

“**ETH**” refers to the digital currency Ether that is the native unit of account within the Ethereum Network.

“**Ethereum Network**” is the online, end-user-to-end-user computer network hosting a public transaction ledger, known as the blockchain, and the source algorithmic protocols governing such network.

“**ETH Source**” has the meaning given to it under “Investment Overview – Purchasing ETH for the Fund’s Portfolio”.

“**Excise Tax Act**” means the *Excise Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**FATF**” means the Financial Action Task Force, an inter-governmental body established to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

“**Fork Asset**” has the meaning given to it under “Risk Factors – Ether’s Blockchain may Temporarily or Permanently Fork and/or Split”.

“**Fund**” means The Ether Fund, a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“**Gemini**” means Gemini Trust Company, LLC.

“**HSMs**” has the meaning ascribed given to it under “Organization and Management of the Fund – Sub-Custodian”.

“**In-Kind Redemption**” means an Annual In-Kind Redemption or a Monthly In-Kind Redemption.

“**Independent Review Committee**” means the independent review committee of the Fund.

“**KYC**” means identity verification and recordkeeping procedures under AML Regulation and applicable securities laws.

“**Management Fee**” has the meaning ascribed thereto under “Fees and Expenses”.

“**Manager**” means 3iQ Corp., the trustee, manager, portfolio manager and promoter of the Fund, and, if applicable, its successor.

“**Monthly Cut-Off Date**” has the meaning given to it under “Description of the Units of the Fund – Monthly Redemptions”.

“**Monthly In-Kind Redemption**” has the meaning given to it under “Description of the Units of the Fund – Monthly Redemptions”.

“**Monthly Redemption Date**” means the first business day following the 15th day of each month.

“**MVIETH**” means the MVIS CryptoCompare Institutional Ethereum Index, described at: <https://www.mvisindices.com/indices/digital-assets/mvis-cryptocompare-ethereum>.

“**MVIS**” means MV Index Solutions GmbH, an index provider based in Frankfurt, Germany regulated under the EU benchmark regulations.

“**Net Asset Value of the Fund**” means the net asset value of the Fund as determined by subtracting the aggregate liabilities of the Fund from the aggregate value of the assets of the Fund on the date on which the calculation is being made, calculated by the Administrator.

“**Net Asset Value per Unit**” means, in respect of a class of Units, the Net Asset Value of the Fund allocated to the Units of such class, divided by the total number of Units of such class outstanding, on the date on which the calculation is being made.

“**NI 44-102**” means National Instrument 44-102 – *Shelf Distributions*.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**OTC**” means “over the counter”.

“**Redemption Payment Date**” has the meaning given to it under “Description of the Units of the Fund – Monthly Redemptions”.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, and a tax-free savings account.

“**Registrar and Transfer Agent**” means TSX Trust Company or, if applicable, its successor or any other registrar and transfer agent that may be appointed by the Manager from time to time.

“**SIFT Rules**” means the provisions of the Tax Act, including those contained in sections 104, 122 and 122.1 of the Tax Act, which apply to the taxation of a “specified investment flow through trust” and its unitholders.

“**SIFT trust**” means a specified investment flow-through trust for the purposes of the Tax Act.

“**Sub-Custodian**” means Gemini in its capacity as sub-custodian under the Sub-Custodian Agreement.

“**Sub-Custodian Agreement**” means the sub-custody agreement between the Custodian, the Fund, and Gemini dated December 1, 2020.

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Tax Proposals**” means all specific proposals to amend the Tax Act or Excise Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**TSX**” means the Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America.

“**Unitholders**” means the holders of Units.

“**Units**” means the Class A Units and Class F Units issued by the Fund.

“**Valuation Date**” means each business day.

## FORWARD LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target”, “seek”, “will” and similar expressions to the extent they relate to the Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s or the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference and form an integral part of this short form base shelf prospectus:

- (a) the annual information form of the Fund dated January 25, 2021 for the period ended December 31, 2020; and
- (b) the audited annual financial statements of the Fund, together with the accompanying report of the auditor, as at and for the period ended December 31, 2020; and
- (c) the annual management report of fund performance of the Fund for the period ended December 31, 2020.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form base shelf prospectus and prior to the termination of an offering of Class A Units and Class F Units, will be deemed to be incorporated by reference in this short form base shelf prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form base shelf prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form base shelf prospectus.**

Upon a new annual information form, semi-annual or annual financial statements and management report on fund performance being filed with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form base shelf prospectus, the previous annual information form, semi-annual or annual financial statements and management report on fund performance and all material change reports filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this short form base shelf prospectus for purposes of future offers and sales of Class A Units and Class F Units hereunder.

A Prospectus Supplement containing the specific terms of an offering of Class A Units and Class F Units will be delivered to purchasers of such Class A Units and Class F Units together with this short form base shelf prospectus and will be deemed to be incorporated into this short form base shelf prospectus as of the date of such Prospectus Supplement but only for purposes of the offering of Class A Units and Class F Units covered by that Prospectus Supplement.

## THE FUND

The Ether Fund (the “Fund”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of December 1, 2020, as it may be amended from time to time (the “Declaration of Trust”). 3iQ Corp. (the “Manager”) acts as trustee, manager, portfolio manager and promoter of the Fund and provides certain general management and administrative services required by the Fund. See “Organization and Management of the Fund – Trustee, Manager, Portfolio Manager and Promoter of the Fund”. The principal office of the Fund is located at 4800-1 King Street West, Box 160, Toronto, Ontario, M5H 1A1.

The Fund is authorized to issue an unlimited number of Class A units (“Class A Units”) and Class F units (“Class F Units”). The Class A Units and Class F Units are collectively referred to herein as the “Units”.

The Class A Units are available to all investors. The Class A Units are listed on the TSX and trade in Canadian dollars under the symbol QETH.UN and in U.S. dollars under the symbol QETH.U as of the date hereof.

The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units are not listed on a stock exchange but any Class F Units offered under this prospectus and a prospectus supplement will be reclassified as Class A Units on a one-for-one basis immediately upon the closing of an offering, and (ii) the agents’ fees payable on the issuance of Class F Units are expected to be lower than those payable on the issuance of Class A Units.

The Fund completed its initial public offering (“IPO”) on December 10, 2020, resulting in the listing of 7,240,000 Class A Units on the TSX. In connection with the IPO, the Fund issued 2,794,546 Class A Units at a price of US\$10.75 per Class A Unit and 4,445,454 Class F Units at a price of US\$10.53 per Class F Unit. Immediately upon closing of the IPO, the Class F Units were reclassified as Class A Units on a one-for-one basis. Accordingly, the 4,445,454 Class F Units were reclassified as 4,445,454 Class A Units.

As of February 5, 2021, the Fund has issued an aggregate of 2,077,766 Class A Units pursuant to private placements.

As of February 5, 2021, the Fund has 9,317,766 Class A Units issued and outstanding.

### Investment Objectives

The Fund’s investment objectives are to seek to provide holders of Units (“Unitholders”) of the Fund with:

- (a) exposure to ETH and the daily price movements of the U.S. dollar price of ETH; and
- (b) the opportunity for long-term capital appreciation.

### Investment Strategies

To achieve its investment objectives, the Fund invests in long-term holdings of ETH, purchased from reputable digital asset trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in ETH.

Digital asset trading platforms are spot markets in which ETH can be exchanged for U.S. dollars. Digital asset trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager seeks to ensure that the digital asset trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation.



The Fund does not speculate with regard to short-term changes in ETH prices. The Fund will provide investors with the ability to effectively invest in ETH without the inconvenience and additional transaction and storage costs associated with a direct investment in ETH.

The Fund does not and will not hedge any U.S. dollar currency exposure back to the Canadian dollar.

### *Leverage*

Generally, the Fund does not intend to borrow money or employ other forms of leverage to maintain an investment in ETH. The Fund may employ leverage or credit on a short-term basis to acquire ETH in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund.

### *Use of Derivatives*

The Manager may use derivative instruments, the underlying interest of which is ETH, for non-hedging purposes consistent with the Fund's investment objectives and investment strategies to gain exposure to ETH, subject to its investment restrictions. Any trading in derivatives by the Fund is incidental to the Fund's core investment strategy of investing in the ETH. The Fund will not transact in any derivative instrument if, as a result of such transaction, the Fund's aggregate exposure to derivatives would exceed 5% of the Net Asset Value of the Fund.

### **Investment Restrictions**

The Fund is subject to certain investment restrictions and practices contained in securities legislation, including NI 81-102, that, among other things, limit the assets that the Fund may acquire for its portfolio. The Fund's investment restrictions are designed in part to ensure the proper administration of the Fund and that the Fund is managed in accordance with these restrictions and practices. The Fund's investment restrictions may not be changed without approval by resolution passed by at least 66⅔% of the votes cast by holders of Units voting thereon who attend in person or by proxy and vote at a meeting called for such purpose. The Fund's investment restrictions provide that the Fund may:

- (a) not invest less than 90% of its total assets in ETH;
- (b) not invest in securities of ETH related companies, technologies or business ventures;
- (c) purchase debt securities only if such securities are cash equivalents;
- (d) not borrow or enter into any leverage transaction other than as described above under "The Fund - Investment Strategies – Leverage";
- (e) except as set forth under "The Fund - Investment Strategies – Use of Derivatives", not purchase derivatives or enter into derivatives or other transactions;
- (f) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" within the meaning of the Tax Act;
- (g) not make or hold any investment that would result in the Fund becoming a "SIFT trust" within the meaning of subsection 122.1(1) of the Tax Act;
- (h) not invest in: (i) any security that is an offshore investment fund property that would require the Fund to include significant amounts in the Fund's income pursuant to section 94.1 of the Tax Act; or (ii) any interest in a non-resident trust that would require the Fund to include amounts in income in connection with such interest pursuant to sections 91, 94 or 94.2 of the Tax Act;
- (i) not invest in any security that would be a "tax shelter investment" within the meaning of the Tax Act; and

- (j) not invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act.

The Fund may not invest in securities or assets other than those referred to above. Notwithstanding the foregoing, at the Manager's discretion, the Fund may be invested in cash or cash equivalents from time to time.

### **Investment Overview**

ETH is the native digital currency of the Ethereum Network – a decentralized, open source computer network where all transactions are recorded on a decentralized public ledger, known as a “blockchain”. The open-source Ethereum Network software code includes the protocol that governs the creation of ETH and the cryptographic operations that verify and secure ETH transactions. The Ethereum Network goes beyond a peer-to-peer money system as it supports peer-to-peer contracts, known as smart contracts, as well as de-centralized applications (“DApps”). The absence of a centralized authority for such activities represents significant technological progression. The purpose and utility of smart contracts and DApps will be further explained below.

The Manager believes that investing in Units of the Fund to obtain exposure to ETH is advantageous for the following reasons:

- *Convenient way to own ETH.* The Fund will provide investors with the ability to gain exposure to ETH and the ETH market as well as having the ability to buy and sell Class A Units on the TSX. The Fund will be eligible for registered accounts in Canada for a tax-efficient, long-term investment horizon.
- *Lower transaction costs.* The Manager expects that, for many investors, the costs and risks associated with buying, holding and selling the Units in the secondary market and the payment of the Fund's ongoing expenses will be lower than the costs and risks associated with buying, holding and selling ETH at a regulated digital asset trading platform or through opening an individual digital asset wallet that supports ETH.
- *Cold Storage at Gemini.* Gemini is a regulated and licensed custodian of ETH. Storage of ETH can either be in a “hot wallet”, which is connected to the internet, or in “cold storage” where private keys have no contact with the internet, are created, stored, and managed on hardware security modules located in access-guarded facilities that are geographically distributed. The Fund's ETH is held in Gemini's cold storage system, protected in accordance with the industry-leading protocols.

### **Introduction to the Ethereum Network**

#### *History and Progression of the Ethereum Network*

Blockchain technology was introduced widely by Bitcoin in 2009 as a way to track digital value ownership in a secure manner through a shared, immutable ledger. The rise of Bitcoin prompted the development of further blockchain use cases beyond digital currencies. In 2013, Vitalik Buterin of Toronto, Ontario, proposed the Ethereum Network as an open source platform that would significantly lower the entry barrier for developers to create their own smart contracts and decentralized applications. Buterin's proposal gained traction and the development of the Ethereum Network was ultimately spearheaded by a Swiss firm called Ethereum Switzerland GmbH. The Ethereum Network has a dedicated non-profit organization, Ethereum Foundation, which supports the ongoing development of the ecosystem.

On July 15, 2015, the Ethereum Network went live, creating 72 million ETH to be distributed. Of the initial distribution, 60 million ETH was sold to the public through crowd sale for an aggregate of \$18 million. The Ethereum Foundation and Ethereum developers received ETH to cover operational costs and their contributions, at 6 million and 3 million ETH respectively. Lastly, individual members of the Ethereum Foundation received 3 million ETH so that they could purchase ETH at the initial crowd price.

ETH continues to be generated through a process known as progressive mining, which occurs when new ETH transactions are successfully settled and validated by miners across the Ethereum Network. Currently, progressive mining in the Ethereum Network is capped at 16 million ETH per year. However, there is no aggregate cap on the total number of ETH that may be mined.

Notably, a shift in progressive mining may arise in 2021. There is a possibility that miners will move from the current “proof-of-work” protocol to a “proof-of-stake” protocol, whereby miners settle and validate transactions according to the amount of coin they lock within the system. The shift to proof-of-stake is likely to enhance efficiency as it requires a significantly lower amount of computing power and effort. Increasingly, developments and modifications to the Ethereum Network are centered around scalability for future uses.

## Exhibit 1

The table below summarizes certain attributes of Ethereum as of December 31, 2020.

<b>Asset</b>	<b>Metric</b>	<b>Source</b>
Network Inception	July 30, 2015	<a href="https://en.wikipedia.org/wiki/Ethereum">https://en.wikipedia.org/wiki/Ethereum</a>
Price in USD	\$730.37	<a href="https://coinmarketcap.com/currencies/ethereum/">https://coinmarketcap.com/currencies/ethereum/</a>
Market Capitalization in USD	\$83.3 billion	<a href="https://coinmarketcap.com/currencies/ethereum/">https://coinmarketcap.com/currencies/ethereum/</a>
Circulating Supply	114,065,028	<a href="https://etherscan.io/chart/ethersupplygrowth">https://etherscan.io/chart/ethersupplygrowth</a>
Current Annual Inflation Rate	About 4.5%	<a href="https://docs.ethhub.io/ethereum-basics/monetary-policy/#historical-and-future-supply-forecast">https://docs.ethhub.io/ethereum-basics/monetary-policy/#historical-and-future-supply-forecast</a>
Current Mining Block Reward	2 ETH	<a href="https://docs.ethhub.io/ethereum-basics/monetary-policy/#historical-and-future-supply-forecast">https://docs.ethhub.io/ethereum-basics/monetary-policy/#historical-and-future-supply-forecast</a>
Average Block Time	About 13 seconds	<a href="https://etherscan.io/chart/blocktime">https://etherscan.io/chart/blocktime</a>
Expected Supply in 2050	About 135 million	Based upon annual issuance cap of 16 million ETH per year.
Transfer Count	591,531,568	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Unique Senders	74,625,970	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Unique Receivers	100,206,392	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Total Transfer Amount	9,506,673,578 ETH	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Median Transfer Amount	0.166 ETH	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Average Transfer Amount	16.1 ETH	<a href="https://explorer.bitquery.io/ethereum/token/ETH">https://explorer.bitquery.io/ethereum/token/ETH</a>
Key Characteristics	“Turing-complete” programming language for smart contracts. Large developer adoption. Basis for many DApps, digital tokens and DeFi projects.	

### *Transacting on the Ethereum Network*

The network is designed to achieve three main characteristics: (1) only the owner of ETH can send ETH; (2) only the intended recipient of ETH can unlock what the sender sent; and (3) ETH transactional validation and ETH ownership can be verified by any third party anywhere in the world.

Users require a digital asset wallet that supports ETH (“Ether wallet” or “ETH wallet”) to use or hold ETH on the network. A digital asset wallet that supports ETH will have an Ethereum Network address defined by a public key and associated private key(s). The public key is used when receiving ETH from another user, while the private key is used to unlock balances of the user’s ETH to send to others. Effectively, a compatible wallet address’ private key controls the transfer and use of ETH from its associated public Ethereum address. The Ethereum Network, and applications subsequently built on it, can interpret its blockchain to determine the exact ETH balance of any public ETH wallet address. To complete a transaction directly on the Ethereum Network, users must have sufficient ETH in their public key. Notably, however, not all transactions occur directly on the Ethereum Network. These transactions are known as “off-blockchain transactions”. Information and data from off-blockchain transactions is not recorded in the public ledger of the Ethereum Network. Without the blockchain validation and protection of the Ethereum Network, these transactions are exposed to greater risk.

An Ether wallet can be a desktop client, which is a software application running on a computer, or a hardware wallet provided by a company offering such products. With either a desktop client or hardware wallet, a user is in control of the private keys which are required to initiate transfers of ETH from the user’s wallet. Alternatively, users may obtain a hosted Ether wallet where a provider protects the user’s private keys, and the user is able to access their accounts

through a web browser or mobile application. Generally, those who are new to ETH and the Ethereum Network make their initial purchases through a hosted Ether wallet.

Once the appropriate address information is exchanged between the spending user and the receiving user, the data from the transaction is distributed across the Ethereum Network, to be included in the blockchain.

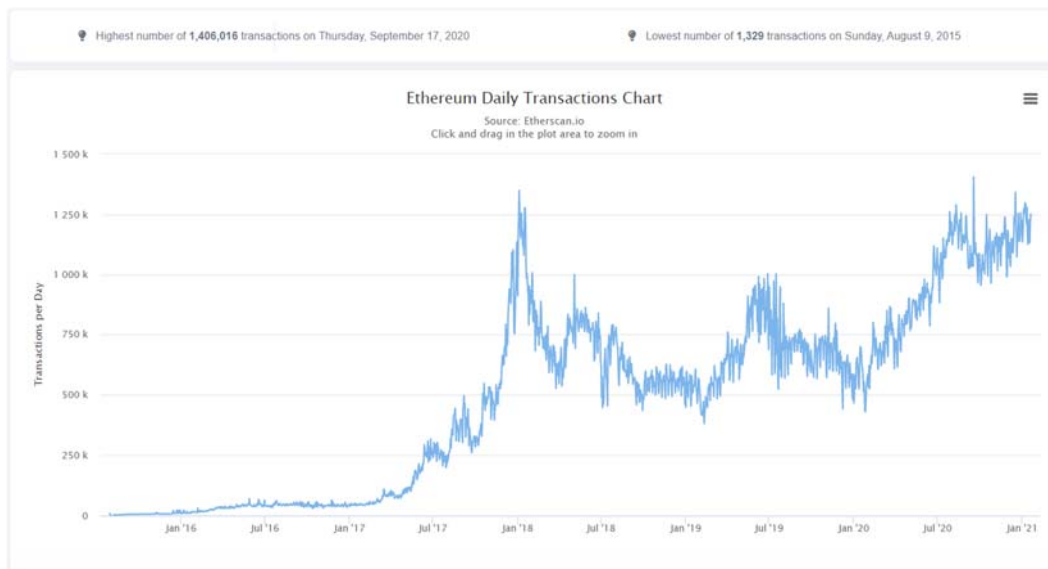
Some wallet providers require customers to establish their identity, just as they would if opening an account at a Canadian chartered bank in compliance with applicable AML Regulation and KYC procedures. When a user converts fiat currency into ETH, they also need to connect a bank account or credit card to their wallet therefore providing additional connections to the user's identity. Once a user has accurately completed these steps, the wallet provider will know the user's identity. However, if these steps are not accurately completed, the user's identity remains pseudonymous, represented by an alphanumeric string of characters. Since ETH's blockchain is transparent, the actions of pseudonymous users can be tracked. If necessary, network forensics can uncover a user's identity.

### *ETH as a Means of Exchange and DeFi*

The use of ETH as a means of exchange through smart contracts and a basis for decentralized finance (“**DeFi**”), is increasing rapidly throughout the world – particularly in nations where faith in central bank backed fiat currencies is unstable, or where necessary banking infrastructure is lacking. Ethereum makes it possible for DApp users to accept and send global transactions directly from their smart phone, twenty-four hours a day (see Gilded DApp (<https://gilded.finance/>)).

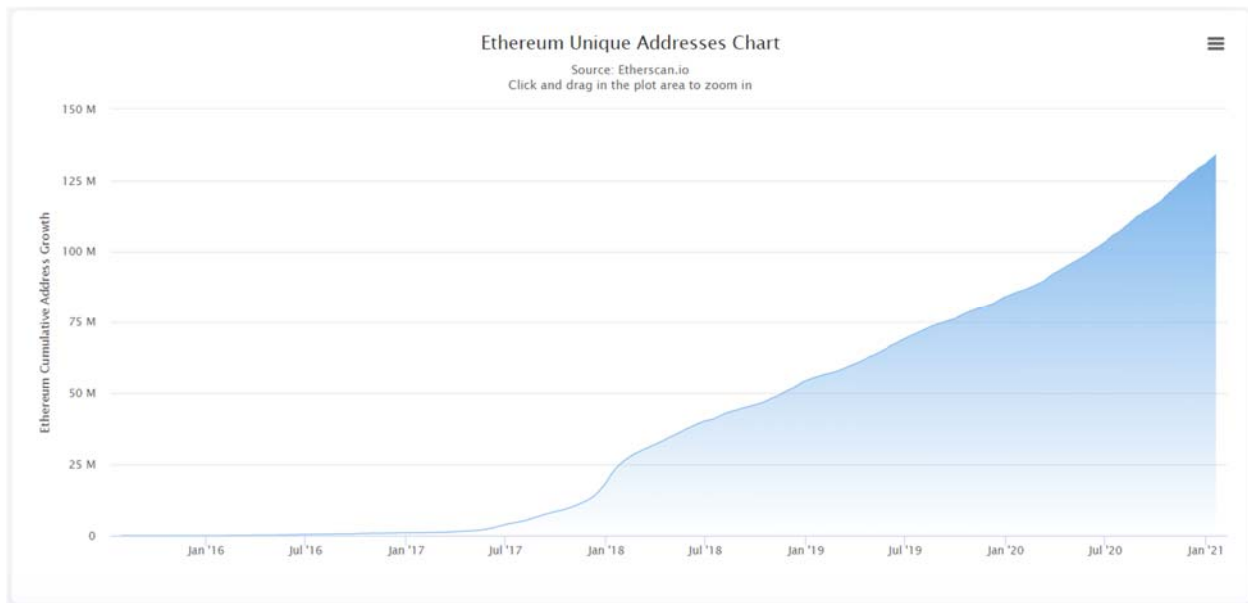
The number of transactions processed by the Ethereum Network on a daily basis and the number of unique addresses on the Ethereum Network are shown in graphs below.

### **Exhibit 2**



Source: <https://etherscan.io/chart/tx>

### Exhibit 3



Source: <https://etherscan.io/chart/address>

### *Specific Use Cases for Ethereum*

#### **Smart Contracts**

Bitcoin and Ethereum are considered protocol layers because they are the foundations that facilitate actions on their respective blockchains, similar to how the internet protocol HTTP (Hypertext Transfer Protocol) facilitates communication over computer networks. On top of the protocol layer, there is an “application layer” where third party developers can create their own programs. A primary difference between Bitcoin and Ethereum is the ease of developing on the application layer of Ethereum. Ethereum’s primary programming language, Solidity, is less restrictive compared to developing on the Bitcoin platform and allows for developers to program smart contracts. A smart contract is computer code that can facilitate the exchange of any information of value such as money or property ownership. Smart contracts are referred to as “smart” because they can self-operate when specified conditions are met. The fact that these smart contracts run on the blockchain is attractive as they can operate in a transparent and conflict-free way, with reduced risk of fraud, censorship, or interference.

#### **Fungible Tokens (ERC20, ERC223, and ERC827 standards)**

Although applications built on the Ethereum Network use ETH to run, they are also able to issue their own digital tokens with the Ethereum Token Standard. The applications that issue their own token may then require users to obtain these tokens before they are able to access or interact with their application.

Initial Coin Offerings (ICOs), a form of crowdfunding through issuance of tokens, gained popularity in 2017 largely due to the Ethereum Token Standard making it possible for developers to create their own token without having to code their own blockchain from scratch. Additionally, developers building on the Ethereum platform are not required to gain their own miners as they are able to rely on the thousands of miners already processing transactions on the Ethereum blockchain. Because so many tokens are built using the Ethereum Token Standard, the Ethereum blockchain now processes close to half of all USD value across all blockchain platforms which is significantly higher than Bitcoin. A listing of active tokens, including USDC (Circle Stablecoin), LINK (ChainLink Token) and BAT (Basic Attention Token) can be found at the following website: [https://bloxy.info/list\\_tokens/ERC20](https://bloxy.info/list_tokens/ERC20).

ERC223 and ERC827 standards are attempts to address some of the shortcomings in the ERC20 standard, namely to allow value and data transfers in an efficient manner.

### Decentralized Applications

The Solidity language allows developers to program applications that run on the Ethereum Network. The applications range from finance applications, games, market exchanges to computer utilities and social networks. Although there has been an issue scaling DApps in the past, the move to more advanced implementations, as stated in the Ethereum Improvement Proposals, may enhance the technological capabilities. Many DApps are listed and ranked at [www.dapp.com](http://www.dapp.com). The following exhibit demonstrates the usage of Ethereum Network DApps with over 15 million transactions totalling over USD \$214 billion over the last 90 days ending January 20, 2021.

#### Exhibit 4



Source: <https://www.dapp.com/market/Ethereum>

### Collectibles (Non-Fungible Tokens or ERC721)

Tokens created under the ERC-721 standard on the Ethereum Network are intended to be unique with verifiable digital scarcity and digital ownership. Interestingly, a blockchain game called Cryptokitties, has had the most success in this area with digital ownership of unique digital tokens representing cartoonish kitties with unique ‘genetic’ attributes that can be bred to create new offspring, and sold as a smart contract for ETH. Similar projects are active in digital art, such as SuperRare.co and RearArt.io. A listing of active tokens, including CryptoKitties, MyCryptoHeros, and Gods Unchained Cards can be found at the following website: [https://bloxy.info/list\\_tokens/ERC721](https://bloxy.info/list_tokens/ERC721).

### Decentralized Finance “DeFi”

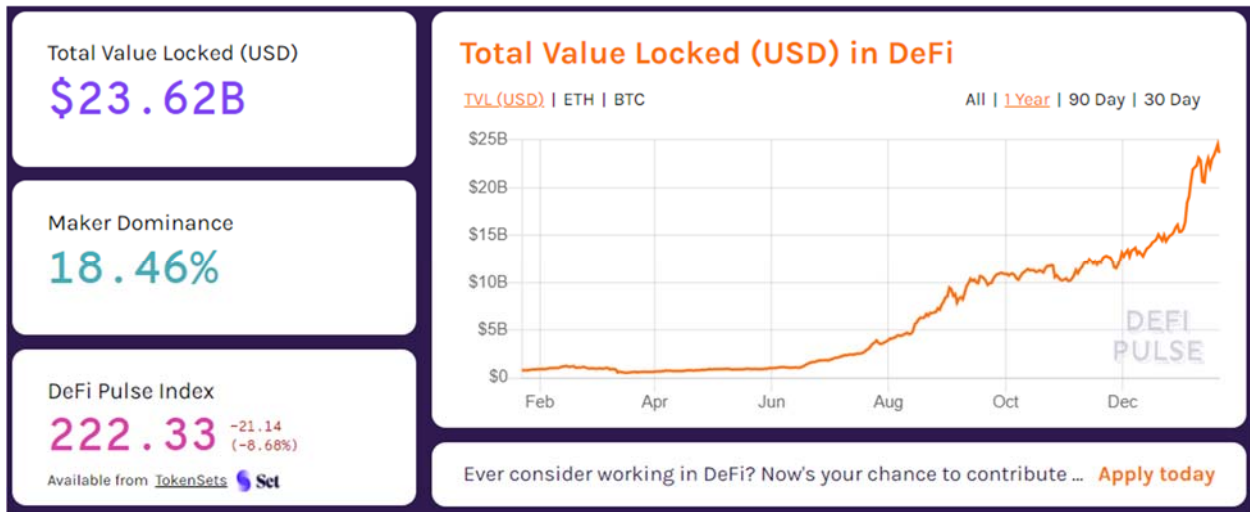
DeFi is a system of finance that uses protocols, digital assets, smart contracts, and decentralized applications on Ethereum Network to build a financial platform available to the public. DeFi applications differ from traditional financial systems as they are typically open source, permissionless, transparent, and devoid of any central authority in the areas of savings, loans, trading, insurance, etc. The digital, internet-enabled applications are accessible to anyone in the world with a smartphone and an internet connection.

Three major areas of study and development in DeFi include:

1. *Stable coins*, such as Tether USDT, the Gemini USD coin GUSD or Canada Stablecorp’s QCAD. Stablecoins may be backed by fiat currency deposits or other commodities or may be algorithmic in nature.
2. *Lending and borrowing protocols*. Maker and other borrow/lend DApps such as Aave, Compound and Curve are blockchain-based borrowing and lending platforms that allow one to lend crypto and earn interest. For example, one can deposit crypto to the Compound smart contract as collateral and borrow against it. The Compound contract automatically matches borrowers and lenders and adjusts interest rates based on supply and demand.
3. *DEX (Decentralized Exchanges)*. Digital asset trading platforms such as Uniswap, an exchange run entirely on smart contracts, allow its participants to trade tokens directly from their wallets. This is different from exchange platforms which require participants to transfer their digital assets to an account on the platform and hold the private keys for safekeeping. Uniswap uses an innovative mechanism known as Automated Market Making to automatically settle trades near the market price. In addition to trading, any participant can become a liquidity provider, by supplying digital assets to the Uniswap contract and earning a share of the exchange fees, known as “pooling”. Other Decentralized Exchange platforms include SushiSwap, 0x, AirSwap, Bancor, Kyber, IDEX, Paradex and Radar Relay.

The following graphs illustrate the growth of DeFi lending and borrowing in US dollars and in ETH.

#### Exhibit 5



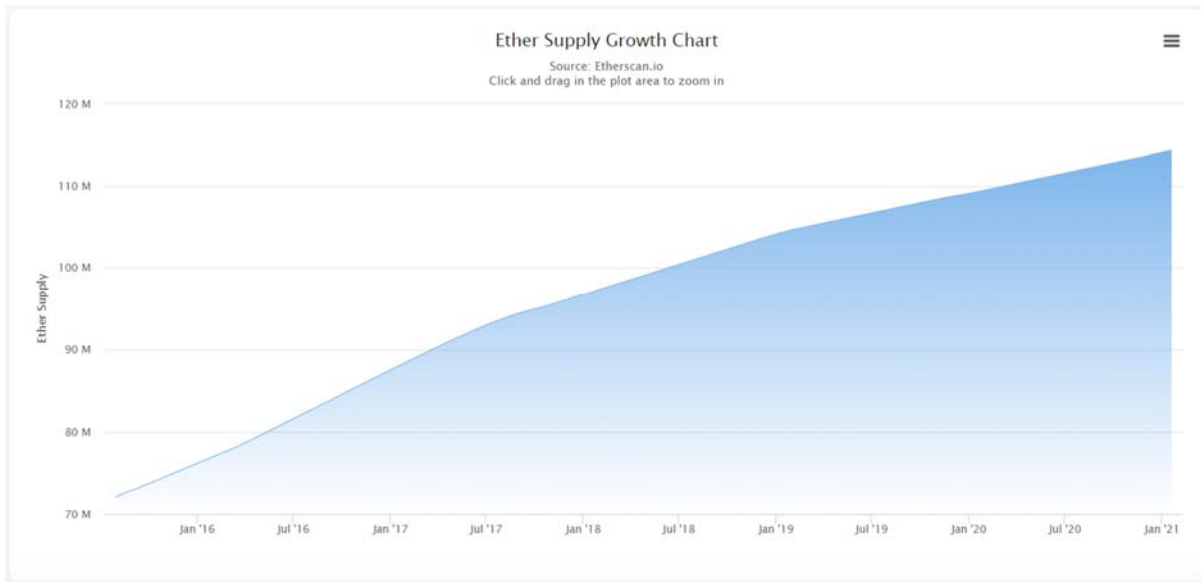
Source: <https://defipulse.com/>

#### Supply Characteristics

By 2050, the Manager anticipates that the number of ETH available to the public will have reached a near equilibrium state of 135 million, though this may change under proof-of-stake consensus developments from the current proof-of-work. This differs from a traditional currency, which does not have a theoretical cap on the amount of the currency that will be circulated to the public.

The following graphs illustrate the growth and supply of ETH and the number of holders and current supply of ETH.

## Exhibit 6



Note (1) Data as of January 20, 2021.

Source: <https://etherscan.io/chart/ethersupplygrowth>

## Exhibit 7



Source: [https://bloxy.info/token\\_holders/ETH](https://bloxy.info/token_holders/ETH)

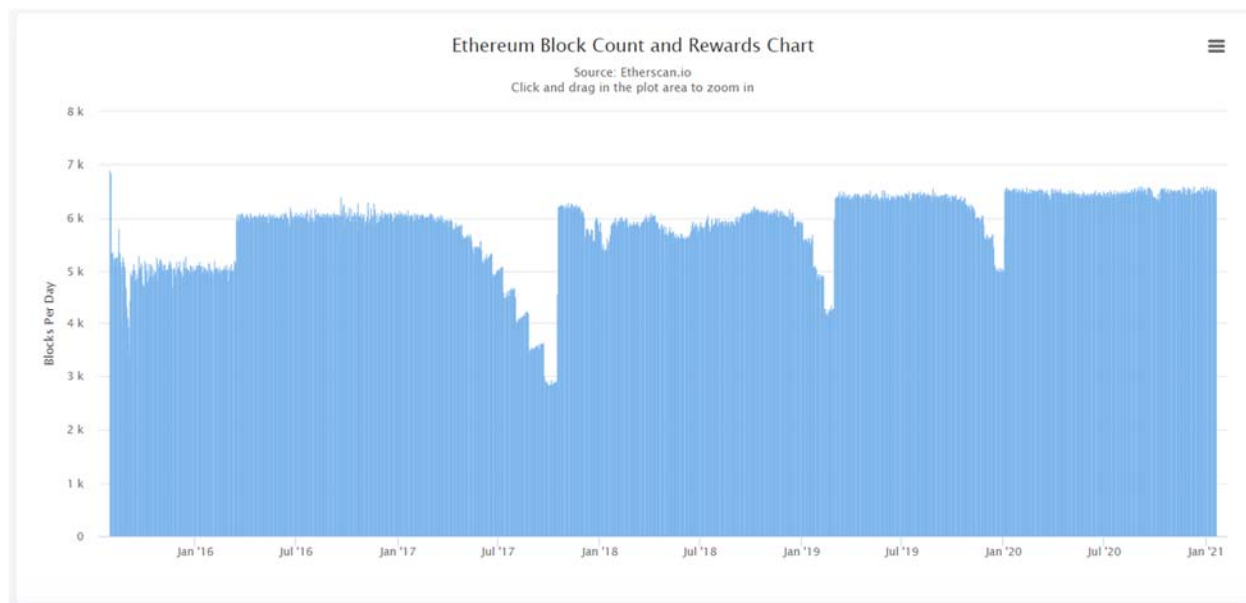
The Manager believes based on basic economic theory of supply and demand, if demand for ETH as a means of exchange, store of value and network access payment continues to increase, then with a deflationary supply schedule, the price of ETH may increase, or the velocity should increase, or both, in order to facilitate this increased demand.

Fortunately, each unit of ETH is highly divisible with the smallest unit being a “wei” at an exchange multiple of  $10^{18}$  wei equalling 1 ETH. As the price of a single ETH increases, it can be broken into smaller units for use cases that need to transfer or store less value.  $10^9$  wei is a “gwei”. Gwei is commonly used when talking about “gas”, the Ethereum network transaction fees. Rather than saying the gas cost is 0.000000001 ETH, one can say 1 gwei. See <https://gwei.io/>.



Combining the growing base of ETH outstanding with the smaller number of ETH issued per coinbase transaction leads to a rate of supply increase that is continually decreasing, as illustrated in the graph below.

### Exhibit 8

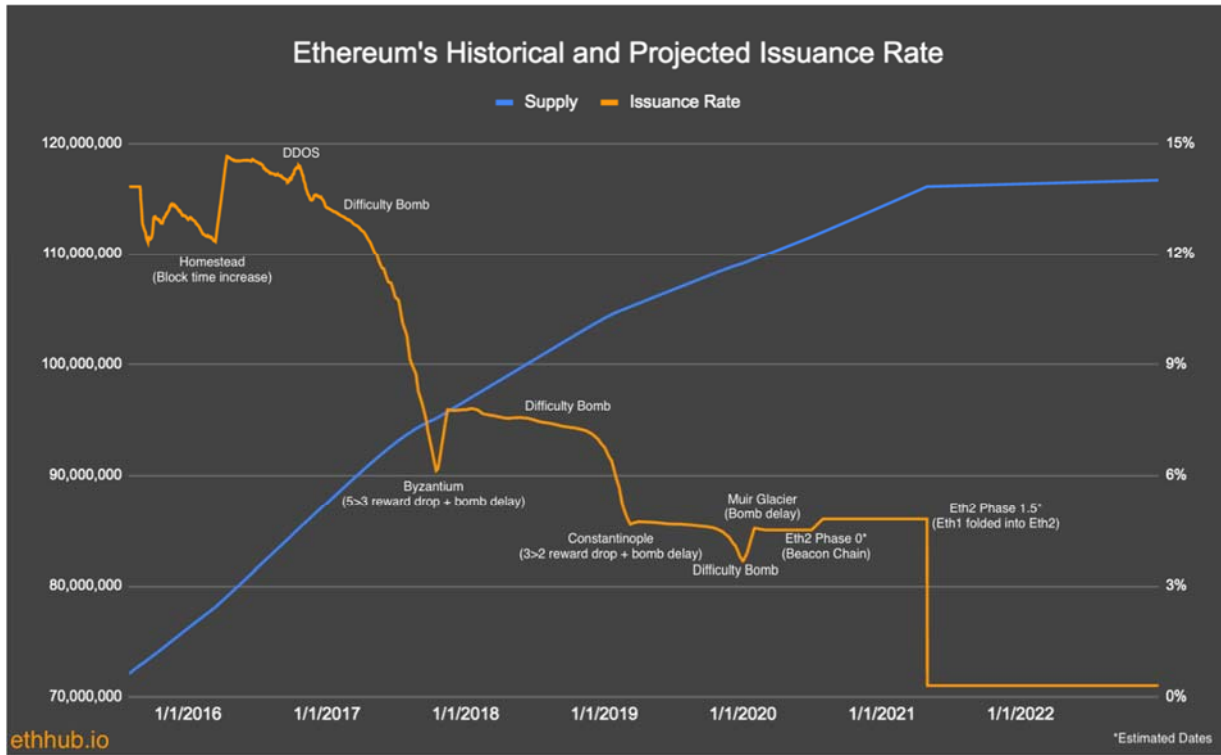


Source: <https://etherscan.io/chart/blockreward>

### *Disinflationary Supply*

The supply increases according to a disinflation protocol that is subject to adjustment in the development of the network. As previously noted, Ethereum is transitioning from a proof-of-work to proof-of-stake consensus mechanism for the distributed ledger. The following graph shows the historical and projected issuance rate of Ethereum since its inception.

**Exhibit 9**



Note:

(1) Image as of September 30, 2020.

Source: [https://docs.ethhub.io/assets/images/issuance\\_graph.png](https://docs.ethhub.io/assets/images/issuance_graph.png).

The Manager believes that by the middle of the next decade, it is likely that ETH will be one of the least inflationary currencies in the world, given the annual issuance cap on the number of units of ETH available in the Ethereum Network. As a means of contrast, the graph below illustrates the increase in the supply of U.S. dollars over the years.

**Exhibit 10**



Note:

(1) Data as of December 31, 2020.

Source: sourced from Federal Reserve Bank of St. Louis

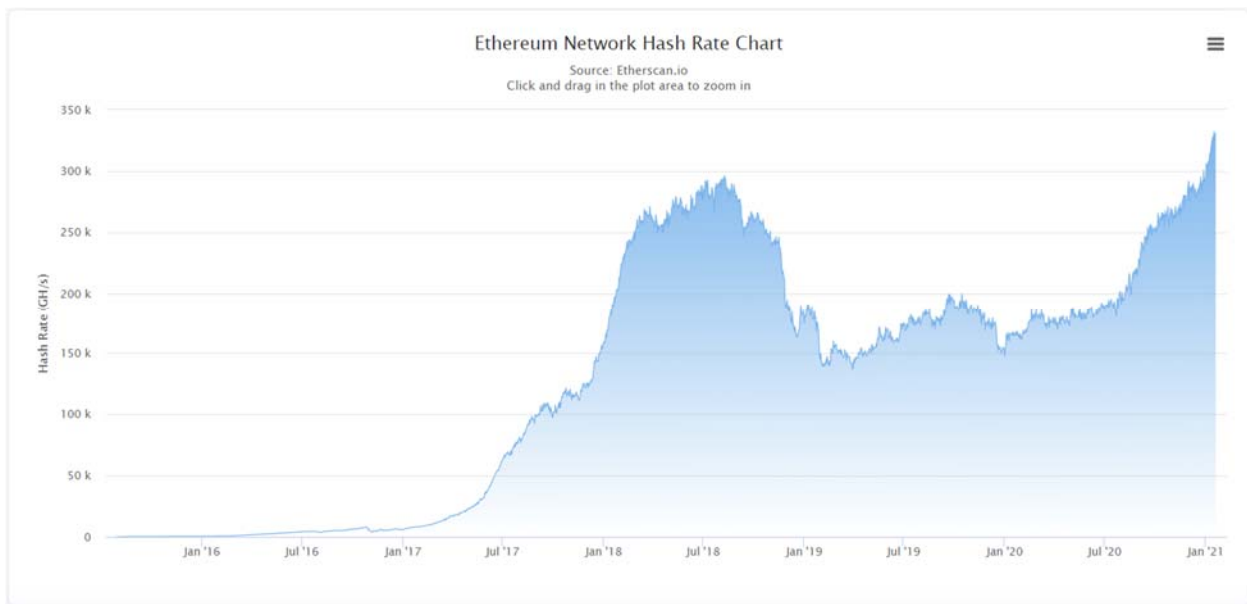
## Security of the Network

The Manager believes the following are key metrics that determine the security of the Ethereum Network. First, there is the large number of nodes connected to the network. A “node” is a computer connected directly to the Ethereum Network. If a node discovers that a block contains an invalid transaction or has otherwise violated the consensus rules, then that block is rejected and will not be appended to the Ethereum blockchain. While some of these nodes are miners, not all of them are. Some nodes are present to forward transactions around the network and keep track of Ethereum Network, without getting involved with Ether’s proof-of-work process to create new blocks. As of January 20, 2021, there were over 5,200 nodes connected to the Ethereum Network.

The Ethereum Network is dispersed across the globe. If a nation banned miners from supporting ETH, the majority of the nodes would continue unaffected. If a large segment of miners were to be taken offline, the economics would improve for the remaining miners as they would have less competition, likely leading to an influx of new miners from unaffected geographies.

Another important metric for the security of the Ethereum Network is the hash rate. A “hash” is the output of a hash function, which takes data of arbitrary length and crunches it into a fixed-length string of alphanumeric characters. As it relates to the Ethereum Network, the hash rate is the frequency at which a miner guesses a new solution to create a valid “block hash” (or proof-of-work), which allows a miner to append a new block of transactions to the Ethereum blockchain. For single entities, the more mining machines that they own, the higher the hash rate they will control, which will increase their opportunity of finding the next block hash and receiving the block reward of newly minted ETH. For the Ethereum Network as a whole, a higher hash rate signifies more competition amongst the miners, likely dissuading one nefarious group from trying to take over the network in what is commonly referred to as a “51% attack”. As shown below, the hash rate of the Ethereum Network increased exponentially in 2017 and has exhibited a stable rate since January 2019.

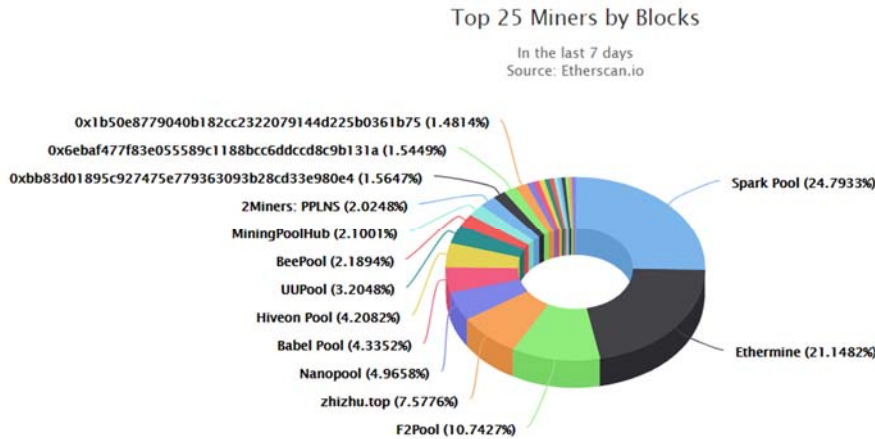
### Exhibit 11



Source: <https://etherscan.io/chart/hashrate>

The schematic diagram below shows that, as of December 2020, no single miner or pool controlled more than 25% of the Ethereum Network; however, the three largest miners or pools controlled in the aggregate more than 56% of the Ethereum Network.

**Exhibit 12**



Source: <https://etherscan.io/stat/miner?blocktype=blocks>

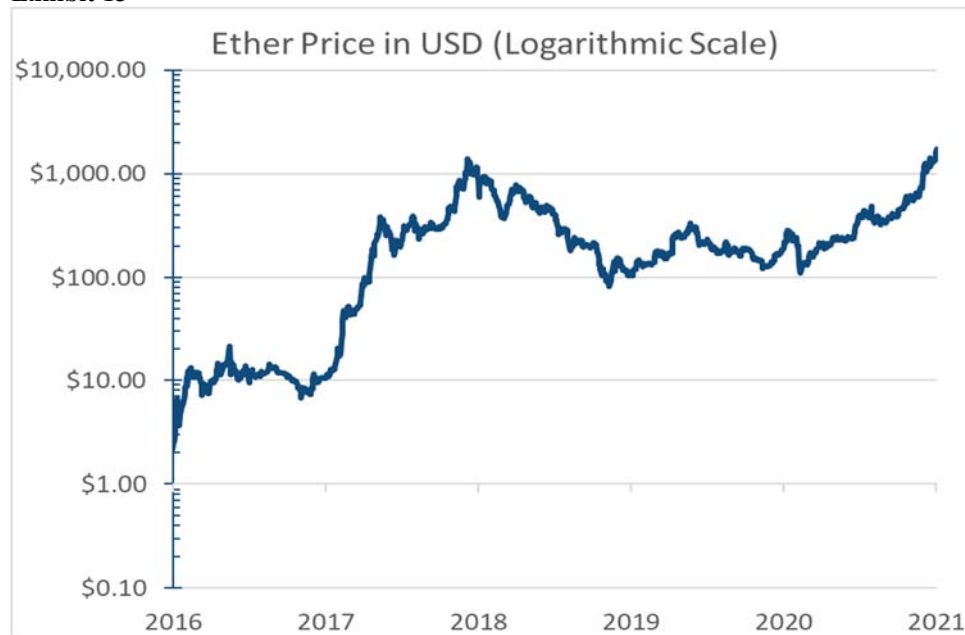
**ETH’s Price Characteristics**

**Absolute Returns**

**This information is historical, and the past performance of ETH is not indicative of future performance and should not be used to forecast any return that an investor may realize on the Units. Past performance of ETH does not necessarily reflect the performance of the Fund if it had been in existence at the time of ETH’s debut as such performance does not account for the costs and expenses associated with any offering of Class A Units and Class F Units and the operation of the Fund.**

Over the last five years, ETH has risen from a value of under US\$5 to US\$1,641.79, as shown in the graph below.

**Exhibit 13**



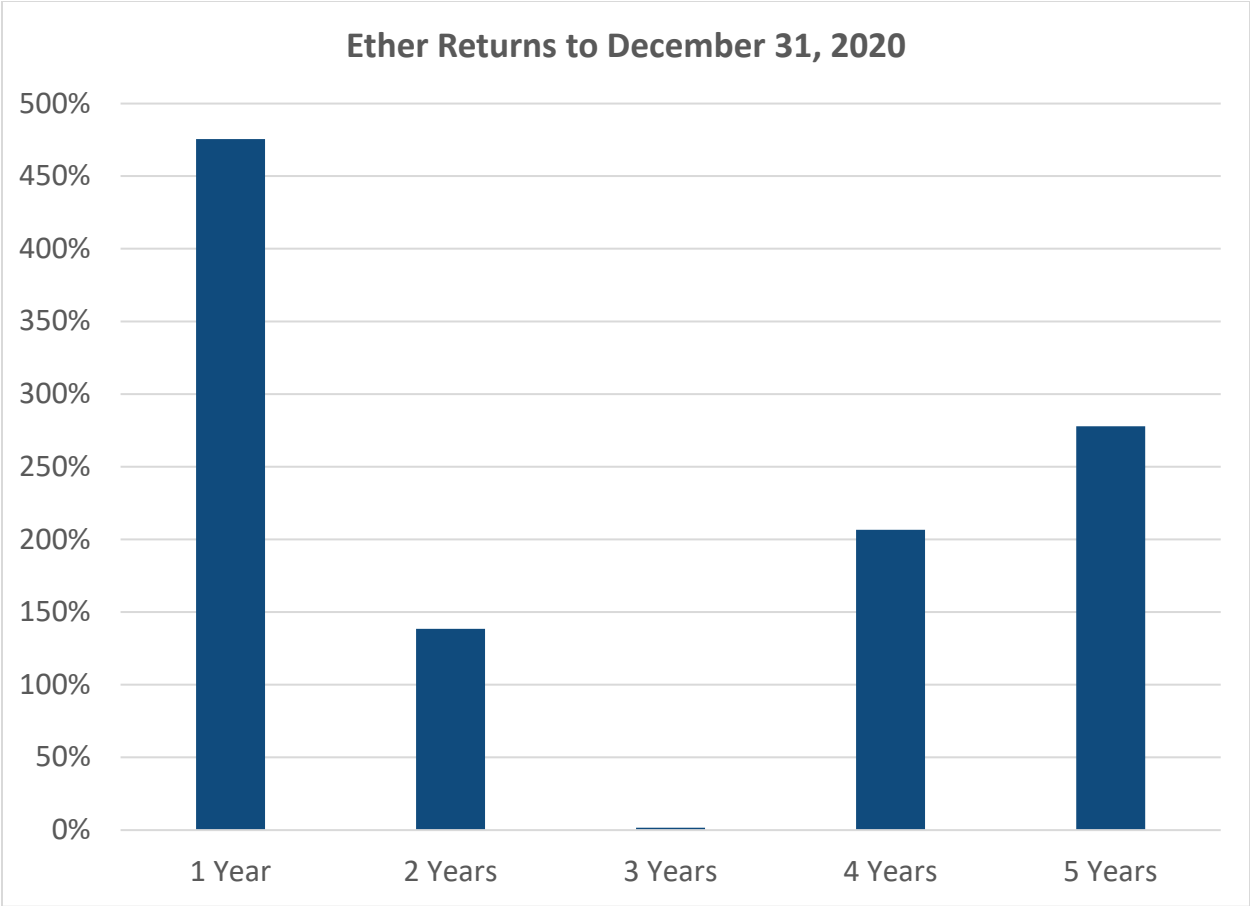
Note:

(1) Data as of February 4, 2021.

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD and CoinDesk

As with any asset, returns are sensitive to endpoints. Below are different examples of potential ETH returns if an investor had invested in ETH and held ETH for the following 1, 2, 3, 4 and 5 years.

**Exhibit 14**



**Note:**

(1) Data as of December 31, 2020

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD and CoinDesk

The following bar chart illustrates the returns of ETH as compared to other asset classes over a 1, 2, 3, 4 and 5 year periods.

**Exhibit 15**



**Note:**

(1) Data as of December 31, 2020.

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD and CoinDesk

**Volatility**

The price of ETH is volatile and fluctuations are expected to have a direct impact on the Net Asset Value of the Units. However, movements in the price of ETH in the past may not be a reliable indicator of future movements. Movements may be influenced by various factors including supply and demand, geo-political uncertainties, macroeconomic concerns such as inflation and speculative investor interest.

As of December 31, 2020, ETH’s daily volatility has decreased to levels below its historical average as shown in the graph below. The decline in ETH’s volatility has been caused by a number of factors: more stable and liquid spot exchanges, greater regulatory approval, broader ownership, and increasingly reliable price discovery data.

**Exhibit 16**



Note:

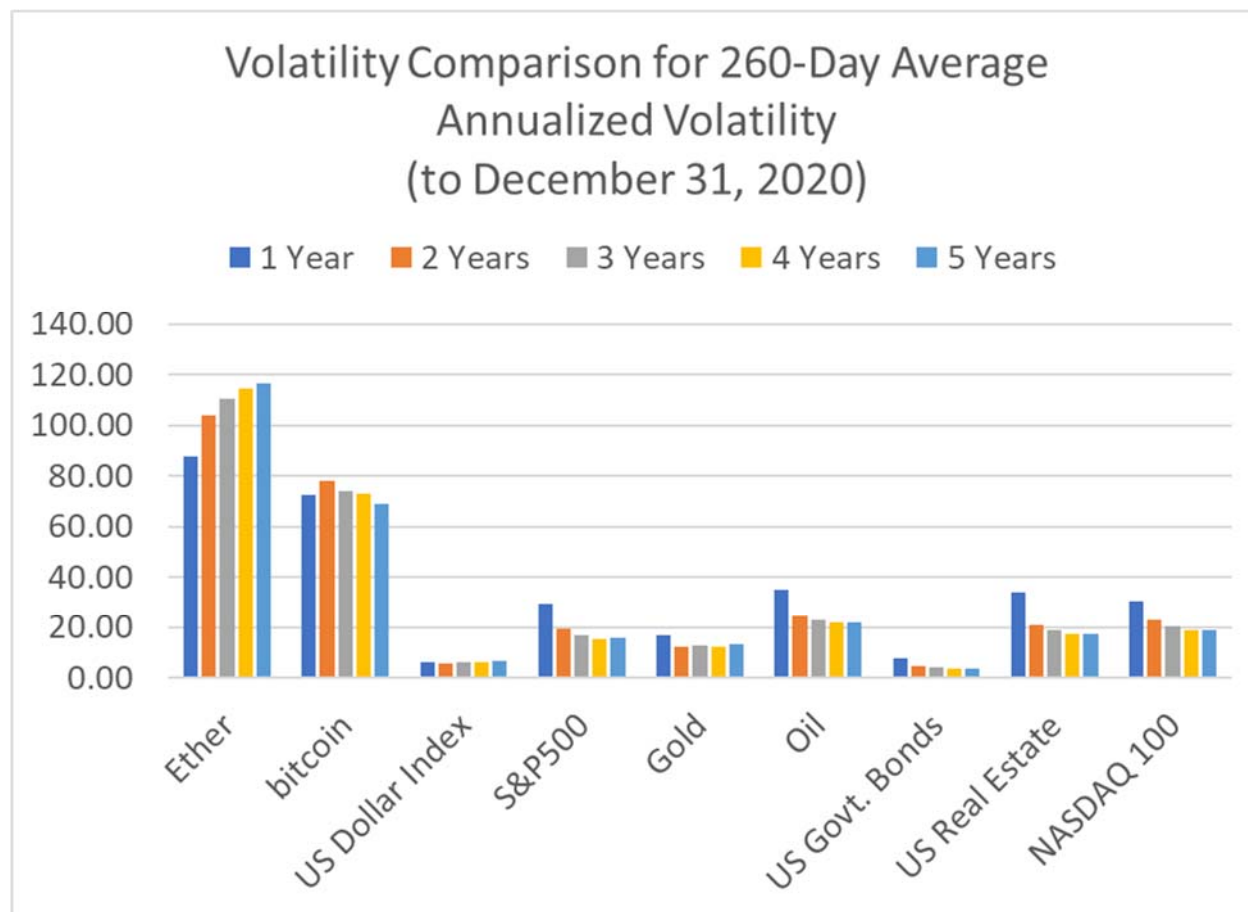
(1) Measured by the 260-day standard deviation of ETH's daily price changes.

(2) Data as of December 31, 2020.

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD

While ETH's volatility has dropped considerably, it has still been the most volatile of the broad asset classes over the last 5 years, as shown below.

**Exhibit 17**



**Note:**

(1) Data as of December 31, 2020.

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD and CoinDesk

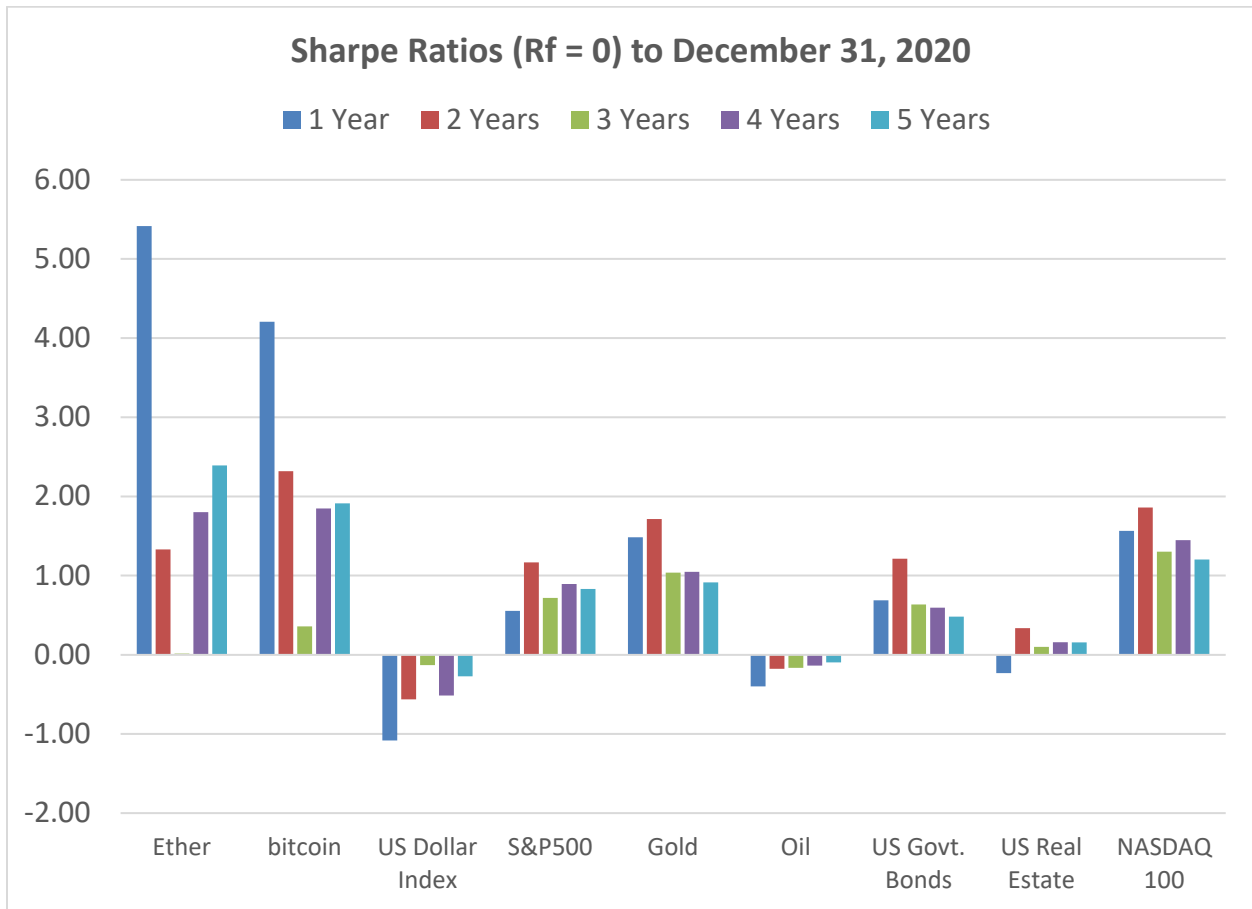
**Sharpe Ratio**

As modern portfolio theory suggests, absolute returns and volatility are insufficient indicators of a good investment. Instead, one must adjust absolute returns for the amount of volatility, or risk, to attain risk adjusted returns. The most common measure of risk adjusted returns is the Sharpe Ratio, which measures returns above the risk-free rate divided by the volatility of the asset. Assets can be compared to one another because each unit of return is standardized per unit of risk. Assets with the highest Sharpe Ratio best compensate investors for the risk they are taking.

Although ETH has been extremely volatile historically, when its returns are adjusted to account for volatility, its long-term Sharpe Ratio has been superior. During some of the periods illustrated below, ETH has outperformed traditional assets on a risk adjusted basis.



**Exhibit 18**



Note:

(1) Data as of December 31, 2020.

Source: 3iQ Corp., data sourced from Bloomberg, XETUSD and CoinDesk

**Correlation**

As illustrated below, ETH is uniquely uncorrelated across traditional investment assets. For example, the drivers of ETH do not depend upon the level of interest rates or consumer demand that affect many S&P 500 corporate valuations. Below is a chart of correlation between broad asset classes and ETH for the past two years.

## Exhibit 19

	<i>Ether</i>	<i>bitcoin</i>	<i>US Dollar Index</i>	<i>S&amp;P500</i>	<i>Gold</i>	<i>Oil</i>	<i>US Govt. Bonds</i>	<i>US Real Estate</i>	<i>NASDAQ 100</i>
Ether	1.00								
Bitcoin	0.81	1.00							
US Dollar Index	-0.06	-0.11	1.00						
S&P500	0.30	0.23	0.01	1.00					
Gold	0.20	0.27	-0.40	0.08	1.00				
Oil	0.20	0.16	-0.07	0.41	0.03	1.00			
US Govt. Bonds	-0.08	-0.06	-0.19	-0.47	0.28	-0.21	1.00		
US Real Estate	0.26	0.22	-0.07	0.84	0.14	0.31	-0.32	1.00	
NASDAQ 100	0.30	0.23	0.04	0.93	0.12	0.36	-0.42	0.69	1.00

### Note:

(1) Correlation analysis is based on the daily returns of ETH versus other asset classes from December 31, 2018 to December 31, 2020.

Source: 3iQ Corp., data sourced from Bloomberg.

## Digital Asset Trading Platforms

Digital asset trading platforms operate websites and mobile applications that facilitate the purchase and sale of ETH for various government-issued currencies, including the U.S. dollar, the euro and the Chinese yuan and for other crypto currencies, such as bitcoin. Activity on the digital asset trading platforms should not be confused with the process of users sending ETH from one address to another ETH address. The latter is an activity that uses ETH as a means of exchange and is largely conducted directly using Ethereum blockchain, whereas the former is mostly an activity around ETH as a store of value and largely occurs within the trade books of digital asset trading platforms (i.e., off-blockchain).

Digital asset trading platforms generally report publicly on their websites the bid and ask prices for the purchase or sale of ETH. Although each digital asset trading platform has its own market price, it is expected that most digital asset trading platforms' market prices should be relatively consistent with the digital asset trading platform market average since market participants can choose the digital asset trading platform on which to buy or sell ETH. Price differentials across digital asset trading platforms enable arbitrage between ETH prices on the various exchanges and occur most notably between geographies.

Digital asset trading platforms are open 24 hours a day and 365 days of the year. There currently exist globally over 100 digital asset trading platforms. Digital asset trading platforms with the most economically significant trading volume are Binance, Coinbase, Kraken, Bitfinex, Bitstamp, bitFlyer, Gemini, Bittrex, itBit and Liquid. A majority of these exchanges employ KYC procedures in compliance with applicable AML Regulation.

## Purchasing ETH for the Fund's Portfolio

The Manager expects that ETH will be purchased for the Fund from regulated digital asset trading platforms and OTC counterparties (each, a "ETH Source") and possibly through derivatives such as ETH-settled futures on regulated exchanges. The Manager will conduct due diligence on each proposed ETH Source prior to transacting with such ETH Source in order to confirm its reputation, stability and the regulatory regime applicable to the ETH Source. The Manager will also confirm that each ETH Source maintains appropriate KYC policies and procedures and will not transact with any person or entity that is on a list of designated persons or entities established and maintained under applicable AML Regulation in the jurisdiction of the ETH Source. The Manager will ensure that each ETH Source has its head office in a jurisdiction which is a member of the FATF or its global network of FATF-Style Regional Bodies.

The Manager expects that the Fund's ETH Sources will include Gemini, Genesis Global Trading, Inc., Tagomi, Coinbase Pro and other New York Department of Financial Services regulated trading platforms and OTC counterparties.

The Manager will determine where to place the Fund's ETH orders based on the prices and volumes available through each ETH Source with a view to achieving quality execution for the Fund. Once an ETH order has been executed and allocated to the Fund, the Manager reviews and approves the transaction. Upon approval, the Sub-Custodian is notified and payment for the trade is settled. Once the Sub-Custodian receives the ETH on behalf of the Fund, the Sub-Custodian immediately places the ETH in cold storage, ensuring that such ETH is allocated to the Fund's account on a segregated basis.

## DESCRIPTION OF THE UNITS OF THE FUND

The following description sets forth certain general terms and provisions of the Class A Units and Class F Units. The particular terms and provisions of the Class A Units and Class F Units offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

### The Units

The Fund is authorized to issue an unlimited number of redeemable units of an unlimited number of classes, each of which represents an equal and undivided beneficial interest in the net assets and net income of the Fund attributable to such class. As of the date hereof, Class A Units and Class F Units are authorized for issuance and only Class A Units are issued and outstanding.

The Class A Units are available to all investors.

The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units are not listed on a stock exchange but any Class F Units offered under this prospectus and a prospectus supplement will be reclassified as Class A Units on a one-for-one basis immediately upon the closing of an offering, and (ii) the agents' fees payable on the issuance of Class F Units are expected to be lower than those payable on the issuance of Class A Units.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units other than as set out herein. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and the Fund is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

### Reclassification of Class F Units

Purchasers who subscribe for Class F Units will be deemed to have requested for the Fund to reclassify such Class F Units as Class A Units immediately upon closing of an offering. Class F Units will be reclassified as Class A Units on a one-for-one basis upon the closing of the offering. Accordingly, investors purchasing Class F Units will upon the closing of the offering become holders of Class A Units. No fractions of Class A Units will be issued upon any reclassification of Class F Units and any fractional amounts will be rounded down to the nearest whole number of

Class A Units. After the reclassification of the Class F Units as Class A Units upon the closing of the offering all remaining outstanding units of the Fund will be Class A Units.

### **Purchase for Cancellation**

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Unit of a Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the stock exchange or such other exchange or market on which the Units are then listed.

### **Take-over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

### **Book-Based System**

Registrations of interests in, and transfers of, the Units will be made only through the book-based system of CDS. Units may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund and the Manager will not have any liability for (i) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Units or the book-based accounts maintained by CDS in respect thereof; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-based system, in which case certificates in fully-registered form for the Units will be issued to beneficial owners of such Units or to their nominees.

### **Annual Redemptions**

Units may be redeemed at the option of Unitholders on the first business day following the 15<sup>th</sup> day of June in each year (each, an "Annual Redemption Date"), commencing on June 16, 2022, subject to the Fund's right to suspend redemptions in certain circumstances. Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs and expenses associated with the redemption, including commissions incurred by the Fund to fund such redemptions. Units must be surrendered for redemption on or before the last business day of the month of May preceding the applicable Annual Redemption Date (the "Annual Cut-Off Date").

Redemption proceeds will be paid in U.S. dollars on or before the 15<sup>th</sup> business day following the Annual Redemption Dates, provided that upon receipt of a large redemption request the Manager may exercise its discretion, considering the best interests of all Unitholders, for the Fund to satisfy the redemption in-kind by delivering ETH valued based on the MVIETH price as of 4:00 p.m. on the applicable Annual Redemption Date (the "Annual In-Kind Redemption").

The Manager shall provide notice to the redeeming Unitholder if it determines to proceed with an Annual In-Kind Redemption and upon receiving such notice the redeeming Unitholder may withdraw its notice of redemption.

See “Risk Factors – Liquidity Constraints on Digital Asset Trading Platforms May Impact the Fund’s Holdings” and “Financial Institutions may Refuse to Support Transactions Involving ETH”.

### **Monthly Redemptions**

Units may also be surrendered at the option of Unitholders at any time for redemption on a Monthly Redemption Date, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered for redemption no later than 5:00 p.m. (Toronto time) on the last business day of the month prior to the month of the applicable Monthly Redemption Date (the “Monthly Cut-Off Date”). Payment of the proceeds of redemption will be made on or before the 15<sup>th</sup> business day following the Monthly Redemption Date. See “Risk Factors – Liquidity Constraints on Digital Asset Trading Platforms May Impact the Fund’s Holdings” and “Financial Institutions may Refuse to Support Transactions Involving ETH”.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price (the “Class A Redemption Price”) equal to 95% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less any costs and expenses associated with the redemption, including commissions incurred by the Fund, but the Class A Redemption Price will not be an amount that is more than 95% of the Net Asset Value per Unit as of the Monthly Redemption Date.

Redemption proceeds will be paid in U.S. dollars, provided that upon receipt of a large redemption request the Manager may exercise its discretion, considering the best interests of all Unitholders, for the Fund to satisfy the redemption in-kind by delivering ETH valued based on the MVIETH price as of 4:00 p.m. on the applicable Monthly Redemption Date (the “Monthly In-Kind Redemption”). The Manager shall provide notice to the redeeming Unitholder if it determines to proceed with a Monthly In-Kind Redemption and upon receiving such notice the redeeming Unitholder may withdraw its notice of redemption.

### **Exercise of Redemption Right**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable Cut-Off Date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the applicable Cut-Off Date so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the applicable Cut-Off Date.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder’s instructions will not give rise to any obligations or liability on the part of the Fund or the Manager to the CDS Participant or the Unitholder.

Unitholders redeeming pursuant to an In-Kind Redemption must have an account with a segregated wallet at the Sub-Custodian into which the Fund will transfer ETH delivered as in-kind redemption proceeds. Unitholders that do not already have an account at the Sub-Custodian at the time of submitting a request for an In-Kind Redemption should be aware that it can take three to five business days to open an account at the Sub-Custodian. Redeeming Unitholders will not be charged any account-opening fees or transaction charges for opening such accounts, receiving and withdrawing the ETH in-kind, provided however that the Sub-Custodian will charge ongoing custody fees in respect of ETH that redeeming Unitholders leave in their accounts for more than 5 business days.

### **Allocations of Capital Gains to Redeeming Unitholders**

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations will reduce the redemption price otherwise payable to the redeeming Unitholder. Provided that certain Tax Proposals are enacted as proposed, an amount so allocated and designated to a redeeming Unitholder may only be deductible to the Fund to the extent of the gain that would otherwise be realized by the Unitholder on the redemption of Units. Assuming that such Tax Proposals are enacted in their current form, the taxable component of distributions by the Fund to non-redeeming Unitholders could be greater than it would be in the absence of such amendments.

### **Resale of Units Tendered for Redemption**

The Fund may enter into a recirculation agreement with a recirculation agent pursuant to which such agent will agree to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Annual Redemption Date or Monthly Redemption Date, provided that the holder of Units so tendered has not withheld consent thereto. Pursuant to such agreement, the Fund may, but will not be obligated to, require the recirculation agent to seek such purchasers and, in such event, the amount to be paid to the redeeming Unitholder will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above.

### **Suspension of Redemptions**

The Manager may suspend the redemption of Units or payment of redemption proceeds of the Fund with the prior permission of the securities regulatory authorities, for any period during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Administrator to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

## **DISTRIBUTION POLICY**

The Fund does not intend to pay distributions to Unitholders.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a “reinvested distribution”. Reinvested distributions by the Fund, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the Net Asset Value per Unit and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution.

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its

Units, including without restriction in connection with a special distribution or in connection with returns of capital.

### **USE OF PROCEEDS**

Unless otherwise indicated in a Prospectus Supplement, the net proceeds from the sale of Class A Units and Class F Units will be used to acquire ETH for the Fund's portfolio in accordance with the investment objectives and investment strategies of the Fund.

### **PLAN OF DISTRIBUTION**

The Fund may sell Class A Units and Class F Units to or through underwriters, dealers or agents and also may sell Class A Units and Class F Units directly to purchasers or through agents. The sale of Class A Units and Class F Units may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at-the-market distributions", including sales made directly on the TSX or other existing trading markets for the Class A Units and Class F Units, and as set forth in the Prospectus Supplement for such purpose.

The distribution of Class A Units and Class F Units may be effected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

In connection with the sale of Class A Units and Class F Units, underwriters or agents may receive compensation from the Fund or from purchasers of Class A Units and Class F Units for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Class A Units and Class F Units may be deemed to be underwriters and any commissions received by them from the Fund and any profit on the resale of Class A Units and Class F Units by them may be deemed to be underwriting commissions. Any such person that may be deemed to be an underwriter with respect to Class A Units and Class F Units will be identified in the Prospectus Supplement relating to such units.

The Prospectus Supplement relating to the Class A Units and Class F Units offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Class A Units and Class F Units and will set forth the terms of the offering of such Class A Units and Class F Units, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The lead underwriter or lead agent or underwriters or agents with respect to the Class A Units and Class F Units sold to or through underwriters will be named in the related Prospectus Supplement. The underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Subject to applicable laws, in connection with any offering of Class A Units and Class F Units, other than an "at-the-market distribution" of Class A Units and Class F Units, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Sales of Class A Units and Class F Units under an "at-the-market distribution", if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Class A Units and Class F Units under any "at-the-market" program will be made in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102. The volume and timing of any "at-the-market distributions" will be determined at the Fund's sole discretion.

No dealer or agent involved in an "at-the-market distribution", no affiliate of such a dealer or agent and no person or company acting jointly or in concert with such a dealer or agent may over-allot Class A Units or Class F Units in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Class A Units or Class F Units in connection with an "at-the-market distribution".

The Units have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the

registration requirements of the 1933 Act and applicable state securities legislation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

## **ORGANIZATION AND MANAGEMENT OF THE FUND**

### **Trustee, Manager, Portfolio Manager and Promoter of the Fund**

3iQ Corp. is the trustee, manager, portfolio manager and promoter of the Fund and provides, or causes to be provided, all administrative services required by the Fund. The Manager may be considered to be a promoter of the Fund within the meaning of applicable securities legislation by reason of its initiative in forming and establishing the Fund.

The Manager was incorporated under the *Canada Business Corporations Act* on July 9, 2012. The Manager's head office is located at 4800-1 King Street West, Box 160, Toronto, Ontario, M5H 1A1.

The Manager also serves as trustee (the "Trustee") and administrator of the Fund pursuant to the Declaration of Trust and as such provides administrative services to the Fund.

The Fund has retained the Manager to manage and administer the day-to-day business and affairs of the Fund. The Manager is responsible for providing managerial, administrative and compliance services to the Fund pursuant to the Declaration of Trust, including, without limitation, acquiring or arranging to acquire ETH on behalf of the Fund, calculating the Net Asset Value of the Fund and Net Asset Value per Unit of the Fund, net income and net realized capital gains of the Fund, authorizing the payment of operating expenses incurred on behalf of the Fund, preparing financial statements and financial and accounting information as required by the Fund, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements, preparing the Fund's reports to unitholders and the securities regulatory authorities and negotiating contractual agreements with third-party providers of services, including the Custodian, the Sub-Custodian, the Registrar and Transfer Agent (each as defined herein), the auditor and printers. The Manager may from time to time employ or retain any other person or entity to perform, or to assist the Manager in the performance of management, administrative and advisory services to all or any portion of the Fund's assets and in performing other duties of the Manager as set out in the Declaration of Trust.

An annual management fee of 1.95% of the Fund's Net Asset Value calculated daily and payable monthly, plus applicable taxes, will be paid to the Manager in respect of each of the Class A Units and the Class F Units of the Fund. See "Fees and Expenses".

### **Registrar and Transfer Agent**

TSX Trust Company acts as registrar and transfer agent for the Units and will maintain the securities registers at its office in Toronto, Ontario.

### **Custodian**

Cidel Trust Company is the custodian of the assets of the Fund. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian will be responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be).

### **Sub-Custodian**

Gemini Trust Company, LLC acts as sub-custodian of the Fund in respect of the Fund's holdings of ETH. Gemini is a trust company licensed and regulated by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Fund for assets held outside of Canada in accordance with NI 81-102.



Gemini will use segregated cold storage ETH addresses for the Fund which are separate from the ETH addresses that Gemini uses for its other customers and which are directly verifiable via the ETH blockchain. Gemini will at all times record and identify in its books and records that such ETH constitute the property of the Fund. Gemini will not loan, hypothecate, pledge or otherwise encumber the Fund's ETH without the Fund's instruction. Gemini, in carrying out its duties concerning the safekeeping of, and dealing with, the Fund's ETH, is required to take reasonable care and use commercially reasonable efforts in executing its responsibilities under the Sub-Custodian Agreement, and has agreed to adhere to the standard of care required by law, including NI 81-102.

#### *ETH Storage, Security Policies and Practices*

ETH private keys are stored in two different forms: "hot wallet" storage, whereby the private keys are connected to the internet, and "cold" storage, where digital currency private keys are stored completely offline. The ETH that Gemini will hold for the Fund will be stored offline in cold storage. When under the purview of Gemini, ETH will only enter "hot" storage in the case of deposits and redemptions, meaning that the ETH will only be in "hot" storage for a temporary period.

Gemini has adopted the following security policies and practices with respect to digital assets held in cold storage: hardware security modules ("HSMs") are used to generate, store and manage cold storage private keys; multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key or facility, eliminating single points of failure; all HSMs are stored offline in air-gapped environments within a diverse network of guarded, monitored and access-controlled facilities that are geographically distributed; multiple levels of physical security and monitoring controls are implemented to safeguard HSMs within storage facilities; and all fund transfers require the coordinated actions of multiple employees.

Gemini has adopted the following security policies and practices with respect to digital assets held in its hot wallet: HSMs are used to store and manage hot wallet private keys; operational redundancy is achieved through geographic disbursement of failover storage facilities and hardware, thus protecting against service disruptions and single points of failure; all hot wallet HSMs are stored within secured facilities that are access-controlled, guarded, and monitored; tiered access-controls are applied to Gemini's production environment to restrict access to employees based on role, following the principle of least-privilege; administrative access to its production environment requires multi-factor authentication; and Gemini offers additional account level protections such as crypto address whitelisting, which allows customers to restrict withdrawals to addresses only included in the customer's whitelist.

#### *Gemini BSA/AML Program*

Gemini has adopted the Gemini BSA/AML Program for its digital asset exchange and custody service in an effort to maintain the highest possible compliance with applicable laws and regulations relating to anti-money laundering in the United States and other countries where it conducts business. This program includes robust internal policies, procedures and controls that combat any attempted use of Gemini for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in AML Regulation, filing of Suspicious Activity Reports and Currency Transaction Reports with the U.S. Financial Crimes Enforcement Network and annual internal and independent audits of the Gemini BSA/AML Program.

#### *Website Security*

Gemini has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor authentication for certain user actions, such as withdrawals; a requirement for strong passwords from its users, which are cryptographically hashed using modern standards; encryption of sensitive user information, both in transit and at rest; the application of rate-limiting procedures to certain account operations such as login attempts to thwart brute force attacks; the transmission of website data over encrypted transport layer security connections; the leveraging of content-security policy and HTTP strict transport security features in modern browsers; partnerships with enterprise vendors to mitigate potential distributed denial-of-service attacks; and the use of separate access controls on internal-only sections of Gemini's website.

### *Internal Controls*

In addition to the security policies and procedures discussed above, Gemini has also instituted the following internal controls: multiple signatories are required to transfer funds out of cold storage; Gemini's Chief Executive Officer and President are unable to individually or jointly transfer funds out of cold storage; all private keys are stored offsite in secure facilities; all employees undergo criminal and credit background checks, and are subject to ongoing background checks throughout their employment; and all remote-access by employees uses public-key authentication (e.g. no passwords, one-time passwords or other phishable credentials are used).

### **Auditor**

Raymond Chabot Grant Thornton LLP is the auditor of the Fund. The office of the auditor is located in Montreal, Quebec.

### **Administrator**

The Manager has engaged SGGG Fund Services Inc. to provide certain administrative services to the Fund including calculation of Net Asset Value and Net Asset Value per Unit and related fund accounting services. The principal office of the Administrator is located in Toronto, Ontario.

## **CALCULATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of the Fund and the Net Asset Value per Unit is calculated by the Administrator as at 4:00 pm (Toronto time) on each Valuation Date. The Fund makes available to the financial press for publication, on a daily basis, the Net Asset Value per Unit. Such amount is also available on the Manager's website at [www.3iQ.ca](http://www.3iQ.ca).

### **Valuation Policies and Procedures**

The Net Asset Value of the Fund on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund less (ii) the aggregate fair value of the liabilities of the Fund. The Net Asset Value of Units for each class of Units on a particular date will be equal to the Net Asset Value of the Fund allocated to the Units of such class, including an allocation of any net realized capital gains or other amounts payable to Unitholders on or before such date. The Net Asset Value of the Fund will be calculated in U.S. dollars. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of the Fund allocated to the Units of such class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund on a Valuation Date, the value of the aggregate assets of the Fund on such Valuation Date will be determined by the Administrator as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the Fund's ETH will be valued based on the MVIETH maintained by MVIS, as described below under "The MVIS CryptoCompare Institutional Ether Index" (<https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-ether>);

- (c) any market price reported in currency other than U.S. dollars will be translated into U.S. currency at the rate of exchange available from the Administrator on the Valuation Date on which the value of the assets is being determined;
- (d) estimated operating expenses by the Fund shall be accrued to the Valuation Date; and
- (e) the value of any security, property or other assets (including any illiquid investments) to which, in the reasonable opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, no published market exists or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager, in consultation with the Administrator, adopts from time to time.

Each portfolio transaction will be reflected in the calculation of the Net Asset Value per Unit no later than the calculation of Net Asset Value per Unit next made after the date on which the transaction becomes binding. The issue of Units will be reflected in the calculation of Net Asset Value per Unit next made after the issue date for such Units, which may be up to three Trading Days after the date that the subscription order for such Units is accepted. The exchange or redemption of Units will be reflected in the calculation of the Net Asset Value per Unit next made after the exchange request or redemption request is accepted.

The Net Asset Value per Unit of a class of the Fund is calculated in U.S. dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from the Net Asset Value per Unit determined under International Financial Reporting Standards.

#### **MVIS CryptoCompare Institutional Ethereum Index**

The MVIS CryptoCompare Institutional Ethereum Index, maintained by MVIS, is an index which is intended to track the U.S. dollar price of one ETH. It is representative of the bids and offers of market participants to buy or sell ETH on those exchanges selected by MVIS, in consultation with the Manager, as digital asset trading platforms with the most economically significant trading volumes in the world in the ETH-USD trading pair, currently: Binance, Coinbase, Kraken, Bitstamp, bitFlyer, Gemini and itBit. MVIS retains discretion to exclude exchanges based on reputational risk concerns. A majority of these exchanges employ KYC procedures in compliance with applicable AML Regulation and several are regulated by the New York State Department of Financial Services under the BitLicence or trust registration.

The index may be viewed at: <https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-Ether>.

MVIETH is geared towards timeliness and represents an unbiased estimator of the ETH price. MVIS is an index provider based in Frankfurt, Germany and regulated as an index administrator by the German Federal Financial Supervisory Authority (BaFin). MVIS had adopted indexing practices and operations for its digital assets indices, including MVIETH, which comply with the EU benchmark regulations. MVIS's pricing benchmarks are also compliant with International Organisation of Securities Commissions regulations. At this time, there are no guidelines for the calculation of indices based upon digital assets under the EU benchmark regulations, however MVIS as a leader in this space is expected to comply with any such guidelines when they are created.

The index for the MVIETH is calculated by Crypto Coin Comparison Ltd., an independent pricing provider based in the United Kingdom. Any proposal to change the constituents or calculation methodology of the MVIETH must be approved by the Review Committee of Crypto Coin Comparison Ltd.

#### **Suspension of Calculation of Net Asset Value**

The Manager may suspend the calculation of the Net Asset Value of the Fund and the Net Asset Value per Unit for the whole or any part of a period during which the right to redeem Units is suspended.

## **RISK FACTORS**

Certain risk factors relating to the Fund, the Class A Units and the Class F Units are described below. Additional risks and uncertainties not currently known to the Fund, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Class A Units and the Class F Units, could be materially adversely affected.

### **Risks Factors Relating to an Investment in the Fund**

#### ***No Assurance in Achieving Investment Objectives***

There is no assurance that the Fund will be able to achieve its investment objectives.

#### ***Trading Price of Units***

The Units may trade in the market at a discount or a premium to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit.

#### ***Loss of Investment***

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

#### ***Fluctuation in Value of ETH***

The Net Asset Value of the Units will vary according to the value of ETH included in the Fund's portfolio. The value of the ETH will be influenced by factors which are not within the control of the Fund or the Manager.

#### ***Concentration Risk***

The Fund was created to invest in ETH and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest substantially all of its assets in ETH. The Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the Net Asset Value of the Units.

#### ***Use of Leverage***

The Fund may borrow money on a short term basis to acquire ETH in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund. If the Fund's portfolio suffers a decrease in value, the leverage component will cause a decrease in Net Asset Value of the Fund in excess of that which would otherwise be experienced.

#### ***Reliance on the Manager***

Unitholders will be dependent on the abilities of the Manager to effectively administer the affairs of the Fund. The Manager depends, to a great extent, on a very limited number of individuals in the administration of its activities as manager of the Fund. The loss of the services of any one of these individuals for any reason could impair the ability of the Manager to perform its duties as manager on behalf of the Fund.

#### ***Use of Derivatives***

The Fund may use derivative instruments for non-hedging purposes in accordance with its investment restrictions. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also

be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the futures or forward contract terminates, as the case may be. The inability to close out futures and forward positions could also have an adverse impact on the Fund's portfolio.

### ***No Ownership Interest in the Portfolio***

An investment in Units does not constitute an investment by Unitholders in the ETH, cash and cash equivalents included in the Fund's portfolio. Unitholders will not own the ETH or cash or cash equivalents held by the Fund.

### ***Changes in Legislation***

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

### ***Conflicts of Interest***

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

### ***Status of the Fund***

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply exclusively to mutual funds.

### ***Valuation of the Fund***

Valuation of the Fund may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. The Manager may face a conflict of interest in valuing the ETH held by the Fund because the values assigned will affect the calculation of the Management Fee payable by the Fund to it. This risk is mitigated by the fact that the ETH held by the Fund is valued based on the MVIETH as described in "Calculation of Net Asset Value - Valuation Policies and Procedures".

### ***Significant Redemptions***

The purpose of the annual redemption right is to reduce the extent to which Units trade at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity (commencing on June 16, 2022), there can be no assurance that it will reduce trading discounts. Furthermore, if a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower Net Asset Value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval. See "Redemption of Units" and "Termination of the Fund".

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

### ***Manager, Custodian and Sub-Custodian Standard of Care***

Each of the Manager, the Custodian and the Sub-Custodian are subject to a contractual standard of care in carrying out its duties concerning the Fund (See "Organization and Management of the Fund – Details of the Declaration of

Trust”, “Organization and Management of the Fund – Custodian” and “Organization and Management of the Fund – Sub-Custodian”). In the case that the Fund suffers a loss of its ETH and each of the Manager, the Custodian and the Sub-Custodian satisfied its respective standard of care, the Fund will bear the risk of loss as with respect to these parties.

Under the terms of the Custodian Agreement, the Custodian is required to exercise the standard of care required by NI 81-102. However, the Custodian will not be liable to the Fund for any loss of the Fund’s ETH held by the Sub-Custodian unless such loss is directly caused by the Custodian’s gross negligence, fraud, wilful default, or the breach of its standard of care. In the event of such loss, the Custodian is required to take reasonable steps to enforce such rights as it may have against the Sub-Custodian pursuant to the terms of the Sub-Custodian Agreement and applicable law.

### ***SOC 2 Type 2 Report of the Sub-Custodian***

The Sub-Custodian provided the Manager with a SOC 2 Type 2 Report dated January 2, 2020 in respect of its internal controls for the year ended December 31, 2019. The Sub-Custodian has advised the Manager that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Fund in connection with the audit of the annual financial statements of the Fund. However, there is a risk that such SOC 2 Type 2 Report of the Sub-Custodian will not be available. In the event that the SOC 2 Type 2 Report is not available, the Manager will request confirmation from the Sub-Custodian in writing to permit the auditor of the Fund to test its internal controls. Although the Manager has received reasonable assurances from the Custodian and the Sub-Custodian that such written confirmation will be provided in the event that a SOC 2 – Type 2 report of the Sub-Custodian is not available, there is a risk that such written confirmation will not be provided and/or that the auditor will not be able to test the internal controls of the Custodian and the Sub-Custodian directly. The Fund will file an undertaking with applicable securities regulatory authorities that provides that while it remains a reporting issuer, the Fund will obtain from the Sub-Custodian of the ETH of the Fund either an SOC 2 – Type 2 report or written confirmation from the Sub-Custodian to permit the auditor of the Fund to test its controls.

In the event that the auditor of the Fund cannot: (i) review a SOC 2 – Type 2 Report of the Sub-Custodian; or (ii) test the internal controls of the Sub-Custodian directly in connection with its audit of the Fund’s annual financial statements, the auditor would not be able to complete its audit of the annual financial statements of the Fund in accordance with the current guidance of the Canadian Public Accountability Board.

### ***Lack of Operating History***

The Fund is a newly organized investment trust with limited operating history. There can be no assurance that an active public market for the Units will be sustained.

### ***Not a Trust Company***

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

### ***U.S. Currency Exposure***

The Fund’s functional and presentation currency is and the investor’s investment will be made in U.S. dollars. The Fund will purchase ETH which is currently denominated in U.S. dollars.

Canadian investors should be aware that the Fund will not hedge the investor’s investment in the Fund against Canadian currency exposure. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar will impact the relative value of an investor’s investment in Canadian dollars. If the value of the Canadian dollar has increased relative to the U.S. dollar, the return on the ETH converted into Canadian dollars may be reduced, eliminated or made negative. The opposite can also occur and if it does occur, a Canadian investor and the value of such investor’s investment converted into Canadian dollars may benefit from an increase in the value of the U.S. dollar relative to the Canadian dollar.

## ***Cyber Security Risk***

As the use of technology has become more prevalent in the course of business, investment funds like the Fund have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause the Fund 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 the Fund's 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 the Fund's third-party service providers (e.g. the Registrar and Transfer Agent, the Custodian and the Sub-Custodian) can also subject the Fund to many of the same risks associated with direct cyber security breaches. Like with operational risk in general, the Fund has established risk management systems designed to reduce the risks associated with cyber security.

## ***Tax Risk***

*"Mutual fund trust" status* - In order to qualify as a mutual fund trust under the Tax Act, the Fund must comply with various requirements contained in the Tax Act, including to restrict its undertaking to the investment of its funds in property. If the Fund were to cease to qualify as a mutual fund trust (whether as a result of a change in law or administrative practice, or due to its failure to comply with the current Canadian requirements for qualification as a mutual fund trust), it may experience various potential adverse consequences, including: becoming subject to a requirement to withhold tax on distributions made to non-resident Unitholders of any taxable capital gains; Units not qualifying for investment by Registered Plans; and Units ceasing to qualify as "Canadian securities" for the purposes of the election provided in subsection 39(4) of the Tax Act.

*"SIFT Rules"* - The SIFT Rules apply to trusts that are resident in Canada for the purposes of the Tax Act and that hold one or more "non-portfolio properties" (as defined in the Tax Act) and the units of which are listed or traded on a stock exchange or other public market ("SIFT Trust"). Under the SIFT Rules, if the Fund were a SIFT Trust it will generally be subject to tax at rates applicable to a Canadian corporation on income from a non-portfolio property (other than a taxable dividend) and net taxable capital gains realized on the disposition of a non-portfolio property (generally, "non-portfolio earnings" under the Tax Act). Unitholders who receive distributions from the Fund of this income and gain are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by the Fund on its non-portfolio earnings and the tax payable by a Unitholder on the distribution of those earnings will generally be more than the tax that would have been payable in the absence of the tax rules that apply to a SIFT trust. Even if units of the Fund are listed or traded on a stock exchange or other public market, provided the Fund only invests in ETH, the Fund should not be a SIFT trust; however, no assurance can be given in this regard.

*Treatment of gains and losses on dispositions of ETH* - The Fund generally will treat gains (or losses) as a result of any disposition of ETH as capital gains (or capital losses). The CRA has stated that it generally treats cryptocurrency as a commodity for the purposes of the Tax Act. The CRA has also expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for income tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. If any transactions of the Fund are reported by it on capital account, but are subsequently determined by the CRA to be on income account, there may be an increase in the net income of the Fund, which is automatically distributed by the Fund to its Unitholders under the terms of the Trust Agreement at the Fund's taxation year end; with the result that Canadian-resident Unitholders could be reassessed by the CRA to increase their taxable income by the amount of such increase, and non-resident Unitholders potentially could be assessed directly by the CRA for Canadian withholding tax on the amount of net gains on such transactions that were treated by the CRA as having been distributed to them. The CRA could assess the Fund for a failure of the Fund to withhold tax on distributions made by it to non-resident Unitholders that are subject to withholding tax, and typically would do so rather than assessing the non-resident Unitholders directly. Accordingly, any such re-determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. As the Fund may not be able to recover such withholding taxes from the non-resident Unitholders whose Units are redeemed, payment of any such amounts by the Fund would reduce the Net Asset Value of the Fund.

*“Loss restriction event”* - If the Fund experiences a “loss restriction event”, it will: (i) be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund’s taxable income at such time to Unitholders so that the Fund is not liable for income tax on such amounts); and (ii) become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

### ***COVID-19 Outbreak***

The novel coronavirus (COVID-19) outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. The outbreak has spread throughout the world, causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus initially negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of ETH. At this point, the extent to which the coronavirus may impact, or may continue to impact, the market price of ETH and, in turn, the market price of the Units, is uncertain and cannot be predicted.

### **Risks Associated with Investing in ETH**

#### ***Cryptocurrency Risk***

Cryptocurrency (notably, ETH), often referred to as “virtual currency” or “digital currency”, operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. Cryptocurrency operates without the oversight of a central authority or the banks and is not backed by any government. Even indirectly, cryptocurrencies (i.e. ETH) may experience high volatility and related investment vehicles may be affected by such volatility. Funds holding cryptocurrency may also trade at a significant premium or discount to net asset value. Cryptocurrency is not legal tender. Federal, state, provincial, territorial or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in North America is still developing. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware which could have an adverse impact on the Net Asset Value of the Units.

#### ***Short History Risk***

The Ethereum Network and ETH as digital asset or token have a limited history. Due to this short history, it is not clear how all elements of ETH will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the rate of inflation of ETH decreases. Since the ETH community has successfully navigated a considerable number of technical and political challenges since its inception, the Manager believes that it will continue to engineer its way around future challenges. The history of open source software development would indicate that vibrant communities are able to change the software under development at a pace sufficient to stay relevant. The continuation of such vibrant communities is not guaranteed, and insufficient software development or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the Fund’s portfolio.

#### ***Limited History of the ETH Market***

ETH is a new technological innovation with a limited history. There is no assurance that usage of ETH and its blockchain will continue to grow. The Net Asset Value of the Units is dependent on the development and widespread acceptance of the Ethereum Network. A contraction in use of ETH or its blockchain may result in increased volatility or a reduction in the price of ETH, which could adversely impact the Net Asset Value of the Units. Users of the protocol have been planning a move towards proof-of-stake from the current hash-based mining consensus mechanism of proof-of-work and there is currently no history of the implementation of this on the Ethereum *mainnet*, or operational blockchain.



### ***Volatility in the Price of ETH***

The ETH 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. Such volatility can adversely affect the Net Asset Value of the Units.

The price of ETH on public digital asset trading platforms has a limited history. ETH prices on the digital asset trading platforms as a whole have been volatile and subject to influence by many factors including the levels of liquidity on digital asset trading platforms. Even the largest digital asset trading platforms have been subject to operational interruption, limiting the liquidity of ETH on the digital asset trading platform market and resulting in volatile prices and a reduction in confidence in the Ethereum Network and the digital asset trading platform market generally. Purchasing activity on the digital asset trading platforms by the Fund may adversely affect the MVIETH Price and Unit trading prices, given the limited number of digital asset trading platforms.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the public, accounts for anticipated future appreciation in value. The Manager believes that momentum pricing of ETH has resulted, and may continue to result, in speculation regarding future appreciation in the value of ETH, inflating and making more volatile the value of an ETH. As a result, ETH may be more likely to fluctuate in value due to changing investor confidence in future appreciation, which could adversely affect an investment in the Units.

Despite the advantages of the Ethereum Network over other digital protocols, it is possible that another digital protocol could become materially popular due to either a perceived or exposed shortcoming of the Ethereum Network protocol that is not immediately addressed by the ETH contributor community or a perceived advantage of an alternative digital token or “altcoin” that includes features not incorporated into ETH. If a digital asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce ETH’s market share and have a negative impact on the demand for, and price of, ETH and thereby adversely affect the Net Asset Value of the Units.

### ***Potential Decrease in Global Demand for ETH***

As a currency, ETH must serve as a means of exchange, store of value, and unit of account. Many people using ETH as money-over-internet-protocol (MoIP) do so with it as an international means of exchange. Speculators and investors using ETH as a store of value then layer on top of means of exchange users, creating further demand. If consumers stop using ETH as a means of exchange, or its adoption therein slows, then ETH’s price may suffer, adversely affecting the Fund.

Investors should be aware that there is no assurance that ETH will maintain its long-term value in terms of purchasing power in the future or that the acceptance of ETH for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of ETH declines, the Manager expects the Net Asset Value of the Units to decline proportionately. As relatively new products and technologies, ETH and the Ethereum Network have yet to become widely accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of ETH by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for Ethereum Network based transactions, process wire transfers to or from digital asset trading platforms, Ethereum-related companies or service providers, or maintain accounts for persons or entities transacting in ETH. Conversely, a significant portion of ETH demand is generated by speculators and investors seeking to profit from the short- or long-term holding of ETH. The Manager believes that, like any commodity, ETH will fluctuate in value, but over time will gain a level of acceptance as a store of value, medium of exchange or token of utility.

### ***Financial Institutions may refuse to Support Transactions involving ETH***

In the uncertain regulatory climate for digital assets, including ETH, Canadian regulated financial institutions may cease to support transactions involving digital assets, including the receipt of cash proceeds from sales of digital asset. Should this occur, the Fund would be unable to pay out redemption proceeds within the timeframe set out under “Redemption of Units – Monthly Redemptions”.

### ***Limited Insurance***

Neither the Fund nor the Custodian will maintain insurance against risk of loss of ETH held by the Fund, as such insurance is not currently available in Canada on economically reasonable terms.

The Fund's ETH is held by Gemini offline in "cold storage". Gemini currently maintains \$200 million in specie coverage for digital assets held in Gemini's cold storage system. The amounts and continuing availability of this coverage are subject to change at Gemini's sole discretion. Digital assets held in cold storage are also protected by Gemini's security measures, which reflect best practices in the payment industry generally and in the cryptoasset space in particular. The Fund's ETH may also be temporarily held online in a Gemini "hot wallet". Gemini maintains separate commercial crime insurance coverage for digital assets custodied in its "hot wallet".

### ***Residency of the Sub-Custodian***

The Sub-Custodian is resident outside Canada and all or a substantial portion of its assets are located outside Canada. As a result, anyone seeking to enforce legal rights against it in Canada may find it difficult to do so.

### ***Liability of Unitholders***

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

### ***Underlying Value Risk***

ETH represents a new form of digital value that is still being digested by society. Its underlying value is driven by its utility as a store of value, means of exchange, and unit of account, and the demand for ETH within those use cases. 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 ETH priced by the supply and demand of global markets for its own utility within remittances, B2B payments, time-stamping, etc.

### ***Top ETH Holders May Control a Significant Percentage of the Outstanding ETH***

The founders of the Ethereum Network may control large amounts of ETH. There are several addresses outside of digital asset trading platforms that have large holdings of ETH, which can be found at: <https://etherscan.io/accounts>. While there appear to be few concentrated holders of ETH based on individual addresses, some holders may have their ETH spread across multiple addresses.

### ***Regulation of ETH***

The regulation of ETH continues to evolve in North America and within foreign jurisdictions, which may impact the demand for ETH.

### ***Loss of “Private Keys”***

The loss or destruction of certain “private keys” (numerical codes required by the Fund to access its ETH) could prevent the Fund from accessing its ETH. Loss of these private keys may be irreversible and could result in the loss of all or substantially all the ETH held by the Fund. This risk is mitigated by the services provided by Gemini to maintain the safety of the private keys, as described in “Organization and Management of the Fund – Sub-Custodian - ETH Storage, Security Policies and Practices”.

### ***Fund’s Holdings May Become Illiquid***

The Fund may not always be able to liquidate its ETH at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on digital asset trading platforms. Unexpected market illiquidity may cause major losses to the holders of ETH. The large size of ETH that the Fund may acquire increases the risks of illiquidity by both making its ETH difficult to liquidate and in liquidating, the Fund may affect ETH’s price significantly.

### ***Improper Transfers***

ETH transfers are irreversible. An improper transfer (whereby ETH is accidentally sent to the wrong recipient), whether accidental or resulting from theft, can only be undone by the receiver of the ETH agreeing to send the ETH back to the original sender in a separate subsequent transaction. To the extent the Fund erroneously transfers, whether accidental or otherwise, ETH in incorrect amounts or to the wrong recipients, the Fund may be unable to recover the ETH, which could adversely affect an investment in the Units.

### ***Uncertain Regulatory Framework***

Due to ETH’s short history, and its emergence as a new asset class, regulation of ETH is still a work in progress. For example, in the United States the Commodity Futures Trading Commission has ruled it a commodity, while the IRS has ruled it a property. The U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators generally take the view that ETH is a commodity, however, they have not made a formal statement regarding its classification. On May 17, 2019, the Department of Finance (Canada) introduced proposed amendments to the Excise Tax Act that, if enacted as proposed, would, as of May 18, 2019, treat ETH as a “financial instrument” for purposes of the Excise Tax Act. Meanwhile, other jurisdictions, like the European Union, Russia and Japan have moved to treat ETH like a currency for taxation purposes, which the Manager believes is likely helping to fuel adoption in those areas. In some other nations, like China, regulation is evolving constantly. The Manager believes that the ETH regulatory situation will continue to evolve to allow for innovation while also protecting consumers. Regulators worldwide are increasingly recognizing the powerful innovation of ETH and blockchain technology, and therefore the Manager believes that it is unlikely that a hostile regulatory environment will develop. However, if a hostile regulatory environment were to emerge against ETH, it could have an adverse impact on the Net Asset Value of the Units.

Because the digital asset markets are largely unregulated today, many marketplaces and OTC counterparties that trade or facilitate trading exclusively in digital assets are not subject to registration or licensing requirements with any financial services regulatory body and, therefore, are not directly subject to prescribed KYC, reporting and recordkeeping requirements which apply financial services firms and other “reporting entities” under AML Regulation. The Manager will use all reasonable efforts to confirm that each exchange and institutional liquidity provider from which the Fund may purchase ETH has adopted KYC procedures which reflect industry best practices to seek to ensure compliance with AML Regulation requirements which apply generally in the jurisdictions where they carry on business. In addition, the Sub-Custodian is a reporting entity under the U.S. Bank Secrecy Act and AML Regulation in the U.S. and has adopted the Gemini BSA/AML Compliance Program.

### ***Risks Associated with the Ethereum Network***

#### ***Dependence on Ethereum Network Developers***

While many contributors to Ethereum Network’s open-source software are employed by companies in the industry, most of them are not directly compensated for helping to maintain the protocol. As a result, there are no contracts or

guarantees that they will continue to contribute to Ethereum Network’s software (<https://github.com/ether> and <https://github.com/orgs/ether/people>).

### ***Issues with the Cryptography Underlying the Ethereum Network***

Although the Ethereum Network is one of the world’s most established digital asset networks, the Ethereum Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. 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. The cryptography underlying ETH could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to take the Fund’s ETH, which would adversely affect an investment in the Units. Moreover, functionality of the Ethereum Network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for ETH. Even if another digital asset other than ETH were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets and therefore adversely affect an investment in the Units.

### ***Disputes on the Development of the Ethereum Network may lead to Delays in the Development of the Network***

There can be disputes between contributors on the best paths forward in building and maintaining Ethereum Network’s software. Furthermore, the miners supporting the network and companies using it can disagree with the contributors as well, creating greater debate. Therefore, the Ethereum community often iterates slowly upon contentious protocol issues, which many perceive as prudently conservative, while others worry that it inhibits innovation.

### ***Significant Increase in ETH or the Ethereum Network Use Could Affect the Ability of the Ethereum Network to Accommodate Demand***

One of the most contentious issues within the Ethereum community has been around how to scale the network as user demand continues to rise. The debate goes back to the earliest days of ETH. There are many possible solutions, and most of them boil down to different ideologies on how ETH should be used. However, it will be important for the community to continue to develop at a pace that meets the demand for transacting in ETH, otherwise users may become frustrated and lose faith in the network. As a decentralized network, strong consensus and unity is particularly important to respond to potential growth and scalability challenges.

### ***The Ethereum Blockchain may Temporarily or Permanently Fork and/or Split***

The Ethereum Network’s software and protocol are open source. When a modification is released by the developers and a substantial majority of miners consent to the modification, the change is implemented and the Ethereum Network continues uninterrupted. However, if a change were activated with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “hard fork” (i.e. a split) of the Ethereum Network (and the blockchain). One blockchain would be maintained by the pre-modified software and the other by the post-modification software. The effect is that both blockchain algorithms would be running parallel to one another, but each would be building an independent blockchain with independent native assets (e.g., ETH 1 and ETH 2).

Although forks are likely to be addressed by a community-led effort to merge the two groups, such a fork could adversely affect ETH’s viability.

In the event that a fork in the Ethereum blockchain results in: (i) issuance to the Fund of an additional cryptoasset alongside the ETH held by the Fund; or (ii) a choice to keep the existing ETH or exchange or replace it with a different cryptoasset, the Manager will make the investment decision that it believes is in the best interest of the Fund and the Unitholders at the time.

The Sub-Custodian Agreement provides that the Sub-Custodian will support the forked network that requires the greatest total threshold number of hash attempts to mine all existing blocks measured during the 48-hour period

following the fork, subject to its ability to, under certain circumstances and in consultation with the New York State Department of Financial Services and its licensing partners, make a good faith determination as to the forked network that is most likely to be supported by the greatest number of users and miners and support that network. The Sub-Custodian may, in its discretion, choose to not support the forked network, in which case the Sub-Custodian may abandon the Fork Asset (as defined below), retain the Fork Asset for itself or allow a one-time withdrawal of the Fork Asset by the Fund. The Sub-Custodian may also choose to support the forked network.

It is ultimately an investment decision of the Manager to determine how the Fund will deal with a fork in the Ethereum blockchain. There will likely be many factors relevant to such decision, including the value and liquidity of the new/replacement asset (the “Fork Asset”) and whether a disposition of such Fork Asset would trigger a taxable event for the Fund. As such, if it was in the best interest of the Fund to receive a Fork Asset or otherwise participate in a fork in the Ethereum Network blockchain that is not supported by the Sub-Custodian, the Manager could instruct the Custodian to move the Fund’s ETH from the Sub-Custodian to an account with another sub-custodian which would support such fork.

The Manager will consult with the auditor of the Fund to ensure that all Fork Assets held by the Fund are properly valued in accordance with International Financial Reporting Standards for the purpose of calculating the Net Asset Value of the Fund. The Manager has confirmed with the auditor of the Fund that in the event of a fork or split of the Ethereum blockchain (or the blockchain of another Fork Asset held by the Fund), the Fund would not be required to reflect ownership of any resulting Fork Asset on its financial statements until such asset is released by the Sub-Custodian (or the relevant Fork Asset custodian) into the Fund’s account.

The Manager will ensure that redeeming Unitholders receive the appropriate redemption price for their Units of the Fund, including in circumstances where a Fork Asset held by the Fund cannot be liquidated due to restrictions imposed by the custodian of the Fork Asset or other market forces. However, the Manager does not guarantee that ultimately the right Fork Asset will be chosen.

Digital assets are also susceptible to “airdrops”, whereby promoters entitle existing holders to claim a certain portion of the new digital asset at no-cost. Since airdrops are both uncertain and unguaranteed, the Fund may not derive any benefit from the airdrops.

### ***Dependence on the Internet***

ETH miners relay transactions to one another via the internet, and when blocks are mined they are also forwarded via the internet. Users and developers access Ethereum via the internet. Thus, the Ethereum Network is dependent upon the continued functioning of the internet.

### ***Risk if Entity Gains a 51% Share of the Ethereum Network***

If an entity gains controls over 51% of the compute power (hash rate) the entity could use its majority share to double spend ETH. Essentially, the entity would send ETH to one recipient, which is confirmed in the existing blockchain, while also creating a shadow blockchain that sends that same ETH to another entity under its control. After a period of time, the entity will release its hidden blockchain and reverse previously confirmed transactions, and due to the way mining works, that new blockchain will become the record of truth. This would significantly erode trust in the Ethereum Network to store value and serve as a means of exchange which may significantly decrease the value of the ETH and in turn the Net Asset Value of the Units. The two largest miners or pools of Ethereum control in the aggregate more than 51% of the Ethereum Network.

### ***Possible Changes in Transaction Fees***

ETH miners, functioning in their transaction confirmation capacity, collect fees for confirming blocks. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have very low marginal cost of validating unconfirmed transactions. If miners collude in an anticompetitive manner to reject low transaction fees, then ETH users could be forced to pay higher fees, thus reducing the attractiveness of the Ethereum Network. ETH mining occurs globally and it may be difficult for authorities to apply antitrust regulations

across multiple jurisdictions. Any collusion among miners to attempt an attack on the Ethereum Network may adversely impact the trust in the Ethereum Network, ETH, and thus the Net Asset Value of the Units.

#### ***Attacks on the Ethereum Network***

The Ethereum Network is periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation time and therefore transaction confirmation time. Thus far these scenarios have not plagued the network for long or in a systemic manner.

#### ***Decrease in Block Reward***

In the event of a material decrease in the block reward to the Ethereum Network, miners may cease to provide their computational power to the consensus mechanism for the Ethereum Network blockchain.

#### ***Competitors to ETH and the Ethereum Network***

Currently, ETH is the second largest digital asset by market capitalization, with CoinMarketCap.com citing more than 5000 alternative digital assets. To the extent a competitor to ETH gains popularity and greater market share, the use and price of ETH could be negatively impacted, which may adversely affect an investment in Units of the Fund. Similarly, the price of ETH could be negatively impacted by competition from incumbents in the credit card and payments industries, which may adversely affect the Net Asset Value of the Units or from other developing blockchain protocols.

#### ***Significant Energy Consumption to run the Ethereum Network***

Because of the significant computing power required to mine ETH, the network's energy consumption as a whole may ultimately be deemed to be or indeed become unsustainable (barring improvements in efficiency which could be designed for the protocol). This could pose a risk to broader and sustained acceptance of the network as a peer-to-peer transactional platform.

#### ***Moving from Proof-of-Work (PoW) to Proof-of-Stake (PoS) Consensus Mechanism***

The Ethereum Network is attempting to move from a proof-of-work algorithm to a proof-of-stake mechanism called Ethereum 2.0 that may result in users potentially adopting the new mechanism or rejecting it in favour of other smart contract protocols. Beginning in December, 2020 the Ethereum 2.0 proof-of-stake protocol ("ETH 2.0") began its rollout. There is no guarantee that the ETH community will embrace ETH 2.0 and the new protocol may never reach critical mass. Although ETH 2.0 is supported by many of Ethereum's core developers as it is expected to improve network efficiency, scalability and security, the current ETH mining community may resist adoption of the new protocol and it may be slowed or stopped all together. It is possible that there will never be a complete transition to ETH 2.0 and the two protocols will both endure and compete going forward. Lack of adoption of ETH 2.0 may have a negative effect on the market value of Ether, and consequently the Net Asset Value of the Fund.

#### **Risks Associated with Digital Asset Trading Platforms**

##### ***Regulation of Digital Asset Trading Platforms***

Digital asset trading platforms are spot markets in which ETH can be exchanged for U.S. dollars. Digital asset trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager will seek to ensure that the digital asset trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation. See "Investment Overview – Purchasing ETH for the Fund's Portfolio".

### ***Limited Operating History of Digital Asset Trading Platforms***

Digital asset trading platforms have a limited operating history. Since 2015, several digital asset trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at digital asset trading platforms. The potential for instability of digital asset trading platforms and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in ETH, which may adversely affect the Net Asset Value of the Units.

### ***Hacking of Digital Asset Trading Platforms May Have a Negative Impact on Perception of the Security of the Ethereum Network***

While the Ethereum Network's blockchain has never been compromised by hackers, smart contracts and exchanges have suffered hacks. Digital asset trading platforms that adhere to best practices are insured, and most of these have not been hacked, or if they have the loss has been minimal. Although there is ample evidence which indicates that almost all of the economic trading volumes in ETH occur on the top ten global trading platforms, many of which are regulated by the New York State Department of Financial Services, carry insurance for their hot wallet assets, such exchanges, or other, smaller or less reputable exchanges, may get hacked. ETH's price is at risk if a platform is hacked as it can shake consumer confidence for those that do not understand the difference between a weakness in the platform versus a weakness in ETH and its blockchain. On June 17, 2016 a hacker attacked the crowdfunding \$150 million Decentralized Autonomous Organization (DAO) due a flawed smart contract and stole ETH having a market value of USD 50 million. The Ethereum community voted to fork the Ethereum blockchain and restore the stole ETH to its holder. This resulted in the main blockchain, ETH and Ethereum Classic ("ETC"), a smaller blockchain.

### ***Different Prices of ETH on the Digital Asset Trading Platforms May Adversely Affect the Net Asset Value of the Units***

Most platforms operate as isolated pools of liquidity, and so when demand spikes for a specific platform the market price for ETH on that platform can also spike, making it trade at a premium to other platforms. This tendency is common geographically, with Chinese platforms frequently trading at a premium to platforms in Europe or America.

### ***Closure of Digital Asset Trading Platform(s)***

Since 2013, a number of digital asset trading platforms have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such digital asset trading platforms were not compensated or made whole for the partial or complete losses of their account balances in such digital asset trading platforms. While smaller digital asset trading platforms are less likely to have the infrastructure and capitalization that make larger digital asset trading platforms more stable, larger digital asset trading platforms are more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

### ***Liquidity Constraints on Digital Asset Trading Platforms may Impact the Fund's Holdings***

While the liquidity and traded volume of ETH are continually growing, it is still a maturing asset. The Fund may not always be able to acquire or liquidate its assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on digital asset trading platforms. When transacting in the ETH markets, the Fund will be competing for liquidity with other large investors, including speculators, miners and other investment funds and institutional investors.

Unexpected market illiquidity, and other conditions beyond the Manager's control, may cause major losses to the holders of a cryptoasset, including ETH. The large position in ETH that the Fund may acquire increases the risks of illiquidity by making its ETH difficult to liquidate. In addition, liquidation of significant amounts of ETH by the Fund may impact the market price of ETH.

### ***Risk of Manipulation on Digital Asset Trading Platforms***

Digital asset trading platforms are spot markets in which ETH can be exchanged for U.S. dollars. Digital asset trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions.

Some digital asset trading platforms have been known to permit and/or report artificially high order volumes and/or trading volumes. Digital asset trading platforms are not required to adopt policies and procedures for the purpose detecting and preventing manipulative and deceptive trading activities and, in the event that manipulative and deceptive trading activities are detected, digital asset trading platforms may not have procedures for, or jurisdiction to, sanction or otherwise deter such activities and/or to detect, investigate and prosecute fraud.

The Manager will seek to ensure that the digital asset trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation. See “Investment Overview – Purchasing ETH for the Fund’s Portfolio”.

### ***Settlement of Transactions on the Ethereum Network***

There is no central clearing house for cash-to-ETH transactions. Current practice is for the purchaser of ETH to send fiat currency to a bank account designated by the seller, and for the seller to broadcast the transfer of ETH to the purchaser’s public ETH address upon receipt of the cash. The purchaser and seller monitor the transfer with a transaction identification number that is available immediately upon transfer and is expected to be included in the next block confirmation. When the Fund purchases ETH from a ETH Source, there is a risk that the ETH Source will not initiate the transfer on the Ethereum Network upon receipt of cash from the Fund, or that the bank where the ETH Source’s account is located will not credit the incoming cash from the Fund for the account of the ETH Source. The Manager mitigates this risk by transacting with regulated ETH Sources that have undergone due diligence, as described under “Management of the Fund – Purchasing ETH for the Fund’s Portfolio” and by confirming the solvency of the ETH Source and the bank designated by each ETH Source based on publicly available information.

## **FEES AND EXPENSES**

### **Management Fee**

An annual management fee of 1.95% of the Fund’s Net Asset Value calculated daily and payable monthly, plus applicable taxes, will be paid to the Manager in respect of each of the Class A Units and the Class F Units of the Fund (the “Management Fee”). The Manager manages the day-to-day business and operations of the Fund and provides certain general management and administrative services.

### **Ongoing Expenses of the Fund**

In addition to the Management Fee, and any debt servicing costs, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and expenses to be borne by the Fund are estimated to be \$1,200,000 per annum and include, without limitation: fees and expenses payable to the Independent Review Committee; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund’s investment in ETH; fees payable to the Registrar and Transfer Agent; fees payable to any custodians and/or subcustodians for the assets of the Fund as well as the fees of the Administrator and other service providers; licensing fee payable to MVIS to license the MVIETH; expenses relating to the monitoring of the relationships with the Custodian, Sub-Custodian, the Registrar and Transfer Agent and other organizations serving the Fund; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Units of the Fund may become listed or quoted; securities regulatory authorities’ participation fees; the preparation and supervision costs relating to the calculation and publication of the Net Asset Value; costs and expenses of preparing, printing, and mailing financial and other reports to Unitholders, material for Unitholders’ meetings and securities regulatory filings; costs and expenses of communication with Unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and Provincial/Territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and



administration of the Fund.

## **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to any offering of Class A Units and Class F Units will be passed upon by Osler, Hoskin & Harcourt LLP, Toronto, Ontario. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, own less than 1% of the outstanding Class A Units or Class F Units of the Fund.

## **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

**CERTIFICATE OF THE FUND AND THE TRUSTEE AND MANAGER AND PROMOTER OF THE  
FUND**

Dated: February 8, 2021

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces and territories of Canada.

**3iQ CORP.**  
**(as trustee and manager of The Ether Fund)**

By: (Signed)  
Frederick T. Pye  
Chief Executive Officer

By: (Signed)  
John Loeplich  
Chief Financial Officer

**On behalf of the Board of Directors of  
3iQ CORP.**

By: (Signed)  
Chris Jouppi  
Director

By: (Signed)  
Anthony L. Cox  
Director

**3iQ CORP.**  
**(as promoter of The Ether Fund)**

By: (Signed)  
Frederick T. Pye  
Chief Executive Officer