

Stackr

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A cryptocurrency holding solution that takes care of death and taxes*

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Contents of this paper

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1 EXECUTIVE SUMMARY

Stackr is a custody solution, through which a personalized trust structure allows investors to hold a simple basket of digital assets. The intersection of traditional finance and modern-day financial technology has enabled Stackr to pioneer this innovative, secure and flexible custody solution in a regulated environment.

Saving has long been the cornerstone of wealth generation. As technology evolves, it is apparent that savings solutions need to move forward in a similar manner. Stackr promises exactly this by minimizing traditional frictions (fees, taxes etc...) that adversely impact savings solutions, while providing dynamic investment choices within a secure trust structure. Stackr is the first of its kind.

The core investment choices are curated with an emphasis on delivering long-term sustainable results. Digital asset exposure affords investors an opportunity to track an index of top crypto assets with the option of protecting against drawdown.

Stackr clients will benefit from an affordable, personalized international Trust Account, which allows for the nomination of beneficiaries, and facilitates smooth intergenerational transfer on a tax-efficient basis. Consolidated administration and third-party custody keep assets safe while a web portal enables ease of use and flexibility.

2 STACKR TRUST ACCOUNT

The Stackr Solution provides clients an elegant and simple solution to hold assets within a secure, international Trust Account – usually reserved for high net-worth individuals. The architecture that supports Stackr has been designed by a team with decades of experience in creating and managing global investment products in conjunction with a specialized team of blockchain engineers to provide a robust financial savings solution. Stackr leverages best-in-class service providers and legal constructs to provide holders of Stackr Trust Accounts with the following:

- The security and stability of a robust international jurisdiction boasting mature, tried-and-tested trust legislation.
- US\$ and crypto holding choices.
- Ability and freedom to move seamlessly, at low cost, between US\$ and digital asset investments.
- Deferred taxes (in circumstances where the Stackr savings model permits tax deferrals for users, which in some cases may occur where taxes are typically incurred with respect to capital gains when liquidating an investment).
- Beneficiary nomination, permitting investments to safely, seamlessly and cost-effectively transfer to beneficiaries in the event of death.
- Digital onboarding and advice with no entry fees, no exit fees and no traditional financial advisor fees, via a digital user interface.

3 THE STACKR SOLUTION

3.1 Background: Optimal holding vehicle or structure

There are many savings and investment structures available in the market. These structures are typically driven by two main considerations, regulation and tax treatment, both of which vary significantly from jurisdiction to jurisdiction. Due to the global and discretionary savings nature of Stackr's potential client base, a Bermuda trust structure was chosen as it provides multiple potential benefits.

A trust is a regulated, legal relationship through which assets can be held. Trusts operate autonomously under the supervision of an independent trustee that is appointed as the nominal owner of these assets and holds the fiduciary responsibility to manage them in the interest of the individual who is appointed as the settlor and/or beneficiary of the trust. It is important to note that in the Stackr Master Trust, client fiat or crypto flows directly from the client to a custodian, appointed by the Trustee, and will be invested according to the client's wishes by the administrator, also appointed by the Trustee.

Trusts and trustees are governed by trust laws and can be established in international financial centers like some of the British Crown Dependencies, e.g. Jersey or British Foreign Territories like Bermuda. These jurisdictions typically have well established and robust trust legislation, due to their English Common Law based legal system [4].

International financial centers are typically progressive and innovative due to their economic dependency on financial services, e.g. Malta and Bermuda are some of the few countries in the world that have officially adopted and promulgated digital asset legislation[1]. Other benefits typically include:

- Economic stability
- Political stability
- Favorable tax legislation, especially for non-residents
- Well established service providers

Furthermore, trusts are important for safeguarding and passing on savings to future generations. Assets outside of a trust structure can fall under standard probate procedures which can be tedious, complicated and very time-consuming. In many cases, these assets will form part of a deceased estate and will attract estate duty or other forms of tax, dependent on the jurisdiction. Estate duty can be as high as 55% in certain circumstances and jurisdictions[3].

Trust structures are typically reserved for high net worth and ultra-high net worth individuals, due to the significant costs involved in the structuring and maintenance of an international trust. Stackr provides every client with their own segregated Sub-Trust, which will house each client’s investment choices.

For more details on the actual implementation of the Stackr Master Trust structure, please refer to Section 3.3.

3.2 Background: Tax Considerations

In a similar fashion to fees, taxes can significantly erode the value of long-term investments.

“In this world, nothing can be said to be certain, except death and taxes.”

– Benjamin Franklin

Taxation of savings results in a realized reduction of capital that limits the potential for future growth. The compounding of investment growth is a central principle in effective long-term saving as mentioned earlier. For compound growth to operate optimally, it is critical to ensure that as much of the growth generated over time remains within a savings account.

While taxes can vary substantially from country to country, long-term savings are frequently subject to two broad kinds of taxation; capital gains tax and income tax. Income and capital gains taxes are typically levied against investors when receiving investment income (interest or dividends) or on selling and buying different assets and/or asset classes. A different type of tax, estate duty, is levied against intergenerational asset transfers.

Trust structures may in certain circumstances be used effectively to defer taxation, allowing the annual growth of savings and realized returns to be retained for future returns.

Figure 1 showcases the impact deferring capital gains taxes may have on a long-term investment.

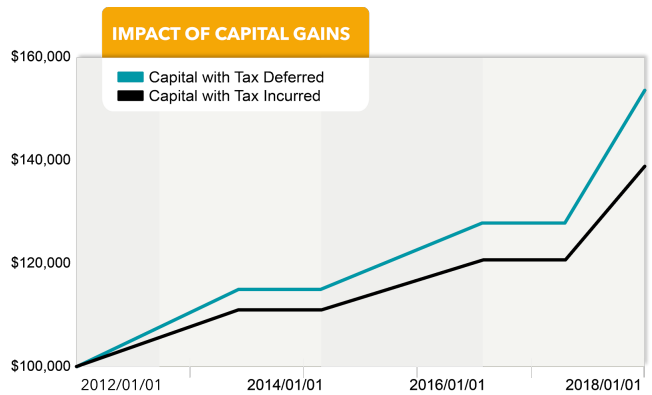


Figure 1: Investing in the SP500, and moving to cash for the years 2013 and 2016. 11% is sacrificed over 7 years by simply moving the investment in and out of cash.

IMPORTANT NOTE REGARDING TAXES: Information contained in this whitepaper should not be construed as tax advice, and each client’s tax status and affairs should be discussed with his/her own tax advisor.

3.3 Stackr Trust Account Structure

Figure 2 gives further details on the structure of the Stackr Trust Account.

3.3.1 Legal structure. A trust forms the foundation of the Stackr Solution, which leverages the benefits highlighted above and the attributes of Bermuda’s trust laws[2] to the advantage of every holder of a Stackr Trust Account.

3.3.2 Master trust. The Stackr Master Trust sits at the highest level of the Stackr architecture. Every client’s trust that is contained within the Stackr Master Trust structure benefits from the overarching legal attributes and benefits of the Stackr Master Trust. This includes fiduciary oversight by the Trustee, Know-Your-Customer (KYC) and Anti-Money Laundering (AML) compliance, beneficiary nomination at the client Trust Account level, aggregation of all trading and additional benefits in regards to possible tax deferral.

3.3.3 Client Trust Accounts. Each Stackr Trust Account is contained within the Stackr Master Trust as a Sub-Trust. Each Stackr Trust Account is a complete trust in its own right, imbued with the rights and attributes of the Stackr Master Trust in Bermuda and is fully compliant with Bermuda trust law[2]. Bermuda trust law is based largely on English Common Law but does feature several further jurisdictional enhancements. Bermuda represents a politically stable and legally robust trust jurisdiction. Within Bermuda trust law each trust has at least a settlor, a trustee and a beneficiary. In the case of the Stackr Sub-Trust, the settlor is the account holder of the Stackr Trust Account.

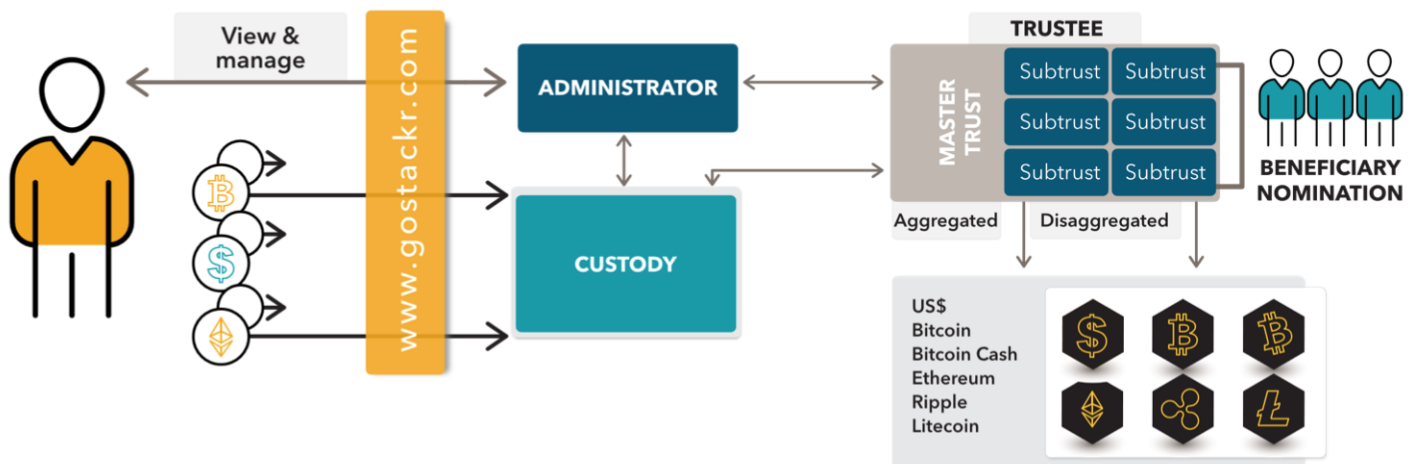


Figure 2: Stackr Trust Account structure



Figure 3: Stackr trust service providers

The Trustee of the Stackr Master Trust, and by design, all Stackr Trust Accounts contained within the Stackr Master Trust, is Atree Trust Ltd¹ - the trust and fiduciary division of the Atree Group of Companies. Atree Trust Ltd is licensed to conduct Trust Business by the Bermuda Monetary Authority². As an independent trust and fiduciary services company, Atree Trust Ltd provides dynamic trust and estate services which are tailored to individual requirements.

The trustee is assigned the power and the duty to manage and dispose of the trust assets in accordance with the terms of the trust. These actions must be carried out at all times for the benefit of the beneficiaries in accordance with the fiduciary duties imposed upon them by law. The Stackr Master Trust operates autonomously despite the fate of Stackr or the Stackr Solution.

Taxes may, in some cases, be deferred in a legally compliant manner under the Stackr trust investment architecture in order to reap the full benefit of compounding returns. When taxes are deferred growth of assets held within Stackr Trust Accounts may not be subject to tax until assets are transferred to the settlor or nominated beneficiary of the trust. Importantly, tax deferral is by no means the avoidance of tax, but rather the delay of payment until investments are cashed out.

All service providers are appointed to the trust by the Trustee.

Stackr is a solution delivered through coordination and arrangement by the Stackr Group. The service providers have very specific roles to fulfill and were brought together as a result of years of development and relationships built by the team behind Stackr. Figure 3 showcases various Stackr service providers.

3.3.4 Asset Banking and Custody. Banking and custody of all capital market assets of all Stackr Trust Accounts is performed by SwissQuote³, a fully regulated Swiss Bank listed on the SIX exchange as SQN. Swiss Quote guarantees the highest level of asset security and legal compliance as a respected fintech innovator and service provider.

3.3.5 Administration. The administration of assets within each Stackr Trust Account is performed at the direction of the Trustee.

3.4 Holding Choices

The Stackr Solution allows clients to add various holding currencies to their accounts. Clients can easily switch between US\$, BTC and ETH. In the future, Stackr will continually add to the current holding choices to afford the client even more flexibility.

¹www.altreefinancial.com
²www.bma.bm

³https://en.swissquote.com/

4 TIMELINE

2008 October - The Global Financial Crisis & emergence of digital assets, specifically bitcoin.

2010 October - Genesis of Stackr Solution. Glacier International (Cobus Kruger) launch a Bermuda based trust structure for South African investors. First incarnation of the Stackr Solution.

2012 January - Sanlam Global Investment Plan launched providing the benefits of the trust structure to a global audience via an intermediated structure. Second incarnation of the Stackr Solution.

2014 September - The direct to consumer business structure for the trust was conceived – and will eventually become Stackr.

2017 March- Executive team at Sanlam Global Investment Solutions switches the management of assets to machine learning.

October - Brendan Gallagher and Cobus Kruger leave Sanlam to start partnership.

October - Research and Development. Stackr conception, initially does not include digital assets. Cobus Kruger attends the artificial intelligence and machine learning course at MIT.

May - Stackr Inception. Stackr is born and the regulatory and company structure setup commences; across multiple jurisdictions.

August - Development of IT infrastructure to build website, interfaces and APIs for Stackr.

31 August - Public Launch of Stackr.

September - MPV & Release of whitepaper.

2019 - Stackr Solution live.

2019 - Aggressive user adoption.

5 TEAM & KEY STRATEGIC PARTNERS

5.1 Stackr

Members from the Stackr team previously headed up Sanlam Global Investment Solutions, which was responsible for raising approximately US\$ 3 BN over a period of 8 years with multiple international saving and investment solutions. The team managed to secure distribution from some of the largest banks in the world including but not limited to Commonwealth Bank of Australia, Standard Chartered Bank and Wells Fargo. For comprehensive details regarding Stackr, please refer to the Stackr website⁴.

A EXTERNAL PARTIES INVOLVED IN ENABLING THE STACKR SOLUTION

A.1 Lawyers

- Decentra Group: Legal advisor specializing in support of token offerings and related investments.
- Ogier: Cayman law firm with specific Cayman Island TGE expertise, providing legal advice to Stackr Cayman Limited.
- Appleby: Bermuda legal counsel.

A.2 Compliance

- Atree Trust Ltd: Stackr Master Trust Trustee

⁴www.gostackr.com

A.3 Regulators

- Bermuda Monetary Authority (BMA): Bermuda Monetary Authority regulator of the Stackr Master and Sub trusts.
- Cayman Islands Monetary Authority (CIMA): Cayman Islands Monetary Authority regulator to the Fund, the structure housing all long-term investment solutions of Stackr.

A.4 Auditors

- KPMG: Auditor of all Cayman Islands and Bermuda entities.

B GLOSSARY

- Digital assets: Tokens/coins associated with distributed ledger technology (primarily blockchain) projects.
- Holding options: Fiat and Cryptocurrencies clients can hold within the trust structure. Currently \$US, BTC and ETH.
- Settlor: Stackr Cayman Ltd in its capacity as settlor of the Stackr Master Trust.
- Stackr Cayman Limited: a company incorporated in the Cayman Islands as an exempted, limited liability company, refer to Group structure above.
- Stackr Operations: Stackr Master Trust and all assets invested on behalf of the trust. The Stackr Master Trust generates revenue from charging account fees as a percentage of total assets.
- Stackr Trust Account or Sub-Trust: refers to each client's individual sub trust in the Stackr Master Trust.
- Stackr Master Trust: a master trust settled in Bermuda by the Settlor aggregating all client assets and having the Trustee as trustee and managed by the Investment Manager.
- Trustee: Atree Trust Ltd, the corporate trustee with fiduciary responsibility under Bermuda law of the Stackr Master Trust and all Stackr Trust Accounts.

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- [4] Bermuda's legal system. 2018. <http://bermuda-online.org/legal.html>. (2018).