

# Bankruptcies, Forfeitures, and Distressed Assets

November 2023



# Bringing Traditional Asset Management Experience to Digital Assets

## Crypto and Digital Asset Risk Managed Solutions

Applying well-recognized traditional investment strategies to digital assets: Custody Solutions, Trading, Derivatives, VC, Yield, DeFi, NFTs, Staking.

## Web3, Blockchain, Crypto Native

Access to crypto native founders, investors, innovators, and builders

## Notable Clientele

Managed assets for top 10 blockchain protocols, Fortune 500 companies, institutions, and UHNW investors using bespoke strategies and institutional service providers

## Focus on Regulation, Compliance, and Risk Management

One of the few predominantly crypto and digital asset managers registered with the SEC; rigorous and uncompromising risk management

<b>SEC</b>	Registered Investment Adviser*
<b>2018</b>	Wave Founded <sup>1</sup>
<b>\$2B</b>	In Crypto AUM deployed**
<b>30+</b>	Total Full-Time Employees (October 2023)

<sup>1</sup> Wave Digital Assets, LLC was founded in 2018. Principals began investing in crypto in 2012.

\* The rankings and awards described herein should not be construed as an endorsement, and do not guarantee future investment success. Such awards are relevant only to the period for which they were received only. For certain awards, Wave paid a fee to be considered and/or for the ability to publish such awards.

\*\*Reflects the combined value of assets sold and invested across staking, derivatives, lending, and DeFi strategies for clients.

### Awards\*

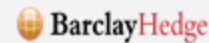
Best Digital Asset Manager 2022 - Institutional Asset Manager



Tokenized Assets & Digital Securities Awards Best of Class: Asset-Backed Token (Dec'20)



Wave BTC Income & Growth Fund - BarclayHedge #4 in the Monthly Performance Rankings (Dec '22)



Digital Banker // Digital Assets Awards 2023 Best Asset/Fund Manager for Digital Assets



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Additional information about Wave Digital Assets LLC and certain associated persons is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

# Products and Services - Digital Assets and Web3 Expertise

## Regulatory Compliance

### SEC-registered

Wave takes a conservative position that digital assets may be classified as securities in the future and has registered with the SEC as an investment adviser, allowing it to provide investment advice and management with respect to assets that are classified as securities.

### Fiduciary

Wave has a fiduciary duty to act in its client's best interest. Therefore, Wave will seek to serve the needs of its clients with respect to any proposed custody providers, asset disposal strategies and/or asset management services with a focus on risk management, compliance, and security.

## Investment Fund Solutions



Bitcoin Derivatives



Crypto Index



Venture



NFTs



DeFi

## Treasury Solutions



Derivatives



Crypto Lending



DeFi and Staking



Trading Strategies

*Wave Digital Assets is not a broker dealer, and will not engage in any activities requiring registration as such.*



## Bankruptcies in 2022\*

- FTX, Genesis Global Capital, BlockFi, Celsius Network, Voyager Digital, Three Arrows Capital, Gemini Trust
- Representing Billions of Assets and Liabilities
- Crypto Winter: market lost \$2T+, certain tokens lost up to 100% value
- 1.5M+ Creditors and Investors – bankruptcies freezing investors' assets

~~Genesis~~

~~  
Three Arrows Capital~~

~~VOYAGER~~

~~ Celsius~~

~~ BlockFi~~

~~ GEMINI~~

Data Source: \*<https://www.consumernotice.org/legal/crypto-bankruptcies/>.

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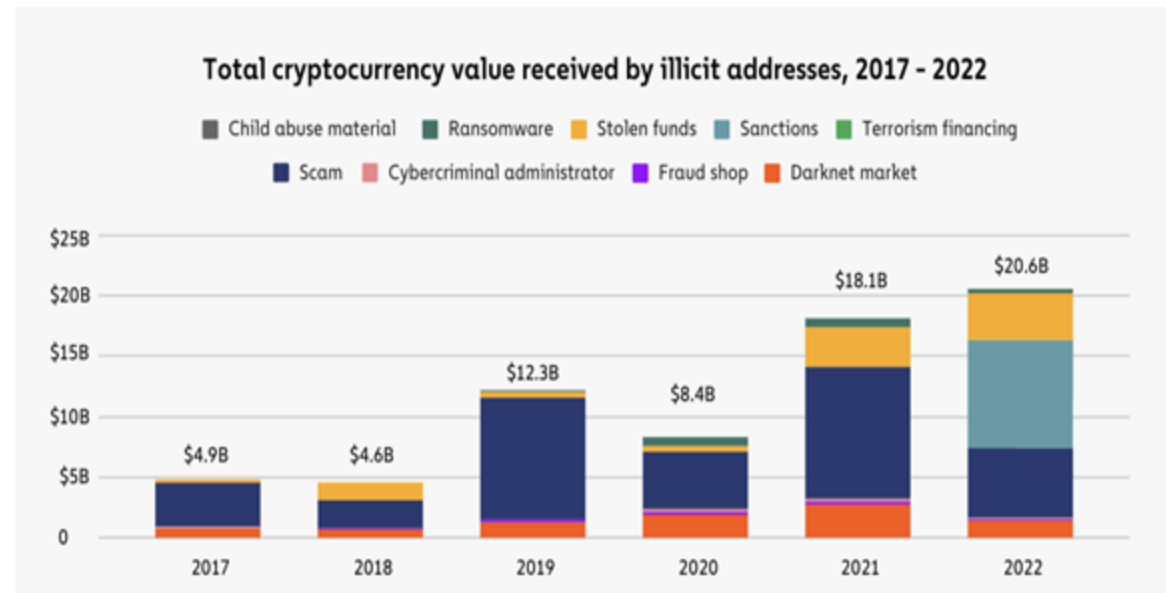
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## Crypto-Crime\*

- Sanctions, Ransomware, Money Laundering, Stolen Funds, Oracle Attacks, Darknet, Scams, Pump and Dumps
- \$20.6B in 2022, up from \$18.1B in 2021; \$4.9B 2017
- 43% of \$20.6B from Sanctioned Entities
- Investigative Agencies ramp up asset seizure
- IRS seized \$7B in 2022, more than double in 2021
- Notable Seizures: Bitfinex Hack \$3.6B, Silk Road \$3.36B, Axie Infinity “Ronin Bridge” / Lazarus Group \$30M

### Crypto Crime Trend



Data Source: \*Chainalysis "The 2023 Crypto Crime Report", February 2022.

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# Potential Issues and Possible Solutions

1

Asset Advisory and Token Management

2

Custody and Storage Solutions

3

Disposal and Liquidity Services

4

Asset Return to Victims and Creditors

5

Yield Generation - Derivatives and Staking

6

Education and Training

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# Education and Training

Wave offers government agencies training and education on digital assets. Topics could include:

- Digital Assets Overview - NFTs, DeFi, DAOs, etc.
- Crypto and Finance
- Layer 2 and Layer 3 Architectural Components
- DLT-based Digital Asset Key Storage & Management
- Central Bank Digital Currencies
- Technology and Financial Cybercrimes Investigations Best Practices
- Digital Asset Investing: Synthetics, XR Virtual Assets, XR Virtual, and Other Digital Assets



## Benjamin Tsai

**Co-Founder & President**

Benjamin Tsai is the President, Managing Partner and Co-Founder at Wave Digital Assets where he oversees product development and trading for the firm. A veteran in both the Web3 and traditional finance space, Ben is also the co-founder of LA Blockchain Lab and holds over 15 years of senior leadership experience at Merrill Lynch Asia and Alliance Bernstein where he led business strategy and managed profitable distribution teams across Tokyo, Hong Kong, Singapore, Seoul, and Taipei. **Currently, Ben teaches crypto finance at UCLA Anderson School of Management's Master of Financial Engineering.**



## Dr David J Utzke, PhD, MSc, MBA, CFE, CFI, CDFE, CBA, CSCD

**Director, Digital Asset Security & Emerging Technologies Research**

Dr Utzke has been engaged with digital assets since 1981, **retired federal agent specializing in digital asset investigations**, and currently a researcher, federal government digital asset consultant, and educator focused on Distributed Ledger Technologies (DLT) Architectural Engineering, Digital Asset Alternative Payment Systems, Cryptocurrency Economics, Token Technology (L2: contracts, bridges, parachains, relay chains) and Economics, Retail and Wholesale CBDC Architecture, Extended Reality (XR) technologies, and Data Analytics.



# Thank You

For any questions or inquiries, please contact us at [heidi@wavegp.com](mailto:heidi@wavegp.com).

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# Meet Our Experienced Executive Team —→

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# Our Experienced Executive team



## David Siemer

### Co-Founder & Chief Executive Officer

David Siemer is the Co-Founder and CEO of [Wave Digital Assets](#), one of the largest SEC-registered digital asset management firms. Prior to founding Wave, David launched Siemer & Associates LLC., a technology focused investment bank which he sold to CEC Capital in 2016. An early pioneer in the cryptocurrency space since 2012, David is passionate about the power of the blockchain to enable a new generation of technology and innovation. He received his MBA in Finance and International Business from the University of Chicago.



## Benjamin Tsai

### Co-Founder & President

Benjamin Tsai is the President, Managing Partner and Co-Founder at [Wave Digital Assets](#) where he oversees product development and trading for the firm. A veteran in both the Web3 and traditional finance space, Ben is also the co-founder of LA Blockchain Lab and holds over 15 years of senior leadership experience at Merrill Lynch Asia and Alliance Bernstein where he led business strategy and managed profitable distribution teams across Tokyo, Hong Kong, Singapore, Seoul, and Taipei.



## Jennifer Anderson

### Co-Founder & Chief Operations Officer

Jennifer Wilde Anderson is the Co-Founder and COO of [Wave Digital Assets](#), an SEC registered asset manager which has deployed over \$1B since its inception in 2018. Ms. Anderson brings over a decade of asset management operating experience to Wave. She currently leads all aspects of Wave's operations, including compliance, legal & regulatory, finance, and HR. Ms. Anderson is a graduate of Yale and the University of Chicago School of Law and is a member of the California Bar.



## Les Borsai

### Co-Founder

Les Borsai is the Co-Founder of [Wave Digital Assets](#) where he leads the execution of strategic initiatives and asset management strategies across the crypto and digital asset ecosystem. A serial entrepreneur, Les has launched a number of successful startups in the digital music and cryptocurrency industries, including gridMob, an app development firm, and Songlily, a blockchain-based music licensing firm. He was an early investor in notable Web3 projects including [Ethereum](#) and [Tezos](#), and now provides advisory services to prominent blockchain and digital creative firms including [Ripple](#).

# Our Experienced Executive team



**Dr David J Utzke, PhD, MSc, MBA, CFE, CFI, CDFE, CBA, CSCD**  
**Director, Digital Asset Security & Emerging Technologies Research**

Dr Utzke has been engaged with digital assets since 1981, retired federal agent specializing in digital asset investigations, and currently a researcher, federal government digital asset consultant, and educator focused on Distributed Ledger Technologies (DLT) Architectural Engineering, Digital Asset Alternative Payment Systems, Cryptocurrency Economics, Token Technology (L2: contracts, bridges, parachains, relay chains) and Economics, Retail and Wholesale CBDC Architecture, Extended Reality (XR) technologies, and Data Analytics.



**Kelly Chapman**  
**Head of Legal & Chief Compliance Officer**

Kelly Chapman is the Head of Legal and Chief Compliance Officer of Wave Digital Assets. Ms. Chapman has over 12 years of experience in the asset management industry, including over 10 years as an attorney focusing on asset management, fintech/blockchain, and securities regulation matters both at major law firms (Fried Frank and Wilson Sonsini), and in-house at a blockchain startup. Ms. Chapman is a graduate of Randolph-Macon Woman's College and Georgetown University Law Center, and she is admitted to practice law in California and New York, and the District of Columbia.



**Cliff Koutsky**  
**Head of Government Relations**

Cliff has more than 20 years of global business experience, selling to many Fortune 500 clients and government agencies. Recently he worked for UK and New Zealand based startups in Blockchain Analytics and in IIOT (Industrial Internet of Things). He served as Global Account Manager for large international firms – Vodafone Global Enterprise, Orange Business Services, and Saatchi & Saatchi Advertising. Cliff also worked for the French Government, as Director of Foreign Direct Investment, where he won the FedEx pan-European air-cargo hub project for Paris.



**Heidi Pease**  
**Head of Investment Products**

Heidi is a seasoned blockchain ecosystem leader. As President and Cofounder of various non-profits and startups, Heidi helped build the SoCal blockchain ecosystem, empowered underserved communities around the world using Web3 tools, provided blockchain coding programs to women in Afghanistan, and helped artists fundraise using NFTs. She sits on numerous Boards including Innovate@UCLA, Female Advisory Board for Lamborghini, USC VanEck Blockchain Center, and is a former Honorary Co-chair of the US Dept of Commerce Trade Missions Blockchain. Prior to her blockchain activism, Heidi turned around distressed assets, growing small businesses into top-tier national firms, and leading sales teams for companies including AIG. She has an MBA from UCLA Anderson School of Management.



## Wave's Strategic Consultants

Trusted consultants with a range of blockchain, venture, and government experience.



**Michael Piwowar, PHD**

Former Commissioner US Securities and Exchange Commission and Chief Economist for the US Senate Committee on Banking, Housing, and Urban Affairs.



**Charles Hoskinson**

Founder of Cardano  
Founder & CEO of IOHK



**Bill Woodward**

Venture Capitalist with \$3 billion in exits, including Macromedia, Launch Media, Myspace, Neven Vision, Pulse, and Cognet



**Michael Arrington**

Founder of TechCrunch and Arrington Capital



# Cryptocurrency - Potential Risks\*

<p><b>Market Risks</b></p>	<p><b>Market Risk</b> Blockchain-native assets make up the vast majority of collateral across decentralized finance. Therefore every actor is exposed to movements in the market prices of those assets. Additionally, since yield is paid out in wrapped or native tokens, the value of your yield may decrease if the underlying token prices drop.</p> <p><b>Impermanent loss</b> occurs when one side of the pair decreases in value compared to the other side, leaving the liquidity provider holding more of the lower-value asset and thereby losing out on gains in the higher-value asset. This imbalance can correct if the assets in the pool revert to their previous price parity, which is why it's known as Impermanent loss. The higher the volatility of an asset, the higher the potential impermanent loss risk. This is one reason that the fund will only deploy with stablecoin as they're a lower volatility asset.</p> <p><b>Liquidation Risk</b> Risk of failure of an asset that is being used as collateral on the protocol; risk of liquidators not capturing liquidation opportunities in a timely manner, or low market liquidity of the principal asset to be repaid.</p>
<p><b>Systems &amp; Technology Risks</b></p>	<p><b>Smart Contract</b> The daily operation of decentralized capital markets are autonomously and deterministically dictated by the codebases of each platform and the integrations between platforms. Coding flaws can be exploited by bad actors at will, with little to no recourse available to victims.</p> <p><b>Design &amp; Incentive</b> The underlying digital ledger technology, and added features such as scaling technologies, rely on complex game-theoretic incentive designs. Flaws in the incentive design can skew operational outcomes.</p> <p><b>Oracle Risks</b> Risk of the Oracle system not properly updating prices in case of extreme market downturn and network congestion; risk of the Oracle system not properly submitting prices, causing improper liquidations.</p>
<p><b>Credit Risks</b></p>	<p><b>Counterparty Risk</b> When a DeFi platform lends out assets to other DeFi protocols, there is a risk that borrowers may not be able to pay back their loans. Lenders can lose a significant portion of their assets if DeFi protocols do not properly protect against a mass default on loans.</p> <p><b>Exchange Risk</b> The Fund may trade on a limited number of exchanges, particularly with respect to either because of actual or perceived counterparty or other risks related to a particular exchange. Trading on a limited number of exchanges may result in less favorable prices and decreased liquidity for the Fund and could therefore have an adverse effect on the Fund and its investors. The Fund may also have limited access to qualified custodians.</p> <p><b>Governance Risk</b> Most decentralized applications operate according to the wishes of tokenholders (think direct democracy corporate governance by shareholders). Anyone can propose any course of action, which is then voted upon. Proposals can address nearly anything, including core operational tenets of the application, changes to risk metrics, or extending/ending promotional rewards.</p>
<p><b>Regulatory Risk</b></p>	<p>The regulatory environment surrounding these assets continues to develop and there are risks new legislation may impact these assets.</p>

\*Not an exhaustive list of potential risks



## Staking Risk Factors

### Market Risk

Cryptocurrencies remain a speculative investment asset class and involves a high degree of risk. Investors must have the financial ability, sophistication, experience and willingness to bear the risks of an investment, and a potential total loss of their investment.

### Past Performance

Past Performance is no guarantee of future results. The back-tested performance is no guarantee of future results of the product, and is retroactively calculated based on historic values. Slippage, fees and market activities may contribute to an over or under performance of the product relative to the benchmark.



## Decentralized Finance Risks

DeFi is a new capital ecosystem and comes with unique risks for investors. Defi developers dedicate considerable resources to ensure the security of their protocols, which is reflected in a total loss rate due to hacks and other exploits of 0.25%\*.

### Impermanent Loss

Impermanent loss occurs when the price of one's deposited assets changes compared to when one deposited them. The higher the volatility, the higher the impermanent loss risk. In an ideal world, one would like to trade low volatility pairs such as stablecoins.

### Counterparty Risk

Lending comes with the risk of borrowers not being able to pay back their loans. Lenders can lose a significant portion of their assets if the protocol does not institute proper safety measures in the event of a mass default on loans.

### Liquidation Risk

Wave Digital Assets strives to provide unparalleled expertise in digital assets to guide their investment exposure.

### Total Value Locked

The higher the TVL, the more people have to share the fees. As more people lock value into the liquidity pools, the less yield each unit of assets makes.

### Permanent Loss of a Peg

When trading stablecoin pairs, if one of the stablecoins in a pool goes significantly down below the peg of 1.0 and never returns to the peg, it will effectively mean that pool liquidity providers hold almost all their liquidity in that currency.



## Cryptocurrency Options Risk Factors

### Market Risk

Cryptocurrency remains a speculative asset and involves a high degree of risk. Investors must have the financial ability, sophistication, experience and willingness to bear the risks of an investment, and a potential total loss of their investment. Option premiums may increase or decrease as volatility and market dynamics shift.

### Counterparty Risk

While Wave Digital Assets will undergo extensive due diligence for any derivative exchanges or OTC desks to minimize counterparty risk, the nature of options strategies inherently assumes some degree of counterparty risk.

### Uncovered Positions

Selling "uncovered" put options could result in significant downside loss potential and selling "uncovered" call options can result in unlimited loss potential.

### OTC Spread Risk

Option markets have wider bid-offer spreads that can impact the market to market and unwind price of the option prior to expiration.

### Premium Risk

Buying options can result in complete loss of premium paid





# IMPORTANT DISCLOSURES

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