

TESSERACT LENDING

(1) Service Provider

Tesseract Earn Ltd is registered in the Trade Register maintained by the National Board of Patents and Registration of Finland under the business ID 3478029-5 Tesseract Earn Ltd is domiciled in Helsinki.

Tesseract Earn Oy is engaged in software design and manufacturing and provides crypto lending services. Lending services do not require a license and are not supervised as crypto-asset services under the Markets in Crypto-Asset Regulation (MiCA).

Product Overview & Features

Tesseract Earn Lending is a crypto lending product designed to enable users to lend their cryptocurrency assets and earn rewards. Tesseract Earn Lending is tailored for cryptocurrency investors looking for passive income opportunities by lending their holdings. It also serves borrowers seeking access to cryptocurrency assets for trading, investing, or other financial purposes. This product has the following key elements/characteristics:

- **Conservative Risk-Return Profile to Generate Yield:** We generate the yield on your assets by lending them exclusively to reputable and creditworthy institutions. Each institution undergoes rigorous credit due diligence to ensure the highest standards of risk management.
- **Comprehensive Transparency:** We aim to provide transparency into the yield-generating activities of your assets. This includes regular monthly reporting that covers loan performance, key portfolio parameters, and developments in the lending market.
- **Delta-Neutral Portfolio:** The portfolio maintains full delta neutrality, meaning there is no exposure to the price fluctuations of cryptocurrency assets, ensuring stability and proper risk management.
- **Diversified Loan Portfolio:** The loan portfolio is diversified across multiple borrowers to mitigate risk. Exposure limits and collateral requirements for each borrower are put in place and monitored continuously
- **Secure Collateral Management:** Only highly liquid tokens are accepted as collateral, and all collateral assets are securely stored with a trusted third-party custodian.
- **Flexible Loan Terms:** Majority of the portfolios are structured with open terms, allowing for up to 100% of assets to be withdrawn quickly without lock-up periods

(2) Performance

If historical performance is shown for illustrative purposes, make it explicit that past or simulated performance is not a guarantee of future results. Simulated performance or benchmark-based returns should be clearly distinguished from actual product performance.

(3) Fees and costs

Users receive a variable rate based on the lending book's gross performance, deducted by fees charged by Tesseract. The fees charged are:

- Initiation fee: **None**
- Exit fee: **None**
- Management fee: **None**
- Performance fee: **30 %**
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(4) Risk Disclosure

- **Default Risk:** This refers to the potential risk of a borrower failing to meet their loan obligations. In the unlikely event that a borrower is unable to fully repay their obligations, the financial impact would be borne by the user
 - **Risk Mitigation:** We employ rigorous credit due diligence for all borrowers. Credit limits and collateral requirements are carefully determined based on each borrower's credit rating, significantly minimizing the likelihood of default
- **Concentration Risk:** This is the risk associated with having a loan portfolio that is overly concentrated with individual borrowers
 - **Risk Mitigation:** To ensure diversification, we have established strict limits on counterparty exposure within the loan portfolio
- **Custodian Risk:** The collaterals provided for loans are stored with a third-party custodian, which could potentially introduce a risk associated with the custodian's financial stability.
 - **Risk Mitigation:** We have selected Copper, a top-tier regulated global custodian, following a thorough assessment of custody providers. This choice ensures that collateral is managed with the highest standards of security and reliability
- **Operational Risk:** This encompasses the risk of potential human errors or process failures in the daily management of the portfolio
 - **Risk Mitigation:** We have established robust processes and controls to minimize the likelihood of human error. Our operational procedures are regularly reviewed and optimized to ensure the highest levels of accuracy and efficiency
- **AML and KYC Compliance Risk:** This refers to the risk associated with potential lapses in Anti-Money Laundering (AML) and Know Your Customer (KYC) compliance, which could lead to regulatory issues or exposure to fraudulent activities.
 - **Risk Mitigation:** as a regulated entity here in Finland, we adhere to strict AML and KYC protocols, ensuring thorough verification and monitoring of all participants in our lending ecosystem. Our compliance framework is regularly updated to align with the latest regulatory requirements, and we utilize advanced technology and expert oversight to ensure that all AML and KYC standards are met, thereby minimizing exposure to compliance risks

(5) Notice of Potential Tax Liabilities

The ownership of crypto assets or transaction in crypto assets may have some tax consequences. Tax treatment may vary from country to country and is dependent on the Client's individual circumstances. Tesseract does not provide any tax advice nor withhold any taxes. Before making an investment decision, the Client should consult his/her tax advisor.

(6) Right to Withdrawal

Consumer clients have a right of withdrawal in distance selling. The right of withdrawal does not apply to products whose value varies according to changes taking place on the markets. There is also no right of withdrawal when a transaction conducted over the telephone or in an online service concerns an existing agreement, or if the agreement is fully completed at the express request of the consumer client before the expiry of the withdrawal period. There is also no right of withdrawal when making amendments to agreements. The right of withdrawal is valid for 14 days after the client has made a new crypto asset service agreement and has received or has had the possibility to receive the advance information and agreement terms and conditions.

Disclaimer

The information contained in this material is for informational purposes only and should not be considered as an invitation to enter into transactions. No responsibility is taken by any Tesseract company for any action taken based on this material.

Investment activities always involve financial risk, and the client is therefore responsible for the financial results of his/her own investment decisions and their impact on the client's tax liability. There may be no return and even a loss of the capital invested. The historical performance does not necessarily guide future performance.

Before making an investment decision, the client should carefully study the crypto asset market and the various investment options. If necessary, the client should consult his own tax adviser or other business adviser.

The information in this material does not constitute investment advice under the Markets in Crypto-Asset Regulation. The material is intended to provide general information about the product or service to which it relates.

Information on the service provider, information on distance selling under the Consumer Protection Act and descriptions of the risks associated with crypto-assets are available at www.tesseract.fi. The Client is advised to familiarize with this information before making an investment decision.