Summit Mining V2.0

REASONS FOR THE EVOLUTION OF THE SERVICE

SUMMIT MINING

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Preamble

Summit Mining Glossary

1. Customer account

Dashboard: Refers to the Application through which a customer can access the services offered by Summit Mining.

Approved Account: An account that has completed all compliance formalities and provides the customer with access to all Summit Mining features.

Limited Account: Account that gives the customer restricted access to one or more features.

Suspended Account: An account whose functionality has been restricted by Summit Mining as a result of the customer's failure to comply with the terms and conditions.

Closed Account: An account closed by the customer or by Summit Mining.

Fund Deposit: A transaction in which a client sends funds to Summit Mining to make an investment.

Available Funds: The amount (displayed in Euros) available in the client's account following a Fund Deposit. Available Funds can only be used to make an investment or be withdrawn.

VIP Program: A loyalty program for holders of Summit Tokens, the Summit Group's cryptocurrency. There are several VIP levels, unlocked by the value of Summit Tokens held. Each level provides a number of benefits.

2. SMK (Summit Mining distribution Key)

Assets Under Management: All assets managed by Summit Mining. They consist of the Mining Park, all other assets or money tied up for mining activities (funds waiting to be invested, proceeds from the resale of Equipment, etc.).

SMK (or Summit Mining distribution Key): An earnings distribution key that represents the client's share of total Assets under Management.

SMK Price (or SMK Market Price): Price of the Summit Mining distribution Key, updated daily and correlated to the resale value of the Assets Under Management.

New SMK: SMK that was created following an investment via a Classic Purchase.

Transferable SMK: SMK that can be transferred on the Marketplace.

Non-transferable SMK: SMK that cannot be transferred on the Marketplace.

Activated SMK: SMK that gives the right to a distribution of earnings.

Deactivated SMK: SMK that does not give the right to a payout.

Total Number of SMKs in the Mining Pool: Sum of all SMKs outstanding in the Summit Mining service.

Total Activated Mining Pool SMKs: Sum of all activated SMKs outstanding in the Summit Mining service.

Number of Customer SMKs: Sum of all SMKs owned by the customer.

Number of Customer Activated SMKs: Sum of all Activated SMKs held by the customer.

3. Marketplace

Marketplace: Dashboard tool that allows the customer to purchase SMKs offered for sale by other customers, or to resell their SMKs to other Summit Mining customers.

Fixed Price Sale Order: Order that allows the customer to manually choose the price at which he wants to sell his SMK on the Marketplace.

Limit Market Order: An order that automatically adjusts to the market price of the KMS while imposing a limit price below which the customer does not wish to sell.

Market buy order: An order to buy SMKs offered for sale at the posted price.

4. Purchase of SMK

Classic Purchase: A method of purchasing SMK through monthly investment rounds designed to pool available funds to purchase mining machines at the best price.

Marketplace Purchase: A method of purchasing SMKs that allows you to buy SMKs directly from other customers.

Automatic Reinvestment Buying: A method of buying SMK that allows you to automatically convert your earnings into SMK at the end of each month. The Automatic Reinvestment Purchase is initiated by a Purchase on the Marketplace, completed by a Classic Purchase in case of lack of liquidity on the Marketplace or sale orders too far from the market price of the SMK.

Average Purchase Price of (Activated) Mining Pool SMKs: Average purchase price of all SMKs purchased by Summit Mining. The average purchase price takes into account all non-marketplace SMK purchases and sales. The average purchase price of the Mining Park SMKs is calculated by dividing, at the Summit Mining level, all the investments made that allowed the creation of new SMKs (including processing fees), by the number of SMKs obtained. As mentioned before, the investments in the Marketplace are excluded from the calculation. In some cases, only activated SMKs are taken into account for the calculations.

Average Purchase Price of Customer's (Activated) SMKs (or Average Purchase Price): Average purchase price of all SMKs purchased by a Customer. The average purchase price takes into account all SMK purchases and sales, including the Marketplace. The average purchase price of Customer's SMKs is calculated by dividing, at the customer level, all investments made in exchange for SMKs (including processing fees and transaction fees) by the number of SMKs obtained. Purchases related to Automatic Reinvestment and via the Marketplace are included. In some cases, only activated SMK are taken into account for the calculations.

5. Sale of SMK

Delegated Sale: A method of reselling SMKs through which the seller delegates to Summit Mining the task of reselling its SMKs.

Delegated Sale Price: Price at which Summit Mining proposes to resell the SMK. This price remains valid only during the execution period of the Delegated Sale.

Delegated Sale execution period: Period during which Summit Mining will try to sell the SMKs at the Delegated Sale price. This period is variable depending on the amounts in euros involved, with no guarantee of success.

Discount linked to the Delegated Sale: Discount applied to the price of the Delegated Sale in case of effective resale of the SMK.

6. Mining

Equipment: Refers to any type of hardware intended for the mining of Crypto-assets or necessary for their exploitation (container, etc.); the Mining Park consists of Equipment.

Mining Fleet: All Equipment managed by Summit Mining that has been purchased with customer funds or purchased through the resale of Equipment for the purpose of performing the community mining service offered by Summit Mining.

Gain: A generic term that defines a perceived profit, which can be applied to the Mining Park or to the Client, depending on the context, in gross or net terms.

Total Amount Mined by the Mining Park: Corresponds to the value of all Crypto-assets mined by the Mining Park during a calendar month, before deduction of any fees.

Gross Amount Mined by the Mining Park: Corresponds to the Total Amount Mined by the Mining Park from which are deducted the Operating Costs and any Exceptional Expenses.

Monthly Mining Fleet Return: Corresponds to the gross return generated by the Mining Fleet. It is calculated by dividing the Gross Amount Mined by the Mining Park by the product of the Average Purchase Price of the SMKs in the Mining Park and the Total Number of SMKs in the Mining Park.

Instant SMK Yield: This is the yield that a customer could earn if they purchased SMKs at this point in time and they were activated instantly. This yield is based on the Gross Mined Amount of the Mining Park during the last 30 days and the price of the SMK at the moment t. This yield varies every day. This yield therefore varies every day. It gives an estimate of the potential gross yield of an SMK at the present time, to give an indication to a customer who would like to buy it. It is calculated by dividing the Gross Amount Mined by the Mining Park during the last 30 days by the product of the SMK price and the Total Number of Activated SMKs in the Mining Park.

Gross Amount Mined by the Customer: Corresponds to the portion of the Gross Amount Mined by the Mining Park that is attributable to the Customer, before deduction of the costs specific to each Customer. This portion is calculated according to the following formula: [Gross Amount Mined by the Mining Park] x [Number of Activated SMKs of the Customer ÷ Total Number of Activated SMKs of the Mining Park].

Gross Customer Return: Corresponds to the gross return obtained by the Customer during a calendar month, i.e., the return before deduction of Performance Fees and the Mining Fleet Renewal Contribution. This return is expressed as a percentage and is obtained according to the following formula: [Gross Amount Mined by the Customer] ÷ [(Number of Customer's Activated SMKs) x (Average Purchase Price of Customer's Activated SMKs)].

Net Amount Mined by the Customer: Corresponds to the Gross Amount Mined by the Customer from which the Performance Fees and the Contribution to the renewal of the Mining Park are deducted.

Customer Net Return: Refers to the final net return obtained by the Customer during a calendar month. This return is expressed as a percentage and is obtained according to the following formula: [Customer Net Mined Amount] ÷ [(Number of Customer Activated SMKs) x (Average Purchase Price of Customer Activated SMKs)].

7. Fees

Gross Equipment Cost: The amount charged to Summit Mining for the purchase of the Equipment.

Processing Fee: A fee charged when investing in new KMS to cover all expenses related to the logistics of installing the new mining machines.

Total Equipment Purchase Cost: The total amount spent on the purchase of Equipment, including costs associated with its installation logistics (Processing Fee).

Exceptional Expenses: All logistical costs that may arise due to unforeseen events, such as the relocation of machines from one Mining Site to another.

Operating Costs: Represents all costs resulting from services provided by third parties on behalf of Summit to operate the Mining Park (electricity, rent, maintenance, etc.).

Performance Fee on Mining Earnings (or Performance Fee): A fee based on the performance Summit Mining achieves in a calendar month of mining. This fee is expressed as a percentage of the Gross Mining Amount mined by the Client.

Contribution to the Renewal of the Mining Fleet: Contribution deducted from the Gross Yields to combat the obsolescence and obsolescence of the mining machines. It is expressed as a percentage that varies according to the Customer's Gross Yield levels.

Transaction Fee: A fee charged on Purchases in the Marketplace. This fee is expressed as a percentage of the amount spent by Customer on the purchase of SMK. It is a fixed percentage, identical for each Customer.

Performance Fees on the resale of SMKs: Fees charged on the Sale of SMKs. This fee is expressed as a percentage of the amount of the Capital Gain. It varies according to the level of VIP of the Client.

Gain on Sale of SMK, Loss on Sale of SMK: Difference between the sale price of SMK and their average purchase price. When the difference is positive, a Capital Gain has been realized and is subject to a Performance Fee on the resale of SMKs. When the difference is negative, a Minus-Value has been realized, and no Performance Fee on the resale of the SMKs is to be expected.

Problems with Summit Mining v1.0

Part 1

Part 1

Problems with Summit Mining v1.0

As a Summit Mining customer, you have been or will be impacted by the evolution of the service. You may have noticed several changes without understanding them all.

We thought it was important to provide you with a better understanding of the changes:

- *to present the problems that have been brought to our attention by the community,*
- *to explain the solutions we have imagined for the new version.*

This appendix has been written to share with you all the details behind this change, so that you can be convinced of the value to the department of making this major shift.

1.1. Introduction

We started the Summit Mining service in version 1.0. The features were as follows:

- A SMK at purchase was always worth 1 €.
- A customer therefore always had an average price "paid" of €1 per SMK. An investment of €10,000 always gave the right to 10,000 SMK, regardless of the market situation.

- At the sale, the value of the SMK was fluctuating, but it could not exceed 1 €.

Although simple and effective as an approach, the operation of the service in this version showed some limitations in extreme market conditions, with not only an impact on existing customers, but also on the attraction of potential new customers.

The Summit Mining service in version 1.0 suffered from several inconsistencies and limitations:

- **The average purchase price of SMKs did not reflect the true value of the underlying fleet.** The upfront sunk costs of installation were sometimes not explicit enough. Customers were paying a fixed price of €1 for something that was instantly worth €0.75.

- **In a euphoric market ("bull market" or even "bull run"), the many buyers of SMKs could have benefited from an artificially reduced purchase price**, putting existing customers at a disadvantage, with more SMKs being created and fewer machines being purchased. Closing to new entrants was therefore the only solution to protect the community and preserve returns.

- **During bear markets, SMK buyers were not sufficiently rewarded for their risk-taking.** Buyers were not motivated to invest when conditions were ideal. Indeed, the machines purchased at that time could have contributed to improved mining returns.

- **Marketplace 1.0 could not fully fulfill its role as a preferred buying channel for customers interested in reinvesting.** It could only function fairly when the price variations of the SMK were very small.

1.2. Purchasing problems in extreme market situations

Since the purchase price of the SMK was set at €1, it did not take into account fluctuations in the price of the mining machines on which it was based.

However, the purchase price of mining machines can fluctuate up and down depending on market conditions.

A machine sold for €3,000 can be worth more than €20,000 during bull markets! Conversely, if the market crashes, the price of the machines can be divided by 10 in a few months. So can the price of cryptocurrencies.

Buying SMK at a "fair" price, during "extreme" conditions (in "bull market" and "bear market"), then became problematic.

Let's take a closer look at these two situations and the difficulties they create.

Problems with buying in bear market situations

Let's imagine that the price of mining machines has collapsed during a very important bear market phase. For example, with a sharp drop to €0.20 in the real price of the SMK.

→ **New customers who obtained SMK at a fixed price of €1 were "overpaying" for a mining park that was worth five times less (€0.20). This meant that they did not get enough SMK compared to others and were therefore at a disadvantage to existing investors.**

A customer invested 10 000 €.
The price of the "SMK 1.0" was 1 €.

→ A client who invested **€10,000** received **SMK 10,000.**

If the SMK was purchased at its real price, he could have obtained **SMK 50,000 (€10,000 ÷ €0.20 = SMK 50,000).**

→ **Another collateral effect was that customers and prospects had no incentive to buy SMKs when it was the most favorable time to find mining machines at bargain prices.**

Buying problems in "bull market" situations.

Now let's imagine that the price of mining machines has skyrocketed with a "bull market". For example, let's imagine that the real price of SMK, following a buying frenzy on mining machines, is 2 €.

→ **Investors who paid a fixed price of €1 per SMK were "underpaying" for a mining park that was actually worth twice as much. They were therefore getting more SMKs than others and were therefore "diluting" the existing investors.**

A customer invested €10,000.
The price of the "SMK 1.0" was €1.

Here, a client who invests €10,000 receives SMK 10,000, when he could (or theoretically should) have received only **SMK 5,000 → (€10,000 ÷ €2 = SMK 5,000).**

→ **Another negative impact was that many customers were driven to invest, motivated by rising markets, forcing Summit Mining to purchase mining machines at a premium. It was this situation that led Summit Mining to make the decision to temporarily close its doors in 2021, in the midst of a euphoric market, in order to avoid having to buy too many machines whose prices had become decorrelated from any rational logic.**

1.3. Absence of potential future capital gain in exchange for risk taking

The price of the SMK at the purchase was fixed at €1, and it could not exceed €1 at the sale. The system therefore did not allow customers to benefit from potential capital gains if the real value of their SMK exceeded €1. The service was created in this way to protect the community from arbitrage by clients who might have sold their SMKs at times when yields were high.

→ **However, the system showed its limitations when fear and doubt invaded the markets and the real price of SMK fell. Summit Mining's clients were not motivated to invest in difficult markets, without the hope of a significant potential capital gain in exchange for their risk taking. There was no incentive to invest in bearish times.**

1.4. Difficulty in perceiving the real price of the SMK

Summit Mining customers paid a fixed price of €1 per SMK. The average purchase price perception was therefore €1 per SMK.

However, this perceived average price was not the right one, as it included the costs incurred by Summit Mining to install the machines. As these costs are by definition irrecoverable, they should not be included in the valuation of the mining park and thus in the real price of the SMK.

This misperception was reinforced by the fact that Summit Mining built up its fleet in a bull market. Indeed, during the bull run, Summit Mining welcomed more and more new customers, and therefore bought machines at a higher average price (the price of machines tends to rise sharply in a bull market).

Even though the aging of the fleet should have pushed the real value of the SMK below €1 over time, the euphoria of the market was pulling the prices of the machines up. The two forces balanced each other out and the price of the SMK was kept close to its fixed purchase price of €1.

→ **This confusion between the purchase price set at €1 and the real value of the SMK has been maintained for a long time because of these two forces that have long maintained the SMK around €1.**

When Summit Mining closed its doors to protect its community from buying overpriced machines, one of the two forces stopped working. That's when the aging fleet took over and the real price of SMK stalled by €1. This stall was accelerated by the fall in the cryptocurrency market, which occurred during the time Summit Mining closed its doors to protect existing customers.

However, for several months, even though the SMK had fallen below €1, Summit Mining's customers were still enjoying a premium on the price of their SMK.

- You invested €10,000.
- The price of the "SMK 1.0" was €1.

With the "SMK 1.0", an investor invested €10,000 and received 10,000 SMK.

The average "perceived" purchase price of the SMK was therefore €1.

Of the €10,000 invested, Summit Mining actually buys about €7,500 worth of equipment. The remaining €2,500 is used to pay for the order processing costs (shipping, installation, taxes, insurance, etc.). So there is really only €7,500 worth of mining equipment, because 25%, or €2,500, was used to pay for the delivery and installation of the machines.

What is the "real" average purchase price of the machines, and therefore the one of the SMK?

There are €7,500 worth of mining machines represented by 10,000 SMK (€7,500 ÷ 10,000 SMK = €0.75). The "real" average purchase price of the SMK must therefore be €0.75. Indeed, if you were to resell his SMK, on the 10 000 € invested, you could theoretically recover only 7 500 €, the 2 500 € being irrecoverable costs. In theory only, because the machine is no longer new, it loses value immediately, just like a car that leaves the dealer's.

In any case, your average cost price is therefore €0.75 per SMK, not €1.

Now let's imagine that the price of the SMK goes from €1 to €0.80. Has the customer's SMK increased in value?

The answer is yes! The average customer entry price was theoretically €0.75 and their SMKs are now worth €0.80. Even though the SMK price was below €1, "theoretically", for all SMK values between €1 and €0.75, all Summit Mining customers were up on their SMK.

→ **The confusion around the real price of the SMK and its fixed paid value of €1 has also led to a misperception of the capital gains or losses of each client.**

1.5. Malfunctions of the Marketplace 1.0

The marketplace in version 1.0 of the service was launched in July 2021, following the closure of Summit Mining's doors. This was a decision motivated by the extreme increase in the price of mining machines.

At that time, customers who wanted to invest more were no longer able to do so, as the doors were closed. The marketplace addressed this problem, allowing customers to increase their number of SMKs by connecting them with people who wanted to sell theirs.

In this system, the price of the SMK was fixed from the first day of the month, even though large price variations could occur later.

If the SMK increased during the month, sellers were "stuck" selling at below market value, while buyers received an artificial "discount."

If the SMK fell during the month, buyers found themselves paying above market value, while sellers benefited from an artificial profit.

The Marketplace, which should have been a privileged purchasing channel for customers, was therefore gradually abandoned. Indeed, the price of SMKs on sale on the Marketplace and the actual prices could be highly uncorrelated.

→ **The imbalance of the SMK exchange prices when there was a large variation during the month led to many malfunctions. The Marketplace 1.0 could only function properly when the SMK price variations were very small.**

Major Evolutions
in Summit mining v2.0

Part 2

Part 2

Major Evolutions in Summit Mining v2.0

All of the above issues have led the Summit Mining team to radically rethink the way the service works.

Version 2.0 has been designed to ensure that the service will continue to operate regardless of market conditions, while securing returns and strengthening the community spirit that has driven the growth of Summit Mining.

Here are the major changes that have been implemented in version 2.0.

2.1. Deflating the purchase and sale price of SMKs

With SMK 1.0, the purchase and sale price could not exceed €1.

In the new version of the service, the price of the SMK can vary. It is no longer fixed at €1. **The price of SMKs is no longer constrained** and it fluctuates every day according to the market.

SMK can be bought or sold at a price that best reflects the market realities, both up and down.

Note: If you make multiple purchases of SMK at different prices, the average purchase price will be the component of all those purchase prices.

E X A M P L E

- **You bought 10 000 SMK with €5,000.**

→ 25% of the €5,000 was used to pay the processing fees, i.e. €1,250.
→ The rest (€3,750) is used to buy SMK.

The average purchase price is therefore €3,750 ÷ 10,000 SMK = €0.375 per SMK.

If the SMK is now at €0.30 and you invest €10,000 again via a monthly investment round, after deducting the 25% processing fee, that's €7,500 of SMK at €0.30, or 25,000 SMK.

You have thus bought a total of 10,000 SMK + 25,000 SMK = 35,000 SMK for €3,750 + €7,500 = €11,250.

The final average purchase price is therefore €11,250 ÷ 35,000 SMK = €0.32 per SMK.

Regardless of the market phase, **new entrants have a consistent number of SMKs based on the value of the park**, thereby avoiding dilution or unfairness to existing investors:

- **In times of market difficulty, the interests of customers are aligned with those of Summit.** Summit has the greatest opportunity to buy machines at a good price and therefore with a high potential return when the price of SMK is low. This is the same time when customers can acquire the most SMK for the same amount of money.

- **In times of market euphoria, the department no longer needs to close its doors to new customers.** Increasing the price of SMK naturally reduces the flow of new entrants to avoid adding too many machines at high prices.

2.2. Number of SMKs obtained with the exclusion of treatment costs

Another major change regarding the purchase is the fact that the processing fee is directly deducted from the amount invested. The remaining amount, without these fees, is used as the basis for the number of SMK obtained. In other words, the number of SMK earned from a purchase is no longer based on the total amount deposited, but on the amount actually invested in mining machines by Summit.

2.3. Potential for capital gain on resale of SMKs

With a forced buy price of €1 and a maximum sell price of €1, mining returns were the only source of performance. **Summit Mining customers can now realize capital gains on the value of their SMK** if the difference between their average purchase price and resale price is positive.

The capital gain on resale is then calculated in relation to the average purchase price.

Note: Regularization of the number of SMKs

In order to allow customers of the 1.0 service to benefit from an increase in resale value with the 2.0 version of the service, an operation to regularize the average purchase price was necessary.

Under the old system, in which SMK was purchased at a fixed price of €1, subtracting the 25% processing fee resulted in an actual price of €0.75 per SMK.

However, before May 30, 2022, the price of SMK was always above the €0.75 mark. There are therefore two cases:

- If your funds were received before May 30, 2022, then you obtained SMKs at a price that was less than or equal to their actual price. In other words, your SMKs were underpaid and you obtained more than you should have. **We have decided to let you keep this advantage.**

- If your funds reached us after May 30, 2022 and you paid the fixed price of €1 for your SMKs, you obtained SMKs at a price higher than their actual price. In other words, your SMKs have been overpaid and you have obtained less than expected. **In this case, an adjustment was made to adjust your SMK number. This SMK adjustment resulted in a dilution for the other customers of only 0.2%.**

2.4. Changes in the functioning of the Marketplace

Compared to version 1.0 of the Marketplace, a major change is taking place with the new marketplace. **The Marketplace becomes the preferred channel for reselling SMKs. Moreover, it is automated.** No more draws!

The Marketplace works in three phases:
- A first phase in the middle of the month, between the 16th and the last day of the month, so that sellers can place their sell orders,

- A second phase, on the 1st of each month, with automatically triggered purchases reserved exclusively for automatic reinvestment,

- A third phase, between the 2nd and the 15th of the month, so that buyers can acquire the remaining SMKs (if there are any left).

The way to buy or sell your SMKs will also change:
- Sellers have two types of orders available to them. They can put their SMK up for sale at a price that suits them and follow the market's movements upwards if they wish.

- For buyers, once the Marketplace is open between the 2nd and the 15th of the month, the principle is first come, first served.