



ICONIC

LAB

**Due Diligence Report - INDX**



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**NOTE: ICONIQ LAB HOLDING GMBH, THE PARENT COMPANY OF ICONIC LAB, TRADING AS ICONIC HOLDING, IS A MINORITY SHAREHOLDER OF INDX CAPITAL.**

THE INTENT OF THIS DOCUMENT IS TO PROVIDE AN AUDIT OF INDX, ITS MARKET POSITION AND VALUE OFFER FROM ICONIC LAB'S PERSPECTIVE TO QUALIFIED INDIVIDUALS. IT WAS DRAFTED AS OBJECTIVELY AS POSSIBLE WITH THE REASONABLE DUE CARE OF A DILIGENT PROFESSIONAL.

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## Executive Summary

INDX Group Limited (“INDX”) and its subsidiaries are an organization headquartered in London, UK who have developed a proprietary algorithm that determines the most profitable masternode rewards in realtime. INDX is issuing the INDX token in a Security Token Offering (“STO”), for qualified investors only, aiming to raise \$15M to launch a masternode portfolio managed by their proprietary algorithm. INDX leverages masternode structures to provide investors with exposure to the underlying crypto infrastructure, earning income off the rewards earned by the masternode portfolio and appreciation of the underlying crypto assets earned.

INDX token holders receive a passive income from the index-linked masternode portfolio without having to deal with the technical, financial and regulatory hurdles. 50% of the passive net income earned through rewards is distributed to token holders in the form of dividends on a quarterly basis, with the other 50% reinvested into the portfolio to grow the investable base.

INDX has taken great care to ensure compliance of the INDX STO, as well as its own corporate structure. Further, INDX’s proprietary technology distinguishes its offering in the crypto space.

Iconic Lab has reviewed relevant information and conducted an audit of INDX. We have compiled this Due Diligence Report to share our findings with inquiring individuals and to express our assessment of the unique value offering of INDX.

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# 1. General Information

## 1.1. Introduction

INDX is a crypto asset management company whose proprietary algorithm manages a portfolio of masternodes. The INDX token, a security token issued by INDX, grants its holders exposure to passive income earned by a closed-end fund from the rewards received via the implementation of masternodes in the portfolio through the algorithm.

The organization is headquartered in London, UK and strategically utilizes other jurisdictional structures that include a Cayman Islands closed-end fund for the INDX token issuance, a Delaware entity for US investors under a 506(c) Reg D offering and a Maltese entity for tax efficiency.

## 1.2. Masternodes

Masternodes differ considerably from traditional crypto-nodes, such as the “proof-of-work” nodes which process the Bitcoin blockchain. A masternode performs multiple additional functions (varying by cryptocurrency) in addition to processing transactions and blocks as a traditional node. Some of the additional functionality includes increasing a transactions privacy, the processing of instant transactions, governance/voting and in some cases, budgeting and treasury systems.

Put simply, a masternode is a server with a full digital copy of the blockchain it is supporting, held accountable to a minimum required level of performance by the blockchain’s governance mechanism to perform crucial functions on the network. In order to incentivize compliance on a decentralized network, a masternode operator must hold a certain level of collateral of the cryptocurrency that the masternode supports. The masternodes are compensated for the services they perform on the decentralized network through “rewards”, generally payouts in the networks own cryptocurrency.

Operating masternodes is highly complex and in many cases, significant collateral is required, keeping the barrier to entry to this market higher than running a traditional mining operation, electricity consumption notwithstanding. Many of the largest cryptocurrencies by market capitalization have made masternodes a crucial part of their ecosystem, including Dash, Zcoin and Horizen. The most recent developments in the masternode ecosystem indicate many companies are experimenting with various new ways of leveraging masternodes for additional functionality that could have a significant impact on the way cryptocurrencies perform their governance procedures and daily operations.

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## 1.3. Investment & Company Strategy

INDX is creating a value portfolio of masternodes, investable for qualified individuals through a traditional fund structure through the INDX token. By taking on the complexity of operating and optimizing the technology aspect of masternode structures, INDX makes the masternode asset class more accessible and simpler for traditional investors, even going so far as to market the investment as “boring” for the investors in their promotional material. In this structure, INDX provides a product that would allow participants to earn a passive, “boring”, income from a hedged, index-linked portfolio of masternodes.

INDX creates value for its investors through the following ways:

1. Leveraging the INDX experience and network to create a portfolio of masternodes chosen with a careful and structured due diligence process
2. Optimizing the selection of the “most profitable” masternodes for the portfolio through the automation of their own proprietary algorithm
3. Appreciation of the underlying assets chosen by the algorithm and earned through rewards from chosen masternodes
4. Quarterly disbursements of the rewards earned by the masternode portfolio as dividends
5. Portfolio net asset value (“NAV”) growth through reinvestment of non-dividend distributed rewards back into the masternode portfolio

The investment strategy of INDX leverages the company’s proprietary algorithm as well as the technical and human infrastructure INDX has harvested. Investable masternode targets are selected in a rigorous due diligence process performed by the Investment Committee and assessed using the INDX algorithm in order to determine the initial and future allocation levels across the diligenced and approved masternodes. INDX has defined a set of risk parameters that must be met by the underlying investment in order to remain in the investment portfolio of INDX, as determined by the Investment Committee. Each time a risk is indicated, the Investment Committee makes a decision in regard to the following course of action that could include partial liquidation or complete removal of the masternode asset from the portfolio.

The INDX proprietary algorithm is responsible for optimizing the returns and balancing the risk of the portfolio of masternodes. The ecosystem is highly complex, including multiple variables such as changes in coin prices and liquidity, changes in policies and masternode staking requirements, technical failures, hacking, attacks on decentralized systems and lack of developer support. INDX factors in such relevant risk factors as it optimizes its portfolio and manages risk.

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INDX differentiates between several risk categories of assets, with major risks types being the type of asset, systemic risk, purpose of asset, developer team, roadmap, community, liquidity and wallet stability. Based on these aspects, the algorithm assigns a grade and generates a set of bespoke parameters for the asset to create risk-alerts for the specific masternode asset. The algorithm notifies the Investment Committee if there is a 20% asset value move in any direction, who then assess the reason for the extreme volatility.

The portfolio of existing underlying assets is constantly monitored at all times and “allowable volatility” numbers are assigned to each asset and managed by the algorithm as it allocates capital to the masternodes. In case the asset goes beyond the established risk parameters the risky asset will be submitted to review by the investment committee and, given its approval, liquidated. The portfolio is readjusted to reflect that change.

The INDX review process of the assets includes fundamental analysis, historical performance analysis, future modeling predictions, portfolio simulation testing, real time analysis of trade movements and masternode returns, rebalancing processes, simulation of liquidation procedures, concluding with the investment committee decision making process. In addition, the pricing of the underlying assets in the portfolio is constantly monitored using traditional technical analysis methods.

Due to cryptocurrency market liquidity, especially of smaller ecosystems, the rebalancing and liquidation of assets can pose significant challenges. In order to mitigate the risk, INDX’s algorithm for allocation makes special considerations to assess the assets’ liquidity and give preference to more liquid coins.

INDX utilizes two main data sources, including the APIs of exchanges of the traded assets, and block explorers. INDX has also developed a proprietary data cleaning algorithm to ensure the masternode selection algorithm is being fed smoothed and interpretable data through the APIs.

In terms of capital deployment and re-investment, INDX plans to allocate 90% of the available funds in the portfolio for masternode acquisition while the remaining 10% is used as a liquidity pool to deploy a hedging strategy. INDX has structured a custom process for masternode acquisition which consists of an initial purchase of 30% of the planned investment size. Testing and re-calibrating then commences before committing the remaining capital. INDX then allocates 50% of the net rewards earned from the masternodes to holders of the INDX token as quarterly dividends, with the remaining 50% reinvested into the portfolio.

INDX expects to be able to provide a consistent return on investment based on their own historical analysis, reviewed by Iconic Lab. The simulated model presented by INDX for the 84 day period of Dec. 21, 2018 to March 15, 2019 indicates that the masternode portfolio would have been able to deliver a gross return of 52.53% per annum if the model is extrapolated for an entire year. The data provided purely tracks the return on the ability of the algorithm to

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generate rewards and does not account for unrealized gains or losses on the underlying crypto assets staked by the algorithm in the masternode portfolio. Iconic Lab notes the aforementioned return was generated during the so-called “Crypto Winter”, demonstrating INDX’s ability to generate returns from the masternode portfolio even during market down cycles.

The hedging pool, deployed from the remaining 10% liquidity pool, is used to offset the risk from going fully “long” on the underlying of the masternodes. The hedge portfolio will be managed by TYR Capital, a well known, global, crypto investment group. At the timing of this report the hedge strategy, its operational processes and quality assurance controls are still in their ideation stage. While this presents a potential risk to investors, Iconic Lab notes the INDX team is aware of this shortcoming and has provided Iconic an adequate roadmap to alleviate the risks related to the implementation and execution of the hedging strategy.

Overall, the INDX strategy appears to be succinct and thoroughly thought out from both a value generation and operational perspective. As masternodes become a more prevalent asset class, INDX is uniquely positioned to offer a compliant, secure and risk-adjusted passive portfolio for those who wish exposure to it.

In Iconic Lab’s view, the planned quarterly dividend could, while presenting positive cash flows to investors, also bind them to an unfavorable tax situation, given their personal situation. While this risk is mitigated for some by the Maltese entity, different investors from different jurisdictions may have additional tax risks from such regular cash flows. Tax professionals should be consulted to assess any individual’s potential tax risk exposure. INDX is also exploring the option of a full reinvestment model or token repurchase scheme, similar to a traditional share repurchase, to mitigate such tax risks for investors.

## 1.4. Roadmap

INDX began operations in early 2018 and has raised roughly \$800,000 in financing thus far. During the past year the MVP was developed to the point it is near finalization and ready for deployment. The legal structure for the masternode portfolio and STO was thoroughly researched and finalized.

The INDX STO begins on May 1, 2019, running through June 30th. July will see the deployment of the proceeds raised from the STO to the masternode portfolio with the first expected dividend to occur in Q3. Q3 may also see the planned exchange listing of the INDX token, on the Open Finance Network, which is supported by Swarm. Iconic Lab notes, however, there are extensive regulatory questions still to be answered before security tokens, such as INDX, can be listed and traded.

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From there, continual refinements of the algorithm and masternode portfolio will be aimed to optimize investor returns. Additional investment products may be offered, based on the preferences of investors and opportunities presented by the market.

## 2. STO and INDX Token Structure

### 2.1. Token Structure & Participation Rights

The INDX token is an asset backed security token that grants its qualified holders the right to receive rewards generated by the masternodes in the INDX fund portfolio as quarterly dividends. This benefit makes the INDX token a security token for regulatory purposes, and thus available only to qualified investors. The token's value, theoretically, is derived by the Net Asset Value ("NAV") of the fund, and the ability of the capital to continually produce rewards from the masternodes. The token price is therefore tied to the performance of the fund through the underlying masternode exposure of the portfolio. This method subjects the token price to speculation as it approaches quarterly dividend distribution dates and is not too dissimilar to the volatility blue-chip equities may see approaching their dividend declaration dates.

Overtime, Iconic Lab expects the dividend schedule to become more accurately captured in the token price, thus reducing arbitrage opportunities and stabilizing the price closer to "book NAV" value. Speculation will likely always be reflected in the ongoing token price based on an individual's outlook on the crypto markets and masternodes.

### 2.2. STO Structure

The INDX token sale is intended to last 60 days, from May 1, 2019 and ending June 30, 2019.

The sale intends to raise a hard cap of \$15M, assuming 60M INDX tokens are sold at an average value of \$0.25 each. The Company has not indicated that there is a soft cap at which the project would not be able to continue if not reached. Minimum and maximum investment size is set at \$25k and \$5M, respectively. Participation in the token sale is limited to qualified investors via Bitcoin, Ethereum, or fiat currency. Participants in the sale are entitled to purchase up to 83.3% of all available tokens, collectively. The remaining tokens will be allocated among early stage INDX investors (4.4%), limited investor bonuses (8.1%), team members (2.5%), and the founders (1.7%). Investor bonuses offered are 30%, 20%, and 10% depending on stage bought by the earliest investors.

Participation will follow an investment process more thoroughly described in the company's supplemental offering documents. Participants load their funds through a web3 supported wallet, after completing KYC through INDX's website before they send their funds to a verified escrow address. The funds will remain in the escrow account until the funding goal is met by

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the token sale end date. Should the funding goal not be met, funds will be available to be claimed back by the participant. Alternatively, if the funding goal is met, INDX will receive the funds 14 days after the goal is reached and then issue the INDX tokens to appropriate parties.

INDX does not have a soft-cap, or minimum viable fundraise amount, set by the team. However, Iconic Lab notes, based on our analysis and understanding of the business, that a fundraise in the range of \$2.5-3M should be sufficient to launch the fund and capitalize INDX.

Iconic Lab notes the lock up period for the team and early investors is 12 months. While this is not the longest lock-up period, with some projects locking team tokens for up to two years, 12 months is the standard in the crypto space. Additionally, Iconic Lab notes the team is further incentivized through their equity holdings of the INDX management company, which offsets some of the risk from the 12 month lock up period.

## 2.3. Token Usability

The INDX token is an SRC-20 token on the Ethereum public blockchain. The SRC-20 token is an ERC-20 standard token with an added security compliance layer, developed by Swarm, a notable security token issuance platform. The security layer uses the Market Access Protocol (“MAP”), which enables the decentralized flow of compliant securities on the blockchain. MAP insures that each token sale, purchase, or transfer is regulatorily compliant with regards to jurisdiction and KYC/ AML. While the token is being engineered by Swarm, a partner of INDX, it will be audited by an independent to-be-named third party. The smart contract audit is an open point in diligence at the time of writing.

## 2.4. Token Listing

There is intent to list the token at reputable security token exchanges. Should the security token exchanges launch this year, as expected, INDX should be near the front of the line to list the INDX token, according to management. On the secondary market, the INDX token will be tied to fund performance and speculation from investors.

Iconic Lab expects the underlying NAV to have the largest effect on token price followed by timing of the distributions.

## 2.5. STO Proceeds Distribution & Usage

A portion of the STO proceeds will be used to further capitalize the business to optimize the management of the masternode portfolio fund. INDX intends to drawdown 10% of the token sale to finalize the MVP and to insure the business is capitalized for operational purposes for the next five years.

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Iconic Lab does not have granular insight to how the company plans to budget the potential \$1.5M drawdown to cover operational expenses, however we do note this amount would well capitalize the management company of the masternode portfolio fund, providing ample liquidity to optimize its management.

## 2.6. Growth Potential

Fund performance is expected to double over a 5-year period based off a projection of back tested data by the INDX management team. Given the token value is tied to fund performance, the INDX token could increase in value as NAV grows.

## 3. Team, Partners & Track Record

### 3.1. Overview

From Iconic Lab's view, the team appears to have the relevant expertise and experience successfully execute the launch of INDX and properly manage the portfolio in an ongoing basis.

### 3.2. Team Members

#### Executive Management

**CEO:** Jonathan DeCarteret

- Previously the Founder & CEO of Switch Media, the UK's 60th fastest growing company, according to a report by The Sunday Times
- Founding role in a succession of tech start-ups including as the CEO of property crowdfunding platform, PLC Launchpad and a fintech advisor to Artful Consulting
- Sits on the UK All Party Parliamentary Committee for Mental Health Control
- Holds a degree in Artificial Intelligence & Psychology

**COO:** Gareth Ward

- Led project-management at the Cutting Edge Group, delivering an Enterprise Asset Management System
- 20 years of experience in the commercial sector, with extensive knowledge of tech, finance, and more recently, crypto

**CIO:** Rayyan Fathallah, FCA

- An FCA regulated fund manager with nine years of experience working at investment banks including JP Morgan and Merrill Lynch as an analyst, sales trader and proprietary trader

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- Six years of experience as a portfolio manager at a family office and hedge fund where he developed systematic processes to source high probability return opportunities
- Started the UK's first ever electric car sharing company
- Consulted as a project manager for crypto investment funds and blockchain companies

**CTO:** Artur Grabowski

- Formerly the Solutions Architect at Camelot Plc and Head of Dev Ops at Messina Quantitative Research.
- Over 12 years he designed and coded disruptive tech, within a multitude of technologies, standards and solutions
- Core competency in AWS, GCP, CI/CD, Automation, Docker, Kubernetes, Golang, Node, PHP and Java

**CMO:** Jason Suttie

- Formerly CEO of strategic marketing agency Copper where he created digital customer experiences for brands
- Extensive experience in retail, educational and non-profit marketing

## Investment Committee

The investment committee of INDX is comprised of professionals from traditional fund management, crypto analytics and research. Iconic Lab believes the INDX investment committee has the required experience to oversee a masternode portfolio and its operations, as well as determine the validity the masternodes in the portfolio, which Iconic Lab identifies as the biggest complexity in the management of the model proposed by INDX.

The investment committee members include:

- Chairman & CEO - Jonathan DeCarteret
- Chief Investment Officer (CIO) - Rayyan Fathallah
- Chief Operating Officer (COO) - Gareth Ward
- Chief Technology Officer (CTO) - Artur Grabowski
- Masternode / Crypto Analyst - Allen Hena
- Trading Strategist / Partner - TYR Capital

## 3.3. Partners & Institutional Backing

Outside of the INDX team, the venture is supported by many reputable players in the crypto and traditional industries. Noteworthy partners include:

**Iconic Lab**

- Iconic Lab is a decentralized venture capital group and token sale accelerator program. Iconic Lab is a minority shareholder of INDX Group Limited and has assisted the INDX

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team in the structuring and execution of its token sale. Iconic Lab is the issuer of this Due Diligence Report.

### Swarm

- Swarm is a non-profit organization with the aim of promoting, supporting and building the tools for the tokenization of assets on the blockchain. Swarm is building infrastructure to allow for the compliant interaction between token issuers, investors, qualification providers, exchanges and other service providers. Swarm is the developer of the SRC-20 security token compliance smart contract standard with which the INDX token is issued.

### TYR Capital

- Tyr Capital is a digital asset investment firm with a worldwide presence, having vast domain expertise managing assets over \$10M. TYR is the executioner of the hedging strategy of the liquidity pool of INDX, where 10% of the fund's capital will be allocated.

### Coinbase

- Coinbase is a US-based cryptocurrency exchange. Coinbase provides a custody solution to INDX, securing select crypto assets in the portfolio.

### Galaxy Digital

- Galaxy Digital is a diversified merchant bank dedicated to the digital assets and blockchain technology industry. Galaxy Digital's multi-disciplinary team has extensive experience spanning investing, portfolio management, capital markets, operations, and blockchain technology. Galaxy Digital primarily provides OTC services to INDX for portfolio management and dividend distribution.

Additional partners include, but are not limited to, BCB, Comsec, DADI, Harvex and Veracity.

## 4. Technology

### 4.1. Overview

Iconic Lab believes the INDX team has satisfied developing, and has the expertise to continually develop, the technical infrastructure to manage the INDX masternode portfolio.

INDX has assembled experts in product engineering to design and develop their MVP. The company has created a proprietary algorithm for calculating a risk-managed portfolio and are constructing a platform to analyse quantitative data and manage masternodes. The application follows a microservice architecture design and enables integration into an array of masternodes to facilitate automation and enhance scalability. Creating and managing nodes is a complex

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task requiring great technical knowledge which the platform manages through container templates and user-friendly interfaces.

## 4.2. Consensus & Security

### INDX Algorithm

One of the greatest risks investment portfolios face is reliable information. Unbiased market data and minimum latency feedback from the masternodes is required to maintain a clear view of the investment strategy and react in real time if needed. The platform connects to independent data sources and runs its own nodes in order to mitigate data corruption and determine a consensus on information fed to the investment portfolio.

The platform will undergo an independent security audit of its algorithm and technologies. Outcomes, risk and recommendations concluded from the audit are scheduled to be implemented. At the time of publishing this report, the audit had not yet been completed.

## 4.3. Scalability

From a technological perspective, scalability of the INDX model presents a data problem. Clean, smoothed data from the API plug-ins from exchanges and other data sources are required to optimize and scale the masternode portfolio. The data algorithm developed by the team alleviates this risk for now, but as new data sources emerge and the crypto economy becomes more prevalent, the algorithm, will need to undergo multiple iterations.

To further offset data risks, Iconic Lab notes that INDX is in discussion with institutional crypto data provider, Nomics, to buy their institutional clean data. As of the publishing of this report, no formal agreement exists.

From a business perspective, INDX will not only have to prove out the algorithm's ability to optimize the management of the masternode portfolio, but INDX will need to optimize its internal processes by limiting costs allocated to the first and any additional funds. A passively managed fund ultimately is a commodity, thus INDX will need to scale its Assets Under Management ("AUM") quickly to limit the expense exposure of each investor in the masternode portfolios.

## 4.4. Other Technology Features

A development roadmap has been created leading into Q3 2019. Additional features being developed include secure wallet management and the integration of a market data supplier. The algorithm, which is currently built alongside the platform, will be converted and integrated

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directly into the application for real time reward yield. Liquidity pools and hedging strategies are planned as well which will be implemented by the INDX team and TYR Capital.

An investor dashboard is in the design stage and will grant customers a portal into their investments on the platform to enhance transparency.

## 4.5. Technology Perspective Summary

INDX have presented a strong use case of their technological architecture for building a platform for masternode investment management. Their minimal team has created the infrastructure needed to run the operations of the business and are designing more consumer facing elements as well as features to enhance scalability and security.

A reliable external data provider and security audit are necessary to ensure the stability of the system. For custody of assets INDX has engaged Coinbase, a trusted trade and custody provider. The choice of a microservice architecture compared with a monolith means that additional time is needed to create service discovery and standardized interfaces for communication across services, slowing down time to market. Currently, the CTO is engaged part-time with another company and has the support of a second developer. The final MVP version of the product is expected to be released at the beginning of Q3 2019, delivered on time for the launch of the INDX masternode portfolio.

## 5. Media & Community

### 5.1. Overview

INDX has created a follower base of roughly 5,000 community members across its social media channels, with a strong focus on Telegram, LinkedIn, Twitter and Medium. The INDX marketing strategy is tiered and uses a combination of partnerships, digital marketing, press outreach, sprint campaigns, events and thought leadership.

Iconic Lab notes the INDX initial value offering is targeted at only qualified investors and is not retail interfacing. As such, a smaller media presence can be expected than other retail crypto projects.





## 5.2. Media Presence & Engagement

### Platforms and Audience

|          |   |
|----------|---|
| REDDIT   | 20 Subscribers  |
| MEDIUM   | 49 followers, 15 posts, 40 avg. applause per article                      |
| TELEGRAM | INDX Community - 2,884 members<br>INDX Announcement Challen – 213 members |
| TWITTER  | Tweets 368, Followers 705, Average 10-15 likes/post, Avg 6 posts/month    |
| FACEBOOK | 44 followers, 5 posts, Average 1-2 likes/post                             |
| YOUTUBE  | 17 subscribers, 16 Videos, Avg 60 views/video                             |
| LINKEDIN | 1,031 Followers, Avg 1-3 likes/post                                       |

While INDX initially started an airdrop program for further community engagement, they later cancelled this as they transitioned from an ICO into a STO to remain compliant. Any reference to an INDX airdrop/bounty campaign is a legacy campaign and not valid.

### Mentions & Social Media Reach

Over the course of the past six months, the channels have shown a positive trend of increasing reach, engagement and interaction across social and digital media.

On an average, an organic social media post from INDX has a reach of 231 viewers with the highest reaching up to 340 people. Some INDX team members have a few thousand followers on their personal social media channels as well.

### Most Active Channels

The most active channels for INDX are Twitter, Youtube, STO Filter, Telegram, Medium and Crypto Digest.

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## Website Traffic Overview

Global Site Rank: #12,557,019

Traffic Type : Organic

Top Outgoing Link : Medium

The traffic on the website has been increasing gradually over the past months with an average of 1,500 visits per month. The highest traction was seen in December 2018 with website traffic grossing 2,500 hits.

The majority of the INDX audience, 92.34%, has viewed the website from a desktop, laptop or tablet. The mobile web usage is at 7.66%, which is low for the crypto space.

The average website visit duration is 1.08 minutes and the average viewer seems to have checked 1.35 web pages with a bounce rate of 75.26%. While the average duration is relatively high, signaling viewers thoroughly read the page, the bounce rate is high.

## Web Referrals via External Websites

The top external websites bringing traffic to the INDX website are [Top Experts](#), [Genesis Player](#) and [Markets Insider](#). From the referrals from social channels, [BitcoinUKmedia](#) and [BulletinBitcoin](#) stand out.

The INDX site also has active referrals from recent press releases with partner firms.

## World Audience

The majority of the audience appears to be European with the top visitors coming from the UK, Italy, Switzerland and Portugal. This is closely followed by Russia and Ukraine.

## 5.3. Brand Sentiment & Content Analysis

### Overall Brand Sentiment

The overall brand sentiment on content is neutral with a few positive reactions to recent posts.

### Context Of Content

INDX has been using a good mix of informative, promotional and educational content for their channels.

The content of the posts, articles and audience reviews have been centered around the keywords: DAO, security, token, STO, ICO, startups, financial markets, upcoming

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announcements, events, altcoin, ethereum, regulation, masternode, blockchain, funds and fundraising.

## Top Videos

Brand Video - "[Make Boring Great Again](#)"

Community Video - "[A Week At INDX](#)"

## Top Articles

[Iconic Holding Announces Strategic Partnership With Masternode Fund INDX Interview With Jonathan Decarteret by Crypto Insider](#)

## Top Events

Korea Blockchain Week

World Blockchain Summit Frankfurt

Blockchain Expo 2018 Europe

London Ethereum Network Meetup

\*Sources : Hootsuite, Keyhole, Similar Web, Brandwatch, Mediatoolkit, Sendible

## 5.4. Community Engagement Summary

While the community size is lackluster, the content rolled out by the experienced team behind INDX is well researched, succinct and engaging. With the new brand video on embracing the sentiment of "boring" in an ever changing market, the team has shown a transition towards thought leadership. There is also a scope of improvement in the overall website reach and media mentions, especially given the STO timeline, however, the team and their solid network of collaborators do bring in an amplified media presence. The overall sentiment on the brand ranges from neutral to positive.

## 6. Market & Competition

### 6.1. Market Overview

The market opportunity for a masternode portfolio is massive. Fidelity Investments, the world's 4th largest asset manager, entered the masternode space in late 2018 through an investment in Neptune Dash, signaling the legitimacy of masternodes as an asset class. The masternode market is largely populated by small, unscaled players, with the current barrier-to-entry largely being regulation.

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## 6.2. Competition and Marketplace

While the space is in its nascent stages, there are a few additional players in the masternode management industry.

### MasterNodes (<https://masternodes.online/>)

MasterNodes is an online platform that is a masternode coin monitoring and stats service. The portal provides real-time stats on masternode market data, allowing investors to determine where to allocate their investments. While not an investment fund or manager, MasterNodes data portal theoretically permits an individual to manage a portfolio of masternodes without a fund structure, such as INDX.

### Neptune Dash (<https://neptunedash.com/>)

Neptune Dash, recently invested into by Fidelity Investments, constructs and operates Dash masternodes. Earnings off the Dash masternodes are reinvested into the growth of additional Dash masternodes and Dash technology. INDX is differentiated to Neptune Dash by its ability to diversify outside of Dash into many other masternodes.

### GIN (<https://ginplatform.io/>)

GIN was created by the team behind Gincoin to act as a masternode-facilitating portal which allows any individual to monitor and manage masternodes without having any “technical skills.” A substitute product to INDX, GIN purports no technical expertise is needed to manage a masternode portfolio. On review, Iconic Lab notes GIN opens and hosts a masternode on an investors behalf, but the investor seemingly must manage their own wallets themselves, thus requiring a reasonable technical understanding of crypto. Regardless, INDX is differentiated by its ability to optimize the selection of masternodes for the portfolio through its technical expertise and proprietary algorithm.

### Masternode Invest (<https://masternodeinvest.io/>)

Masternode Invest is a crypto company which issued the MS coin, a purported “security” token which allegedly raised \$1M in late 2018. In researching the project, Iconic Lab cannot determine if the project is still active or compliant, as there was an alleged airdrop of the MS “security” tokens. The MS token offers similar functionality to INDX, however INdx has taken great care to ensure compliance and deliver on its milestones, which Masternode Invest seemingly has been unable to do.

### GetNode (<https://www.getnode.io/en/>)

GetNode is the world’s first “masternode pool” which pools assets from investors to invest into masternodes. GetNode is a product of Getnode Ltd based in Malta, a registered “club” in Malta, with seemingly no other public disclosures to its legality. As the value offering of GetNode

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resembles a pooled-investment scheme, rather than a “club”, Iconic Lab questions its compliance.

## 7. Regulatory & Legal

### 7.1. Overview

INDX has taken great care to be compliant in the jurisdictions that it intends to offer its tokens. For example, to be compliant in the United States, INDX has structured itself as an offshore closed-end fund with US investors participating under a 506(c) Reg D offering into a Delaware entity. This structure will limit participants to qualified investors, as determined by their tax jurisdiction and meets the requirements laid out by the Invest Advisers Act. In accord, they will also be filling a 506(c) Reg S for overseas investors. Additionally, the MAP protocol implemented into the SRC-20 token will allow Swarm’s technology to ensure compliance.

The fund management company is INDX Group Limited, a UK Operating Entity with limited liability compliant with UK law. That entity is parent to a Maltese Holding Co. and a Delaware Limited Liability Company (LLC) in a Master-Feeder structure under Reg D and Reg S. Under the Maltese Holding Co. is a Maltese Subsidiary Operating Co. Similarly, under the Delaware Feeder is an Offshore Cayman Island Close-ended fund. The rationale behind each entity is further explained in the appendix.

## 8. X-Factor and Conclusion

As in any venture, there is typically an “X-factor” that distinguishes successful ventures from their competitors. This carves out a niche for the successful venture, permitting them to scale. For INDX, we have identified their proprietary technology, primarily the masternode allocation algorithm, which identifies the “most-profitable” masternode at any given time and allocates the fund’s portfolio to them, as this X-factor. This takes a unique “automated approach” to passive management which has the opportunity to maximize returns for investors in INDX. Further, the built-in hedge strategy is a unique risk-adjustment approach that knowledgeable investors should be encouraged by.

Michael Jordan of Galaxy Digital is quoted as saying “at Galaxy, we consider INDX to be best-in-class for masternode investments.” We are inclined to agree at Iconic Lab, and believe INDX is uniquely positioned to capitalize on the massive opportunity in the masternode portfolio management industry through leveraging their proprietary technology and experienced team. We see great potential in the INDX platform, and are excited to see it develop and scale further.

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## 9. Bibliography

Dash. 2018. DASH. <https://docs.dash.org/en/stable/masternodes/understanding.html>.  
Khatwani, Sudhir. 2018. CoinSutra. <https://coinsutra.com/masternodes/>.

## 10. Appendix

### Detailed Legal Structure (Provided by INDX External Counsel)

#### **Delaware Limited Liability Company:**

- Structure: The Limited Liability Company acts as the General Partnership. Any qualified investor, which pursuant to Regulation D, Section 506(c) of the United States Securities Act of 1933 (the "Securities Act"), is required to prove themselves as an "accredited investor," as defined under Section 501 of Securities Act, will be able to invest within the LLC. The entity acts as the General Partner. Upon investment, each investor becomes a "Limited Partner" within the General Partnership, thus possessing certain ownership reflected in their contribution, which will be contractually transferred into the Cayman entity for fund implementation.
- Purpose: Providing arm's length protection for the Fund.
- Requirements: Delaware Agent; Principle Place of Business; and at least one Founder.
- Documentation: Certificate of Formation; Registered Agent Appointment Certificate; Internal Revenue Service Employee Identification Number; and an Operating Agreement.

#### **Cayman Island Close-Ended Fund:**

- Structure: The Cayman structure is two-fold: (1) Foreign Company Entity: and (2) the Exempted Limited Partnership entity (the "LP"). The LP requires at least one general partner (i.e., the Foreign Company Entity) and at least one limited partner. The main requirement is that at least one GP is required to be a company incorporated or registered as a foreign company in the Cayman Islands, an exempted LP in the Cayman Islands or a registered foreign LP (thus the two-fold structure). These structures are Pursuant to both the Mutual Funds Law (the "MFL") as well as the Securities Investment Business Law (the "SIBL").
- Purpose: Token Creation and Issuance.
- Requirements: Aside from the above-mentioned requirements, there is no legislation covering governance of Cayman partnerships; however, the Cayman Islands Monetary Authority (the "CIMA") has published a Statement of Guidance for Regulated Funds – Corporate Governance (SOG) that sets forth the minimum guidance for operators of Cayman Islands regulated funds. The Guidance addresses oversight functions, conflicts

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of interest, operator meetings, duties, documentation, relations with CIMA and risk management. This entity will comply with the SOG Guidance.

- Documentation: Memorandum and Articles of Association; Private Placement Memorandum; CIMA Application Form; Subscription Agreement; CIMACONNECT affidavit; Directors & Shareholders Resolution Agreements; and SIBL Exemption Form.

#### **UK Operating Entity (Limited):**

- Structure: This is a straight forward Private Limited Entity pursuant to the UK Companies Act of 2006.
- Purpose: Management Services including but not limited to general administration and operations, masternode hosting facilitation, and algorithm monitoring and development.
  - Requirements: At least one director; and a principle place of business.
  - Documentation: Memorandum and Articles of Association; SIC Code; and PSC Details regarding owners.

#### **Maltese Holding Company:**

- Structure: This Holding Company exists within Malta to hold shares and/or assets facilitated by the Malta Operating Entity (see below) and the UK Operating Entity.
- Purpose: provide a transfer entity agent for the transfer between the Malta Operating Entity and the UK Operating Entity in order to apply the Malta Tax Refund
  - Requirements: The minimum share capital for the formation is of €1,250, with 20% paid up or the equivalent in any other currency. Additionally, the tax exemption applies under at least one of the following exemptions:
  - Holds at least 10 percent of the equity shares of a company whose capital is wholly or partly divided into shares, which holding confers an entitlement to at least ten percent of any two of the following (“equity holding rights”) (a) right to vote; (b) profits available for distribution; and (c) assets available for distribution on a winding up;
  - Is an equity shareholder in the Operating Entity and the equity shareholder company is entitled at its option to call for and acquire the entire balance of the equity shares not held by that equity shareholder company;
  - Is an equity shareholder in the Operating Entity and the equity shareholder company is entitled to first refusal in the event of the proposed disposal, redemption or cancellation of all of the equity shares of that company not held by that equity shareholder company;
  - Is an equity shareholder in the Operating Entity and is entitled to either sit on the Board or appoint a person to sit on the Board of that company as a director;
  - Is an equity shareholder holding an investment representing a total value, as on the date or dates on which it was acquired, of a minimum of one million, one hundred and sixty-four thousand euro (€1,164,000) (or the equivalent sum in a foreign currency) in the Operating Entity and that holding in the company is held for an uninterrupted period of not less than 183 days; or

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- Is an equity shareholder in the Operating Entity and where the holding of such shares is for the furtherance of its own business and the holding is not held as trading stock for the purpose of a trade.
- Documentation: Almost identical to the Delaware LLC in form, but pursuant to the Maltese Holding Company laws.

### **Maltese Operating Entity:**

- Structure: The Operating Entity is a Maltese Limited Liability Company
  - Requirements: Two founders, a minimum capital contribution of €233, secretary, and one director (all who can reside outside Malta).
  - Documentation: Same as Delaware LLC in form, but pursuant to the Maltese LLC Company laws.
  - Rational: The overall structure is focused on achieving two goals: (1) limited liability; and (2) low cost. In other words, the justification for certain entities, e.g., the Delaware entity is to provide protection from the foreign assets as well as any intellectual property owned outside the U.S., from any internal U.S. legal disputes. For example, because the securities laws are more strict within the U.S., any securities issue would fall within the Delaware entity rather than the Cayman entity, thus preserving funds within the Cayman Entity. In a somewhat similar vein, the Maltese structure affords a significant tax benefit for transferring funds outside of the Cayman entity. The Cayman entity itself is setup to ensure privacy protection as well as triggering the tax haven capabilities. The holding companies are there to either provide another level of liability protection, or in the Maltese context, avail the entity of the tax benefits. See below for an example of benefits for the Maltese holding company.

### **Maltese Holding Company:**

- There is a 0% corporate tax on dividends and gains derived from underlying non-Maltese resident entities qualifying as participating holdings.
- Low registration and low annual return fees. These vary with the authorized share capital and range from EUR 245-EUR 2,250 for registration fees (non-recurring) and EUR 100-EUR 1,400 for annual return fees.
- Lower administration costs compared to other EU jurisdictions.
- Access to Malta's double tax treaty network.
- No withholding taxes on dividends, interest and royalties paid out of the Company to its shareholders.
- Capital gains on the transfer of shares in a Maltese Holding Company by non-resident shareholders are exempt.
- No CFC legislation.





## 11. FURTHER LEGAL DISCLAIMERS

PLEASE READ ALL SECTIONS OF THIS AND PRIOR DISCLAIMERS CAREFULLY. YOU SHOULD ENSURE YOU UNDERSTAND THE NATURE OF THE PROPOSED BUSINESS AS SET OUT IN THE INDX WHITEPAPER, AS PUBLISHED BY INDX GROUP LIMITED, AND CONSULT YOUR LEGAL, FINANCIAL, TAX AND/OR OTHER RELEVANT ADVISORS BEFORE ATTEMPTING TO PARTICIPATE IN THE PROPOSED INDX SECURITY TOKEN OFFERING, AS DETAILED IN THE INDX WHITEPAPER AND OFFERING DOCUMENTS.

**THIS DOCUMENT IS NOT THE INDX WHITEPAPER. THIS DOCUMENT IS A DUE DILIGENCE REPORT PUBLISHED BY ICONIQ LAB ACCELERATOR GMBH, TRADING AS ICONIC LAB.**

The whitepaper (Whitepaper) is published by INDX Group Limited, trading as INDX, in connection with the proposed initial coin offering by INDX (Initial INDX Token Sale).

The purpose of the Whitepaper is to assist a qualified investor (Purchaser) of INDX tokens (INDX Tokens) in deciding whether he or she wishes to proceed with a further investigation of INDX and its proposed business and operations (Business), and in determining whether to participate in the Initial INDX Token Sale.

### LIMITATION OF LIABILITY

To the maximum extent permitted by the applicable laws, regulations and rules, Iconic Lab and INDX shall not be liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with any reliance on anything presented in the Whitepaper by the Purchaser.

Iconic Lab and INDX do not seek to exclude liability for, or remedy in respect of, fraudulent misrepresentation in connection with the Whitepaper.

### REGULATORY TREATMENT OF INDX TOKENS

Currently, INDX is operating as a UK limited company. It is unclear at the date of publication of the Whitepaper how the INDX Tokens will be treated under the UK regulatory regime. INDX aims to comply with guidance issued from time to time by the UK's Financial Conduct Authority.

INDX is considering a number of jurisdictions at present and will make an announcement in due course about where INDX will operate ultimately; wherever INDX is based the intention is to work with the relevant regulatory authority/authorities.

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## NO INVITATION OR OFFER

The Whitepaper does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investment in securities in any jurisdiction, nor shall the fact of its presentation form the basis of, or be relied upon in connection with any contract or investment decision.

Any agreement between INDX and a Purchaser in relation to any sale and purchase of INDX Tokens shall be governed by INDX's terms and conditions (INDX Token Purchase Agreement). In the event of any inconsistency between the INDX Token Purchase Agreement and the Whitepaper, the INDX Token Purchase Agreement shall prevail.

The Purchaser is not eligible to purchase INDX Tokens in the Initial INDX Token Sale if they are not deemed a qualified investor of their respective jurisdiction. INDX has in place robust “know your customer” and buyer due diligence procedures in order to screen individuals precluded from participating in the Initial INDX Token Sale. As a further precautionary measure, the smart contract underlying the INDX Token provides that a purchase of an INDX Token by an ineligible person shall be void and unenforceable as against INDX or any third party.

The information in the Whitepaper, which does not purport to be exhaustive, has been provided by INDX, has not been independently verified and has not been approved by any regulatory authority or authorised person.

## FORWARD-LOOKING STATEMENTS

All statements contained in the Whitepaper and statements made publically by Iconic Lab, INDX or its directors, executive officers or employees in the normal course of business, that are not statements of historical fact, constitute “forward- looking statements”. Forward-looking statements may include, without limitation, forward-looking terms such as “aim”, “target”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “if”, “intend”, “may”, “plan”, “possible”, “probable”, “project”, “should”, “would”, “will”. All statements regarding INDX's financial position, business strategies, plans and prospects and industry projections are forward-looking statements. These forward-looking statements, including but not limited to statements as to INDX's projected revenue, profitability, prospects, future plans, anticipated industry trends and other matters discussed in the Whitepaper regarding INDX, are predictions only. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual future results, performance or achievements of INDX to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These factors include but are not limited to:

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- (a) changes in political, social or economic conditions in any jurisdiction which could have a direct or indirect effect on INDX, the Business, the Initial INDX Token Sale and/or the INDX Tokens;
- (b) volatility of cryptocurrency market conditions, and the regulatory environment in the jurisdictions in which INDX conducts the Business and/or of which the Purchaser is citizen or resident;
- (c) the risk that INDX may be unable or execute or implement its business strategies and future plans;
- (d) changes in interest rates and exchange rates of fiat currencies and cryptocurrencies;
- (e) changes in the availability and fees payable to INDX in connection with the Business;
- (f) changes in the availability and salaries of employees who are required by INDX to operate the Business, and Business overhead;
- (g) changes in the preferences of customers of INDX;
- (h) changes in competitive conditions under which INDX operates, and the ability of INDX to compete under such conditions;
- (i) changes in the future capital needs of INDX and the availability of financing and capital to fund such needs;
- (j) war or acts of international or domestic terrorism;
- (k) occurrences of catastrophic events, natural disasters and acts of God that affect the Business;
- (l) other factors beyond the control of INDX; and
- (m) any risks and uncertainties associated with INDX and the Business, the INDX Tokens, the Initial INDX Token Sale. All forward-looking statements made by or attributable to INDX or persons acting on behalf of INDX are hereby expressly qualified in their entirety by such factors.

## REPRESENTATIONS AND WARRANTIES BY THE PURCHASER

By accessing the Whitepaper or this Due Diligence Report, whether electronically or in hard copy, or such part thereof (as the case may be), the Purchaser represents and warrants to INDX and Iconic Lab that they:

- (a) acknowledge that the INDX Token may be treated as a security in one or more jurisdictions which are relevant to the Purchaser;
- (b) agree and acknowledge that the Whitepaper and Due Diligence Report does not constitute a prospectus or offer document of any sort and is not intended to constitute an offer of securities in any jurisdiction or a solicitation for investment in securities and you are not bound to enter into any contract or binding legal commitment and no cryptocurrency or other form of payment is to be accepted on the basis of the Whitepaper;
- (c) agree and acknowledge that no regulatory authority has examined or approved of the information set out in the Whitepaper and Due Diligence Report, no action has been or will be taken under the laws, regulatory requirements or rules of any jurisdiction and the publication, distribution or dissemination of the Whitepaper and Due Diligence Report to them does not imply that the applicable laws, regulatory requirements or rules have been complied with;

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- (d) agree and acknowledge that the Whitepaper and Due Diligence Report, the undertaking and/or the completion of the Initial INDX Token Sale, or future trading of the INDX Tokens on any cryptocurrency exchange, shall not be construed, interpreted or deemed by them as an indication of the merits of INDX, the Business, the INDX Tokens or the Initial INDX Token Sale;
- (e) have not distributed or disseminated the Whitepaper and Due Diligence Report, or any part thereof, where it is prohibited or restricted in their jurisdiction to do so, and will continue to observe and adhere to such local law and regulation as amended from time to time;
- (f) agree and acknowledge that in the case where they wish to purchase any INDX Tokens, the INDX Tokens are not to be construed, interpreted, classified or treated as any kind of currency other than cryptocurrency;
- (g) are fully aware of and understand that they are not eligible to purchase any INDX Tokens if they are not deemed a qualified investor of their respective jurisdiction;
- (h) have at least a basic understanding of the operation, functionality, usage, storage, transmission mechanisms and other material characteristics of cryptocurrencies, blockchain-based software systems, cryptocurrency wallets or other related token storage mechanisms, blockchain technology and smart contract technology;
- (i) are fully aware of and understand the risks associated with INDX and the Business, the INDX Tokens, the Initial INDX Token Sale; and
- (j) agree and acknowledge that INDX is not liable for any indirect, special, incidental, consequential or other losses of any kind, in tort, contract or otherwise (including but not limited to loss of revenue, income or profits, and loss of use or data), arising out of or in connection with the Whitepaper (or any part thereof), or their reliance thereon.

The Purchaser acknowledges and confirms that all of the above representations and warranties are true, complete, accurate and not misleading from the time of their access to and/or possession of the Whitepaper.

## NO REPRESENTATIONS OR WARRANTIES BY INDX AND ICONIC LAB

While the Whitepaper and Due Diligence Report has been prepared in good faith, no representation, warranty, assurance or undertaking (express or implied) is or will be made, and no responsibility or liability is or will be accepted by INDX or Iconic Lab or any entities in their respective group or by any of their respective officers, employees or agents in relation to the adequacy, accuracy, completeness or reasonableness of the Whitepaper and Due Diligence Report, or of any other information (whether written or oral), notice or document supplied or otherwise made available to any interested party or its advisers in connection with the Initial INDX Token Sale and/or the Business. All and any such responsibility and liability is expressly disclaimed. In particular, but without prejudice to the generality of the foregoing, no representation, warranty, assurance or undertaking is given as to the achievement or reasonableness of any forward-looking statements or projections, management estimates, prospects or returns contained in the Whitepaper and Due Diligence Report, or in such other information, notice or document. Any such forward-looking statements are based in part on

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uncertain eventualities and the Purchaser acknowledges the associated risk that actual results may differ materially from what is set out in the Whitepaper and Due Diligence Report.

The Whitepaper is the primary source of information about INDX, the INDX token, the Initial INDX Token Sale and the Business, and is drafted in English. The Whitepaper may be translated into other languages from time to time and/or used by INDX in communications at INDX's sole discretion.

## MARKET INFORMATION

The Whitepaper includes market and industry information and forecasts that have been obtained from surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. INDX has obtained and collated such information in good faith and understands the sources of it to be reliable, however INDX and Iconic Lab give no assurance as to the accuracy or completeness of such information.

## NO ADVICE

Any Purchaser of INDX Tokens is deemed to have read, understood and accepted the Whitepaper, including the foregoing limitations, to which they acknowledge they are bound. No information in the Whitepaper should be considered to be business, legal, financial or tax advice regarding INDX, the INDX Tokens, the Initial INDX Token Sale. Purchaser should consult their own legal, financial, tax or other relevant advisors regarding INDX, the Business, the INDX Tokens, the Initial INDX Token Sale.

In some jurisdictions, cryptocurrencies (and/or marketing, selling or buying cryptocurrencies) is unregulated and as a consequence those who risk their capital in cryptocurrency business or investment may not benefit from the same protections as are available in regulated markets. Purchaser should be aware that they shall bear the financial risk of any purchase of INDX Tokens for an indefinite period of time and are at risk of losing all of the capital they commit to it.

## FURTHER INFORMATION

Purchasers and readers of the Whitepaper are free to direct enquiries relating to the Initial INDX Token Sale, the Business, the INDX Token or any matter referred to in the Whitepaper to INDX using the contact details set out herein. INDX has created an FAQ section on the INDX website (<https://indx.capital/FAQ>) and would encourage Purchasers and readers to check there before directing an enquiry to INDX.

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