

Luxor Bitcoin Hashrate Forward Margin Requirements, Policies and Procedures

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1.0 Overview

This document sets out the margin requirements, policies and procedures for Luxor's Bitcoin Hashrate Forwards. The purpose of these requirements, policies and procedures is to protect Luxor and its hashrate forward counterparties from the financial risks associated with trading derivative products and to comply with applicable laws, rules and regulations.

2.0 Scope

The requirements, policies and procedures in this document apply to the following Luxor Bitcoin Hashrate Forward products:

- USD-Denominated Non-Deliverable Bitcoin Hashrate Forward
- BTC-Denominated Non-Deliverable Bitcoin Hashrate Forward
- USD-Denominated Deliverable Bitcoin Hashrate Forward
- BTC-Denominated Deliverable Bitcoin Hashrate Forward

3.0 Mark-to-Market

3.1 Current Procedures

Luxor's USD-denominated and BTC-denominated Bitcoin Hashrate Forwards settle daily to Luxor's USD and BTC Hashprice Index respectively.

Realized gain (loss) calculations are based on:

- Daily contract expiration

- When a daily position expires, it is settled to Luxor's USD or BTC Bitcoin Hashprice Index.
- Offset future daily positions
 - When a future position is offset (i.e., the counterparty has both a long and short position on the same day), the difference between the weighted average unit hashprice of units sold and units bought is multiplied by the number of offset contracts, and realized as a gain or loss.

Unrealized gain (loss) calculations are based on:

- Non-offset future daily positions
 - When a future position is not offset, the weighted average unit hashprice of the non-offset position is marked-to-market using the most recent daily settlement rate of Luxor's USD or BTC-denominated Bitcoin Hashprice Index. If the daily settlement is expected to occur after a Bitcoin block subsidy halving, the position is marked-to-market with a hashprice calculated using the most recent daily settlement rate of Luxor's USD or BTC-denominated Bitcoin Hashprice Index, taking into account the difficulty, transaction fee, Bitcoin price, and a future forecast of the block subsidy instead of the previous day's value.

Realized margin balances are calculated as: margin deposits + realized gain (loss) - margin withdrawals + upfront notional payment credit - upfront notional repayment owed. **Unrealized margin balances** are calculated as: margin deposits + realized gain (loss) + unrealized gain (loss) - margin withdrawals + upfront notional payment credit - upfront notional repayment owed.

Upfront notional payment credit and upfront notional repayment owed refer to the notional value of outstanding and expired deliverable forward sales.

3.2 Potential Future Procedures

In the future, a forward pricing model could be introduced to Luxor's Bitcoin Hashrate Forward mark-to-market procedures.

4.0 Eligible Margin

U.S. dollar bank wire, USDC and Bitcoin are the only assets Luxor will accept as margin for Bitcoin Hashrate Forward products. The margin must be denominated in the same currency as the contract. Eligible collateral for each Luxor Bitcoin Hashrate Forward product are outlined in the table below:

Forward Products	Eligible Collateral
USD Non-Deliverable and Deliverable	USD and USDC
BTC Non-Deliverable and Deliverable	BTC

5.0 Variation Margin

5.1 Purpose

The purpose of Luxor's variation margin procedures is to protect Luxor from the current financial exposure that has already been incurred by counterparties, primarily from changes in the mark-to-market value of contracts after initial trade execution.

5.2 Procedures

For Luxor's Bitcoin Hashrate Forwards, variation margin will be collected when the minimum of a counterparty's realized and unrealized margin balance falls below the maintenance margin requirement (as defined in the schedule below). The full amount necessary to fully cover the mark-to-market exposure, as defined by the maintenance margin schedule, will be collected from counterparties. If the margin previously collected fully collateralizes the mark-to-market exposure of the counterparty, as defined by the maintenance margin schedule, then no variation margin will be exchanged.

6.0 Initial and Maintenance Margin Requirements

6.1 Purpose

The purpose of Luxor's initial and maintenance margin requirements is to protect from the potential future exposure that could arise from changes in the mark-to-

market value of the contract during the time it takes to close out and replace the position in the event that one or more counterparties default.

6.2 Information to Inform Initial Margin Requirements

Luxor's initial margin requirements are informed by:

1. A Quantitative Margin Model, and

- Potential future exposure should reflect an extreme but plausible estimate of an **increase in the value of the instrument** that is consistent with a one-tailed 99 percent confidence based on historical data. Time horizon should be 10 days plus the number of days in between variation margin exchanges.
- Historical data should include a period of financial stress.
- Historical data should not exceed 5 years.
- Historical data should be equally weighted.

2. A Standardized Margin Schedule

- Minimum 15% of notional value, according to the minimum requirement for commodity swaps, when using the table-based method of the CFTC's rule **23.154**.
- Only after conducting credit profiling procedures on a counterparty.

6.3 Procedures to Determine Initial Margin Requirements

- Luxor shall reevaluate initial margin requirements annually.
 - The last evaluation was conducted on March 12, 2024.
- In the absence of supplemental credit profiling, Luxor will determine initial margin requirements using a quantitative margin model as outlined under section 6.2.
- If Luxor conducts supplemental credit profiling on a specific counterparty, that counterparty's initial margin requirement may be determined by a standardized schedule. Supplemental credit profiling procedures must still be determined before applying standardized schedule rates to any counterparty.

- Luxor collects the following for credit profiling:
 1. U.S Internal Revenue Service Form W-9 or W-8BEN-E, as applicable.
 2. Annual consolidated financial statement certified by independent auditors and prepared in accordance with the Generally Accepted Accounting Principles as currently used and accepted in the United States.
 3. Appropriate evidence authorizing the party to enter into this Agreement and each Transaction, and an incumbency certificate in respect of the person entering into this Agreement and each Transaction on behalf of such party.
- Buyers of Luxor's Deliverable Bitcoin Hashrate Forwards are not subject to the initial margin schedule, but will instead make full upfront payment for their purchased hashrate.

6.4 Procedures to Determine Maintenance Margin Requirements

- Luxor's maintenance margin schedule is determined by applying a 20% discount to the initial margin schedule.

6.5 Initial And Maintenance Margin Schedule Requirements

The following schedules are applied to the notional value of a counterparty's non-offset future daily positions.

Initial Margin Schedule		
Days to Settlement	USD	BTC
1	35%	17.5%
2	35%	17.5%
3	35%	17.5%
4	35%	17.5%
5	35%	17.5%
6	35%	17.5%
7	35%	17.5%
8	35%	17.5%
9	35%	17.5%

Initial Margin Schedule		
10	35%	17.5%
11	35%	17.5%
12	35%	17.5%
13	35%	17.5%
14	35%	17.5%
15	35%	17.5%
16	35%	17.5%
17	35%	17.5%
18	35%	17.5%
19	35%	17.5%
20	35%	17.5%
21	35%	17.5%
22	35%	17.5%
23	35%	17.5%
24	35%	17.5%
25	35%	17.5%
26	35%	17.5%
27	35%	17.5%
28	35%	17.5%
29	35%	17.5%
30	35%	17.5%
31	35%	17.5%
32	35%	17.5%
33	35%	17.5%
34	35%	17.5%
35	35%	17.5%
36	35%	17.5%
37	35%	17.5%

Initial Margin Schedule		
38	35%	17.5%
39	35%	17.5%
40	35%	17.5%
41	35%	17.5%
42	35%	17.5%
43	35%	17.5%
44	35%	17.5%
45	35%	17.5%
46	35%	17.5%
47	35%	17.5%
48	35%	17.5%
49	35%	17.5%
50	35%	17.5%
51	35%	17.5%
52	35%	17.5%
53	35%	17.5%
54	35%	17.5%
55	35%	17.5%
56	35%	17.5%
57	35%	17.5%
58	35%	17.5%
59	35%	17.5%
60	35%	17.5%
61	35%	17.5%
62	35%	17.5%
63	35%	17.5%
64	35%	17.5%
65	35%	17.5%

Initial Margin Schedule		
66	35%	17.5%
67	35%	17.5%
68	35%	17.5%
69	35%	17.5%
70	35%	17.5%
71	35%	17.5%
72	35%	17.5%
73	35%	17.5%
74	35%	17.5%
75	35%	17.5%
76	35%	17.5%
77	35%	17.5%
78	35%	17.5%
79	35%	17.5%
80	35%	17.5%
81	35%	17.5%
82	35%	17.5%
83	35%	17.5%
84	35%	17.5%
85	35%	17.5%
86	35%	17.5%
87	35%	17.5%
88	35%	17.5%
89	35%	17.5%
90	35%	17.5%
91	35%	17.5%
92	35%	17.5%
93	35%	17.5%

Initial Margin Schedule		
94	35%	17.5%
95	35%	17.5%
96	35%	17.5%
97	35%	17.5%
98	35%	17.5%
99	35%	17.5%
100	35%	17.5%
101	35%	17.5%
102	35%	17.5%
103	35%	17.5%
104	35%	17.5%
105	35%	17.5%
106	35%	17.5%
107	35%	17.5%
108	35%	17.5%
109	35%	17.5%
110	35%	17.5%
111	35%	17.5%
112	35%	17.5%
113	35%	17.5%
114	35%	17.5%
115	35%	17.5%
116	35%	17.5%
117	35%	17.5%
118	35%	17.5%
119	35%	17.5%
120	35%	17.5%
121	35%	17.5%

Initial Margin Schedule		
122	35%	17.5%
123	35%	17.5%
124	35%	17.5%
125	35%	17.5%
126	35%	17.5%
127	35%	17.5%
128	35%	17.5%
129	35%	17.5%
130	35%	17.5%
131	35%	17.5%
132	35%	17.5%
133	35%	17.5%
134	35%	17.5%
135	35%	17.5%
136	35%	17.5%
137	35%	17.5%
138	35%	17.5%
139	35%	17.5%
140	35%	17.5%
141	35%	17.5%
142	35%	17.5%
143	35%	17.5%
144	35%	17.5%
145	35%	17.5%
146	35%	17.5%
147	35%	17.5%
148	35%	17.5%
149	35%	17.5%

Initial Margin Schedule		
150	35%	17.5%
151	35%	17.5%
152	35%	17.5%
153	35%	17.5%
154	35%	17.5%
155	35%	17.5%
156	35%	17.5%
157	35%	17.5%
158	35%	17.5%
159	35%	17.5%
160	35%	17.5%
161	35%	17.5%
162	35%	17.5%
163	35%	17.5%
164	35%	17.5%
165	35%	17.5%
166	35%	17.5%
167	35%	17.5%
168	35%	17.5%
169	35%	17.5%
170	35%	17.5%
171	35%	17.5%
172	35%	17.5%
173	35%	17.5%
174	35%	17.5%
175	35%	17.5%
176	35%	17.5%
177	35%	17.5%

Initial Margin Schedule		
178	35%	17.5%
179	35%	17.5%
180	35%	17.5%
181	35%	17.5%
182	35%	17.5%
183	35%	17.5%
184	35%	17.5%
185	35%	17.5%

Maintenance Margin Schedule		
Days to Settlement	USD	BTC
1	28%	14%
2	28%	14%
3	28%	14%
4	28%	14%
5	28%	14%
6	28%	14%
7	28%	14%
8	28%	14%
9	28%	14%
10	28%	14%
11	28%	14%
12	28%	14%
13	28%	14%
14	28%	14%
15	28%	14%
16	28%	14%
17	28%	14%
18	28%	14%

Maintenance Margin Schedule		
19	28%	14%
20	28%	14%
21	28%	14%
22	28%	14%
23	28%	14%
24	28%	14%
25	28%	14%
26	28%	14%
27	28%	14%
28	28%	14%
29	28%	14%
30	28%	14%
31	28%	14%
32	28%	14%
33	28%	14%
34	28%	14%
35	28%	14%
36	28%	14%
37	28%	14%
38	28%	14%
39	28%	14%
40	28%	14%
41	28%	14%
42	28%	14%
43	28%	14%
44	28%	14%
45	28%	14%
46	28%	14%

Maintenance Margin Schedule		
47	28%	14%
48	28%	14%
49	28%	14%
50	28%	14%
51	28%	14%
52	28%	14%
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70	28%	14%
71	28%	14%
72	28%	14%
73	28%	14%
74	28%	14%

Maintenance Margin Schedule		
75	28%	14%
76	28%	14%
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Maintenance Margin Schedule		
103	28%	14%
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Maintenance Margin Schedule		
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Maintenance Margin Schedule		
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185	28%	14%