

**From:** Vincenzo Iozzo <[REDACTED]>  
**To:** "jeffrey E." <jeevacation@gmail.com>  
**Cc:** Jeremy Rubin <[REDACTED]>  
**Subject:** Re: Bitmain Follow-up  
**Date:** Thu, 02 Aug 2018 12:09:59 +0000

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Skimming through the docs:

we receive ownership of the Series in the blocktree LLC which receives ownership of the Series in iangels lp which owns the preferred shares in bitmain.

Iangels has no required timeline for a distribution in case of a liquidity event but they have historically made the distribution as soon as they could receive the cash. We can mandate for blocktree to distribute to us immediately.

In case of no liquidity event, I think iangels just holds onto the shares. After 4 years of holding there's no management fee anymore.

I think we can this done with 1:20 instead of 2:20 (maybe 1:17 if we push)

Sent from my Iphone

On Aug 2, 2018, at 07:56, jeffrey E. <jeevacation@gmail.com> wrote:

this talks about funding rather than what is received for those funds and its rights. that s thee only thing that counts.

On Thu, Aug 2, 2018 at 7:51 AM, Vincenzo Iozzo <[REDACTED]> wrote:

We can negotiate the fees down but this is the rest of the info. What do you guys want to do?

Sent from my Iphone

Begin forwarded message:

Vincenzo,

See below some notes from the legal docs on Bitmain.

#### **General Structure / Mechanics**

- Vincenzo Entities will fund "Blocktree Private Opportunities LLC – Series B", a Delaware entity structured as an LLC ("Blocktree")

- Blocktree will subsequently fund “iAngels Technologies, LP, a Delaware Limited Partnership” (“iAngels”)
- iAngels will directly invest in Bitmain Technologies Holding Company Preferred B+ Series

### **Notes on Legal Docs**

- The GP at iAngels has the full and complete discretion to manage all investment decisions at the entity
- iAngels is audited by PWC and will provide investors with capital account statements, k-1’s, and all other relevant financial reporting and investor updates; the Blocktree entity will be audited by Cohen & Company and have Trident Trust serve as a fund administrator
- Investors at the iAngels entity will be offered Preemptive Rights to purchase pro rata interests of any available new issuances of Bitmain
- In the event of an IPO or M&A deal, iAngels as GP will distribute shares or cash proceeds; there is not a required timeline to make this distribution, however they have historically made these distributions immediately (and Blocktree will immediately provide to Vincenzo Entities cash or in-kind distributions of these proceeds)

### **Notes on Fees**

- We have negotiated a lower fee schedule with iAngels of 1% management fee and 10% carry
  - If the investment persists longer than 4 years, then management fees are no longer paid
  - Management fees need to be recouped in full before carry is paid
- Blocktree fees are 1% management and 10% carry, implying gross fees to Vincenzo Entities of 2% management and 20% carry
  - Blocktree will mirror the iAngels structure by holding back 4 years of fees + expenses, along with a high watermark on carry distributions

### **Documents Attached**

- iAngels Technologies Limited Partnership Agreement
- Blocktree Private Opportunities LLC Agreement
- Blocktree Private Opportunities LLC – Series B Addendum (to be drafted by council if you decide to move forward)

Please let us know if you have any questions.

Best,  
Ben

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Vincenzo,

Please see additional information below. Ben will follow-up with information on the legal docs.

Thanks,

Aaron

### Business Highlights

- **Global market leader** – Bitmain dominates the mining hardware industry with 75% market share as well as a 40% market share in the mining market.
- **Profitable mining solution** – Bitmain’s core product, ASICs, remain profitable even when GPUs and CPUs become unprofitable in a bear market allowing Bitmain to be less impacted from cyclicity of cryptoasset prices. The business generated \$1.25bn profit in 2017 as well as \$1.1bn in Q1 2018 while achieving the highest margins compared to its peers (profit margin of 60% in Q1 2018).
- **Fast growing market** – Despite the recent cryptoasset sell-off, hash rate growth continues to be strong. Market-sizing indicates that a 10x growth opportunity exists for digital-asset mining hardware manufacturers.
- **Liquidity event** – Bitmain is expecting to IPO on the Hong Kong Stock Exchange (HKEX) latest at the beginning of next year – the company plans on submitting the application Aug-18. Competing companies, Canaan and Ebang, have applied for an IPO with a valuation of 11-15x EV/revenue relative to 6x for Bitmain in this current round
- **High-profile investors** – Bitmain is backed by prominent investors such as Tencent, Sequoia Capital, GIC and IDG Capital. The company has raised over \$450m in previous rounds.

### Management History

- **Wu Jihan (Co-Founder and CEO)** – Before co-founding Bitmain, Wu was an analyst and private equity fund manager. He worked as an investment manager at China Grand Prosperity Investment – an RMB denominated fund of private equity funds – for almost 3 years. Wu read Nakamoto’s white paper and translated it into Chinese. When Micree Zhan was trying to raise money for his previous start-up, Jihan pitched the idea of developing ASIC chips for Bitcoin mining. Wu earned a bachelor’s degree in economics and psychology from Peking University in 2009.
- **Micree Zhan (Co-Founder and co-CEO)** – Before co-founding Bitmain, Micree was running DivalP, a startup that allowed users to stream television to a computer screen via a set-top box. Micree is considered to be the technical brain behind Bitmain’s ASIC mining rigs and he focuses on the products and engineering departments at Bitmain. Micree Zhan graduated from the Chinese Academy of Sciences.
- **Phillip Liu (COO at Bitmain)** – Phillip served as the CFO for Rock China Investment for over 13 years. Between 2014 until today, he serves as the President and MD at MegaFund – a private equity/venture capital fund investing in emerging technologies across all stages. His track record

includes the restructuring of Honghe Lighting, a publicly listed company in China and the restructuring of Hualing Group's HK IPO as well as other mergers and acquisitions. He worked with the major Chinese policy bank as GP and LP to set up new energy and environmental protection funds ranging between \$15m-\$5bn. Phillip earned a bachelor's degree in Chemical Engineering from Tsinghua University and a Master of Arts in Economics from the University of Pennsylvania.

### **Funding History**

- Bitmain was established in 2013 and completed a seed round with the founders (Jihan Wu and Micree Zhan) as lead investors.
- In September 2017, the company raised \$50m at a \$4bn valuation from investors such as Sequoia and IDG in a Series A round.
- In June 2018, Bitmain raised another \$400m at a \$12bn valuation from investors such as Sequoia China, GIC and DST in a Series B round.
- In the current B+ round, Bitmain aims to raise up to \$1bn at a \$14bn pre-money valuation – issuing Series B+ preferred shares.

### **Potential Liquidity Event**

- Bitmain aims to go public in Q4 2018 and is seeking to hand in the filing in August 2018. The company's shares are expected to be listed on the Stock Exchange of Hong Kong. All series B+ preferred shares will be automatically converted into ordinary shares upon the closing of the IPO. The investment documents from Bitmain mention a minimum valuation of \$18bn at IPO (in an offering of not less than \$500m), which yields 29% upside based on the pre-money valuation of \$14bn. In the current round, the EV/revenue multiple is 6x relative to competitors, Ebang and Canaan, that are valued at 12x and 15x, respectively
- Canaan is a computer hardware manufacturer with specific integrated circuit design skills based in Beijing – founded in 2013. Canaan is the number two in manufacturing mining processors and computers by using advanced ASIC semiconductor manufacturing processes. Canaan generated around \$204m in revenues and \$56m in profit in 2017 and has a crypto mining market share of ~15%. The company raised \$43m in its last series A funding round and has a revenue multiple of ~15x. Canaan submitted an IPO request on the Hong Kong Stock Exchange to raise \$1bn.
- Ebang Communications, headquartered in Hangzhou, was founded in 2010. Ebang has a ~10% market share in the cryptocurrency mining industry. The firm generated \$141m in revenues and \$60m in profit in 2017. The company has a revenue multiple of 11x and submitted an IPO request on the Hong Kong Stock Exchange on June 25th (planning to raise \$1bn).

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please note

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