

# ICO LEGAL - SDGA TOKEN

Disclaimer and Important Notices

**SDG Assessment**





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# LEGAL

## **Disclaimer and Important Notices**

Customers are advised that this whitepaper should not be interpreted as providing legal, tax, or transaction-related advice. Should a customer choose to acquire tokens, they will be required to acknowledge this understanding. It is imperative that customers consult with their own professional advisors to examine the proposed transaction and its legal, tax, and other implications. Specifically, customers should ascertain the legal requirements and tax consequences pertinent to their citizenship, residency, domicile, and business location regarding the acquisition, retention, and disposition of tokens, as well as any relevant foreign exchange or other restrictions.

In making a decision regarding the transaction, customers must independently evaluate the company and the tokens, including the associated merits and risks. Purchasers and their representatives, if applicable, are encouraged to pose questions and seek further information from the company concerning any relevant issues.

Potential purchasers of tokens are urged to conduct thorough due diligence prior to making any investment and to consult a certified financial advisor if any aspects of the promotional documentation are unclear.

The acquisition of tokens is speculative and entails a significant level of risk. Purchasers should be prepared for the possibility of losing all or a substantial portion of the value invested in the tokens.

The capacity for tokenholders to exchange tokens may be subject to strict limitations. Tokenholders may only exchange tokens as explicitly outlined in this whitepaper and on the company's website. Furthermore, transactions among different token holders could, under certain conditions, adversely impact other token holders.

### **Regulatory Notices**

This whitepaper does not represent an offer or solicitation in any jurisdiction where such offer or solicitation is not permitted.

Except for the company's managers and directors, no individual is authorized to make representations or provide information regarding the company or the tokens beyond what is contained in this whitepaper. Any information not included herein or not provided in writing by company managers and directors should not be relied upon as having been authorized by the company.

Customers should not acquire tokens unless they are satisfied that they and their professional advisors have sought and obtained all necessary information to evaluate the merits and risks associated with such a transaction.

While this whitepaper includes summaries of certain terms from specific documents, purchasers are encouraged to review the actual documents (copies of which are available from the company at no charge) for comprehensive information regarding the parties' rights and obligations. All summaries are fully qualified by the actual terms of the relevant documents.

The company will provide purchasers and their professional advisors the opportunity to ask questions and receive answers from the company.

### **Information Verification and Disclaimers**

Representatives of the company are available to provide information regarding the company and matters related to the tokens, as well as to obtain any additional relevant information (to the extent that such information is available to them or can be acquired without unreasonable effort or expense) in order to verify the content detailed in this whitepaper.

The information contained herein is accurate only as of the date of this document. Under no circumstances should you assume that there have been no changes to the matters discussed since that date.

The tokens are intended solely for sophisticated and informed customers who are either non-U.S. persons or U.S. persons permitted to participate, such as accredited investors.

This whitepaper may be translated into other languages; however, in the event of any inconsistency or ambiguity regarding the meaning of any word or phrase in any translation, the English version shall prevail. All disputes regarding the terms shall be governed by and construed in accordance with the laws of Singapore.

This whitepaper does not constitute an offer or invitation to the public in Singapore to acquire the tokens, nor are the tokens available for purchase in Singapore.

### **For Australian Prospective Tokenholders**

No offer for subscription or purchase of the tokens described herein, nor any invitation to acquire such tokens, has been made or issued in Australia except through means classified as an excluded issue, excluded offer, or excluded invitation under Section 66 (2) or 66 (3) of the Corporations Law (Revised). Consequently, this whitepaper has not been lodged with the Australian Securities and Investments Commission. Furthermore, the tokens may not be resold in Australia within six (6) months following the date of issue unless conducted via an excluded offer or invitation as previously described.

### **For Belgian Prospective Tokenholders**

This whitepaper has neither been submitted to nor approved by the Belgian Banking and Finance Commission.

For Canadian Prospective Purchasers

Any issuance of tokens to a Canadian resident will be contingent upon the issuance being exempt from the requirement for the company to prepare and file a prospectus with the relevant Canadian securities regulatory authorities. Under applicable securities laws, any resale of tokens acquired may be subject to compliance with exemptions from registration and prospectus requirements. Purchasers are advised to consult their own legal advisors regarding restrictions applicable to their purchase and any subsequent resale under securities law.

Each Canadian purchaser acquiring tokens will be deemed to represent to the company that: (i) they are entitled under applicable Canadian provincial securities laws to purchase the tokens without the benefit of a prospectus qualified under such laws; (ii) to their knowledge, the sale of tokens was not accompanied by any advertisement in printed media, radio, television, or telecommunications, including electronic displays; (iii) they have reviewed the restrictions outlined in this section; and (iv) where required by law, they are purchasing as principal and not as an agent, and are acquiring for investment purposes only, not with a view to resale or distribution.

### **For Singaporean Prospective Tokenholders**

No public invitation shall be extended in Singapore for the acquisition of Tokens, except to exempt entities as defined under applicable Singaporean legislation.

### **For Cayman Islands Prospective Tokenholders**

No public invitation may be extended in the Cayman Islands to acquire Tokens, except to exempt entities established within the Cayman Islands that are engaged in offshore business activities.

### **For Finnish Prospective Tokenholders**

The Tokens offered herein shall not be publicly offered, sold, or advertised in Finland. This whitepaper may only be distributed to a limited number of individuals within Finland.

### **For French Prospective Tokenholders**

The Tokens offered herein do not adhere to the conditions mandated by French law for issuance, distribution, sale, public offering, solicitation, and advertising within France. Consequently, the distribution of this whitepaper and the offering of Tokens by the Company in France are subject to restrictions under French law. Prospective purchasers are urged to inform themselves regarding the limitations pertaining to the disposal of Tokens in France.



### **For Hong Kong Prospective Tokenholders**

This whitepaper does not constitute a public offer in Hong Kong for the acquisition of Tokens. No steps have been taken to register this whitepaper as a prospectus in Hong Kong. A condition of any offer is that each person agreeing to acquire Tokens provides a written declaration affirming that they (or their principal) are acquiring the Tokens solely for investment purposes, without intent to distribute or resell. Furthermore, they shall not offer for sale, resell, or otherwise distribute the Tokens, nor agree to do so, within six months from the date of sale.

### **For Republic of Ireland Tokenholders**

The Company does not currently intend to advertise or market the Tokens in Ireland. No marketing activities will occur without prior written approval from the Central Bank of Ireland.

### **For Israeli Prospective Tokenholders**

Israeli residents, except those classified as “exemption holders” under the General Currency Control Permit of 1978, are required to obtain a special permit from the Israeli Controller of Foreign Currency to purchase Tokens. Tokens may only be acquired by a limited number of sophisticated purchasers, under conditions designed to prevent distribution outside of a private placement.

### **For Italian Prospective Tokenholders**

No actions have been taken or will be taken to permit the offering of Tokens to the public in Italy. Consequently, Tokens may not be offered, sold, or delivered to the public in Italy. Individual sales of Tokens to any person in Italy must comply with Italian securities, tax, and other applicable laws and regulations.

### **For Japanese Prospective Token Holders**

Pursuant to Article 23-14, Paragraph 1 of the Securities Exchange Law ("SEL"), the acquisition of Tokens is conditional upon the Purchaser's agreement not to distribute said Tokens to any individual other than a non-resident of Japan, as defined in Article 6, Paragraph 1(6) of the Foreign Exchange and Foreign Trade Act. This provision does not apply if all Tokens (excluding those allocated to non-residents of Japan) are transferred to a single individual. Furthermore, the requisite disclosures under the SEL have not been made.

### **For Netherlands Prospective Tokenholders**

The Tokens shall not be offered, transferred, or sold, whether directly or indirectly, to any individual or entity within the Netherlands during the initial distribution or subsequently, except to individuals or entities that engage in the trade or investment of securities as part of their professional activities. This includes banks, brokers, dealers, insurance companies, pension funds, institutional purchasers, and commercial enterprises that regularly engage in securities investment as an ancillary activity.

### **For Swedish Prospective Tokenholders**

The Tokens are being offered exclusively to a limited number of institutional purchasers, and consequently, this Whitepaper has not been registered, nor will it be registered, with the Swedish Financial Supervisory Authority in accordance with the Swedish Financial Instruments Trading Act. Additionally, no Tokens may be marketed or offered for sale in Sweden except under conditions that do not constitute a public offer as defined in the Financial Instruments Trading Act.

### **For Swiss Prospective Token Holders**

The Company has not received authorization from the Swiss Federal Banking Commission as a foreign investment fund under applicable regulations. The Tokens are subject to specific restrictions regarding redemption and may only be transferred or assigned with the prior written consent of the Company and in compliance with relevant laws and regulations. The Tokens represent long-term investments, and no market will be maintained for them; furthermore, listing on a stock exchange is not anticipated. The Tokens will be marketed exclusively to institutional purchasers (such as banks, pension funds, and insurance companies) and other entities with professionally managed assets; no public offering of the Tokens will occur.

### **For United Kingdom Prospective Token Holders**

The Company does not qualify as a recognized collective investment scheme under the Financial Services and Markets Act 2000 (the "Act"). Consequently, the promotion of the Company and the distribution of this Whitepaper within the United Kingdom are legally restricted. This Whitepaper is being issued in the United Kingdom by the Company to individuals and entities to whom it may lawfully be directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001.

This includes Authorized Persons, individuals with professional experience in investment matters, high-net-worth companies and associations, trustees of high-value trusts, and certified sophisticated purchasers. The Tokens are available solely to such persons in the United Kingdom, and this Whitepaper must not be relied upon by any other individuals within the jurisdiction.

To qualify as a certified sophisticated investor, an individual must possess a certificate in writing or another legible format, signed by an Authorized Person, confirming that they are sufficiently knowledgeable regarding investments.

A person qualifies as a certified sophisticated investor if they (a) possess a written certificate or other verifiable documentation signed by an Authorized Person, indicating their comprehension of the risks associated with participating in unrecognized collective investment schemes, and (b) have executed a statement in a prescribed form within the preceding twelve (12) months, affirming, among other things, their qualification as a sophisticated investor concerning such investments.

This Whitepaper is exempt from the general prohibition outlined in Section 21 of the Financial Services and Markets Act 2000 (the "Act") regarding the communication of invitations or inducements to engage in investment activities, as it is being issued exclusively to, and/or directed at, the aforementioned categories of individuals.

The contents of this Whitepaper have not received approval from an authorized person, and such approval is required by Section 21 of the Act, except where this Whitepaper is directed at or issued to the specified categories of persons.

### **For United Arab Emirates Prospective Tokenholders**

Neither this Whitepaper nor the Tokens have been submitted to or approved by the Dubai Virtual Asset Regulatory Authority or the Securities and Commodities Authority.

## **RISK FACTORS, CONFLICTS OF INTEREST, AND OTHER CONSIDERATIONS**

Prior to acquiring Tokens, prospective purchasers should thoroughly evaluate various risk factors, potential conflicts of interest, suitability requirements, transfer restrictions, and legal, tax, and other considerations, all of which are detailed elsewhere in this Whitepaper.

The acquisition of Tokens offered by the Company should be regarded as a non-liquid transaction and entails a high degree of risk. Prospective purchasers should only consider the purchase of Tokens after carefully reviewing this Whitepaper.

Acquiring Tokens involves significant risks that are not typically associated with other types of investments and is suitable solely for individuals of adequate financial means who do not require liquidity from this acquisition. There are no assurances that (i) the Company's objectives will be successfully achieved or (ii) purchasers will not incur a loss of all or part of the value invested in acquiring the Tokens.

Purchasers should only proceed with the acquisition of Tokens if they are prepared to accept the associated risks.

Furthermore, purchasers subject to income tax should be cognizant that acquiring Tokens may generate taxable income through any appreciation in value if the Company is successful. Therefore, it is essential to consider the following risk factors and conflicts of interest before proceeding with a purchase:

## COMPANY AND TOKEN-RELATED RISKS

**Operating History:** The Company has minimal to no operating history, and as such, is subject to all risks inherent in new enterprises.

**Limited Liquidity:** The acquisition of Tokens entails significant restrictions on liquidity and is not freely transferable. There may be no established market for the Tokens, and the development of such a market is not guaranteed. Consequently, Tokenholders may find themselves unable to exchange or liquidate their Tokens. In emergency situations or for any other reason, Tokenholders may not be able to exchange their Tokens in a timely manner. Although a Tokenholder may seek to enhance liquidity by securing a loan from a qualified institution, the Tokens may not be readily accepted as collateral. Additionally, the transfer of a Token may be subject to restrictions.

Utilization of Tokens as Collateral May Incur Adverse Tax Consequences. The transferor should be advised that the use of Tokens as collateral or in any other manner to facilitate liquidity may result in unfavorable tax ramifications for the transferor.

### **Dependency on Management and Directors.**

The Company's prosperity is contingent upon the efficacious leadership and direction of its management and directors, particularly the acumen and capabilities of its personnel. Should any key members of management or the board of directors perish, become incapacitated, or otherwise cease participating in the Company's operations, the Company's business could suffer severe impairment. Token Holders shall possess no right or avenue to participate in the Company's management or to evaluate its strategic decision-making. While Company managers, directors, and staff intend to dedicate substantial time to the Company's affairs, they will not allocate all of their efforts exclusively to the Company.

The Company also relies upon its counterparties and unaffiliated businesses that provide services to the Company, including legal counsel and auditors. Errors are inherent in any commercial enterprise, and although the Company will implement measures to mitigate and detect errors or misconduct by counterparties and service providers, and will transact with what it deems to be reputable entities, such safeguards may prove ineffective in certain instances. The occurrence of errors or misconduct could inflict material detriment upon the Company and the value of the Tokens. Additionally, in the absence of a direct contractual relationship between a Tokenholder and a relevant service provider, no Token Holder shall possess any contractual recourse against a service provider for matters pertaining to its services rendered to the Company.



Historical Token Value as Indicator of Future Performance. The prior record of the Token's market value may not be predictive of its future valuation. The nature and risks associated with the Token may differ materially from other cryptocurrencies currently traded. There can be no assurance that the Tokens will perform as favorably as other cryptocurrencies, or that the Company will successfully avoid financial losses.

### **Opinions and Estimates.**

The opinions and estimates presented herein reflect the judgment of the Company and are subject to revision, as are statements regarding market trends. All opinions and estimates are predicated on assumptions, many of which are arduous to forecast and numerous of which are beyond the Company's control. Furthermore, the calculations used to generate the estimates were not prepared with a view toward compliance with any published guidelines.

In drafting this Whitepaper, the Company has relied upon and presumed, without independent verification, the accuracy and completeness of all information provided. The Company believes the information contained herein to be reliable, but does not warrant its precision or comprehensiveness.

### **Potential Conflicts of Interest.**

The Company, its affiliates, and their respective directors, partners, members, officers, employees, and agents may be subjected to certain conflicts of interest.

Lack of Registration. The Tokens have not been registered under the Securities Act of 1933 or the securities laws of any U.S. state, and may therefore be subject to transfer restrictions if deemed a security under applicable law. The Tokens have also not been registered under the laws of any non-U.S. jurisdiction and may face issuance and transfer limitations pursuant to the laws of such jurisdictions. Purchasers must represent that they are acquiring the Tokens solely for use on the Company's platform, and not with a view toward resale or distribution. The Company has no plans or obligations to register these Tokens. Consequently, the Tokens may only be transferred upon the Company's receipt of a legal opinion that such transfer will not violate securities registration requirements.

#### Transfer Restrictions and Passage by Operation of Law

The restrictions on the transfer of Tokens are in addition to those delineated in the Company's Articles of Incorporation.

### **Right to Dissolve the Company or Bar Tokenholders**

The Company's managers, directors, and shareholders retain the inherent authority to wind up and dissolve the Company at any time, provided that they give 90 calendar days' notice to the Tokenholders. Consequently, there exists a risk that, should the Company's assets be depleted, the managers, directors, and shareholders may opt to dissolve the Company and distribute any remaining assets. The Company is also entitled to refund Tokenholders and to burn their Tokens at any time, with cause (e.g., for compliance with Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) regulations). Such mandatory refunds may impose adverse tax and/or economic consequences on the affected Tokenholders. However, no individual shall bear any obligation to compensate Tokenholders for any losses incurred upon dissolution or otherwise.

### **No Participation in Management**

The management of the Company's operations is exclusively vested in the Company's managers and directors. Tokenholders shall have no rights to participate in the conduct or control of the Company's business. The managers and directors, along with their principals, will allocate only such time to the Company's affairs as they deem appropriate in their sole discretion.

Limitation of Liability and Indemnification of Managers and Directors The Company's Articles provide that managers and directors shall be indemnified against, and shall not be liable for, any losses or liabilities incurred in connection with the Company's affairs, provided that such losses or liabilities do not arise from fraud, gross negligence, or willful misconduct.

## **Nature of Company's Business**

### General Overview

The Company's business will focus on blockchain-related projects, including virtual assets, which encompass, but are not limited to, virtual currencies, cryptocurrencies, and digital coins and tokens. These assets inherently carry significant risks due to business, financial market, or legal uncertainties. There can be no assurance that the Company will accurately assess the nature and extent of various factors that could impact the value of and returns on its business strategies. Prices and market movements related to the Tokens may exhibit volatility, and a variety of unpredictable factors, including domestic or international economic and political developments, may materially influence the value of the Tokens. Consequently, the performance of the Tokens over any given period may not necessarily be indicative of future results.

## **Virtual Assets Generally**

The characteristics of virtual assets typically differ from those of conventional currencies, commodities, or securities. Notably, virtual assets are generally not backed by a central bank, a national, supra-national, or quasi-national organization, tangible assets, human capital, or any form of credit. Instead, the value of virtual assets is market-based, determined by supply and demand dynamics, the number of merchants accepting them, and the valuation assigned by market participants through mutual agreements, barter, or transactions. Virtual assets represent an evolving and relatively new class of products and technologies, with varying methods of creation, security, access, and utilization across different assets.

## **Developing Regulatory Scheme**

The regulatory frameworks governing virtual assets, blockchain technologies, and cryptocurrency exchanges are nascent, vary significantly across jurisdictions, and are subject to considerable uncertainty. Some enterprises in which the Company may invest could operate within industries facing substantial regulatory scrutiny. The Company acknowledges that various factors may influence regulatory developments in these sectors.

## **Legislative and Regulatory Considerations**

Legislative and executive bodies are presently evaluating, or may in the future evaluate, laws, regulations, guidance, or other actions that could significantly affect the Company's capacity to invest or expand its market share. Non-compliance by the Company with any applicable laws, rules, or regulations—some of which may not yet exist, are subject to interpretation, or may change—could result in adverse consequences, including civil penalties and fines. It is conceivable that any jurisdiction may, in the near or distant future, enact laws, regulations, policies, or rules that directly or indirectly impact the distributed ledger network or restrict the rights to acquire, own, hold, sell, convert, trade, or utilize virtual assets, or exchange digital currencies for other currencies or virtual assets. Regulatory developments may alter the nature of the Company's business or impose restrictions on the use of blockchain assets or the operation of a blockchain network critical to the Company's operations, potentially resulting in negative repercussions for the Company. New regulatory obligations could lead to extraordinary, non-recurring expenses and/or ongoing compliance costs, which may adversely affect the acquisition of Tokens. If the Company opts not to comply with such regulatory requirements, it may face liquidation at a time unfavorable to investors. Should the Company restrict or limit certain activities to reduce the applicability of government regulation and oversight, the acquisition of Tokens may be adversely impacted.

## **Cryptocurrencies and Central Bank Guarantees**

Virtual assets functioning as mediums of exchange are neither issued nor guaranteed by any central bank or national, supra-national, or quasi-national organization, and there is no assurance that such assets will operate as legal mediums of exchange in any jurisdiction. Indeed, certain jurisdictions have outright banned the use of specific virtual assets within their borders.

**Third-Party Acceptance** As a relatively nascent product and technology, virtual assets have not yet achieved widespread acceptance as a means of payment for goods and services. Traditional banks and established financial institutions may decline to process transactions involving cryptocurrencies, refuse to facilitate wire transfers to or from cryptocurrency exchanges, blockchain-related companies, or service providers, or may not open accounts for individuals or entities engaged in virtual asset transactions.

## **Risks Associated with Exchanges**

The exchanges on which virtual assets are traded are relatively new and largely unregulated, exposing them to greater risks of theft, fraud, and operational failure than established, regulated exchanges for other products. Typically, exchanges require that cash be deposited in advance for the purchase of virtual assets, and there is no guarantee that these deposited funds can be recovered. Additionally, upon the sale of virtual assets, cash proceeds may not be received from the exchange for several business days. Participation in exchanges necessitates that users assume credit risk when transferring cryptocurrencies and Tokens from personal accounts to third-party accounts, and the Company bears credit risk with each transaction conducted on an exchange.

Virtual asset exchanges may impose transaction or distribution limits on a daily, weekly, monthly, or customer-specific basis, or may suspend withdrawals entirely, rendering the exchange of virtual currencies or digital tokens for other currencies challenging or impossible. Furthermore, the prices and valuations of virtual assets on exchanges have been volatile and influenced by numerous factors, including liquidity levels and operational disruptions. Such volatility may adversely affect the acquisition of Tokens.

Exchanges for virtual assets are attractive targets for cybercriminals, hackers, and malware attacks. Engaging in transactions on these exchanges carries the risk of operational cessation due to theft, fraud, or security breaches.



## **Breach, Liquidity Issues, and Government Investigation**

Virtual asset exchanges may encounter significant operational challenges, including breaches, liquidity issues, or governmental investigations. Furthermore, banks may decline to facilitate wire transfers to or from such exchanges. Numerous exchanges have ceased operations due to instances of fraud, theft, regulatory actions, operational failures, or security breaches.

Exchanges may voluntarily shut down or go offline without providing recourse to purchasers. Existing regulatory protections may be inadequate to shield purchasers from financial losses resulting from hacks, failures, or closures of exchange platforms that manage or exchange virtual assets. Additionally, there is currently no U.S. or international governmental, regulatory, or prosecutorial framework available for addressing complaints related to missing or stolen virtual assets from an exchange. As a result, an exchange may be unable to recover missing virtual assets or seek restitution for any theft, which could adversely impact purchasers and their acquisition of Tokens.

Any financial, security, or operational difficulties faced by virtual asset exchanges may hinder the Company's ability to recover funds or virtual assets held by the exchange or to remit payments to purchasers upon redemption. Moreover, the Company may be unable to retrieve virtual assets pending transmission to or from the Company, all of which could negatively affect the acquisition of Tokens. If a digital asset exchange constitutes a substantial portion of the trading volume for specific virtual assets and is involved in fraudulent activities or experiences security failures, such failures could lead to diminished value or unfavorable pricing for those virtual assets, potentially adversely affecting the Company, its operations, investments, and Tokenholders.

Due to the nature of electronic communication systems, virtual asset exchanges generally do not guarantee or warrant that their websites or electronic platforms will operate without interruption, delays, errors, omissions, or viruses. Consequently, information and services provided by digital asset exchanges are typically offered on an "AS-IS" basis, without any warranties, express or implied, including assurances of accuracy, timeliness, or completeness. Purchasers trading virtual assets are generally not afforded protections typically associated with exchange rights.

## **Volatility**

A primary risk associated with trading virtual assets is the rapid fluctuation in their market prices. The value of the Tokens may be directly linked to the value of the virtual assets held by the Company, and volatility in asset prices could negatively impact the Company's net asset value. There is no assurance that the Company will secure a market price for its virtual assets that exceeds the average or that it will acquire such assets at the most favorable price available. The prices obtained by the Company for virtual assets may be influenced by a myriad of complex and unpredictable factors, including supply and demand dynamics; transaction fees and rewards for recording transactions on the relevant blockchain; access to virtual currency service providers (such as payment processors), exchanges, miners, or other blockchain participants; security risks; inflation rates; fiscal policies; interest rates; and various political, natural, and economic events.

Should public demand for virtual assets decline or if the Company is unable to identify a willing buyer, the prices of virtual assets may experience rapid fluctuations, potentially preventing the Company from selling the assets in its custody. Such shifts in demand and supply could adversely affect the acquisition of Tokens. Furthermore, governments may intervene, both directly and through regulations, in the virtual asset market, with the intent or effect of influencing the prices and valuations of virtual assets.

## **TRANSACTION MARKET**

The market for virtual assets encompasses a variety of participants, including private and institutional investors, speculators, exchange-traded funds, private investment funds, brokers, and day traders. Certain activities related to virtual assets may necessitate regulatory approvals, licenses, or registrations, which could create barriers to entry for potential purchasers, thereby constraining the market for such assets. There can be no assurance that the investment market for virtual assets will experience continued growth.

## **IRREVERSIBLE NATURE OF BLOCKCHAIN TRANSACTIONS**

Transactions involving cryptocurrencies and tokens that have been verified and recorded on the blockchain as a block are generally irreversible. Even if a transaction is subsequently discovered to be erroneous or a result of theft, such a transaction cannot be undone. The Company may be unable to recover lost virtual assets or seek reimbursement for any erroneous transfers or theft. Consequently, the inability to obtain redress for such actions, errors, or thefts could have a detrimental impact on the acquisition of tokens.

## **THEFT OR LOSS**

Virtual assets are designed to be accessible solely by the holder of the unique public and private keys associated with the digital wallet, whether local or online, in which the assets are stored. If the private keys related to the Company's virtual assets are lost, destroyed, or otherwise compromised, the Company will be unable to access those assets. Any loss of private keys associated with digital wallets holding the Company's virtual assets could adversely affect the acquisition of tokens. The Company intends to utilize third-party wallet providers for the custody of its virtual assets, which may result in a high concentration of assets in a single location or with a single provider. This concentration could expose the Company to risks of loss arising from hacking, password loss, compromised access credentials, malware, or cyber-attacks.

The Company is not obligated to maintain a minimum number of wallet providers and may not conduct thorough due diligence on these providers, potentially leaving it unaware of certain security vulnerabilities and risks. Moreover, some third-party wallet providers may not offer indemnification against losses of virtual assets. In instances where digital assets are transferred to "cold storage" or "deep storage," delays in retrieval may occur, and the Company may incur additional costs related to third-party storage. Any security breaches, associated costs, or losses of virtual assets from third-party wallet providers could adversely affect the acquisition of tokens.

Hackers or malicious entities may target the Company's virtual assets through various attacks, including exploiting vulnerabilities in the blockchain network's source code, exchange servers, third-party platforms, or storage solutions. As the Company grows, it may become a more attractive target for cyber threats. Currently, there exists no governmental, regulatory, investigative, or prosecutorial body through which to pursue claims regarding missing or stolen virtual assets. Thus, the Company may be unable to replace lost assets or seek reimbursement for theft, adversely impacting the acquisition of tokens.

## **CRIMINAL MISUSE OF VIRTUAL ASSETS**

Transactions in virtual assets may be susceptible to misuse for illicit activities, including money laundering. While transactions are recorded publicly, the identities of the owners and recipients are generally obscured. This anonymity renders transactions largely untraceable, potentially facilitating criminal activities. Such misuse could have repercussions for purchasers, as law enforcement agencies may take action to shut down exchange platforms, preventing access to or use of any funds held on behalf of purchasers.

## **RISKS RELATED TO OPERATIONS AND TRANSACTION ACTIVITIES**

Systems and Operational Risks. The Company relies on its managers and directors to develop and implement effective systems for its operations. Certain activities of the Company depend on systems operated by third parties, including market counterparties and various service providers, such as virtual asset exchanges and wallet providers. The managers and directors may not have the capacity to assess the risks or reliability of these third-party systems. Failures in the systems utilized by the Company, its managers and directors, counterparties, exchanges, and other relevant entities could lead to errors in transaction confirmation or settlement, or result in transactions being inaccurately recorded, evaluated, or accounted for. Disruptions in the Company's operations could result in financial losses, business interruptions, liabilities to third parties, regulatory scrutiny, or reputational damage. Any of these failures or disruptions could materially adversely impact the Company and the Tokens.

Cybersecurity Risk. The Company's managers and directors handle large volumes of electronic information, including transaction data and personally identifiable information of Tokenholders. Similarly, service providers associated with the Company may also process and store such information. While the management has implemented procedures and systems that it believes are reasonably designed to safeguard this information and mitigate data loss and security breaches, these measures cannot guarantee absolute security. Techniques for unauthorized data access, service disruption, or system sabotage evolve continuously and may remain undetected for extended periods. Hardware or software sourced from third parties may contain design or manufacturing defects that could unexpectedly compromise information security. Additionally, network-connected services provided by third parties may be vulnerable to breaches, which could jeopardize the Company's network. The Company's systems may also be at risk due to employee errors, malfeasance, governmental surveillance, or other security threats. If the Company's online services are compromised, there may be unauthorized access to transaction data and personally identifiable information of Tokenholders. Service providers face similar electronic information security threats. Should a service provider fail to implement adequate data security measures or experience a breach, it could lead to the loss or improper access, use, or disclosure of the Company's transaction-related information and personally identifiable information of Tokenholders. Such incidents may result in financial losses, business disruptions, liabilities to third parties, regulatory intervention, or reputational harm.



Any of these occurrences could materially adversely affect the Company and the Tokens.

Risks Associated with Computer-Driven and Intellectual Property-Based Systems. The Company significantly relies on a variety of intellectual property systems, including computer hardware, software, and telecommunications systems, across all operational phases, such as research, valuation, trade identification and execution, clearing, risk management, back-office functions, and reporting. These intellectual property systems are subject to numerous inherent and unpredictable risks. For instance, there may be significant undiscovered errors within software programs; software and hardware may malfunction or degrade; and electronic or telecommunications delivery may fail.

## **OPERATIONAL AND TRANSACTION RISKS**

The Company faces risks associated with unauthorized trades, stolen intellectual property, and interruptions in services provided by third-party vendors supporting its intellectual property systems. Computer-driven trading errors may also occur. While losses stemming from these intellectual property and computer-driven systems could negatively impact the Company's performance, such losses would generally not be considered reimbursable trading errors under the Company's policies.

## **REGULATORY RISKS**

The legal, tax, and regulatory landscape for blockchain-related businesses and virtual assets is dynamic and subject to change. These changes could materially and adversely affect the Company and the Tokens. Increased scrutiny from governmental agencies and self-regulatory organizations is a significant concern. New laws, regulations, or regulatory actions restricting the Company's operational strategies or relationships with counterparties could have a material adverse effect on the Company and the Tokens. Furthermore, the management, at its discretion, may subject the Company to specific laws and regulations deemed beneficial, even if such actions negatively impact Tokenholders. The tax treatment of virtual assets varies across jurisdictions, and investing and trading in them may have tax implications (e.g., value-added tax or capital gains tax). Exchanges on which the Tokens are listed generally retain the right to suspend or limit trading under certain circumstances, potentially impacting the Tokens' value and exposing Tokenholders to losses. Crucially, the Company is not registered as an investment company under the Investment Company Act or with the SEC, nor is it registered as an investment advisor. This lack of registration means Tokenholders will not benefit from certain protections afforded by the Investment Company Act and SEC oversight.

## CONFLICTS OF INTEREST

While the managers and directors have fiduciary duties to the Company, potential conflicts of interest may arise between their interests and those of purchasers. The managers, directors, their affiliates, and employees are not restricted from engaging in activities that may compete with the Company. Their involvement in other ventures creates the potential for conflicts of interest. Furthermore, they are not obligated to dedicate their full time to the Company's business, raising the possibility of divided attention and potentially conflicting priorities.

## **LACK OF SEPARATE REPRESENTATION**

The attorneys, accountants, and other professionals who have provided services to the Company in connection with this offering, as well as those who will provide services in the future, have been and will be selected by the managers and directors. No independent legal counsel has been retained to represent the interests of purchasers or Tokenholders. It is therefore advisable for you to consult your own legal counsel regarding the terms and provisions of all applicable documents.

## **MODIFICATIONS**

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