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IDX RISK-WEIGHTED DECENTRALIZED FINANCE (DEFI) TRUST

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

IDX DIGITAL ASSETS, LLC

Sponsor

Dated October 1, 2022

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ABOUT THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

This Confidential Private Placement Memorandum (this “*Private Placement Memorandum*”) describes the private placement of common units of fractional undivided beneficial interest (“*Shares*”) in IDX Risk-Weighted Decentralized Finance (DeFi) Trust (the “*Trust*”), a Delaware statutory trust formed on April 12, 2021 under the Delaware Statutory Trust Act (the “*DSTA*”) and governed by the Amended and Restated Declaration of Trust and Trust Agreement of IDX Risk-Managed Bitcoin Trust dated as of April 1, 2022, by and among IDX Digital Assets, LLC, as sponsor (the “*Sponsor*”), Delaware Trust Company, as trustee, and the Shareholders of the Trust, as the same may be amended from time to time (the “*Trust Agreement*”).

DEFINED TERMS

Capitalized terms used without definition are defined under “Glossary of Defined Terms.”

SUMMARY OF SERVICE PROVIDERS

In this Private Placement Memorandum, we refer to the following, collectively with the Sponsor, as the “*Service Providers*”:

- Delaware Trust Company is the Delaware trustee of the Trust (the “*Trustee*”).
- Coinbase Custody Trust Company, LLC is the custodian of the digital assets of the Trust (the “*Custodian*”).
- Gryphon Fund Group, LLC is the administrator of the Trust (the “*Administrator*”).
- In addition, the Sponsor may appoint one or more distributors (each, a “*Distributor*”).

IMPORTANT INFORMATION FOR PROSPECTIVE INVESTORS

This Private Placement Memorandum is being furnished on a confidential basis solely to selected accredited investors within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (“*Securities Act*”) in connection with the potential purchase of Shares, which represent ownership in the Trust. This Private Placement Memorandum is not to be reproduced or distributed to others without the prior written consent of the Sponsor. Each recipient, by accepting delivery of this Private Placement Memorandum, agrees to keep all information contained herein confidential (except as otherwise provided herein) and to use this Private Placement Memorandum for the sole purpose of evaluating a possible investment in the Trust. Notwithstanding the foregoing, each investor (and each employee, representative or other agent of the investor) is authorized to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of, and any transaction entered into by, the Trust and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or tax structure that are provided to the investor relating to such tax treatment and tax structure, except for any information

identifying the Trust, the Sponsor, any investor or their respective advisors, affiliates, officers, directors, members, employees and principals or (except to the extent relating to such tax structure or tax treatment) any nonpublic commercial or financial information. For this purpose, “tax structure” is limited to the facts relevant to the tax treatment of an investment in the Trust. Acceptance of this Private Placement Memorandum by a recipient constitutes an agreement to be bound by the foregoing terms.

The Shares are neither interests in nor obligations of the Service Providers. The Sponsor may, pursuant to the terms of any applicable agreements, remove or replace one or more of the Service Providers in the Sponsor’s sole discretion.

With respect to the Trust, none of the Shares, the Trust’s Digital Asset Custodial Accounts, the digital assets transferred to such Digital Asset Custodial Accounts, and the assets of the Trust are insured against loss by the Federal Deposit Insurance Corporation (“**FDIC**”) or any other federal agency of the United States.

This Private Placement Memorandum contains information you should consider when making an investment decision about the Shares. The Trust and the Sponsor have not authorized any person to provide you with different information, except for certain information as may be provided by a Distributor, if any; however, if a Distributor or anyone else provides you with information that is different or inconsistent with the information set forth herein, you should not rely on it.

No representations or warranties of any kind are made or intended, and none should be inferred, with respect to the economic return or the tax consequences of an investment in the Shares. No assurance can be given that existing laws will not be changed or interpreted adversely.

Prospective investors are not to construe the contents of this Private Placement Memorandum as legal, tax or investment advice. Each prospective investor should consult its own advisors concerning an investment in the Shares.

In making an investment decision, investors must rely on their own examination of the Trust and the terms of the offering contemplated by this Private Placement Memorandum, including the merits and risks involved. The Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority or any non-U.S. securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Private Placement Memorandum. Any representation to the contrary is a criminal offense.

The Shares offered hereby have not been, and will not be, registered under the Securities Act or any state or other securities laws, and will be offered and sold only to “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act and in compliance with any applicable state or other securities laws. The Trust will not be registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”).

The Trust is not considered a commodity pool for purposes of the U.S. Commodity Exchange Act, as amended (the “*CEA*”), and the Sponsor is not subject to regulation by the U.S. Commodity Futures Trading Commission (the “*CFTC*”) as a commodity pool operator or commodity trading adviser.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and any applicable state or other securities laws, pursuant to registration or an exemption therefrom. The transferability of the Shares is further restricted by the terms and conditions of the Trust Agreement. A copy of the Trust Agreement is included as Exhibit A to this Private Placement Memorandum and should be read carefully by any prospective investor. There is not now and may not be in the future a public market for the Shares of the Trust, and there is currently no intention or obligation on the part of any person to register the Shares under the Securities Act or any state or other securities law.

Each investor, either alone or together with a purchaser representative, will be required to make representations that the investor: (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Trust and (ii) is able to bear the economic risks, including a total loss of an investment in the Shares of the Trust.

This Private Placement Memorandum does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any state of the United States or other jurisdiction where, or to or from any person to or from whom, such offer or solicitation is unlawful or not authorized.

An investment in the Shares involves significant risks. Potential investors should carefully review the information in “Risk Factors” herein. An investment in the Trust is suitable only for sophisticated investors and requires the financial ability and willingness to accept the high risks inherent in an investment in the Trust. No assurance can be given that the investment objective of the Trust, which is presented under “Activities of the Trust—Trust Objective” herein, will be achieved or that investors will receive a return of their capital. An investor may lose its entire investment.

Each prospective investor is invited to meet with representatives of the Sponsor or the Distributors, as a designee of the Sponsor, and to discuss with, ask questions of, and receive answers from, such representatives concerning the terms and conditions of the offering of Shares and to obtain any additional information, to the extent that such representatives possess such information or can acquire it without unreasonable effort or expense, necessary to verify the information contained herein. A prospective investor should not subscribe for Shares unless satisfied that it and/or its representative has requested and received all information which would enable it to evaluate the merits and risks of investing in the Shares.

The market analysis, projections, targets, estimates and similar information, including all statements of opinion and/or belief contained herein, are subject to a number of assumptions and inherent uncertainties. Past performance, when available, is not necessarily indicative of future

results, and there can be no assurance that targets, projections or estimates of future performance will be realized.

Except as otherwise noted, all references herein to “\$,” “U.S. dollars” or monetary amounts refer to United States dollars.

In this Private Placement Memorandum, unless otherwise stated or the context otherwise requires, “we,” “our” and “us” refers to the Sponsor acting on behalf of Trust.

OFFERING RESTRICTED IN CERTAIN JURISDICTIONS

THE DISTRIBUTION OF THE DOCUMENTS PROVIDED IN CONNECTION WITH THE TRUST AND THE OFFER AND SALE OF THE SHARES OFFERED HEREBY IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. THE INFORMATION PROVIDED BY THE REPRESENTATIVES OF THE TRUST DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY IN ANY STATE, COUNTRY OR OTHER JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH STATE, COUNTRY OR JURISDICTION. THIS OFFERING DOES NOT CONSTITUTE AN OFFER OF SHARES TO THE PUBLIC AND NO ACTION HAS BEEN OR WILL BE TAKEN TO PERMIT A PUBLIC OFFERING IN ANY JURISDICTION WHERE ACTION WOULD BE REQUIRED FOR THAT PURPOSE. SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND THE DOCUMENTS PROVIDED IN CONNECTION WITH THE TRUST MAY NOT BE DISTRIBUTED, IN ANY JURISDICTION, EXCEPT IN ACCORDANCE WITH THE LEGAL REQUIREMENTS APPLICABLE IN SUCH JURISDICTION. SHARES THAT ARE ACQUIRED BY PERSONS NOT ENTITLED TO HOLD THEM WILL BE COMPULSORILY REDEEMED. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE, DOMICILE AND PLACE OF BUSINESS WITH RESPECT TO THE ACQUISITION, HOLDING OR DISPOSAL OF SHARES AND ANY CURRENCY ISSUES OR EXCHANGE RESTRICTIONS THAT MAY BE RELEVANT THERETO.

Statement Regarding Forward-Looking Statements

This Private Placement Memorandum contains “forward-looking statements” with respect to the Trust’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Private Placement Memorandum that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the

Trust's operations, the Sponsor's plans and references to the Trust's future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under "Risk Factors" in this Private Placement Memorandum. Whether or not actual results and developments will conform to the Sponsor's expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Private Placement Memorandum, including the particular risks associated with new technologies such as digital assets and blockchain technology;
- the limitations on the transfer of Shares and potential limitations on the redemption of Shares;
- the economic conditions in the digital asset industry and market;
- general economic, market and business conditions;
- the use of technology by us and our vendors, including the Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation; and
- other world economic and political developments.

Consequently, all of the forward-looking statements made in this Private Placement Memorandum are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Trust's operations or the value of its Shares. Should one or more of the risks discussed under "Risk Factors" herein or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Sponsor's beliefs, estimates and opinions on the date the statements are made and neither the Trust nor the Sponsor is under a duty or undertakes an obligation to update forward-looking statements, if these beliefs, estimates and opinions or other

circumstances should change, other than as required by applicable laws. Moreover, none of the Trust, the Sponsor, or any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

Industry and Market Data

Although we are responsible for all disclosure contained in this Private Placement Memorandum, in some cases we have relied on certain market and industry data obtained from third-party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications in conjunction with our assumptions regarding the digital asset industry and market. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Statement Regarding Forward-Looking Statements” and “Risk Factors” in this Private Placement Memorandum.

KEY OPERATING METRICS

The investment strategy of the Trust is to reflect a diversified and dynamic allocation of digital assets as determined by reference to a custom rules-based and risk-weighted Index, as specified in “Activities of the Trust” herein, which Index is licensed to the Sponsor by IDX Insights, LLC (the “*Index Provider*”) pursuant to an index license agreement (the “*Index License Agreement*”). The Sponsor may make adjustments to this strategy as it deems necessary.

The Trust’s digital assets are carried, for financial statement purposes, at fair value, as required by the U.S. generally accepted accounting principles (“*GAAP*”). The Administrator will determine the fair value of the digital assets that the Trust holds based on the price provided by the applicable Digital Asset Exchanges that the Trust considers the principal market for each digital asset as of 4:00 p.m. GMT on the valuation date. The net asset value of the Trust determined on a GAAP basis is referred to in this Private Placement Memorandum as “*NAV*.”

The Trust currently operates a redemption program; however, the redemption of Shares is subject to limitations (as described in this Private Placement Memorandum), and the Sponsor may suspend or terminate the redemption program at any time, in the Sponsor’s sole discretion, and the Sponsor will terminate the redemption program, in the event that the Shares are traded on any Secondary Market. In addition, the Trust may from time to time halt the issuance of Shares.

If the Shares are traded on any Secondary Market, there can be no assurance that the value of the Shares of the Trust will reflect the value of the digital assets held by the Trust, less the Trust’s expenses and other liabilities. The Shares may trade at a substantial premium over, or a substantial discount to, the value of the digital assets held by the Trust, less the Trust’s expenses and other liabilities, due to a lack of an ongoing redemption program, potential halts in the issuance of

Shares, price volatility, trading volume, and closings of Digital Asset Exchanges due to fraud, failure, security breaches or otherwise.

The Administrator will use the relevant Digital Asset Reference Rates to calculate the Trust's "**Digital Asset Holdings**," which is the aggregate value, expressed in U.S. dollars, of the Trust's assets (other than U.S. dollars or other fiat currency), less the U.S. dollar value of the Trust's expenses and other liabilities, calculated in the manner set forth under "Determination of Digital Asset Holdings" herein. The "Digital Asset Holdings per Share" of the Trust is calculated by dividing the relevant Digital Asset Holdings by the number of Shares of the Trust then outstanding. The Digital Asset Holdings and Digital Asset Holdings per Share of the Trust are not measures calculated in accordance with GAAP. The Digital Asset Holdings of the Trust is not intended to be a substitute for the Trust's NAV calculated in accordance with GAAP.

The Digital Asset Reference Rate for each digital asset held by the Trust is derived from data collected from the Digital Asset Exchanges trading such digital asset selected by the Administrator. The Administrator may use, in its sole discretion, any reference rate. Initially, the Administrator intends to use spot prices as provided by Coinbase, Coinmarketcap.com or a similar provider. The Digital Asset Reference Rate for each digital asset is subject to change, if the stated reference rate is unavailable. In the event that the Administrator determines that the methodology used to determine the Digital Asset Reference Rate for a digital asset held by the Trust is not an appropriate basis for valuation of such digital asset, the Administrator may, in its sole discretion, modify its methodology.

RISK FACTORS

You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this Private Placement Memorandum. See "Glossary of Defined Terms" for the definition of certain capitalized terms used in this Private Placement Memorandum.

Risk Factors Related to Digital Assets and Associated Decentralized Finance ("DeFi") Protocols.

Digital assets were only introduced within the past two decades, and many DeFi protocols were only introduced since 2019. As a result, the medium-to-long term value of an investment in the Shares of the Trust is subject to a number of factors relating to the capabilities and development of blockchain technologies and DeFi protocols and to the fundamental investment characteristics of digital assets.

Digital assets were only introduced within the past two decades (and the associated DeFi protocols much more recently), and the medium-to-long term value of an investment in the Shares is subject to a number of factors relating to the capabilities and development of blockchain and DeFi technologies, such as the infancy of their development, their dependence on the internet and other

technologies, their dependence on the role played by miners and developers and the potential for malicious activity. For example, the realization of one or more of the following risks could materially adversely affect the value of an investment in the Shares:

- The trading prices of many digital assets, including those held by the Trust, have experienced extreme volatility in recent periods and may continue to do so. For instance, there were steep increases in the value of certain digital assets, including those held by the Trust, over the course of 2017, and multiple market observers asserted that digital assets were experiencing a “bubble.” These increases were followed by steep drawdowns throughout 2018 in digital asset trading prices. These drawdowns notwithstanding, Bitcoin and other digital asset prices increased significantly again during 2019 and decreased significantly again in 2020 amidst broader market declines as a result of the coronavirus outbreak. Extreme volatility in the future, including further declines in the trading prices of digital assets held by the Trust, could have a material adverse effect on the value of the Shares, and the Shares could lose all or substantially all of their value.
- Digital asset networks and their protocols as well as the software used to operate them are in the early stages of development. Digital assets have experienced, and we expect will experience in the future, sharp fluctuations in value. Given the infancy of the development of digital asset networks, parties may be unwilling to transact in digital assets, which would dampen the growth, if any, of digital asset networks.
- Digital asset networks and their protocols are dependent upon the internet. A disruption of the internet or a digital asset network would affect the ability to transfer digital assets and, consequently, their value.
- The acceptance of software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in a digital asset network could result in a “fork” in such network’s blockchain, resulting in the operation of multiple separate networks.
- Governance of digital asset networks is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of digital asset networks, which may stymie such network’s utility and ability to grow and face challenges. In particular, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems on such digital asset network, especially long- term problems.
- The foregoing notwithstanding, the protocols for some decentralized networks are informally managed by a group of core developers that propose amendments to the relevant network’s source code. Core developers’ roles evolve over time, largely based on self-determined participation. To the extent that a significant majority of users and miners adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols that may adversely affect the value of the relevant digital asset.

- The creation of digital assets as a medium of exchange is not the sole purpose of some digital asset networks. The Ethereum network, for example, is a digital decentralized ledger protocol that powers smart contracts, and the network operated by Ripple Labs Inc. (“*Ripple*”) is designed to facilitate cross-currency transactions. The differing focus of any such digital asset could affect its growth and acceptance by users, which may negatively affect its expansion and an investment in the Shares of the Trust, if the Trust holds such digital asset.
- The loss or destruction of a private key required to access a digital asset may be irreversible. If a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Trust will be unable to access the digital assets held in the Digital Asset Custodial Account corresponding to that private key, and the private key will not be capable of being restored by the network of such digital asset.
- Bitcoin has only recently become selectively accepted and other digital assets are not currently widely accepted as a means of payment by retail or commercial outlets, and use of digital assets by consumers to pay any retail or commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for digital asset transactions; process wire transfers to or from Digital Asset Exchanges, digital asset-related companies or service providers; or maintain accounts for persons or entities transacting in digital assets. As a result, the prices of digital assets are largely determined by speculators and miners, thus contributing to price volatility that makes retailers less likely to accept them as a form of payment in the future.
- Miners, developers and users may switch to or adopt certain digital assets at the expense of their engagement with other digital asset networks, which may negatively impact those networks.
- Over the past several years, digital asset mining operations have evolved from individual users mining with computer processors, graphics processing units and first generation application specific integrated circuit (“*ASIC*”) machines to “professionalized” mining operations using proprietary hardware or sophisticated machines. If the profit margins of digital asset mining operations are not sufficiently high, digital asset miners are more likely to immediately sell tokens earned by mining, resulting in an increase in liquid supply of that digital asset, which would generally tend to reduce that digital asset’s market price.
- To the extent that any miners cease to record transactions that do not include the payment of a transaction fee in solved blocks or do not record a transaction because the transaction fee is too low, such transactions will not be recorded on the blockchain until a block is solved by a miner who does not require the payment of transaction fees or is willing to accept a lower fee. Any widespread delays in the recording of transactions could result in a loss of confidence in the digital asset network.

- Many digital asset networks face significant scaling challenges and are being upgraded with various features to increase the speed and throughput of digital asset transactions. These attempts to increase the volume of transactions may not be effective.
- The open-source structure of many digital asset network protocols means that developers and other contributors are generally not directly compensated for their contributions in maintaining and developing such protocols. As a result, the developers and other contributors of a particular digital asset may lack a financial incentive to maintain or develop the network, or may lack the resources to adequately address emerging issues. Alternatively, some developers may be funded by companies whose interests are at odds with other participants in a particular digital asset network. A failure to properly monitor and upgrade the protocol of a particular digital asset could damage that network.
- Banks may not provide banking services, or may cut off banking services, to businesses that provide digital asset-related services or that accept digital assets as payment, which could dampen liquidity in the market and damage the public perception of digital assets generally or any one digital asset in particular, and their or its utility as a payment system, which could decrease the price of digital assets generally or individually.
- Certain privacy-enhancing features have been or are expected to be introduced to a number of digital asset networks, such as the Ethereum, Zcash and Horizen networks, and exchanges or businesses that facilitate transactions in those digital assets may be at increased risk of having banking services cut off if there is a concern that these features interfere with the performance of anti-money laundering duties and economic sanctions checks.

Moreover, because digital assets have been in existence for a short period of time and are continuing to develop, there may be additional risks in the future that are impossible to predict as of the date of this Private Placement Memorandum.

Digital assets (in general) and DeFi protocols (in particular) represent a new and rapidly evolving industry, and the value of an investment in the Shares depends on the development and acceptance of those networks and/or protocols.

The first digital asset, Bitcoin, was launched in 2009, and Bitcoins were the first cryptographic digital assets created to gain global adoption and critical mass. Many other digital asset networks have only recently been established. In general, digital asset networks and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. For example, the realization of one or more of the following risks could materially adversely affect the value of an investment in the Shares:

- Many digital asset networks and DeFi protocols are still in the process of developing and making significant decisions, such as decisions that will affect policies that govern the supply and issuance of their respective tokens. For example, in late 2017, Ripple put in place an escrow lock-up program that cryptographically controls the circulating supply of XRP. Similarly, in November 2019, the Stellar Development Foundation (also known as Stellar.org) (“*SDF*”) burned approximately half of all XLM outstanding, although both entities still own a majority of the token supply of their particular networks. See “Overview of The Digital Asset Industry and Market” herein. If any digital asset network does not successfully develop its policies on supply and issuance, or does so in a manner that is not attractive to network participants, there may not be sufficient network level support for such network, which could lead to a decline in support of and the price of the applicable digital asset.
- Many digital asset networks are in the process of implementing software upgrades and other changes to their protocols. For example, on November 13, 2017, Bitcoin Cash introduced an adjustment to the algorithm that controls mining difficulty, because mining difficulty was fluctuating rapidly as large amounts of mining power continuously entered and exited the Bitcoin Cash Network. Similarly, in July 2018, the Horizen network implemented “Super Nodes,” which are nodes that, among other things, rely on a proof-of-stake consensus algorithm to provide additional functionality to the Horizen network by supporting multiple layered side chains. The Ethereum ecosystem switched from proof-of-work to a proof-of-stake consensus algorithm effective September 15, 2022. These developments may introduce bugs or new security risks or may fail to have their intended effect.
- Some digital asset networks and DeFi protocols may be the target of ill will from users of other digital asset networks. For example, the hard forks that resulted in the creation of the Bitcoin Cash and Ethereum Classic networks were contentious, and as a result some users of the Bitcoin or Ethereum networks, respectively, may harbor ill will toward the Bitcoin Cash and Ethereum Classic networks, respectively, and vice versa. These users may attempt to negatively impact the use or adoption of the other networks, respectively.
- Some digital asset networks and DeFi protocols, such as the Ethereum network, contain a “difficulty bomb” under which mining will become extraordinarily difficult over time, rendering older versions of the applicable network unusable and encouraging miners to join hard forks upgrading the protocol. These upgrades may fail to work as expected or miners may choose to not join these forks, leading to a decline in support of and the price of such digital asset.
- The cryptography known as zk-SNARKs that is used to enhance the privacy of transactions on certain digital asset networks, such as the Zcash and Horizen networks, is new and could ultimately fail, resulting in less privacy than believed or no privacy at all, and could adversely affect one’s ability to complete transactions on any such digital asset network or

otherwise adversely interfere with the integrity of the relevant blockchain. For example, on February 5, 2019, the team behind Zcash announced that it discovered a vulnerability in zk-SNARKs on March 1, 2018 that was subsequently patched in connection with a network upgrade called “Sapling” in October 2018. The vulnerability was a counterfeiting vulnerability that could have allowed an attacker to create fake ZEC on the Zcash network or fake ZEN on the Horizen network without being detected. Although the privacy features prevent one from being certain no ZEC or ZEN were counterfeited, the team behind Zcash found no evidence that counterfeiting occurred prior to the patch and believes the vulnerability has been fully remediated.

- The creators of certain digital asset networks may have relied on procedures that could be vulnerable to allowing malicious actors to counterfeit tokens or cause other potential problems. For example, in implementing a type of cryptography known as zero-knowledge proofs, the creators of Zcash relied on a set of public parameters which allow users to construct and verify private transactions. Generating public parameters is similar to generating a public/private key pair, keeping the public key, and destroying the private key. Due to cryptographic limitations, these parameters had to be generated in the set-up phase of the Zcash network and involved trusted parties generating a public/private key pair. Each of these parties had exclusive access to a piece of the private key, known as a private key shard. If an attacker were to gather such private key shards and assemble a complete copy of the corresponding private key, such attacker could use it to create counterfeit Zcash tokens. The private key could be reconstructed, for example, if every participant involved in this setup process colluded to assemble and exploit the complete private key, or if the systems used to generate the public/private key pair were compromised or flawed in some way.
- Many digital assets have concentrated ownership. For example, fewer than 100 wallet addresses frequently own the majority of tokens of the largest protocols (such as Compound, Maker and Uniswap). Moreover, it is possible that other persons or entities control multiple wallets that collectively hold a significant number of digital assets, even if they individually only hold a small amount, and it is possible that some of these wallets are controlled by the same person or entity. As a result of this concentration of ownership, large sales or distributions by such holders could have an adverse effect on the market price of certain digital assets with highly concentrated ownership. Furthermore, high degrees of concentration allow for governance decisions to be made by a small number of holders that may not act in the best interests of the broader community of holders.
- Moreover, in the past, flaws in the source code for digital assets and various DeFi protocols have been exposed and exploited, including flaws that disabled some functionality for users, exposed users’ personal information and/or resulted in the theft of users’ digital assets. The cryptography underlying a digital asset held by the Trust could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result

in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to take the digital assets held by the Trust, which would adversely affect an investment in the Shares of the Trust. Moreover, functionality may be negatively affected such that the digital asset network of a digital asset held by the Trust is no longer attractive to users, thereby dampening demand for such digital asset. In addition, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets, including those held by the Trust, and therefore adversely affect an investment in the Shares of the Trust.

The Trust may experience loss or theft of its digital assets during the transfer from the Custodian to the Sponsor or to digital asset trading venues or in the process of lending, staking, or transferring digital assets to participate in other network activities.

Under certain circumstances, the Sponsor may gain control of the Trust's digital assets. These circumstances may include withdrawals of digital assets by the Sponsor in order to make certain types of trades. The ability to gain temporary control of even a portion of the Trust's digital assets is restricted to limited number of authorized personnel of the Sponsor. Once the Custodian processes the transaction, the Sponsor has the ability to send the withdrawn digital assets to the delivery address of trading counterparties or trading venues. During any such transfer, the digital assets may be vulnerable to security breaches, including hacking and other efforts to obtain the digital assets, as well as the risk that while digital assets are under the Sponsor's control, an employee of the Sponsor could access and obtain the digital assets. Some of these attempts to obtain the digital assets may be successful, and the Trust may lose some or all of the transferred digital assets. In addition, digital assets transferred to trading venues (commonly referred to as exchanges) are subject to increased risk of loss or theft due to reliance on the security procedures of the trading venue (when the digital assets are no longer in the custody of the Custodian) and because the same withdrawal procedures required by the Custodian, which are designed to reduce the risk of error or theft, may not be required by trading venues. Digital assets transferred for the purposes of lending, staking, or participating in other network activities are subject to similar risk of loss, theft, or technological complication that could result in the loss of digital assets in their entirety.

Certain DeFi protocols permit holders of the protocol's native digital asset to participate in activities such as governance voting, staking, lending and liquidity provision, in exchange for compensation. If the fund is unable to engage in such activities, or elects not to engage in such activities, its holdings can be diluted in favor of other token holders.

Certain DeFi protocols will incentivize holders of the protocol's native digital asset to actively participate in the protocol by directing rewards, such as newly minted digital assets, transaction fees or other mechanisms, to the digital asset holder, if the digital asset holder participates in certain activities. These activities can vary across protocols and may include, but are not limited

to, governance voting, staking assets, lending assets or providing collateral or liquidity to the protocol.

As a holder of a protocol's native digital assets, the Trust may be able to participate in such activities and earn rewards. However, should the Trust participate in such activities, it may experience losses as a result of such activities.

Rewards for participating in such activities can represent a significant share of the total supply of a digital asset. If the Sponsor is unwilling or unable to engage in such activities on behalf of the Trust, the Trust's holdings of such digital could be diluted in favor of other token holders who opt to engage in such activities.

DeFi protocols may require one or more outside digital assets that are not its native digital asset to be used as collateral in order to operate certain functionality. A sudden or significant drop in the value of the digital asset used as collateral could have negative implications for the functioning of the DeFi protocol and therefore could affect the price of its native digital asset.

Certain DeFi protocols require users to post collateral in the form of a digital asset in order to borrow other assets from the protocol. In order to protect users who lend their digital assets to borrowers, if the collateral price were to fall, the protocols are usually overcollateralized, that is, the protocol will require more collateral than is necessary. If the price of the collateral were to fall, over-collateralization would allow the DeFi protocol to liquidate the posted collateral so as to ensure that the user who lent the digital assets is made whole. It is possible that certain situations might occur which would cause the DeFi protocol to become undercollateralized and put the users who are lending assets in a potential position of loss. Such situations could include, but are not limited to, sudden or significant falls in the price of the digital asset used as the collateral. Depending on the rules of the protocol, these losses may be borne by the holders of digital assets through mechanisms such as, among others, dilution through the issuance of new tokens to cover the losses or confiscation of staked assets. This could in turn cause a sudden or significant drop in the value of the digital asset used as collateral, which could have negative implications for the functioning of the DeFi protocol and therefore could affect the price of its native digital asset. If the price of a DeFi protocol's digital asset that is included in the Index declines that could negatively affect the Trust's portfolio of digital assets and the Shares.

DeFi protocols and digital assets used in DeFi protocols pose heightened regulatory concerns even beyond those that face digital asset networks and digital assets generally.

The U.S. financial system is extensively regulated at both the federal and state level with a particular focus on intermediaries such as banks, broker-dealers, futures commission merchants, investment funds, investment advisers, and financial asset exchanges, trading platforms, clearinghouses and custodians. U.S. laws and regulations impose specific obligations on financial services intermediaries both for the protection of their customers and

for the protection of the U.S. financial system as a whole. These include capital requirements, activities restrictions, reporting and disclosure requirements and obligations to monitor the activities of their customers and to ensure that the intermediaries' activities and the activities of their customers are conducted in accordance with applicable laws and regulations. Non-U.S. laws and regulatory requirements may impose similar obligations. By seeking to eliminate or substantially limit the role of traditional financial services intermediaries in lending, brokering, advisory, trading, clearing, custodying and other financial services activities, DeFi protocols pose numerous challenges to the longstanding oversight framework developed under U.S. law and used by U.S. and other regulators. For example, one commissioner of the CFTC has publicly stated that he believes certain DeFi protocols and activities operating without regulatory licensing likely violates the CEA. Further, most DeFi activities rely on users maintaining "self-hosted" wallets, and DeFi protocols generally do not engage in anti- money laundering ("*AML*") and know-your-customer ("*KYC*") or other customer identification and due diligence processes, each of which have raised concerns for regulators, including international standard-setting bodies such as the Financial Action Task Force.

Legislative bodies and regulators may be required to adapt their regulatory models to accommodate decentralized financial activities, or take novel steps to supervise, limit or even prohibit decentralized financial activities. It is not possible to predict how or when these challenges will be resolved or what the impact on specific DeFi protocols will be, and it is likely that the DeFi industry will face a prolonged period of regulatory uncertainty. It is possible that some DeFi protocols, including those using digital assets held by the Trust, will be subjected to costly and burdensome compliance regimes or even prohibited outright.

In addition, traditional financial services intermediaries bear significant and ongoing costs to comply with financial services regulation, and individually or through trade associations may actively oppose legislative or regulatory efforts to accommodate DeFi activities that compete with their core service offerings. Traditional financial services intermediaries may instead actively encourage policymakers and regulatory authorities to take actions that impede the development and use of DeFi protocols. DeFi protocols that significantly improve on traditional financial services offerings by making transactions more efficient and inexpensive, including those using digital assets held by the Trust, can be expected to draw the most attention and potential opposition from traditional financial services intermediaries, the associations that represent them, and their legislative allies.

The digital asset industry is relatively new and does not have the same access to policymakers and lobbying organizations in many jurisdictions compared to industries with which digital assets may be seen to compete, such as banking, payments and consumer finance. Competitors from other, more established industries may have greater access to and influence with governmental officials and regulators and may be successful in persuading these policymakers that digital assets require heightened levels of regulation compared to the regulation of traditional financial services. As a result, new laws and regulations may be proposed and

adopted in the United States and elsewhere, or existing laws and regulations may be interpreted in new ways, that disfavor or impose compliance burdens on the digital asset industry or crypto asset platforms, which could adversely impact the digital assets held by the Trust and therefore the value of the Shares.

Any action taken by federal, state or international policymakers or regulators to address risks and perceived risks to the public or to the U.S. and other countries' financial systems from decentralized financial activities, or the threat of such action, could have a material adverse impact on one or more of the digital assets held by the Trust and therefore materially and adversely impact the Trust and the value of the Shares.

The Trust may risk a permanent loss of capital as a result of asset lending.

The Trust may elect to engage in both protocol staking as well as token lending through intermediaries (such as the Custodian). The intermediaries may deploy digital assets of the Trust in a variety of income generating exercises including lending such digital assets to third parties and transferring them to external platforms and systems. The Sponsor cannot guarantee that these third parties shall not suffer any breaches, lose such assets or fail to return any assets to the Trust, resulting in financial loss.

Proof-of-Stake Risk

Proof-of-stake is a cryptocurrency consensus mechanism for processing transactions and creating new blocks in a blockchain. A consensus mechanism is a method for validating entries into a distributed database and keeping the database secure. While proof-of-work mechanisms require miners to solve cryptographic puzzles, proof-of-stake mechanisms require validators to hold and stake tokens for the privilege of earning transaction fees. Risks relating to proof-of-stake include:

- Proof-of-stake is a newer and less tested approach.
- Proof-of-stake is more complex to implement and maintain and therefore can theoretically result in corrupted blocks.
- Proof-of-stake is more difficult for validators to run and therefore could potentially result in network downtime or other vulnerabilities or penalties for the validators.
- Proof-of-stake networks are still theoretically vulnerable to malicious attacks and bad actors.

All of these risks and more can result in the loss of capital associated with digital assets that implement a proof-of-stake mechanism, whether or not tokens are actually staked.

A determination that a digital asset is a “security” may adversely affect the value of such digital asset and an investment in the Shares of the Trust and result in potentially extraordinary, nonrecurring expenses to, or termination of, the Trust.

The SEC has stated that certain digital assets may be considered “securities” under the federal securities laws. The test for determining whether a particular digital asset is a “security” is complex and the outcome is difficult to predict. Public statements by senior officials at the SEC, including a June 2018 speech by the director of the SEC’s Division of Corporation Finance, indicate that the SEC does not intend to take the position that Bitcoin or Ethereum are currently securities. Subsequently in a March 2019 statement, the chairman of the SEC expressed agreement with certain statements from the June 2018 speech by the Director of the SEC’s Division of Corporation Finance, including the analysis of federal securities laws that the Director applied to Bitcoin and Ethereum. Such statements are not official policy statements by the SEC and reflect only the speaker’s views, which are not binding on the SEC or any other agency or court and cannot be generalized to any other digital asset. Similarly, in April 2019, the SEC’s Strategic Hub for Innovation and Financial Technology published a framework for the analysis of digital assets. However, this framework is not a rule, regulation or statement of the Commission and is not binding on the Commission.

In addition to statements from the SEC and its staff, representatives of certain digital assets are the subject of lawsuits that implicate the federal securities laws. For example, Ripple, the company that retains a key role in stewarding the development of XRP, is currently a defendant in a federal class-action lawsuit filed by certain XRP holders that alleges that XRP is a security issued by Ripple Labs, Inc. and in an enforcement action brought by the SEC alleging that Ripple engaged in an unregistered offering of securities (XRP).

If a digital asset is determined to be a “security” under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for such digital asset. For example, it may become more difficult for such digital asset to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could in turn negatively affect the liquidity and general acceptance of such digital asset and cause users to migrate to other digital assets. Further, if any digital asset is determined to be a “security” under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for other digital assets due to negative publicity or a decline in the general acceptance of digital assets. As such, any determination that a digital asset held by the Trust is a security under federal or state securities laws may adversely affect the value of such digital asset and, as a result, an investment in the Shares of the Trust.

To the extent that a digital asset held by the Trust is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including under the Investment Company Act, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act of 1940 (the “***Investment Advisers Act***”). See “Risk Factors—Risks

Related to the Regulation of the Trust and the Shares—Regulatory changes or interpretations could cause the Trust and the Sponsor to register and comply with new regulations, resulting in potentially extraordinary, nonrecurring expenses to the Trust.” If the Sponsor determines that the Trust does not comply with such additional regulatory and registration requirements, the Sponsor may terminate the Trust. Any such termination could result in the liquidation of the Trust’s digital assets at a time that is disadvantageous to Shareholders.

Changes in the governance of a digital asset network may not receive sufficient support from users and miners, which may negatively affect that digital asset network’s ability to grow and respond to challenges.

The governance of decentralized networks, such as the Bitcoin and Ethereum networks, is by voluntary consensus and open competition. As a result, there may be a lack of consensus or clarity on the governance of any particular decentralized digital asset network, which may stymie such network’s utility and ability to grow and face challenges. The foregoing notwithstanding, the protocols for some decentralized networks, such as the Bitcoin and Ethereum networks, are informally managed by a group of core developers that propose amendments to the relevant network’s source code. Core developers’ roles evolve over time, largely based on self-determined participation. If a significant majority of users and miners adopt amendments to a decentralized network based on the proposals of such core developers, such network will be subject to new protocols that may adversely affect the value of the relevant digital asset.

The governance of other networks, such as Ripple and Stellar, is more formally managed by companies. The Ripple and Stellar networks are largely managed by Ripple and Stellar, respectively. Ripple and SDF will generally have control over amendments to, and the development of, their respective protocol’s source code. To the extent that Ripple and/or SDF make any amendments to the Ripple or Stellar networks’ protocols, respectively, the Ripple and Stellar networks will be subject to new protocols that may adversely affect the value of XRP and XLM, respectively.

As a result of the foregoing, it may be difficult to find solutions or marshal sufficient effort to overcome any future problems, especially long-term problems, on digital asset networks.

Digital asset networks face significant scaling challenges and efforts to increase the volume of transactions may not be successful.

Many digital asset networks face significant scaling challenges due to the fact that public blockchains generally face a tradeoff between security and scalability. One means through which public blockchains achieve security is decentralization, meaning that no intermediary is responsible for securing and maintaining these systems. For example, a greater degree of decentralization generally means a given digital asset network is less susceptible to manipulation or capture. In practice, this typically means that every single node on a given digital asset network is responsible for securing the system by processing every transaction and maintaining a copy of

the entire state of the network. As a result, a digital asset network may be limited in the number of transactions it can process by the capabilities of each single fully participating node in the network.

Additionally, the nature of decentralization poses unique scaling challenges to blockchains. While many proposed mechanisms seek to address this, there are no guarantees that any or all of them will be executed successfully. This could significantly impair the associated blockchain's utility as well as its token's "store of value".

Many developers are actively researching and testing scalability solutions for public blockchains that do not necessarily result in lower levels of security or decentralization (*e.g.*, off-chain payment channels like the Lightning Network, sharding, or off-chain computations). However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of Bitcoin or any other digital asset network transactions will be effective, or how long these mechanisms will take to become effective, which could adversely impact an investment in the Shares.

If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital asset network, or otherwise obtains control over a digital asset network through its influence over core developers or otherwise, such actor or botnet could manipulate the relevant blockchain and take actions that could adversely affect digital assets held by the Trust and an investment in the Shares of the Trust or the ability of the Trust to operate.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on a particular digital asset network, it may be able to alter the relevant blockchain on which transactions in that digital asset rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could also control, exclude or modify the ordering of transactions. Although the malicious actor or botnet would not be able to generate new tokens or transactions using such control, it could "double-spend" its own tokens (*i.e.*, spend the same tokens in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the relevant digital asset network or the digital asset community did not reject the fraudulent blocks as malicious, reversing any changes made to the relevant blockchain may not be possible.

For example, in January 2019, the Ethereum Classic network was the target of a double-spend attack by an unknown actor that gained more than 50% of the processing power of the Ethereum Classic Network. The attack resulted in a reorganization of the Ethereum Classic blockchain that resulted in losses in excess of over \$1.0 million and a subsequent reduction in the market capitalization of ETC.

In addition, in May 2019, the Bitcoin Cash network experienced a 51% attack when two large mining pools reversed a series of transactions in order to stop an unknown miner from taking advantage of a flaw in a recent Bitcoin Cash protocol upgrade. Although this particular attack was arguably benevolent, certain individuals believe it negatively impacts the Bitcoin Cash network.

Although there are no other known reports of malicious activity on, or control of, the networks of the digital assets currently held by the Trust, it is believed that certain mining pools may have exceeded the 50% threshold on some digital asset networks, such as the Bitcoin network. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of digital asset transactions, and this risk is heightened if over 50% of the processing power on the network falls within the jurisdiction of a single governmental authority. For example, it is believed that more than 50% of the processing power on the Bitcoin network is located in China. Because the Chinese government has subjected digital assets to heightened levels of scrutiny recently, reportedly forcing several Digital Asset Exchanges to shut down, there is a risk that the Chinese government could also achieve control over more than 50% of the processing power on the Bitcoin network. To the extent that similar events occur on the network of a digital asset held by the Trust, if the network participants, including the core developers and the administrators of mining pools, do not act to ensure greater decentralization of mining processing power of such network, the feasibility of a malicious actor obtaining control of the processing power on such network will increase, which may adversely affect an investment in the Shares of the Trust.

A malicious actor may also obtain control over a digital asset network through its influence over core developers by gaining direct control over a core developer or an otherwise influential programmer. To the extent that a digital asset ecosystem does not grow, the possibility that a malicious actor may be able to obtain control of the processing power on the relevant digital asset network in this manner will remain heightened.

Smart contracts are a new technology and ongoing development may magnify initial problems, cause volatility on the networks that use smart contracts and reduce interest in them, which could have an adverse impact on the value of digital assets that deploy smart contracts.

Smart contracts are programs that run on a blockchain that execute automatically when certain conditions are met. Since smart contracts typically cannot be stopped or reversed, vulnerabilities in their programming can have damaging effects. For example, in June 2016, a vulnerability in the smart contracts underlying The DAO, a distributed autonomous organization for venture capital funding, allowed an attack by a hacker to syphon approximately \$60 million worth of ETH from The DAO's accounts into a segregated account. In the aftermath of the theft, certain developers and core contributors pursued a "hard fork" of the Ethereum network in order to erase any record of the theft. Despite these efforts, the price of ETH dropped approximately 35% in the aftermath of the attack and subsequent hard fork. In addition, in July 2017, a vulnerability in a smart contract for a multi-signature wallet software developed by Parity led to a \$30 million theft of ETH, and in November 2017, a new vulnerability in Parity's wallet software led to roughly \$160 million worth

of ETH being indefinitely frozen in an account. Initial problems and continued problems with the development and deployment of smart contracts may have an adverse effect on the value of ETH, ETC, XLM and other digital assets that rely on smart contract technology. As an example, in May 2022, the LUNA token experienced a significant decline when the “stablecoin” associated with the Terra Luna protocol became unpegged to the USD. This catalyzed a “bank run” for liquidity which severely impacted the price of both the Terra Luna stablecoin (UST) as well as the protocol token (LUNA). In part, this was a function of a failure of the protocol to collateralize sufficiently, a failure of the smart contracts governing the peg and a failure of the governance structure to plan or deal with these issues, including potentially bad actors and insider trading. As a result, holders of LUNA and/or UST have lost substantially all their capital.

A temporary or permanent “fork” could adversely affect an investment in the Shares.

Many digital asset networks operate using open-source protocols, meaning that any user can download the software, modify it and then propose that the users and miners of the currency adopt the modification. When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “hard fork” of the network, with one group running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the digital asset running in parallel, yet lacking interchangeability. For example, in August 2017, Bitcoin “forked” into Bitcoin and a new digital asset, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process.

Forks may also occur as a network community’s response to a significant security breach. For example, in June 2016, an anonymous hacker exploited a smart contract running on the Ethereum network to syphon approximately \$60 million of ETH held by The DAO, a distributed autonomous organization, into a segregated account. In response to the hack, most participants in the Ethereum community elected to adopt a fork that effectively reversed the hack. However, a minority of users continued to develop the original blockchain, now referred to as “Ethereum Classic” with the digital asset on that blockchain now referred to as Ether Classic, or ETC. ETC now trades on several Digital Asset Exchanges.

A fork may also occur as a result of an unintentional or unanticipated software flaw in the various versions of otherwise compatible software that users run. Such a fork could lead to users and miners abandoning the digital asset with the flawed software. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the digital asset while resisting community-led efforts to merge the two chains. This could result in a permanent fork, as in the case of Ether and Ether Classic.

In addition, many developers have previously initiated hard forks in the Bitcoin blockchain to launch new digital assets, such as Bitcoin Cash, Bitcoin Gold, Bitcoin Silver and Bitcoin Diamond, as well as the Bitcoin Cash blockchain to launch a new digital asset, Bitcoin Satoshi's Vision.

Furthermore, a hard fork can lead to new security concerns. For example, when the Ethereum and Ethereum Classic networks split in July 2016, replay attacks, in which transactions from one network were rebroadcast to nefarious effect on the other network, plagued Ethereum exchanges through at least October 2016. An Ethereum exchange announced in July 2016 that it had lost 40,000 Ether Classic, worth about \$100,000 at that time, as a result of replay attacks. Similar replay attack concerns occurred in connection with the Bitcoin Cash and Bitcoin Satoshi's Vision networks split in November 2018. Another possible result of a hard fork is an inherent decrease in the level of security due to significant amounts of mining power remaining on one network or migrating instead to the new forked network. After a hard fork, it may become easier for an individual miner or mining pool's hashing power to exceed 50% of the processing power of the digital asset network that retained or attracted less mining power, thereby making digital assets that rely on proof-of-work more susceptible to attack.

A future fork in the network of a digital asset held by the Trust could adversely affect an investment in the Shares of the Trust or the ability of the Trust to operate. To the extent such digital assets compete with a digital asset held by the Trust, such competition could impact demand for such digital asset and could adversely impact an investment in the Shares of the Trust.

Shareholders may not receive the benefits of any forks or "airdrops."

In addition to forks, a digital asset may become subject to a similar occurrence known as an "airdrop." In an airdrop, the promoters of a new digital asset announce to holders of another digital asset that such holders will be entitled to claim a certain amount of the new digital asset for free, based on the fact that they hold such other digital asset.

Shareholders may not receive the benefits of any forks, the Trust may not choose, or be able, to participate in an airdrop, and the timing of receiving any benefits from a fork, airdrop or similar event is uncertain. We refer to the right of the Trust to receive any such benefit as an "***Incidental Right***" and any such virtual currency acquired through an Incidental Right as "***IR Virtual Currency***." There are likely to be operational, tax, securities law, regulatory, legal and practical issues that significantly limit, or prevent entirely, Shareholders' ability to realize a benefit, through their interests in the Trust, from any such Incidental Rights or IR Virtual Currency. For instance, the Custodian may not agree to provide access to the IR Virtual Currency. In addition, the Sponsor may determine that there is no safe or practical way to custody the IR Virtual Currency, or that trying to do so may pose an unacceptable risk to the Trust's holdings in digital assets, or that the costs of taking possession and/or maintaining ownership of the IR Virtual Currency exceed the benefits of owning the IR Virtual Currency. Additionally, laws, regulation or other factors may prevent Shareholders from benefitting from the Incidental Right or IR Virtual Currency, even if there is a safe and practical way to custody and secure the IR Virtual Currency. For example, it

may be illegal to sell or otherwise dispose of the Incidental Right or IR Virtual Currency, or there may not be a suitable market into which the Incidental Right or IR Virtual Currency can be sold (immediately after the fork or airdrop, or ever). The Sponsor may also determine, in consultation with its legal advisors, that the Incidental Right or IR Virtual Currency is, or is likely to be deemed, a security under federal or state securities laws. In such a case, the Sponsor would irrevocably abandon, as of any date on which the Trust creates Shares, such Incidental Right or IR Virtual Currency, if holding it would have an adverse effect on the Trust and it would not be practicable to avoid such effect by disposing of the Incidental Right or IR Virtual Currency in a manner that would result in Shareholders of the Trust receiving more than insignificant value thereof. In making such a determination, the Sponsor expects to take into account a number of factors, including the definition of a “security” under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Securities Exchange Act of 1934 (the “**Exchange Act**”), *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) and the case law interpreting it, as well as reports, orders, press releases, public statements and speeches by the SEC providing guidance on when a digital asset is a “security” for purposes of the federal securities laws.

The Trust intend to inform the Custodian that the Trust will irrevocably abandon, as of any date on which the Trust creates Shares, any Incidental Rights or IR Virtual Currency to which the Trust would otherwise be entitled as of such date and with respect to which it has not taken any other action on or prior to such date. In order to avert abandonment of an Incidental Right or IR Virtual Currency, the Trust would need to send a notice to the Custodian of its intention to retain such Incidental Right or IR Virtual Currency. The Sponsor intends to evaluate each future fork or airdrop on a case-by-case basis in consultation with the Trust’s legal advisors, tax consultants and the Custodian. Any inability to recognize the economic benefit of a hard fork or airdrop could adversely affect an investment in the Shares of the Trust. See “Activities of the Trust—Incidental Rights and IR Virtual Currency” herein.

In the event of a hard fork of the network of a digital asset held by the Trust, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine which network should be considered the appropriate network for the Trust’s purposes, and in doing so may adversely affect the value of the Shares of the Trust.

In the event of a hard fork of the digital asset network of a digital asset held by the Trust, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine, in good faith, which peer-to-peer network, among a group of incompatible forks of such digital asset network, is generally accepted as the network for such digital asset and should therefore be considered the appropriate network for the Trust’s purposes. The Sponsor will base its determination on a variety of then relevant factors, including, but not limited to, the Sponsor’s beliefs regarding expectations of the core developers of such digital asset, users, services, businesses, miners and other constituencies, as well as the actual continued acceptance of, mining power on, and community engagement with, the network of such digital asset. There is no guarantee that the Sponsor will choose the digital asset that is ultimately the most valuable fork, and the Sponsor’s decision may adversely affect the value of the Shares of the Trust as a result.

The Sponsor may also disagree with investors and security vendors on what is generally accepted as such digital asset and should therefore be considered the digital asset going forward for the Trust's purposes, which may also adversely affect the value of the Shares of the Trust as a result.

If the digital asset award for solving blocks and transaction fees for recording transactions on any particular digital asset network are not sufficiently high to incentivize miners or other transaction validators, miners or other transaction validators may cease expending processing power or other resources, or demand high transaction fees, which could negatively impact the value of the relevant digital asset and an investment in the Shares of the Trust, if the Trust holds such digital asset.

If the digital asset awards for solving blocks and the transaction fees for recording transactions on any particular digital asset network are not sufficiently high to incentivize miners or other transaction validators, miners or other transaction validators may cease expending processing power or other resources to solve blocks and confirmations of transactions on the blockchain could be slowed. A reduction in the processing power or other resources expended by miners or other transaction validators on a digital asset network could increase the likelihood of a malicious actor or botnet obtaining control.

Miners and other transaction validators have historically accepted relatively low transaction confirmation fees on most digital asset networks. If miners or other transaction validators demand higher transaction fees for recording transactions in the blockchain on any particular digital asset network or a software upgrade automatically charges fees for all transactions on such digital asset network, the cost of using the relevant digital asset may increase and the marketplace may be reluctant to accept such digital asset as a means of payment. Alternatively, miners or other transaction validators could collude in an anti-competitive manner to reject low transaction fees on a particular digital asset network and force users to pay higher fees, thus reducing the attractiveness of such digital asset network. Higher transaction confirmation fees resulting through collusion or otherwise may adversely affect the attractiveness of a digital asset network, the value of such digital asset and an investment in the Shares of the Trust, if the Trust holds such digital asset.

Any name change and any associated rebranding initiative by the core developers of a digital asset may not be favorably received by the digital asset community, which could negatively impact the value of such digital asset and an investment in the Shares of the Trust holding such digital asset.

From time to time, digital assets may undergo name changes and associated rebranding initiatives. For example, Bitcoin Cash may sometimes be referred to as Bitcoin ABC in an effort to differentiate itself from any Bitcoin Cash hard forks, such as Bitcoin Satoshi's Vision, and in the third quarter of 2018, the team behind Zen rebranded and changed the name of ZenCash to "Horizen." We cannot predict the impact of any name change and any associated rebranding initiative on the relevant digital asset. After a name change and an associated rebranding initiative,

a digital asset may not be able to achieve or maintain brand name recognition or status that is comparable to the recognition and status previously enjoyed by such digital asset. The failure of any name change and any associated rebranding initiative by a digital asset may result in such digital asset not realizing some or all of the anticipated benefits contemplated by the name change and associated rebranding initiative, and could negatively impact the value of the relevant digital asset and an investment in the Shares of the Trust, if the Trust holds such digital asset.

Risk Factors Related to the Digital Asset Markets

The value of the Shares of the Trust relates directly to the value of the digital assets then held by the Trust, the value of which may be highly volatile and subject to fluctuations due to a number of factors.

The value of the Shares of the Trust relates directly to the value of the digital asset then held by the Trust and fluctuations in the price of such digital asset could adversely affect an investment in the Shares of the Trust. The market price of a digital asset held by the Trust may be highly volatile, and subject to a number of factors, including:

- An increase in the global supply of such digital asset;
- Manipulative trading activity on digital asset exchanges, which are largely unregulated;
- The adoption of such digital asset as a medium of exchange, store of value or other consumptive asset and the maintenance and development of the open-source software protocol of the applicable digital asset network;
- Forks in the applicable digital asset network;
- Investors' expectations with respect to interest rates, the rates of inflation of fiat currencies or such digital asset, and digital asset exchange rates;
- Consumer preferences and perceptions of such digital asset specifically and digital assets generally;
- Fiat currency withdrawal and deposit policies on Digital Asset Exchanges;
- The liquidity of Digital Asset Markets;
- Investment and trading activities of large investors that invest directly or indirectly in such digital asset;
- Volatility resulting from a "short squeeze," when short sellers are forced to cover their short positions in a digital asset;

- An active derivatives market for such digital asset or for digital assets generally;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations and regulatory measures or enforcement actions, if any, that restrict the use of such digital asset as a form of payment or the purchase of such digital asset in the Digital Asset Markets;
- Global or regional political, economic or financial conditions, events and situations, such as the novel coronavirus outbreak;
- Fees associated with processing a transaction of such digital asset and the speed at which such transactions are settled;
- Interruptions in service from or failures of major Digital Asset Exchanges;
- Decreased confidence in Digital Asset Exchanges due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges;
- Increased competition from other forms of digital assets or payment services; and
- The Trust's own acquisitions or dispositions of such digital asset, since there is no limit on the number of tokens of such digital asset that the Trust may acquire.

In addition, investors should be aware that there is no assurance that the digital asset held by the Trust will maintain its value in the long or intermediate term. In the event that the price of such digital asset declines, the Sponsor expects the value of an investment in the Shares of the Trust to decline proportionately.

The value of a digital asset as represented by the applicable Digital Asset Reference Rate or by the Trust's principal market may also be subject to momentum pricing due to speculation regarding future appreciation in value, leading to greater volatility that could adversely affect an investment in the Shares. Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for future appreciation in value, if any. The Sponsor believes that momentum pricing of many digital assets has resulted, and may continue to result, in speculation regarding future appreciation in the value of the digital assets held by the Trust, inflating and making the applicable Digital Asset Reference Rate more volatile. As a result, any digital asset held by the Trust may be more likely to fluctuate in value due to changing investor confidence, which could impact future appreciation or depreciation in the applicable Digital Asset Reference Rate and could adversely affect an investment in the Shares of the Trust.

The Trust faces liquidity risks which could make it impossible to prevent or minimize a loss or realize a gain.

Liquidity risk exists when particular holdings of the Trust cannot be sold or would be difficult to purchase or sell, possibly preventing the Trust from selling such illiquid digital assets at an advantageous time or price, or possibly requiring the Trust to dispose of other digital assets at unfavorable times or prices in order to satisfy its obligations. The Trust will make allocations decentralized finance (DeFi) tokens and digital assets, each of which may have more limited liquidity than large decentralized protocols and blockchains, such as Bitcoin (BTC), or Ethereum (ETH), or traditional investment securities. In addition, if the Sponsor determines to engage in Staking with respect to any of the Trust's digital assets, while those digital assets are "staked," those digital assets would be locked within the digital asset's protocol and could not be sold.

The Trust face risks related to the coronavirus (COVID-19) outbreak, which could negatively impact the value of the Trust's holdings and significantly disrupt its operations.

The coronavirus ("**COVID-19**") will in the short-term, and may over the longer term, adversely affect the economies and financial markets of many countries, resulting in an economic downturn that may adversely affect demand for digital assets generally and impact the value of, and demand for, the digital assets held by the Trust. Although the magnitude of the impact of the COVID-19 outbreak or the occurrence of other epidemics or pandemics on the digital assets held by the Trust remains uncertain, the continued spread of COVID-19 and the imposition of related public health measures and travel and business restrictions have resulted in, and will continue to result in, increased volatility and uncertainty in the Digital Asset Markets. In addition, we rely on third party service providers to perform certain functions essential to the operation of the Trust. Any disruptions to the Trust's or the Trust's service providers' business operations resulting from business restrictions, quarantines or restrictions on the ability of personnel to perform their jobs could have an adverse impact on the Trust's ability to access critical services and would be disruptive to the operation of the Trust.

Due to the unregulated nature and lack of transparency surrounding the operations of Digital Asset Exchanges, they may experience fraud, security failures or operational problems, which may adversely affect the value of digital assets and, consequently, an investment in the Shares.

Digital Asset Exchanges are relatively new and largely unregulated. Furthermore, while many prominent Digital Asset Exchanges provide the public with significant information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many Digital Asset Exchanges do not provide this information. As a result, the marketplace may lose confidence in Digital Asset Exchanges, including prominent exchanges that handle a significant volume of digital asset trading.

For example, in 2019 there were reports claiming that 80-95% of Bitcoin trading volume on Digital Asset Exchanges was false or non-economic in nature, with specific focus on unregulated

exchanges located outside of the U.S. Such reports may indicate that the Digital Asset Exchange Market is significantly smaller than expected and that the U.S. makes up a significantly larger percentage of the Digital Asset Exchange Market than is commonly understood. Nonetheless, any actual or perceived false trading in the Digital Asset Exchange Market, and any other fraudulent or manipulative acts and practices, could adversely affect the value of digital assets held by the Trust and/or negatively affect the market perception of such digital assets.

In addition, over the past several years, some Digital Asset Exchanges have been closed due to fraud and manipulative activity, business failure or security breaches. In many of these instances, the customers of such Digital Asset Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Digital Asset Exchanges. While smaller Digital Asset Exchanges are less likely to have the infrastructure and capitalization that make larger Digital Asset Exchanges more stable, larger Digital Asset Exchanges are more likely to be appealing targets for hackers and malware and may be more likely to be targets of regulatory enforcement action. For example, the collapse of Mt. Gox, which filed for bankruptcy protection in Japan in late February 2014, demonstrated that even the largest Digital Asset Exchanges could be subject to abrupt failure with consequences for both users of Digital Asset Exchanges and the digital asset industry as a whole. In particular, in the two weeks that followed the February 7, 2014 halt of Bitcoin withdrawals from Mt. Gox, the value of one Bitcoin fell on other exchanges from around \$795 on February 6, 2014 to \$578 on February 20, 2014. Additionally, in January 2015, Bitstamp announced that approximately 19,000 Bitcoin had been stolen from its operational or “hot” wallets.

Further, in August 2016, it was reported that almost 120,000 Bitcoins worth around \$78 million were stolen from Bitfinex, a large Digital Asset Exchange. The value of Bitcoin immediately decreased over 10% following reports of the theft at Bitfinex. In July 2017, the Financial Crimes Enforcement Network (“*FinCEN*”) assessed a \$110 million fine against BTC-E, a now defunct Digital Asset Exchange, for facilitating crimes such as drug sales and ransomware attacks. In addition, in December 2017, Yopian, the operator of Seoul-based Digital Asset Exchange, Yobit, suspended digital asset trading and filed for bankruptcy following a hack that resulted in a loss of 17% of Yopian’s assets. Following the hack, Yobit users were allowed to withdraw approximately 75% of the digital assets in their exchange accounts, with any potential further distributions to be made following Yopian’s pending bankruptcy proceedings. In addition, in January 2018, the Japanese Digital Asset Exchange, Coincheck, was hacked, resulting in losses of approximately \$535 million, and in February 2018, the Italian digital asset exchange, Bitgrail, was hacked, resulting in approximately \$170 million in losses. In May 2019, one of the world’s largest Digital Asset Exchanges, Binance, was hacked, resulting in losses of approximately \$40 million.

Negative perception, a lack of stability in the Digital Asset Markets and the closure or temporary shutdown of Digital Asset Exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in digital asset networks and result in greater volatility in the prices of digital assets. Furthermore, the closure or temporary shutdown of a Digital Asset Exchange used in calculating any of the Digital Asset Reference Rates may result

in a loss of confidence in the Trust's ability to determine its Digital Asset Holdings on a daily basis. These potential consequences of a Digital Asset Exchange's failure could adversely affect an investment in the Shares of the Trust.

As another example, in May 2022, the LUNA token experienced a significant decline when the "stablecoin" associated with the Terra Luna protocol became unpegged to the USD. This catalyzed a "bank run" for liquidity which severely impacted the price of both the Terra Luna stablecoin (UST) as well as the protocol token (LUNA). In part, this was a function of a failure of the protocol to collateralize sufficiently, a failure of the smart contracts governing the peg and a failure of the governance structure to plan or deal with these issues, including potentially bad actors and insider trading. As a result, holders of LUNA and/or UST have lost substantially all their capital.

The Sponsor relies on the Index, which could contain flawed models and data, to make its management decisions.

While the Sponsor has discretion to make adjustments for cash and risk management, the Sponsor will primarily rely on the Index in making its trading decisions. The Index in turn relies heavily on quantitative models and information and data, both proprietary as well as supplied by third parties ("***Models and Data***"), to rank digital assets, provide risk management insights, and to assist in managing the Trust's holdings.

When Models and Data prove to be incorrect or incomplete, any decisions made in reliance thereon expose the Trust to potential risks. Some of the models used by the Sponsor for the Trust are predictive in nature. The use of predictive models has inherent risks. Because predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy and reliability of the supplied historical data. In addition, there is an inherent risk that the quantitative models used by the Sponsor may not be successful in forecasting movements in digital assets, protocols, networks, or in determining the weighting of holdings positions that will enable the Trust to achieve its objectives.

All models rely on correct data inputs. If incorrect market data is entered into even a well-founded model, the resulting information will be incorrect. However, even if market data is input correctly, "model prices" will often differ substantially from market prices, especially for holdings with less liquidity or more complex characteristics, which is commonly the case for all digital asset exposures.

The Index Provider makes no warranty, express or implied, as to the results to be obtained by any person or entity from the use of the Index for any purpose. Index information and any other information calculated and/or disseminated, in whole or part, by the Index Provider is for informational purposes only, not intended for trading purposes, and provided on an "as is" basis. The Index Provider does not warrant that Index information will be uninterrupted or error-free, or that defects will be corrected. The Index Provider also does not recommend or make any representations as to possible benefits from any securities or investments, or third-party products

or services. Shareholders should undertake their own due diligence regarding securities and investment practices. Also, the Index Provider may change the underlying methodology of the Index at its sole discretion.

Each Digital Asset Reference Rate has a limited history and a failure of a Digital Asset Reference Rate could adversely affect an investment in the Trust.

Each Digital Asset Reference Rate has a limited history and is an average composite reference rate calculated using volume-weighted trading price data from various Digital Asset Exchanges chosen by the Administrator. The Digital Asset Exchanges chosen by the Administrator may change over time. Although each Digital Asset Reference Rate is designed to accurately capture the market price of the digital asset it tracks, third parties may be able to purchase and sell such digital assets on public or private markets not included among the Digital Asset Exchanges of such Digital Asset Reference Rate, and such transactions may take place at prices materially higher or lower than the Digital Asset Reference Rate. Moreover, there may be variances in the prices of digital assets on the various Digital Asset Exchanges, including as a result of differences in fee structures or administrative procedures on different Digital Asset Exchanges. To the extent such prices differ materially from the Digital Asset Reference Rate, investors may lose confidence in the Shares' ability to track the market price of such digital asset, which could adversely affect an investment in the Trust.

The Digital Asset Reference Rates used to calculate the value of the Trust's digital assets may be volatile, and purchasing activity in the Digital Asset Exchange Market associated with the issuance of Shares or selling activity following redemptions, if permitted, may affect the relevant Digital Asset Reference Rate and Share trading prices, adversely affecting an investment in the Shares of the Trust.

The price of digital assets on public Digital Asset Exchanges have a very limited history, and during this history, digital asset prices on the Digital Asset Markets more generally, and on Digital Asset Exchanges individually, have been volatile and subject to influence by many factors, including operational interruptions. While each Digital Asset Reference Rate is designed to limit exposure to the interruption of individual Digital Asset Exchanges, the relevant Digital Asset Reference Rate, and the price of digital assets generally, remains subject to volatility experienced by Digital Asset Exchanges, and such volatility could adversely affect an investment in the Shares.

Furthermore, because the number of Digital Asset Exchanges is limited, each Digital Asset Reference Rate will necessarily be calculated by reference to a limited number of Digital Asset Exchanges. If a Digital Asset Exchange were subjected to regulatory, volatility or other pricing issues, the Administrator would have limited ability to remove such Digital Asset Exchange from the group of trading venues used by it to calculate the relevant Digital Asset Reference Rate, which could skew the price of the digital asset as represented by such Digital Asset Reference Rate. Trading on a limited number of Digital Asset Exchanges may result in less favorable prices and

decreased liquidity of one or more digital assets and, therefore, could have an adverse effect on an investment in the Shares.

Purchasing activity associated with acquiring digital assets required for the issuance of new Shares may increase the market price of digital assets on the Digital Asset Markets, which will result in higher prices for the Shares. Increases in the market price of digital assets may also occur as a result of the purchasing activity of other market participants. Other market participants may attempt to benefit from an increase in the market price of digital assets that may result from increased purchasing activity of digital assets connected with the issuance of new Shares. Consequently, the market price of digital assets may decline immediately after such Shares are created. The selling activity associated with sales of digital assets withdrawn from the Trust in connection with the redemption of the Shares may decrease the market price of digital assets on the Digital Asset Exchange Market, which will result in lower prices for the Shares. Decreases in the market price of digital assets may also occur as a result of sales in Secondary Markets for such digital assets by other market participants. If the relevant Digital Asset Reference Rate declines, the trading price of the Shares will generally also decline.

Competition from the emergence or growth of other methods of investing in digital assets could have a negative impact on the price of the digital assets held by the Trust and adversely affect an investment in the Shares.

Investors may invest in digital assets through means other than an investment in the Shares, including through direct investments in digital assets and other potential financial vehicles, possibly including securities backed by or linked to one or more digital assets and digital asset financial vehicles similar to the Trust. Market and financial conditions, and other conditions beyond the Sponsor's control, may make it more attractive to invest in other financial vehicles or to invest in such digital assets directly, which could limit the market for, and reduce the liquidity of, the Shares. In addition, to the extent digital asset financial vehicles other than the Trust tracking the price of one or more digital assets are formed and represent a significant proportion of the demand for any particular digital asset, large purchases or redemptions of the securities of these digital asset financial vehicles, or private funds holding such digital asset, could negatively affect the relevant Digital Asset Reference Rate, the Digital Asset Holdings, the NAV, the NAV per Share and the price of the Shares. In addition, as described below, the SEC has not yet approved the listing on a national securities exchange of any digital-asset focused exchange-traded fund. If the SEC were to approve any such fund in the future, such a fund may be perceived to be a superior investment product offering exposure to digital assets compared to the Trust, because the value of such fund's shares would be expected to more closely track the fund's net asset value than do Shares of the Trust. Investors may therefore favor investments in such funds over investments in the Trust. Any weakening in demand for the Shares compared to such digital asset fund shares could cause the value of the Shares to decline.

Failure of funds that hold digital assets to receive SEC approval to list their shares on exchanges could adversely affect an investment in the Shares.

There have been a growing a number of attempts to list on national securities exchanges the shares of funds that hold digital assets. These investment vehicles attempt to provide institutional and retail investors exposure to markets for digital assets and related products. The SEC has repeatedly denied such requests. On January 18, 2018, the SEC’s Division of Investment Management outlined several questions that sponsors would be expected to address before the SEC will consider granting approval for funds holding “substantial amounts” of cryptocurrencies or “cryptocurrency-related products.” The questions, which focus on specific requirements of the Investment Company Act, generally fall into one of five key areas: valuation, liquidity, custody, arbitrage and potential manipulation. The SEC has not explicitly stated whether each of the questions set forth would also need to be addressed by entities with similar products and investment strategies that instead pursue registered offerings under the Securities Act, although such entities would need to comply with the registration and prospectus disclosure requirements of the Securities Act. Furthermore, NYSE Arca previously withdrew its application with the SEC to list Grayscale Bitcoin Trust (BTC) (“***BTC Trust***”) on a national security exchange. Requests to list the shares of other funds on national securities exchanges have also been submitted to the SEC, to which the SEC issued disapproval orders. More recently, the Chicago Board Options Exchange (“***CBOE***”) withdrew a request to list the shares of the VanEck SolidX Bitcoin Trust in September 2019 and the SEC issued disapprovals of NYSE Arca’s requests to list the shares of the Bitwise Bitcoin ETF Trust in October 2019 and shares of the United States Bitcoin and Treasury Investment Trust in February 2020. The exchange listing of shares of digital asset funds would create more opportunities for institutional and retail investors to invest in the Digital Asset Market. If exchange-listing requests are not approved by the SEC and further requests are ultimately denied by the SEC, increased investment interest by institutional or retail investors could fail to materialize, which could reduce the demand for digital assets generally and therefore adversely affect an investment in the Shares.

The Trust may be subject to counterparty risk in certain circumstances.

The Trust may be subject to counterparty risk in certain circumstances. See “Activities of the Trust – Strategies behind the Trust – “*Minimize Counterparty and Credit Risk*” herein.

Risk Factors Related to the Trust and the Shares

The Trust and the Sponsor have a limited operating history.

The Trust and the Sponsor are relatively new entities and have a limited history of operations for investors to evaluate. Investors in the Trust bear the risk that the Sponsor may not be successful in implementing its model strategies, may be unable to implement certain of its model strategies or may fail to attract sufficient assets, any of which could result in the Trust being liquidated and terminated at any time without Shareholder approval and at a time that may not be favorable for

all Shareholders. Such a liquidation could have negative tax consequences for Shareholders and will cause Shareholders to incur expenses of liquidation. As a result, investors do not have a long-term track record from which to judge the Sponsor, and the Sponsor may not achieve the intended result in managing the Trust.

An investment in the Shares of the Trust may be influenced by a variety of factors unrelated to the value of the digital asset held by the Trust.

An investment in the Shares of the Trust may be influenced by a variety of factors unrelated to the price of the digital asset held by the Trust and the Digital Asset Exchanges included in the relevant Digital Asset Reference Rate that may have an adverse effect on the price of the Shares of the Trust. These factors include the following factors:

- Unanticipated problems or issues with respect to the mechanics of the Trust's operations and the trading of the Shares, if any, may arise;
- The Trust could experience difficulties in operating and maintaining its technical infrastructure, including in connection with expansions or updates to such infrastructure, which are likely to be complex and could lead to unanticipated delays, unforeseen expenses and security vulnerabilities;
- The Trust could experience unforeseen issues relating to the performance and effectiveness of the security procedures used to protect its Digital Asset Custodial Accounts, or the security procedures may not protect against all errors, software flaws or other vulnerabilities in the Trust's technical infrastructure, which could result in theft, loss or damage of its assets; or
- Service providers may decide to terminate their relationships with the Trust due to concerns that the introduction of privacy enhancing features to any particular digital asset network may increase the potential for such digital asset to be used to facilitate crime, exposing such service providers to potential reputational harm.

Any of these factors could affect the value of the Shares of the Trust, either directly or indirectly through their effect on its assets.

Shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act or the protections afforded by the CEA.

The Investment Company Act is designed to protect investors by preventing insiders from managing investment companies to their benefit and to the detriment of public investors and limits activities such as: the issuance of securities having inequitable or discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies

without the consent of investors; and the use of excessive leverage. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

The Trust is not registered as an investment company under the Investment Company Act, and the Sponsor believes that the Trust is not required to register under such act. Consequently, Shareholders do not have the regulatory protections provided to investors in investment companies.

The Trust will not hold or trade in commodity interests regulated by the CEA, as administered by the CFTC. Furthermore, the Sponsor believes that the Trust is not a commodity pool for purposes of the CEA, and that neither the Sponsor nor the Trustee is subject to regulation by the CFTC as a commodity pool operator or a commodity trading adviser in connection with the operation of the Trust. Consequently, Shareholders will not have the regulatory protections provided to investors in CEA-regulated instruments or commodity pools.

The restrictions on transfer and redemption may result in losses on an investment in the Shares.

The Shares may not be resold except in transactions exempt from registration under the Securities Act and state securities laws, and any such transaction must be approved in advance by the Sponsor. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void *ab initio*. See “Description of the Shares—Transfer Restrictions” herein for more information.

Although the Sponsor is accepting redemption requests from Shareholders of the Trust, the redemption of Shares is subject to limitations (as described in this Private Placement Memorandum), the Sponsor may suspend or terminate the redemption program at any time, in the Sponsor’s sole discretion, and the Sponsor will terminate the redemption program, in the event that the Shares are traded on any Secondary Market. In addition, the Trust may from time to time halt the issuance of Shares. Therefore, Shareholders may be unable to (or could be significantly impeded in attempting to) sell or otherwise liquidate investments in the Shares of the Trust, which could have a material adverse impact on an investment in the Shares of the Trust. Investors should consider an investment in the Shares of the Trust to be an illiquid investment and should invest only if prepared to hold the Shares indefinitely.

If the Shares of the Trust are traded on a Secondary Market, the Shares could trade below the Trust’s Digital Asset Holdings per Share due to the fact that investors will not be realize any increase in the value of the Trust’s digital asset through redemption. Therefore, the Trust may not meet its objective for investment, which is to provide investors a cost-effective and convenient way to invest in the relevant digital asset while avoiding the complication of directly holding digital assets.

As the Sponsor and its management have limited history of operating investment vehicles like the Trust, their experience may be inadequate or unsuitable to manage the Trust.

The past performances of the Sponsor's management in other investment vehicles, including their experiences in the digital asset industry, are no indication of their ability to manage investment vehicles such as the Trust. If the experience of the Sponsor and its management is inadequate or unsuitable to manage investment vehicles such as the Trust, the operations of the Trust may be adversely affected.

Furthermore, the Sponsor is currently engaged in the management of other investment vehicles which could divert their attention and resources. If the Sponsor were to experience difficulties in the management of such other investment vehicles that damaged the Sponsor or its reputation, it could have an adverse impact on the Sponsor's ability to continue to serve as Sponsor for the Trust.

If the Shares are traded on any Secondary Market, because of the holding period under Rule 144 and the lack of an ongoing redemption program, there will be no arbitrage mechanism to keep the price of the Shares closely linked to the relevant Digital Asset Reference Rates and the Shares may trade at a substantial premium over, or substantial discount to, the Digital Asset Holdings per Share.

Shares purchased from the Trust in sales in private placements are subject to a holding period under Rule 144. In addition, if the Shares are traded on any Secondary Market, the Trust will not operate an ongoing redemption program. As a result, the Trust cannot rely on arbitrage opportunities resulting from differences between the price of the Shares and the price of the Relevant Digital Assets to keep the price of the Shares closely linked to the relevant Digital Asset Reference Rates. As a result, the value of the Shares of the Trust may not approximate, and the Shares of the Trust may trade at a substantial premium over, or substantial discount to, the value of the Trust's Digital Asset Holdings per Share, because the Shareholders will not be able to take advantage of arbitrage opportunities created when the market value of the Shares of the Trust deviates from the value of the Relevant Digital Asset Holdings per Share, which may have an adverse impact on an investment in the Shares of the Trust.

Security threats to the Trust's Digital Asset Custodial Accounts could result in the halting of Trust operations, the suspension of redemptions (if redemptions would otherwise be authorized), and a loss of Trust assets or damage to the reputation of the Trust, each of which could result in a reduction in the price of the Shares of the Trust.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in relation to digital assets. The Sponsor believes that the Trust's digital assets held in the relevant Digital Asset Custodial Account will be an appealing target to hackers or malware distributors seeking to destroy, damage or steal the Trust's digital assets and will only become more appealing as the Trust's assets grow. To the extent that the Trust, the Sponsor or the Custodian is unable to identify and mitigate or stop new security threats or otherwise adapt to technological changes in

the digital asset industry, the Trust's digital assets may be subject to theft, loss, destruction or other attack.

The Sponsor believes that the security procedures in place for the Trust's Digital Asset Custodial Accounts, including but not limited to, offline storage, or "cold storage," multiple encrypted private key shards, usernames, passwords and 2-step verification, are reasonably designed to safeguard the Trust's digital assets, while in custody. Nevertheless, the security procedures cannot guarantee the prevention of any loss that may be borne by the Trust due to a security breach, software defect, act of God, natural disaster, act of a civil or military authority, act of terrorists, including but not limited to cyber-related terrorist acts, hacking, government restrictions, exchange or market rulings, civil disturbance, war, strike or other labor dispute, fire, interruption in telecommunications or Internet services or network provider services, failure of equipment and/or software, other catastrophe, or any other occurrence which is beyond the reasonable control of the Custodian.

The security procedures and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of the Sponsor, the Custodian, or otherwise, and, as a result, an unauthorized party may obtain access to a Digital Asset Custodial Account, the relevant private keys (and therefore digital assets) or other data of the Trust. Additionally, outside parties may attempt to fraudulently induce authorized representatives of the Sponsor or the Custodian to disclose sensitive information in order to gain access to the Trust's infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, the Sponsor and the Custodian may be unable to anticipate these techniques or implement adequate preventative measures.

An actual or perceived breach of a Digital Asset Custodial Account could harm the Trust's operations, result in loss of the Trust's assets, damage the Trust's reputation and negatively affect the market perception of the effectiveness of the Trust, all of which could in turn reduce demand for the Shares of the Trust, resulting in a reduction in the price of the Shares. The Trust may also cease operations or suspend redemptions, the occurrence of each of which could similarly result in a reduction in the price of the Shares of the Trust.

Transactions in digital assets are irrevocable and stolen or incorrectly transferred digital assets may be irretrievable. As a result, any incorrectly executed digital asset transactions could adversely affect an investment in the Shares.

Digital asset transactions are typically not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to a blockchain, an incorrect transfer or theft of the applicable digital asset held by the Trust generally will not be reversible, and the Trust may not be capable of seeking compensation for any such transfer or theft. Although the Trust's transfers by an authorized representative of digital assets will regularly be made to or from the relevant Digital Asset

Custodial Account, it is possible that, through computer or human error, or through theft or criminal action, the Trust's digital assets could be transferred from a Digital Asset Custodial Account in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Such events have occurred in connection with digital assets in the past. For example, in September 2014, the Chinese Digital Asset Exchange, Huobi, announced that it had sent approximately 900 Bitcoins and 8,000 Litecoins (worth approximately \$400,000 at the prevailing market prices at the time) to the wrong customers. To the extent that the Trust is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Trust's digital assets through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred digital assets. The Trust will also be unable to convert or recover its digital assets transferred to uncontrolled accounts. To the extent that the Trust is unable to seek redress for such error or theft, such loss could adversely affect an investment in the Shares of the Trust.

The Sponsor may need to find and appoint a replacement custodian for the Trust quickly, which could pose a challenge to the safekeeping of the digital assets of the Trust.

The Sponsor could decide to replace Coinbase Custody Trust Company, LLC as the custodian of the Trust upon 30 days' prior written notice. In addition, Coinbase Custody Trust Company, LLC may terminate the current Custodian Agreement upon 30 days' prior written notice and immediately or on a date specified by the Custodian in certain circumstances described in the Custodian Agreement. Transferring maintenance responsibilities of the Digital Asset Custodial Accounts of the Trust to another party will likely be complex and could subject the Trust's digital assets to the risk of loss during the transfer, which could have a negative impact on the performance of the Shares of the Trust or result in loss of the Trust's assets.

The Sponsor may not be able to find a party willing to serve as the custodian under the same terms as the current Custodian Agreement. To the extent that Sponsor is not able to find a suitable party willing to serve as the custodian, the Sponsor may be required to terminate the Trust and liquidate the Trust's digital assets. In addition, to the extent that the Sponsor finds a suitable party but must enter into a modified Custodian Agreement that is less favorable for the Trust or Sponsor, the value of the Trust's Shares could be adversely affected.

Under certain circumstances, custodians of digital assets may become impaired and present significant counterparty risk, particularly in a bankruptcy. As a result, the Sponsor may take extenuating actions to safeguard the Trust's assets, including seeking a replacement custodian and/or transferring the Trust's digital assets to self-custodial wallets from time to time, as determined by the Sponsor in its sole discretion.

The lack of full insurance and Shareholders' limited rights of legal recourse against the Trust, Trustee, Sponsor, and Custodian expose the Trust and its Shareholders to the risk of loss of the Trust's digital assets for which no person or entity is liable.

The Trust is not a banking institution or otherwise a member of the Federal Deposit Insurance Corporation (“**FDIC**”) or Securities Investor Protection Corporation (“**SIPC**”) and, therefore, deposits held with or assets held by the Trust are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. In addition, neither the Trust nor the Sponsor directly insures the Trust’s assets. While the Custodian has agreed to maintain the types and amounts of insurance commercially reasonable for the Custodial Services it provides, Shareholders cannot be assured that the Custodian will maintain adequate insurance or that such coverage will cover losses with respect to the Trust’s digital assets.

The Custodian will not be liable for any breach of its obligations under the Custodian Agreement that does not result solely from the Custodian’s gross negligence, fraud, or willful misconduct. Furthermore, under the Custodian Agreement, the Custodian’s liability with respect to any breach of its obligations under the Custodian Agreement is limited to the greater of (i) the aggregate amount of fees paid by the Trust to the Custodian for Custodial Services in the 12-month period prior to the event giving rise to the liability or (ii) the value of the digital assets on deposit in the Digital Asset Custodial Accounts at the time of the event giving rise to such liability (the value of which shall be calculated at the average U.S. dollar ask price, at the time of such event, of the three largest U.S.-based Digital Asset Exchanges (by trailing 30-day volume) which offer the relevant digital asset, provided that in no event will the Custodian’s aggregate liability in respect of each cold storage address exceed \$100,000,000. The Custodian is not liable for any lost profits or any incidental, indirect, special, punitive, consequential or similar damages, whether or not the Custodian has been advised of such losses or the Custodian knew or should have known of the possibility of such damages.

The Shareholders’ recourse against the Sponsor for the services it provides to the Trust, including those relating to the provision of instructions relating to the movement of digital assets, is limited. Consequently, a loss may be suffered with respect to the Trust’s digital assets that is not covered by insurance and for which no person is liable in damages. As a result, the recourse of the Trust or the Shareholders is limited.

The Trust may be required, or the Sponsor may deem it appropriate, to terminate and liquidate at a time that is disadvantageous to Shareholders.

If the Trust is required to terminate and liquidate, or the Sponsor determines in accordance with the terms of the Trust’s Trust Agreement that it is appropriate to terminate and liquidate the Trust, such termination and liquidation could occur at a time that is disadvantageous to Shareholders, such as when the Actual Exchange Rate of a digital asset held by the Trust is lower than the relevant Digital Asset Reference Rate was at the time when Shareholders purchased their Shares. In such a case, when the Trust’s digital assets are sold as part of its liquidation, the resulting proceeds

distributed to Shareholders will be less than if the Actual Exchange Rate were higher at the time of sale. See “Description of the Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust” herein for more information about the termination of the Trust, including when the termination of the Trust may be triggered by events outside the direct control of the Sponsor, the Trustee or the Shareholders.

The Trust Agreement for the Trust includes provisions that limit Shareholders’ voting rights and restrict Shareholders’ right to bring a derivative action.

Under the Trust Agreement, Shareholders have limited voting rights and the Trust will not have regular Shareholder meetings. Shareholders take no part in the management or control of the Trust. Accordingly, Shareholders do not have the right to authorize actions, appoint service providers or take other actions as may be taken by shareholders of other trusts or companies where shares carry such rights. The Shareholders’ limited voting rights give almost all control under the Trust Agreement to the Sponsor and the Trustee. The Sponsor may take actions in the operation of the Trust that may be adverse to the interests of Shareholders and may adversely affect an investment in the Shares.

Moreover, pursuant to the terms of the Trust Agreement, Shareholders’ statutory right under Delaware law to bring a derivative action (*i.e.*, to initiate a lawsuit in the name of the Trust in order to assert a claim belonging to the Trust against a fiduciary of the Trust or against a third-party when the Trust’s management has refused to do so) is restricted. Under Delaware law, a shareholder may bring a derivative action, if the shareholder is a shareholder at the time the action is brought and either (i) was a shareholder at the time of the transaction at issue or (ii) acquired the status of shareholder by operation of law or the trust’s governing instrument from a person who was a shareholder at the time of the transaction at issue. Additionally, Section 3816(e) of the DSTA specifically provides that a “beneficial owner’s right to bring a derivative action may be subject to such additional standards and restrictions, if any, as are set forth in the governing instrument of the statutory trust, including, without limitation, the requirement that beneficial owners owning a specified beneficial interest in the statutory trust join in the bringing of the derivative action.” In addition to the requirements of applicable law and in accordance with Section 3816(e), the Trust Agreement provides that no Shareholder will have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust, unless two or more Shareholders of the Trust who (i) are not affiliates of one another and (ii) collectively hold at least 10.0% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding.

Due to this additional requirement, a Shareholder attempting to bring or maintain a derivative action in the name of the Trust will be required to locate other Shareholders with which it is not affiliated and that have sufficient Shares to meet the 10.0% threshold based on the number of Shares outstanding on the date the claim is brought and thereafter throughout the duration of the action, suit or proceeding. This may be difficult and may result in increased costs to a Shareholder attempting to seek redress in the name of the Trust in court. Moreover, if Shareholders bringing a derivative action, suit or proceeding pursuant to this provision of the Trust Agreement do not hold

10.0% of the outstanding Shares on the date such an action, suit or proceeding is brought, or such Shareholders are unable to maintain Share ownership meeting the 10.0% threshold throughout the duration of the action, suit or proceeding, such Shareholders' derivative action may be subject to dismissal. As a result, the Trust Agreement limits the likelihood that a Shareholder will be able to successfully assert a derivative action in the name of the Trust, even if such Shareholder believes that he or she has a valid derivative action, suit or other proceeding to bring on behalf of the Trust. See "Description of the Trust Documents—The Sponsor—The Fiduciary and Regulatory Duties of the Sponsor" herein for more detail.

The Administrator is solely responsible for determining the value of the Digital Asset Holdings and Digital Asset Holdings per Share of the Trust, and any errors, discontinuance or changes in such valuation calculations may have an adverse effect on the value of the Shares.

The Administrator will determine the Trust's Digital Asset Holdings and Digital Asset Holdings per Share on a daily basis by 4:00 p.m., New York time, on each business day. The Administrator's determination is made utilizing data from the operations of the Trust and the relevant Digital Asset Reference Rates, calculated at 4:00 p.m. GMT on such day. To the extent that the Digital Asset Holdings or Digital Asset Holdings per Share of the Trust are incorrectly calculated, the Administrator may not be liable for any error and such misreporting of valuation data could adversely affect an investment in the Shares of the Trust.

Extraordinary expenses resulting from unanticipated events may become payable by the Trust, adversely affecting an investment in the Shares.

In consideration for the Sponsor's Fee, except as described below, the Sponsor has contractually assumed all ordinary-course operational and periodic expenses of the Trust. Extraordinary expenses incurred by the Trust, or by the Sponsor on behalf of the Trust, such as taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), or extraordinary legal fees and expenses, are not assumed by the Sponsor and are borne by the Trust directly or by reimbursing the Sponsor, as the case may be. See "Activities of the Trust—Trust Expenses" and "Expenses; Sales of Digital Assets" herein. In order to pay expenses not assumed by the Sponsor, the Sponsor will cause the Trust to either (i) sell its digital assets, Incidental Rights and/or IR Virtual Currency or (ii) deliver its digital assets, Incidental Rights and/or IR Virtual Currency in kind to pay such expenses not assumed by the Sponsor on an as-needed basis. Accordingly, the Trust may be required to sell or otherwise dispose of digital assets, Incidental Rights or IR Virtual Currency at a time when the trading prices for those assets are depressed.

The sale or other disposition of assets of the Trust in order to pay extraordinary expenses could have a negative impact on the value of the Shares of the Trust for several reasons. These include the following factors:

- If the Trust incurs expenses in U.S. dollars, the Trust's digital assets, Incidental Rights or IR Virtual Currency may be sold at a time when the values of the disposed assets are low, resulting in a negative impact on the value of the Shares.
- Each time that the Trust pays expenses, it may deliver digital assets, Incidental Rights or IR Virtual Currency to the Sponsor or sell digital assets, Incidental Rights or IR Virtual Currency. Any sales of the Trust's assets in connection with the payment of expenses will decrease the amount of the Trust's assets represented by each Share each time its assets are sold or transferred to the Sponsor.

The Trust's delivery or sale of digital assets to pay expenses or other operations of the Trust could result in Shareholders' incurring tax liability without an associated distribution from the Trust.

Assuming that the Trust is treated as a partnership for U.S. federal income tax purposes, each delivery or liquidation of digital assets by the Trust to pay the Sponsor's Fee or other expenses and each sale of digital assets by the Trust to pay Additional Trust Expenses will be a taxable event to beneficial owners of Shares. Thus, the Trust's payment of expenses could result in beneficial owners of Shares of the Trust incurring tax liability without an associated distribution from the Trust. Any such tax liability could adversely affect an investment in the Shares. See "Certain U.S. Federal Income Tax Consequences" herein.

The value of the Shares of the Trust will be adversely affected, if the Trust is required to indemnify the Sponsor, the Trustee, the Administrator or the Custodian under the Trust Documents.

Under the Trust Documents, each of the Sponsor, the Trustee, the Administrator, and the Custodian has a right to be indemnified by the Trust for certain liabilities or expenses that it incurs without breach on its part of the standard of care imposed by the Trust Document (*e.g.*, willful or reckless misconduct, bad faith or fraud, gross negligence, or, in the case of the Sponsor a material breach of the Trust Agreement). Therefore, the Sponsor, the Trustee, the Administrator, or the Custodian may require that the assets of the Trust be sold in order to cover losses or liability suffered by it. Any sale of that kind would reduce the Digital Asset Holdings of the Trust and the value of the Shares.

Intellectual property rights claims may adversely affect the Trust and an investment in Shares.

The Sponsor is not aware of any intellectual property rights claims that may prevent the Trust from operating and holding digital assets, Incidental Rights or IR Virtual Currency. However, third

parties may assert intellectual property rights claims relating to the operation of the Trust and the mechanics instituted for the investment in, holding of and transfer of digital assets, Incidental Rights or IR Virtual Currency. Regardless of the merit of an intellectual property or other legal action, any legal expenses to defend, or payments to settle, such claims would be extraordinary expenses that would be borne by the Trust and could require the sale or transfer of its digital assets, Incidental Rights or IR Virtual Currency. Additionally, a meritorious intellectual property rights claim could prevent the Trust from operating and force the Sponsor to terminate the Trust and liquidate its digital assets, Incidental Rights or IR Virtual Currency. As a result, an intellectual property rights claim against the Trust could adversely affect an investment in the Shares of the Trust.

Risk Factors Related to the Regulation of the Trust and the Shares

Regulatory changes or actions may affect the value of the Shares or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Markets in a manner that adversely affects an investment in the Shares.

As digital assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, SEC, CFTC, FINRA, the Consumer Financial Protection Bureau (“**CFPB**”), the Department of Justice, The Department of Homeland Security, the Federal Bureau of Investigation, the Internal Revenue Service (“**IRS**”) and state financial institution regulators) have been examining the operations of digital asset networks, digital asset users and the Digital Asset Exchange Market, with particular focus on the extent to which digital assets can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of exchanges and other service providers that hold digital assets for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital assets to investors. Ongoing and future regulatory actions with respect to digital assets generally or a digital asset held by the Trust in particular may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate.

Law enforcement agencies have often relied on the transparency of blockchains to facilitate investigations. However, certain privacy-enhancing features have been, or are expected to be, introduced to a number of digital asset networks, and these features may provide law enforcement agencies with less visibility into transaction-level data. Europol, the European Union’s law enforcement agency, released a report in October 2017 noting the increased use of privacy-enhancing digital assets like Zcash and Monero in criminal activity on the internet. Although no regulatory action has been taken to treat privacy-enhancing digital assets differently, this may change in the future.

Many blockchain startups use digital asset networks, such as the Ethereum network, to launch their initial coin offerings (“**ICOs**”). In July 2017, the SEC determined that tokens issued by The DAO, for instance, are securities under the U.S. securities laws. The SEC reasoned that the unregistered

sale of digital asset tokens can, in certain circumstances, including ICOs, be considered illegal public offering of securities. In November 2018, the SEC determined that two other token issuances by companies called CarrierEQ, Inc., (d/b/a Airfox) and Paragon Coin, Inc. were unregistered securities offerings. And in September 2019, the SEC determined that the token issuance of EOS by a company called Block.one, was an unregistered securities offering and ordered Block.one to pay a \$24 million civil penalty. The SEC could make a similar determination with respect to digital tokens distributed in other ICOs, including for any digital assets held by the Trust. If the SEC were to determine that any digital assets held by the Trust are securities, the Trust and the Sponsor could be subject to additional regulatory and compliance requirements under U.S. federal securities laws, including the Investment Company Act and, with respect to the Sponsor, the Investment Advisers Act. In addition, the SEC's determination or a market expectation of the SEC's determination that any digital asset is a security could adversely affect the market price of such digital asset or digital assets generally and thus an investment in the Shares of the Trust.

Furthermore, a number of foreign jurisdictions, like the SEC, have also recently opined on the sale of digital asset tokens, including through ICOs. For example, China and South Korea have banned ICOs entirely and other jurisdictions, including Canada, Singapore and Hong Kong, have opined that ICOs may constitute securities offerings subject to local securities regulations. A determination that any digital assets held by the Trust are securities under U.S. or foreign law could adversely affect an investment in the Shares of the Trust. In October 2020, the United Kingdom's Financial Conduct Authority banned the sale to retail consumers of derivatives and exchange traded notes ("*ETNs*") that reference certain types of digital assets, contending that they are "ill-suited" to retail investors citing extreme volatility, valuation challenges and association with financial crime. In addition to *ETNs*, the ban affects financial products including contracts for difference, options and futures.

Additionally, concerns have been raised about the electricity required to secure and maintain digital asset networks. As of December 31, 2019, in connection with mining on the Bitcoin Network, for example, over 119 million tera hashes are performed every second on the Bitcoin Network. Although measuring the electricity consumed by this process is difficult, because these operations are performed by various machines with varying levels of efficiency, the process consumes a significant amount of energy. The operations of other digital asset networks also consume significant amounts of energy. Further, in addition to the direct energy costs of performing calculations on any given digital asset network, there are indirect costs that impact a network's total energy consumption, including the costs of cooling the machines that perform these calculations. In 2018, due to these concerns around energy consumption, particularly as such concerns relate to public utilities companies, various states and cities have implemented, or are considering implementing, moratoriums on mining activity in their jurisdictions. A significant reduction in mining activity as a result of such actions could adversely affect the security of a digital asset network by making it easier for a malicious actor or botnet to manipulate the relevant blockchain. See "—If a malicious actor or botnet obtains control of more than 50% of the processing power on a digital asset network, or otherwise obtains control over a digital asset network through its influence over core developers or otherwise, such actor or botnet could

manipulate the relevant blockchain and take actions that could adversely affect digital assets held by the Trust, an investment in the Shares of the Trust or the ability of the Trust to operate” herein.

If regulatory changes or interpretations of a Shareholder’s, the Trust’s or the Sponsor’s activities require the regulation of a Shareholder, the Trust or the Sponsor as a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or as a money transmitter or digital asset business under state regimes for the licensing of such businesses, such Shareholder, the Trust or the Sponsor may be required to register and comply with such regulations, which could result in extraordinary, recurring and/or nonrecurring expenses to such Shareholder, the Trust or the Sponsor, thereby reducing the liquidity of the Shares.

To the extent that the activities of any Shareholder, the Trust or the Sponsor cause it to be deemed a “money services business” under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, such Shareholder, the Trust or the Sponsor may be required to comply with FinCEN regulations, including those that would mandate such Shareholder, the Trust or the Sponsor to implement AML programs, make certain reports to FinCEN and maintain certain records. Similarly, the activities of a Shareholder, the Trust or the Sponsor may require it to be licensed as a money transmitter or as a digital asset business, such as under NYDFS’ BitLicense scheme.

Such additional regulatory obligations may cause a Shareholder, the Trust or the Sponsor to incur extraordinary expenses. If such Shareholder, the Trust or the Sponsor decide to seek the required licenses, there is no guarantee that they will timely receive them. The Sponsor may decide to terminate the Trust. The termination of the Trust in response to the changed regulatory circumstances may be at a time that is disadvantageous to the Shareholders.

Additionally, to the extent a Shareholder, the Trust or the Sponsor is found to have operated without appropriate state or federal licenses, it may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, all of which would harm the reputation of the Trust or the Sponsor, decrease the liquidity of, and have a material adverse effect on the price of, the Shares of the Trust.

Regulatory changes or interpretations could cause the Trust and the Sponsor to register and comply with new regulations, resulting in potentially extraordinary, nonrecurring expenses to the Trust.

Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which digital assets are treated for classification and clearing purposes. In particular, a digital asset may be classified by the CFTC as a “commodity interest” under the CEA or may be classified by the SEC as a “security” under U.S. federal securities laws. As of the date of this Private Placement Memorandum, the Sponsor is not aware of any rules that have been proposed to regulate digital assets held by the Trust as a commodity interest or a security. Although

several U.S. federal district courts have recently held for certain purposes that digital assets, such as Bitcoin, are currency or a form of money, these rulings are not definitive. In 2019 and 2020, the SEC and U.S. Congress have focused their attention and brought increased scrutiny to these issues. The Sponsor and the Trust cannot be certain as to how future regulatory developments will impact the treatment of digital assets under the law. In the face of such developments, the required registrations and compliance steps may result in extraordinary, nonrecurring expenses to the Trust. If the Sponsor decides to terminate the Trust in response to the changed regulatory circumstances, the Trust may be dissolved or liquidated at a time that is disadvantageous to Shareholders.

To the extent that any digital assets are deemed to fall within the definition of a “commodity interest” under the CEA, the Trust and the Sponsor may be subject to additional regulation under the CEA and CFTC regulations. The Sponsor may be required to register as a commodity pool operator or commodity trading adviser with the CFTC and become a member of the National Futures Association and may be subject to additional regulatory requirements with respect to the Trust, including disclosure and reporting requirements. These additional requirements may result in extraordinary, recurring and/or nonrecurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust’s digital assets at a time that is disadvantageous to Shareholders.

To the extent that the digital assets held by the Trust are deemed to fall within the definition of a security under U.S. federal securities laws, the Trust and the Sponsor may be subject to additional requirements under the Investment Company Act and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act. Such additional registration may result in extraordinary, recurring and/or non-recurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust’s digital assets at a time that is disadvantageous to Shareholders. Alternatively, the Sponsor may need to assign its management rights to an affiliate that is registered as an investment adviser.

If the SEC approves crypto exchange-traded funds, the Sponsor may choose to convert the Trust into an exchange-traded fund, which would impose additional novel regulatory challenges.

As of the date of this Private Placement Memorandum, the SEC has rejected all applications for cryptocurrency exchange-traded funds (“*ETFs*”) arguing that the crypto market is too volatile, lacks sufficient surveillance, and is easily manipulated. However, market participants generally anticipate that ETFs will be approved in the future.

If the SEC approves cryptocurrency ETFs in the future, the Sponsor may elect to convert the Trust into an ETF. Such conversion will pose additional regulatory requirements and costs, many of which will be unknown until the SEC provides such guidance. In addition, the Trust may need to

modify its investment strategy to be a strictly index-based fund. Any such conversion would result in extraordinary and non-recurring expenses of the Trust.

The treatment of the Trust for U.S. federal income tax purposes is uncertain.

The Sponsor intends to take the position that the Trust is properly treated as a partnership for U.S. federal income tax purposes. Assuming that the Trust is a partnership, the Trust will not be subject to U.S. federal income tax. Rather, if the Trust is a partnership, each beneficial owner of Shares will be allocated income, gain, losses and deductions of the Trust.

If the IRS does not recognize the Trust as a partnership, the Sponsor may need to fully index the Trust, abandon plans to list the Shares, or delist the Shares if already listed in order to avoid being taxed as a corporation.

In addition, the Sponsor plans to deliver to the Custodian, on behalf of the Trust, a Prospective Abandonment Notice stating that the Trust is irrevocably abandoning, effective immediately prior to each Creation Time, all Incidental Rights and IR Virtual Currency to which the Trust would otherwise be entitled as of such time and with respect to which it has not taken any Affirmative Action at or prior to such time.

Because of the evolving nature of digital currencies, it is not possible to predict potential future developments that may arise with respect to digital currencies, including forks, airdrops and other similar occurrences. Assuming that the Trust is currently a partnership for U.S. federal income tax purposes, certain future developments could render it impossible, or impracticable, for the Trust to continue to be treated as a partnership for such purposes.

If the Trust is not properly classified as a partnership for U.S. federal income tax purposes, it would be classified as a corporation for such purposes. In that event, the Trust would be subject to entity-level U.S. federal income tax (currently at the rate of 21%) on its net taxable income and certain distributions made by the Trust to its Shareholders would be treated as taxable dividends to the extent of the Trust's current and accumulated earnings and profits. Any such dividend distributed to a beneficial owner of Shares of the Trust that is a non-U.S. person for U.S. federal income tax purposes would be subject to U.S. federal withholding tax at a rate of 30% (or such lower rate as provided in an applicable tax treaty).

The treatment of digital currency for U.S. federal income tax purposes is uncertain.

Due to the new and evolving nature of digital currencies and the absence of comprehensive guidance with respect to digital currencies, many significant aspects of the U.S. federal income tax treatment of digital currency are uncertain. In 2014, the IRS released a notice (the "**Notice**") discussing certain aspects of "convertible virtual currency" (that is, digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency) for U.S. federal income tax purposes and, in particular, stating that such digital currency (i) is "property," (ii) is

not “currency” for purposes of the rules relating to foreign currency gain or loss and (iii) may be held as a capital asset. The IRS released a revenue ruling and a set of “Frequently Asked Questions” (the “***Ruling & FAQs***”) that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital currency. However, the Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of digital currencies. Moreover, although the Ruling & FAQs address the treatment of hard forks, there continues to be uncertainty with respect to the timing and amount of the income inclusions.

There can be no assurance that the IRS will not alter its position with respect to digital currencies in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs. It is also unclear what additional guidance on the treatment of digital currencies for U.S. federal income tax purposes may be issued in the future. Any such alteration of the current IRS positions or additional guidance could result in adverse tax consequences for Shareholders and could have an adverse effect on the value of digital currency. Future developments that may arise with respect to digital currencies may increase the uncertainty with respect to the treatment of digital currencies for U.S. federal income tax purposes. For example, the Notice addresses only digital currency that is “convertible virtual currency,” and it is conceivable that, as a result of a fork, airdrop or similar occurrence, the Trust will hold certain types of digital currency that are not within the scope of the Notice.

Prospective investors are urged to consult their tax advisers regarding the tax consequences of an investment in the Trust and in digital currencies in general.

Future developments regarding the treatment of digital currency for U.S. federal income tax purposes could adversely affect an investment in the Shares of the Trust.

As discussed above, many significant aspects of the U.S. federal income tax treatment of digital currency, such as the digital currency held in the Trust, are uncertain, and it is unclear what guidance on the treatment of digital currency for U.S. federal income tax purposes may be issued in the future. It is possible that any such guidance would have an adverse effect on the prices of digital currency, including on the price in the Digital Asset Markets of the digital currency held in the Trust, and therefore may have an adverse effect on the value of the Shares of the Trust.

Because of the evolving nature of digital currencies, it is not possible to predict potential future developments that may arise with respect to digital currencies, including forks, airdrops and similar occurrences. Such developments may increase the uncertainty with respect to the treatment of digital currencies for U.S. federal income tax purposes. Moreover, certain future developments could render it impossible, or impracticable, for the Trust to continue to be treated as a partnership for U.S. federal income tax purposes.

Future developments in the treatment of digital currency for tax purposes other than U.S. federal income tax purposes could adversely affect an investment in the Shares of the Trust.

The taxing authorities of certain states, including New York, (i) have announced that they will follow the Notice with respect to the treatment of digital currencies for state income tax purposes and/or (ii) have issued guidance exempting the purchase and/or sale of digital currencies for fiat currency from state sales tax. However, it is unclear what further guidance on the treatment of digital currencies for state tax purposes may be issued in the future.

The treatment of digital currencies for tax purposes by non-U.S. jurisdictions may differ from the treatment of digital currencies for U.S. federal, state or local tax purposes. It is possible, for example, that a non-U.S. jurisdiction would impose sales tax or value-added tax on purchases and sales of digital currencies for fiat currency. If a foreign jurisdiction with a significant share of the market of digital currency users imposes onerous tax burdens on digital currency users, or imposes sales or value-added tax on purchases and sales of digital currency for fiat currency, such actions could result in decreased demand in such jurisdiction for the digital currency held by the Trust.

Any future guidance on the treatment of digital currencies for state, local or non-U.S. tax purposes could increase the expenses of the Trust and could have an adverse effect on the prices of digital currencies, including on the price of digital assets in the Digital Asset Markets. As a result, any such future guidance could have an adverse effect on the value of the Shares of the Trust.

A U.S. tax-exempt investor may recognize “unrelated business taxable income” as a consequence of an investment in the Shares.

Under the guidance provided in the Ruling & FAQs, hard forks, airdrops and similar occurrences with respect to digital currencies will under certain circumstances be treated as taxable events giving rise to ordinary income. In the absence of guidance to the contrary, it is possible that any such income recognized by a U.S. tax-exempt investor would constitute “unrelated business taxable income” (“**UBTI**”). A tax-exempt investor should consult its tax advisor regarding whether such investor may recognize UBTI as a consequence of an investment in Shares.

Non-U.S. Holders may be subject to U.S. federal withholding tax on income derived from forks, airdrops and similar occurrences.

The Ruling & FAQs do not address whether income recognized by a non-U.S. person as a result of a fork, airdrop or similar occurrence could be subject to the 30% withholding tax imposed on U.S.-source “fixed or determinable annual or periodical” income. Non-U.S. investors in the Trust should assume that, in the absence of guidance, a withholding agent (including the Sponsor) is likely to withhold 30% of any such income recognized by a non-U.S. investor in respect of its Shares, including by deducting such withheld amounts from proceeds that such non-U.S. investor would otherwise be entitled to receive in connection with a distribution of Incidental Rights or IR Virtual Currency.

Risk Factors Related to Potential Conflicts of Interest

Potential conflicts of interest may arise among the Sponsor or its affiliates and the Trust. The Sponsor and its affiliates have no fiduciary duties to the Trust and its Shareholders other than as provided in the Trust Agreement, which may permit them to favor their own interests to the detriment of the Trust and the Trust's Shareholders.

The Sponsor will manage the affairs of the Trust. Conflicts of interest may arise among the Sponsor and its affiliates, including the Index Provider, on the one hand, and the Trust and its Shareholders, on the other hand. As a result of these conflicts, the Sponsor may favor its own interests and the interests of its affiliates over the Trust and its Shareholders. These potential conflicts include, among others, the following:

- The Sponsor has no fiduciary duties to, and is allowed to take into account the interests of parties other than, the Trust and their Shareholders in resolving conflicts of interest, provided the Sponsor does not act in bad faith;
- The Trust has agreed to indemnify the Sponsor and its affiliates pursuant to its Trust Agreement;
- The Sponsor is responsible for allocating its own limited resources among different clients and potential future business ventures, to each of which it owes fiduciary duties;
- The Sponsor's staff also services, or plans to service in the future, affiliates of the Sponsor, including other digital asset investment vehicles, and their respective clients and cannot devote all of its, or their, respective time or resources to the management of the affairs of the Trust;
- The Sponsor, its affiliates and their officers and employees are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Trust;
- Affiliates of the Sponsor have direct investments in digital assets and invest in digital assets on behalf of others. While these affiliates are permitted to manage such assets without regard to the interests of the Trust or its Shareholders, the Sponsor has policies and procedures in place to mitigate any conflicts that may arise from such trading activity. Further, any increases, decreases or other changes in such investments could affect the relevant Digital Asset Reference Rates and, in turn, the price of Shares of the Trust;
- An affiliate of the Sponsor maintains the Index associated with the Trust and may change the methodology at its discretion;

- There is an absence of arm's-length negotiation with respect to certain terms of the Trust, and, where applicable, there has been no independent due diligence conducted with respect to the offering of the Trust's Shares;
- The Sponsor decides whether to retain separate counsel, accountants or others to perform services for the Trust;
- The sole member of the Sponsor is also the sole member of the Index Provider; and
- The Sponsor may appoint an agent to act on behalf of the Shareholders of the Trust, including in connection with the distribution of any Incidental Rights and/or IR Virtual Currency, which agent may be the Sponsor or an affiliate of the Sponsor.

By investing in the Shares of the Trust, investors agree and consent to the provisions set forth in the Trust Agreement. See "Description of the Trust Documents—Description of the Trust Agreements" herein.

For a further discussion of the conflicts of interest among the Sponsor, the Index Provider, the Trust and others, see "Conflicts of Interest" herein.

Risks Relating to Admission of Benefit Plan Investors.

As discussed in "ERISA and Related Considerations" below, the Sponsor intends to conduct the operations of the Trust so that the assets of the Trust will not be deemed to constitute "plan assets" for purposes of ERISA or Section 4975 of the Code. The Sponsor may, in its discretion, limit the amount of investments by "benefit plan investors" (as defined in Section 3(42) of ERISA) to less than 25% of the total value of each class of equity interest in the Trust. If, however, the Trust were deemed to hold "plan assets," (a) ERISA's fiduciary standards could apply to the Trust, which could materially affect the operations and profitability of the Trust, and (b) any transaction with the Trust and certain persons could constitute a prohibited transaction under ERISA and/or Section 4975 of the Code, unless an exemption applies.

Shareholders cannot be assured of the Sponsor's continued services, the discontinuance of which may be detrimental to the Trust.

Shareholders cannot be assured that the Sponsor will be willing or able to continue to serve as sponsor to the Trust for any length of time. If the Sponsor discontinues its activities on behalf of the Trust and a substitute sponsor is not appointed, the Trust will terminate and liquidate its digital assets.

Appointment of a substitute sponsor will not guarantee the Trust's continued operation, successful or otherwise. Because a substitute sponsor may have no experience managing a digital asset financial vehicle, a substitute sponsor may not have the experience, knowledge or expertise

required to ensure that the Trust will operate successfully or continue to operate at all. Therefore, the appointment of a substitute sponsor may not necessarily be beneficial to the Trust or an investment in the Shares and the Trust may terminate. See “Conflicts of Interest—The Sponsor” herein.

Although the Custodian is a fiduciary with respect to the Trust’s assets, it could resign or be removed by the Sponsor, which could trigger early termination of the Trust.

The Custodian is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act and is licensed to custody the Trust’s digital assets in trust on the Trust’s behalf. However, the Custodian may terminate the Custodian Agreement immediately at any time in certain circumstances described in the Custodian Agreement, and the Custodian can terminate the Agreement for any reason upon 30 days’ prior notice. If the Custodian resigns or is removed without replacement, the Trust will dissolve in accordance with the terms of the Trust Agreement.

Shareholders may be adversely affected by the lack of independent advisers representing investors in the Trust.

The Sponsor has consulted with counsel, accountants and other advisers regarding the formation and operation of the Trust. No counsel was appointed to represent investors in connection with the formation of the Trust or the establishment of the terms of the Trust Agreement and the Shares. Moreover, no counsel has been appointed to represent investors in connection with the offering of the Shares of the Trust. Accordingly, each investor should consult his, her, or its own legal, tax and financial advisers regarding the desirability of an investment in the Shares of the Trust. Lack of such consultation may lead to an undesirable investment decision with respect to investment in the Shares.

USE OF PROCEEDS

Proceeds received by the Trust from the issuance and sale of the Shares will consist of cash, which the Trust will use to purchase digital assets and/or pay the Trust’s expenses.

OVERVIEW OF DIGITAL ASSETS AND DEFI INDUSTRY AND MARKET

Digital assets are created and transmitted through the operations of peer-to-peer digital asset networks, which are decentralized networks of computers that operate on cryptographic protocols. No single entity owns or operates any Digital Asset Network, the infrastructure of which is collectively maintained by a decentralized user base.

Digital asset networks allow people to exchange tokens of value, which are recorded on public transaction ledgers known as a blockchain.

Digital asset networks are decentralized and do not require governmental authorities or financial institution intermediaries to create, transmit or determine the value of their tokens. Rather, such digital assets are created and allocated by the digital asset network's protocol, for example through a "mining," "staking" or other validating process. Most commonly, new digital assets are created and awarded to the miners, stakers or validators of a block in the digital asset's blockchain for verifying transactions. In other instances, all of the digital asset network's tokens are created upon the digital asset network's launch and may be used to pay transaction fees to validators. See "Market Participants—Miners and Validators" for more detail. A digital asset's blockchain is effectively a decentralized database that includes all blocks that have been mined by miners, stakers or validators and it is updated to include new blocks as they are mined. Each digital asset transaction is broadcast to the Digital Asset Network and, when included in a block, recorded in the digital asset blockchain. As each new block records outstanding digital asset transactions, and outstanding transactions are settled and validated through such recording, the digital asset blockchain represents a complete, transparent and unbroken history of all transactions of the Digital Asset Network.

The value of a digital asset is determined by the supply of and demand for such digital asset on Digital Asset Exchanges or in private end-user-to-end-user transactions. Digital assets can be used to pay for goods and services or can be converted to fiat currencies, such as the U.S. dollar, at rates determined on Digital Asset Exchanges or in individual end-user-to-end-user transactions under a barter system. Additionally, digital assets can be used to pay for transaction fees to miners, stakers or validators for verifying transactions on the Digital Asset Network. Digital asset networks can also be used for more complex purposes. For example, the Ethereum network allow users to run smart contracts, which are general purpose code that autonomously executes on every computer on the relevant network and can instruct the transmission of information and value to facilitate, verify and enforce the negotiation and performance of contracts.

Composition of the Digital Asset Market

As of August 1, 2022, there were over 9,000 digital assets tracked by CoinMarketCap.com, one of the most widely used price aggregators for digital assets.

Market capitalization of a digital asset is calculated by multiplying the existing reference price of the digital asset by the current circulating supply.

The first digital asset to gain mass adoption was Bitcoin. Bitcoin is currently the largest digital asset with a market capitalization of approximately \$452 billion as of August 1, 2022 and is widely considered the most prominent digital asset.

While Bitcoin possesses the "first-to-market" advantage and has captured the significant portion of the industry's market share, Bitcoin is not the only type of digital asset founded on cryptography; Ethereum, Bitcoin Cash and Litecoin are just a few examples of Bitcoin

alternatives. These and other digital assets may offer certain variations or enhancements of blockchain technology that enable them to serve purposes beyond acting as a means of payment.

For example, Zcash, Monero, Dash and Zen are examples of digital assets whose primary differentiating attributes revolve around enhanced levels of confidentiality and privacy as compared to Bitcoin. On the other hand, Ethereum and Ethereum Classic's distinguishing characteristic is that they allow users to program smart contracts that can run on their networks. A smart contract is general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. The use of smart contracts on the Ethereum and Ethereum Classic networks, for example, is one of a number of projects intended to expand the application of blockchain technology beyond just a peer-to-peer money system.

Smart Contracts

The Ethereum network allows users to write and put on the network smart contracts—that is, general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. Using smart contracts, users can create markets, store registries of debts or promises, represent the ownership of property, move funds in accordance with conditional instructions and create digital assets other than ETH on the Ethereum network. Smart contract operations are executed on the Ethereum blockchain in exchange for payment of ETH. The Ethereum network is one of a number of projects intended to expand blockchain use beyond just a peer-to-peer money system.

Development on the Ethereum network involves building more complex tools on top of smart contracts, such as ~~centralized~~ apps (DApps) and organizations that are autonomous, known as decentralized autonomous organizations (DAOs). For example, a company that distributes charitable donations on behalf of users could hold donated funds in smart contracts that are paid to charities only if the charity satisfies certain pre-defined conditions.

Moreover, the Ethereum network has also been used as a platform for creating new digital assets and conducting their associated ICOs. As of June 30, 2021, over half of the digital assets listed on CoinMarketCap were built on the Ethereum network, with such assets representing a significant amount of the total market value of all listed assets on the platform.

The rate at which new ETH are mined and put into circulation is expected to vary. ETH issuances are currently capped at 16.0 million ETH per year or 2.0 ETH per block, but there is no aggregate cap on the total number of ETH outstanding. Effective September 15, 2022, the Ethereum network switched from proof-of-work to a new proof-of-stake consensus algorithm.

DeFi

More recently, the Ethereum network has been used for decentralized finance (DeFi) or open finance platforms.

DeFi seeks to increase the efficiency, transparency, and accessibility of financial services such as borrowing, lending, custody, trading, derivatives, asset management and insurance, by removing centralized third-party intermediaries. With DeFi, users can lend and earn interest on their digital assets, exchange one digital asset for another and create derivative digital assets such as stablecoins, which are digital assets pegged to a reserve asset such as fiat currency, all without centralized intermediaries such as centralized clearing parties, custodians, or transfer agents. As of August 1, 2022, over 13 million ETH were locked up as collateral on DeFi platforms.

DeFi consists of several component protocols that are interoperable with one another to provide various types of goods and services. These include:

Decentralized Exchange Protocols

Many decentralized exchange protocols (“DEXs”) use what is known as an automated market maker. These protocols generally enable decentralized trading of digital assets without a central order book by aggregating digital asset trading pairs using smart contracts. With DEX protocols, users can exchange digital assets with one another by transferring the digital asset they want to sell in exchange for the digital asset they want to buy and paying a transaction fee per trade.

The smart contracts eliminate the need of traders to find buyers and sellers. Instead, traders interact directly with the protocol, which determines the exchange rate for a given digital asset liquidity pool. Liquidity pools are maintained by independent market makers called liquidity providers (“LPs”). LPs receive a portion of the transaction fees in exchange for their services. Exchange rates are determined algorithmically by constant function market makers or by LPs, in each case subject to market forces.

Some DEX protocols also include tokens that give holders governance rights over the protocol, such as the ability to propose and vote on improvement proposals to adjust features such as permitted assets and transaction fees, as well as economic rights to fees generated by the protocol.

Examples of DEX protocols include Uniswap, Sushiswap, Bancor and Curve.

Uniswap

UNI is a digital asset that is created and transmitted through the operations of the peer-to-peer Uniswap network, a decentralized protocol that enables trading of digital assets without a central orderbook by aggregating digital asset trading pairs using smart contracts. No single entity owns or operates the Uniswap network, the infrastructure of which is collectively maintained by a decentralized user base.

On Uniswap, users exchange digital assets with one another by paying a transaction fee to LPs. For example, if an LP contributes 10% of an ETH/USDC market, it will receive an “LP” token entitling it to 10% of the fees generated by users trading in that market. As long as the LP holds its token and does not withdraw the assets it contributed to the pool, it will earn a proportionate amount of fees generated by the network’s ETH/USDC market.

Holders of UNI have the ability to propose and vote on improvement proposals to adjust features of the Uniswap network. Examples of proposals include what asset markets to list, transaction fees and how to distribute such fees, which currently are only distributed to LPs and not UNI holders.

Uniswap was originally conceived in 2016 by the Vitalek Buterin, the creator of Ethereum. In 2018, Hayden Adam, a software engineer and Uniswap Labs Inc., a U.S. company, created Uniswap. The Uniswap network was initially funded by grants from the Ethereum Foundation and later venture capital. UNI was created in 2020 as a means of decentralizing the governance of the network. 150 million tokens were initially distributed to anyone who had participated in a transaction on the Uniswap platform prior to the token distribution. Following this distribution, the distribution for users of the platform began releasing tokens continuously for the next four years split equally between lenders and borrowers of various pools based on the proportion of total interest paid.

Sushiswap

SUSHI is a digital asset that is created and transmitted through the operations of the peer-to-peer SUSHI network, a decentralized platform for creation, maintenance, and settlement of financial contracts on Ethereum. No single entity owns or operates the SUSHI network, which is collectively maintained by a decentralized user base.

Much like on Uniswap, on Sushiswap, users exchange digital assets with one another by paying a transaction fee to LPs. For example, if an LP contributes 10% of an ETH/USDC market, it will receive an “SLP” token entitling it to 10% of the fees generated by users trading in that market. As long as the LP holds its token and does not withdraw the assets it contributed to the pool, it will earn a proportionate amount of fees generated by the network’s ETH/USDC market.

Holders of SUSHI have the ability to propose and vote on improvement proposals to adjust features of the Sushiswap network. Examples of proposals include what asset markets to list, transaction fees and how to distribute such fees. However, governance of the Sushiswap network is ultimately controlled by two multi-signature wallets, the Treasury Multisig and the Operations Multisig, which must approve uses of the development fund and operational changes, respectively. Owners of the multi-sig addresses are elected by the SUSHI community and require six out of nine votes to approve code changes or spend treasury funds.

Sushiswap was originally created as a fork of Uniswap by an anonymous developer under the pseudonym ChefNomi. The Sushiswap protocol gained popularity and liquidity following the “vampire attack” on the Uniswap network. See “Risk Factors—Risk Factors Related to the Digital Assets—A temporary or permanent “fork” could adversely affect the value of the Shares” for additional information.

Bancor

BNT is a digital asset that is created and transmitted through the operations of the peer-to-peer BNT network, a decentralized platform for creation, maintenance, and settlement of financial contracts on Ethereum. No single entity owns or operates the BNT network, which is collectively maintained by a decentralized user base.

Much like on Uniswap, on Bancor users exchange digital assets with one another by paying a transaction fee to LPs. For example, if an LP contributes 10% of an ETH/USDC market, it will receive “vBNT” token entitling it to 10% of the fees generated by users trading in that market. As long as the LP holds its token and does not withdraw the assets it contributed to the pool, it will earn a proportionate amount of fees generated by the network’s ETH/USDC market.

Holders of BNT who stake their BNT in return for vBNT have the ability to propose and vote on improvement proposals to adjust features of the Bancor network. Examples of proposals include what asset markets to list, transaction fees and how to distribute such fees.

Bancor was first introduced in a white paper in February 2017 by founders Galia Benartzi, Guy Benartzi, Eyal Hertzog, and Yudi Levi. The Bancor network was initially funded and BNT tokens were distributed through an ICO in June 2017 which raised approximately \$153 million. At its launch in 2017, the Bancor network introduced the first automated market-makers on Ethereum. The Bancor Foundation, founded in 2017, offers grants and technical support to Bancor developers. Governance occurs on-chain through the BancorDAO, in which holders of BNT who stake their tokens can propose and vote on Bancor Improvement Proposals.

Curve

CRV is a digital asset that is created and transmitted through the operations of the peer-to-peer CRV network, a decentralized platform for creation, maintenance, and settlement of financial contracts on Ethereum. No single entity owns or operates the CRV network, which is collectively maintained by a decentralized user base.

The Curve Finance protocol is a decentralized exchange optimized for swaps between stablecoins that peg to the same value (such as BTC or the U.S. dollar), with low slippage and fees.

Holders of CRV are able to vote on governance proposals and thus participate in CurveDAO, a decentralized autonomous organization that governs Curve Finance, to adjust features of the Curve network. Examples of proposals include what asset markets to list, transaction fees and how to distribute such fees, which currently are distributed to CRV holders if such holders stake their CRV in return for a tokenized asset, veCRV.

Curve Finance was conceived by Michael Egorov in a whitepaper for a protocol called “StableSwap” in November 2019. The StableSwap whitepaper details the foundations of what eventually became the Curve Finance protocol, which launched in January 2020. CRV was launched and distributed to liquidity providers in August 2020. Curve aims to minimize fees, reduce price slippage, mitigate risk, and provide ample liquidity in the exchange of stablecoins by integrating with popular DeFi applications like Compound and yearn.finance.

Decentralized Lending and Borrowing Protocols

These protocols, also known as algorithmic money market protocols, enable decentralized lending and borrowing of digital assets using smart contracts. With lending and borrowing protocols, users can lend digital assets to the protocol and earn interest from borrowers who pay interest and post collateral.

The smart contracts eliminate the need of borrowers and lenders to negotiate the terms of contract and rely on counterparties to hold funds. Instead, both sides interact directly with the protocol, which determines collateral requirements and interest rates and handles the storage and management of the protocol’s assets in smart contracts called liquidity pools. Collateral requirements and interest rates are determined algorithmically based on market forces. Many of these protocols rely on overcollateralization, which means that borrowers have to supply more value than they wish to borrow to avoid liquidation, thereby minimizing counterparty and credit risk.

Some lending and borrowing protocols also include tokens that give holders governance rights over the protocol, such as the ability to propose and vote on improvement proposals

to adjust features such as permitted assets, collateral requirements and interest rates, as well as economic rights to fees generated by the protocol.

Examples of decentralized lending and borrowing protocols include Aave and Compound.

Aave

Aave is a digital asset that is created and transmitted through the operations of the peer-to-peer Aave network, a decentralized protocol that enables lending and borrowing of digital assets using smart contracts. No single entity owns or operates the Aave network, the infrastructure of which is collectively maintained by a decentralized userbase.

On Aave, lenders of digital assets earn interest by receiving an equal amount of aTokens, which are the network's native ERC-20 tokens that represent claims to a portion of an asset pool. For example, if a lender deposits 100 ETH into Aave, it receives 100 aETH. As borrowers on Aave borrow ETH and pay interest in ETH, the pool of aETH grows proportionally and are therefore convertible into more ETH. As long as the lender holds aETH, it will earn interest based on the interest rate of the network's ETH pool.

Holders of AAVE have the ability to propose and vote on improvement proposals to adjust features of the network. Examples of proposals include which aToken markets to list, interest rates and required collateralization for each asset. In addition, 80% of fees generated by transactions on Aave are used to burn AAVE, which reduces the supply of AAVE and is therefore expected to increase its value.

The creator of Aave, Aave SAGL, is a Swiss company formed in 2017 by Stani Kulechov, a Finnish attorney.

The firm was initially named ETHlend and funded by a \$16.2 million ICO in 2017, during which time it sold 1 billion of the total 1.3 billion AAVE tokens (originally called LEND) to the public. In 2018 ETHlend rebranded to Aave, which means "ghost" in Finnish, upon converting from a counterparty matching protocol to a full decentralized lending and borrowing protocol.

Aave also introduced a new feature called "flash loans," which are loans that are simultaneously issued and settled on a single mined block of Ethereum. These loans require no upfront collateral and allow users to almost instantly take advantage of trading opportunities or maximize profits from other systems built on Ethereum.

Compound

COMP is a digital asset that is created and transmitted through the operations of the peer-to-peer Compound Finance network, a decentralized protocol that enables lending and borrowing

of digital assets using smart contracts. No single entity owns or operates the Compound Finance network, the infrastructure of which is collectively maintained by a decentralized user base. Holders of COMP have the ability to propose and vote on improvement proposals to adjust features of the network. Examples of proposals include what asset markets to list, interest rates and required collateralization for each asset.

On Compound Finance, lenders of digital assets earn interest by receiving an equal amount of cTokens, which are the Compound network's native ERC-20 tokens that are redeemable for a portion of an asset pool. For example, if a lender deposits 100 ETH into Compound Finance, it receives 100 cETH. As borrowers on Compound Finance borrow and pay interest in ETH, the pool of cETH grows proportionately and therefore are convertible into more ETH. As long as the lender holds cETH, it will earn interest based on the interest rate of Compound Finance's ETHpool.

The creator of Compound Finance, Compound Labs, Inc., is a U.S. company formed in 2017 by Robert Leshner, a CPA with experience in credit markets. The Compound Finance network was initially funded by venture capital. COMP was created in 2020 as a means to decentralize the governance of the network. Tokens were initially distributed to shareholders of Compound Labs, Inc. to test token governance for several months. Following testing, the distribution for users of the platform began, releasing tokens continuously for the next four years split equally between lenders and borrowers of various pools based on the proportion of total interest paid.

Decentralized Derivatives or Synthetic Protocols

These protocols issue derivative or synthetic tokens for a variety of underlying assets such as fiat (*i.e.*, stablecoins), equities, commodities, indices and other financial instruments. With derivative or synthetic assets, users can gain exposure to real world assets while taking advantage of the openness, efficiency and transparency benefits of blockchain technology.

Like DEX and decentralized lending and borrowing protocols, smart contracts on derivative and synthetic protocols eliminate the need of users to find one another. Instead, users interact directly with the protocol, which determines exchange rates, collateral requirements and interest rates and handles the storage and management of the protocol capital in smart contracts called liquidity pools. Collateral requirements and interest rates are determined algorithmically based on market forces. Many of these protocols also rely on overcollateralization. Some of these protocols also include governance tokens that give holders the ability to propose and vote on improvement proposals to adjust features such as permitted assets, collateral requirements and interest rates.

Examples of decentralized derivatives or synthetic protocols include Synthetix, Universal Market Access and Maker.

Synthetic

SNX is a digital asset that is created and transmitted through the operations of the peer-to-peer Synthetix network, a decentralized protocol that enables trading of synthetic digital assets without an intermediary. No single entity owns or operates the Synthetix network, which is collectively maintained by a decentralized user base.

On Synthetix, users can gain exposure to real-world currencies, commodities, stocks, and indices through a decentralized trading platform. In order to create a synthetic asset that mirrors a specific real-world asset, users deposit SNX as collateral, and are issued the synthetic asset in return. Users are then free to trade the synthetic asset with other synthetic assets available on the Synthetix platform. In other words, synthetic assets are collateralized by a pool of SNX tokens.

Holders of SNX have the ability to stake their SNX as collateral to earn exchange rewards that are generated by fees on the network. Additionally, users who stake SNX are rewarded through inflation of the monetary supply of SNX. SNX holders also have the ability to delegate their tokens to Synthetix Ambassadors who help govern the direction of the protocol.

Synthetix was originally started by Cain Warwick as a project called Havven in June of 2018. In December of 2018 the project was renamed Synthetix and pivoted to creating a platform for trading of synthetic assets. In March of 2018, 100 million tokens were issued, 60% of which went to early investors. Later, the supply schedule was changed to accommodate for rewards through inflation.

Universal Market Access

UMA is a digital asset that is created and transmitted through the operations of the peer-to-peer UMA network, a decentralized platform for creation, maintenance, and settlement of financial contracts on Ethereum. No single entity owns or operates the UMA network, which is collectively maintained by a decentralized user base.

UMA consists of two core parts, a financial contract mechanism that is used to create synthetic tokens and a Data Verification Mechanism (DVM) which aims to reduce the reliance on outside data services. Using UMA, users can create novel financial contracts, examples of which might be global equities, yield curves, or the number of Twitter followers a user has.

Holders of the UMA token have the ability to vote on price requests via the Data Verification Mechanism. Participants that vote correctly (with the majority) earn a reward that is tied to the inflation of the network and is distributed pro-rata by the amount of UMA tokens staked. Holders also have the ability to participate in the UMA governance system by voting on what types of contracts can access the system, what asset types are supported, and the parameters of the system.

UMA was founded in 2018 by Allison Lu and Hart Lambur to enable users to transfer risk online without the need for intermediaries. UMA initially created 100 million tokens, approximately 48.5% of which are held by the founders, early contributors, and seed investors subject to a multi-year vesting period. The project raised \$4 million from venture capital investors.

Maker

MKR is a digital asset that is created and transmitted through the operations of the peer-to-peer Maker network, a decentralized protocol that enables lending and borrowing through the minting of Dai, a stablecoin pegged to the U.S. dollar. No single entity owns or operates the Maker network, the infrastructure of which is collectively maintained by a decentralized user base.

On Maker, users can create collateralized debt positions (“CDP”) which lock up collateral in return for Dai on Maker’s Multi-Collateral Day System (“MCD System”). The assets are locked in the CDP until debt is repaid to the protocol. CDPs are always over-collateralized, meaning that the collateral requirement always exceeds the amount borrowed. When a user wants to retrieve the collateral, they must pay back the debt, plus a stability fee that accrued on the debt over time. The stability fee is an annual rate that is calculated relative to the debt of the CDP. This stability fee can only be paid using MKR, which is burned upon payment, permanently removing it from the overall supply. Once the debt and stability fee are paid back, the collateral may be withdrawn.

Holders of MKR have the power to vote on the market incentives and risk parameters. MKR also acts as a source of recapitalization for the protocol based on certain deficit and surplus thresholds. When the MCD System surplus exceeds a minimum threshold, excess Dai is auctioned off for MKR, which is then destroyed. Conversely, if the MCD System deficit exceeds a maximum threshold, MKR is created and auctioned off for Dai in order to recapitalize the system. The possibility that MKR token supply could increase in order to recapitalize the system if it runs at a deficit, gives holders a strong incentive to govern the system well, in order to avoid having their MKR holdings diluted.

Maker was started by Rune Christensen in 2014. The protocol was built by the Maker Foundation along with outside parties. Over time, the Market Foundation has reduced its control and ceded control to a decentralized autonomous organization (DAO) known as MakerDAO. The DAO is governed by holders of MKR, which can vote on important changes. MKR was issued in 2017 with an initial supply of one million tokens and sold through three private sales. As of August 1, 2022, the circulating token supply stands at approximately 901,301 MKR with a maximum supply of 1,005,577.

Decentralized Asset Management Protocols

These protocols enable decentralized asset management by allowing users to invest in a collective investment pool using a variety of investment strategies. With asset management protocols, users can gain exposure to digital asset investment strategies while taking advantage of the openness, efficiency and transparency benefits of blockchain technology.

The smart contracts eliminate the need of investors to rely on asset managers to hold funds and adhere to investment strategies. Instead, investors interact directly with the protocol, which operates pursuant to a pre-defined investment strategy and determines features such as risk parameters such as concentration and price tolerance, rebalancing, trading and valuation.

An example of decentralized asset management protocols is yearn finance, yearn.finance.

YFI is a digital asset that is created and transmitted through the operations of the peer-to-peer yearn.finance network, a decentralized asset management platform that has multiple uses ranging from liquidity provision, lending, to insurance. No single entity owns or operates the yearn.finance network, which is collectively maintained by a decentralized user base.

On yearn.finance, users can take advantage of yields that are aggregated from several DeFi platforms by locking their assets in the yearn.finance protocol. There are three key ways to earn yield through yearn.finance, including lending, trading, and liquidity incentives. For lending, assets from the yearn.finance protocol are lent out through other protocols such as Aave or Compound. Earning yield through trading includes the yearn.finance protocol distributing capital to an exchange like Uniswap and earning a yield in return. Finally, yearn.finance can earn its users yield by participating in liquidity incentive programs on protocols that distribute their tokens as a reward for being an early user.

Holders of YFI have the ability to propose and vote on improvement proposals to adjust features of the yearn.finance network. Governance decisions might include inflation changes or the implementation of a new yield strategy. In addition, YFI holders who stake earn a portion of all protocol profits.

yearn.finance, originally known as iEarn, was created by Andre Cronje. The project suffered an exploit in February 2020 causing Cronje to step away. He later returned in the summer of 2020, rebranded the project to yearn.finance, and launched a collection of new strategies. The protocol gained significant popularity after introducing the YFI token which was distributed to users of the protocol. The supply was initially capped at 30,000 and was later increased to 36,666 to compensate the developer team.

Other DeFi Protocols

Other DeFi protocols being developed include decentralized insurance protocols, which are designed to hedge the risk of smart contract code and price volatility on other DeFi protocols,

decentralized prediction market protocols, which are designed to enable users to bet on real-world events, and other infrastructure primitives and blockchain building blocks.

Forks and Airdrops

A “hard fork” of a Digital Asset Network occurs when there is a disagreement among users and miners over modifications to a Digital Asset Network, which are typically made through software upgrades and subsequently accepted or rejected through downloads or lack thereof of the relevant software upgrade by users. If less than a substantial majority of users and miners consent to a proposed modification, and the modification is not compatible with the software prior to its modification, a fork in the blockchain results, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork is the existence of two versions of the relevant Digital Asset Network running in parallel, yet lacking interchangeability. After a fork, holders of the original digital asset typically end up holding equal amounts of the original digital asset and the new digital asset.

For example, in July 2017, Bitcoin “forked” into Bitcoin and a new digital currency, Bitcoin Cash, as a result of a several-year dispute over how to increase the speed and number of transactions that the Bitcoin network can process in a given time interval (*i.e.*, transaction throughput).

Forks may also occur after a significant security breach. For example, in June 2016, a smart contract developed and deployed on the Ethereum network was hacked and approximately \$60 million worth of ETH were stolen, which resulted in most participants in the Ethereum ecosystem electing to adopt a hard fork that effectively reversed the hack. However, a minority of users continued to develop the old blockchain, now referred to as “Ethereum Classic” with the digital asset on that blockchain referred to as ETC. Ethereum Classic remains traded on several Digital Asset Exchanges.

Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run for any given digital asset. Such a fork could adversely affect the digital asset’s viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the network while resisting community-led efforts to merge the two chains, resulting in a permanent fork.

In addition to forks, a digital asset may become subject to a similar occurrence known as an “airdrop.” In an airdrop, the promoters of a new digital asset announce to holders of another digital asset that they will be entitled to claim a certain amount of the new digital asset for free simply by virtue of having held the original digital asset at a certain point in time leading up to the airdrop. For example, in September 2020, the developers of UNI announced that anyone that had participated in a transaction on the Uniswap protocol as of September 1, 2020 could claim 400 UNI. In addition, pursuant to a Compound network smart contract enacted at COMP’s launch, approximately 2,880 COMP is effectively airdropped to users of the

Compound protocol each day, without specific payment in return, to users of the protocol based on their usage of the protocol.

Digital Asset Exchange Valuation

The value of digital assets is determined by the value that various market participants place on digital assets through their transactions. The most common means of determining the value of a digital asset is by surveying one or more Digital Asset Exchanges where the digital asset is traded publicly and transparently (*e.g.*, Bittrex, Bitstamp, Coinbase Pro, itBit, Kraken, and Poloniex). Additionally, there are over-the-counter dealers or market makers that transact in digital assets.

Digital Asset Exchange Public Market Data

On each online Digital Asset Exchange, digital assets are traded with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. dollar or Euro or by the cryptocurrency Bitcoin. Over-the-counter dealers or market makers do not typically disclose their trade data.

The domicile, regulation and legal compliance of the Digital Asset Exchanges used to determine the relevant Digital Asset Reference Rates varies. Information regarding each Digital Asset Exchange may be found, where available, on the websites for such Digital Asset Exchanges, among other places.

Although each Digital Asset Reference Rate is designed to accurately capture the market price of the digital asset it tracks, third parties may be able to purchase and sell such digital assets on public or private markets not included among the constituent Digital Asset Exchanges of such Digital Asset Reference Rate, and such transactions may take place at prices materially higher or lower than the Digital Asset Reference Rate. Moreover, there may be variances in the prices of digital assets on the various Digital Asset Exchanges, including as a result of differences in fee structures or administrative procedures on different Digital Asset Exchanges.

Market Participants

Miners and Validators

Miners range from digital asset enthusiasts to professional mining operations that design and build dedicated machines and data centers, including mining pools, which are groups of miners that act cohesively and combine their processing power to solve blocks (in the case of proof-of-work) or stake coins (in the case of proof-of-stake). When a pool mines a new block, the pool operator receives the digital asset and, after taking a nominal fee, splits the resulting reward among the pool participants based on the processing power each of them contributed to mine such block. Mining pools provide participants with access to smaller, but steadier and more frequent, digital asset payouts.

Proof-of-Work

Under a proof-of-work ecosystem, miners, through the use of a software program, engage in a set of prescribed complex mathematical calculations in order to add a block to the blockchain and thereby confirm transactions included in that block's data. The mathematical solution to add, or "solve," a block is called a hash. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are incentivized to participate in proof-of-work ecosystems because the addition of a block creates new tokens of the applicable digital asset, which are awarded to miners that successfully solve the block.

The significant increase in the number of miners supporting the operations of Digital Asset Networks and the associated increase in mining capacity in recent years have radically increased the difficulty of finding a valid hash on any given digital asset's network. In some respects, hashing is akin to a mathematical lottery, and miners that have devices with greater processing power (*i.e.*, the ability to make more hash calculations per second) are more likely to be successful miners. Currently, the likelihood that an individual acting alone will be able to solve a block, and thus be awarded digital currency tokens, is extremely low. As a result, although there are individual miners, the vast majority of mining is undertaken by professional mining operations and mining "pools," which are groups of multiple miners that act cohesively and combine their processing power to solve blocks. When a pool solves a new block, the pool operator receives the digital asset reward and, after taking a nominal fee, splits the resulting amount among the pool participants based on the processing power they each contributed to solve for such block.

Proof-of-Stake

Unlike proof-of-work, in which miners expend computational resources to compete to validate transactions and are rewarded coins in proportion to the amount of computational resources expended, in proof-of-stake, miners (sometimes called validators) risk or "stake" coins to compete to be randomly selected to validate transactions and are rewarded coins in proportion to the amount of coins staked. Any malicious activity, such as mining multiple blocks, disagreeing with the eventual consensus or otherwise violating protocol rules, results in the forfeiture or "slashing" of a portion of the staked coins. Proof-of-stake is viewed as more energy efficient and scalable than proof-of-work and is sometimes referred to as "virtual mining".

Liquidity Providing / Yield Farming

Many DeFi protocols provide decentralized access to financial services including digital asset borrowing, lending, custody, trading, derivatives, asset management and insurance by aggregating digital asset trading pairs using smart contracts. For example, in a decentralized exchange, "liquidity providers" typically deposit two digital assets, digital asset A and digital

asset B, into the smart contract, with the sum of all such deposits making up a “liquidity pool” for that trading pair. A user can then trade by sending digital asset A (or digital asset B) into the smart contract, which automatically returns digital asset B (or digital asset A) at the market price, subject to a transaction fee. Rather than earning a spread between a bid and offer, liquidity providers are compensated by sharing in the transaction fees paid to that trading pair’s liquidity pool. Similar mechanisms exist for most other DeFi protocols.

Governance

Many DeFi protocols also include tokens that give holders governance rights over the protocol, such as the ability to propose and vote on improvement proposals to adjust features such as transaction fee levels, liquidity- provider models, permitted assets, collateral loan-to-value ratios and interest rate models. Token holders are able to ~~participate~~ ^{participate} (either directly or by delegation) in votes to amend the protocols and the future of the networks.

Investment and Speculative Sector

This sector includes the investment and trading activities of both private and professional investors and speculators. Historically, larger financial services institutions are publicly reported to have limited involvement in investment and trading in digital assets, although the participation landscape is beginning to change. Currently, there is relatively limited use of digital assets in the retail and commercial marketplace in comparison to relatively extensive use by speculators, and a significant portion of demand for digital assets is generated by speculators and investors seeking to profit from the short- or long-term holding of digital assets.

Retail Sector

The retail sector includes users transacting in direct peer-to-peer digital asset transactions through the direct sending of the digital assets over Digital Asset Networks. The retail sector also includes transactions in which consumers pay for goods or services from commercial or service businesses through direct transactions or third- party service providers, although the use of digital assets as a means of payment is still developing.

Service Sector

This sector includes companies that provide a variety of services including the buying, selling, payment processing and storing of digital assets. Bitfinex, Bittrex, Bitstamp, Coinbase Pro, itBit and Kraken are some of the largest Digital Asset Exchanges by volume traded. Coinbase Custody Trust Company, LLC, the Custodian for the Fund, is a digital asset custodian that provides custodial accounts that store digital assets for users. As a digital asset network continues to grow in acceptance, it is anticipated that service providers will expand

the currently available range of services and that additional parties will enter the service sector for Digital Asset Networks.

GOVERNMENT OVERSIGHT

As digital assets have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, SEC, CFTC, FINRA, the CFPB, the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the IRS and state financial institution regulators) have been examining the operations of digital asset networks, digital asset users and the Digital Asset Exchange Markets, with particular focus on the extent to which digital assets can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of exchanges or other service providers that hold digital assets for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by digital assets to investors. In addition, federal and state agencies, and other countries have issued rules or guidance about the treatment of digital asset transactions or requirements for businesses engaged in digital asset activity. In addition, the SEC, U.S. state securities regulators and several foreign governments have issued warnings that digital assets sold in ICOs may be classified as securities and that both those digital assets and ICOs may be subject to securities regulations. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares and the ability of the Trust to continue to operate. Additionally, U.S. state and federal, and foreign regulators and legislatures have taken action against virtual currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from virtual currency activity. In December 2020, FinCEN released a proposed rule aimed at closing gaps in reporting requirements. The period for public comments has concluded. Once adopted, banks and money service businesses will need to review the adopted rule and adjust internal controls, policies, and procedures as necessary. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions may affect the value of the Shares or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Exchange Market in a manner that adversely affects an investment in the Shares” herein.

Law enforcement agencies have often relied on the transparency of blockchains to facilitate investigations. Europol, the European Union’s law enforcement agency, released a report in October 2017 noting the increased use of privacy-enhancing digital assets like Zcash and Monero in criminal activity on the internet, and in May 2018 it was reported that Japan’s Financial Service Agency has been pressuring Japanese digital asset exchanges to delist privacy-enhancing digital assets. Although no regulatory action has been taken to treat Zcash, Zen or other privacy-enhancing digital assets differently, this may change in the future.

Various foreign jurisdictions have, and may continue to, in the near future, adopt laws, regulations or directives that affect digital asset networks, the Digital Asset Markets, and their users, particularly Digital Asset Exchanges and service providers that fall within such jurisdictions’

regulatory scope. For example, on March 5, 2020, South Korea voted to amend its Financial Information Act to require virtual asset service providers to register and comply with its AML and CFT framework. These measures also provide the government with the authority to close digital asset exchanges that do not comply with specified processes. The Chinese and South Korean governments have also banned ICOs, and there are reports that Chinese regulators have taken action to shut down a number of China-based Digital Asset Exchanges. Further, on January 19, 2018, a Chinese news organization reported that the People’s Bank of China had ordered financial institutions to stop providing banking or funding to “any activity related to cryptocurrencies.” Similarly, in April 2018, the Reserve Bank of India banned the entities it regulates from providing services to any individuals or business entities dealing with or settling digital assets. On March 5, 2020, this ban was overturned in the Indian Supreme Court, although the Reserve Bank of India is currently challenging this ruling. There remains significant uncertainty regarding the South Korean, Indian and Chinese governments’ future actions with respect to the regulation of digital assets and digital asset exchanges. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of one or more digital assets held by the Trust by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the digital asset economy in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of a digital asset held by the Trust.

In October 2020, the United Kingdom’s Financial Conduct Authority banned the sale to retail consumers of derivatives and exchange traded notes (“*ETNs*”) that reference certain types of digital assets, contending that they are “ill-suited” to retail investors and citing extreme volatility, valuation challenges and association with financial crime. In addition to *ETNs*, the ban affects financial products including contracts for difference, options and futures. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions may affect the value of the Shares or restrict the use of one or more digital assets, mining activity or the operation of their networks or the Digital Asset Markets in a manner that adversely affects an investment in the Shares” herein.

The effect of any future regulatory change on the Trust or the digital assets held by the Trust is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares.

Not a Regulated Commodity Pool

The Trust will not trade, buy, sell or hold digital asset derivatives, including digital asset futures contracts, on any futures exchange. The Trust is authorized solely to take immediate delivery of actual digital assets. The Sponsor does not believe the Trust’s activities is regulated by the CFTC under the CEA as a “commodity pool” under current law, regulation and interpretation. The Trust will not be operated by a CFTC- regulated commodity pool operator, because it will not trade, buy, sell or hold digital asset derivatives, including digital asset futures contracts, on any futures exchange. Investors in the Trust will not receive the regulatory protections afforded to investors in

regulated commodity pools, nor may any futures exchange enforce its rules with respect to the Trust’s activities. In addition, investors in the Trust will not benefit from the protections afforded to investors in digital asset futures contracts on regulated futures exchanges.

ACTIVITIES OF THE TRUST

The high-level goal of the Trust is to provide an investor with an easier way to gain exposure to a diversified basket of digital assets that are largely focused on direct and adjacent exposures to the “Decentralized Finance” (“**DeFi**”) part of the digital assets spectrum, including Layer-1 blockchains. Although the Shares will not be the exact equivalent of such digital assets, they should provide investors with a professionally managed alternative to selecting and managing a portfolio of digital assets directly. In furtherance to this objective, the activities of the Trust include (i) issuing Shares in exchange for cash, (ii) transferring or selling digital assets, Incidental Rights and IR Virtual Currency as necessary in connection with each rebalancing of the Index and the Trust, to cover the Sponsor’s Fee and/or any Additional Trust Expenses, to pay for Shares surrendered for redemption, and upon the termination of the Trust, (iii) making distributions of Incidental Rights and/or IR Virtual Currency or cash from the sale thereof, (iv) engaging in staking and/or lending digital assets and participating in other protocol network events and activities, and (v) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement, the Custodian Agreement, and the Index License Agreement.

In addition, the Trust may engage in any lawful activity necessary or desirable in order to facilitate its Shareholders’ access to Incidental Rights or IR Virtual Currency, provided that such activities do not conflict with the terms of the Trust Agreement.

Trust Objective

The investment objective of the Trust is for the Shares (based on digital assets per Share) to generally reflect a dynamic allocation of digital assets as determined by reference to the IDX Risk-Weighted DeFi Index (the “**Index**”) which is administered by IDX Insights, LLC an affiliate of the Sponsor (the “**Index Provider**”). The objective of the Trust is to largely replicate the exposures (and therefore the performance) of the Index. The Sponsor strives to minimize tracking error (*i.e.*, divergence between the performance of the Trust and the Index) by managing costs and price slippage during trade execution, and holding the assets in the Index. Upon the occurrence of network distribution events, such as hard forks, airdrops, emissions, staking, or other on-off events, the Sponsor may pursue any action the Sponsor deems to be in the best interest of the Trust, in the Sponsor’s sole discretion.

For more information on the Index or the Trust’s objective and strategy, please visit the following website:

- IDX Risk-Weighted DeFi Index (www.idxdigitalassets.com/defi-trust)

While the Sponsor will not strive to generate additional income by capitalizing on airdrops, they may passively occur. Furthermore, the Sponsor may potentially seek to lend and/or stake assets in the Trust as it deems in the interest of the Trust. This will likely occur (generally) with certain “Proof of Stake” protocols. Proof of Stake consensus (as opposed to Proof of Work algorithm) allows asset holders to “stake” (*i.e.*, lock their coins within the protocol) in order to process transactions and in return earn rewards (generally additional coins). This mechanism is referred to as “staking.” These and other factors will cause the Trust to have more risk of loss than the Index and may cause divergences between the performance of the Trust and the Index.

IDX Risk-Weighted DeFi Index

Purpose of the Index

The purpose of the Index is to track a dynamic basket of digital assets that seeks to provide diversified exposure to the Decentralized Finance and blockchain ecosystem. DeFi refers to a protocols that seek to provide traditional financial functionality (borrowing, lending, exchanging assets) on a decentralized blockchain as opposed to relying on a central intermediary. These protocols are deployed using “smart contracts” which represent programs of self-executing code that are deployed entirely on a blockchain (such as Ethereum, Solana or Avalanche) and run when a given set of conditions is met.

In determining those digital assets to include in the Index, the Index Provider prioritizes quality and factors related to quality including, but not limited to: market cap, adoption and usership, use case, length of history, composition of development team and associated DAO, economics of the token (*e.g.* “tokenomics”) and availability of code audits. While the Index Provider formally reviews the constituents of the index each quarter for addition/removal of certain assets, the composition may change more frequently, as determined by the Index Provider in its sole and absolute discretion. The Index is not market-cap weighted by rather adopts a “risk-weighted” posture in which the default weight for each asset begins with an equal-weight allocation and then, depending on each asset’s risk score, the weight may increase or decrease depending on whether the asset has a lower or higher relative risk score. This Index rebalancing takes place on a monthly basis.

Index Methodology

This section describes the Index methodology. The methodology is subject to change consistent with the Index’s goal of including the most prominent digital assets that comprise the DeFi and associated blockchain ecosystem subject to eligibility criteria, liquidity, custodian availability and other investment feasibility standards.

See “Eligibility Requirements” for additional information. For the most current Index methodology, please see www.idx.digitalassets.com/defi-trust. While there is no pre-determined number of constituents in the Index, one of the principal objectives of the Index is diversification;

therefore, it is expected that the Index will hold between 10 and 20 digital assets at any given time. The Index Provider, at its sole discretion, is responsible for determining which digital assets and how many will be included in the Index. The Index is rebalanced monthly. Each month, each asset in the Index starts with an equal allocation. Then each asset is evaluated according a proprietary risk score that measures its downside risk profile over multiple time frames. Depending on each asset's risk score relative to the rest of the Index constituents, its weight for the following month may be higher (or lower) depending on whether its risk score was (relatively) lower (or higher) than the rest. In this way, the Index design seeks to diversify risk across several digital assets (*i.e.* 10-20) with a dynamic tilt towards those that are demonstrating more favorable risk characteristics.

The universe of potential constituents is actively and consistently evaluated and therefore the Index composition may change at any given time although there are expected to be few additions and/or deletions to the constituent list in any given year.

The Index methodology developed by the Index Provider is published on the Index's website. For the most current Index methodology, please see www.idx.digitalassets.com/defi-trust. The methodology and composition of the Index is subject to change at any time without advance notice to Investors in the sole discretion of the Index Provider. Since the Trust's investment strategy is to invest its assets to track the Index, a change in Index methodology or composition will not warrant a notice or consent requirement to Investors, even if such changes in the Index are significant and material.

Eligibility Requirements

In order to be eligible for inclusion in the Index, a digital asset must satisfy certain eligibility requirements. Key among these eligibility criteria are the following:

- A digital asset must be available for trading on multiple, established public exchanges.
- A digital asset must be supported by third party, regulated custodians.
- A digital asset must demonstrate sufficient liquidity.
- A digital asset must have been traded for at least 6 months.
- A digital asset must meet the Index Provider's standards for sufficient adoption, durability, business use-case, developer/DAO community and "tokenomics".

Exogenous Events

The Index Provider defines an "exogenous" event as an unforeseen circumstance that may prohibit the ability to trade a constituent freely (such as a trade suspension) or certain events specific to digital assets such as hard-forks or airdrops as well as any regulatory changes. The Index Committee may convene ad hoc to consider appropriate actions should there be a sudden and extenuating event. The Index views hard forks similar to how company spinoffs are viewed in US equity markets. A hard fork occurs when a cryptocurrency is split because portions of the

consensus nodes adopt different policies. In such an event, often a private key holder ends up with ownership on both chains. Often there is a primary chain that is adopted by the majority. When a hard fork occurs, the Index Provider will evaluate the utility of the forked coin on an individual basis and rebalance the Index the following month accordingly. Note, in this circumstance the requirement for 6 months of trading will not be considered in determining a forked coin's eligibility.

IDX DeFi Advisory Committee

The Index Provider and the Sponsor may create an advisory committee (the “***IDX Index Committee***”) with relevant asset management, technical and academic expertise to aid in providing insights and considerations as it relates to the Index methodology, including the eligibility of individual digital assets. The IDX Index Committee members will be selected by the Sponsor in its sole discretion.

If the IDX Index Committee is established, the Index Provider and the Sponsor expect that the IDX Index Committee will evaluate and study the Index on an ongoing basis, particularly as to such variables as eligibility and liquidity. The Index Provider and the Sponsor will determine a regular meeting schedule of the committee to assist in the evaluation of the constituents and potential constituents of the Index, although the committee would also meet as needed, as changes in the digital assets landscape develop or unexpected market conditions arise, such as hard forks, extreme market movements, macro and/or geopolitical risks and changes (or anticipated changes) in the regulatory landscape.

The IDX Index Committee members will owe no duties to the Trust and may make recommendations with respect to the Index that may be adverse to the Trust. The IDX Index Committee will have no decision making authority or control over the Trust or the Index but will only offer potential insights into the suitability of various Digital Assets for continued or potential inclusion in the Index. The Index Provider may or may not incorporate No member of the IDX Index Committee (in the member's capacity as a committee member) will have a right to participate in the management of the Trust, to act for or bind the Trust, or to vote on Trust matters, except as specifically provided under applicable law or in the Trust Agreement.

Departures from the Index

Performance of the Trust may, and will likely, differ from the Index. For example, tracking errors may emerge as a result of trading fees, bank fees, and the management fee, which pays for custody, audit, administration, portfolio management, index use, and other necessary services. The Trust will attempt to pay expenses in the most tax and cost efficient manner possible. In addition, the Trust may differ from the Index in the coins it holds. Specifically, the Sponsor may cause the Trust to exclude a coin (a) if the Sponsor determines that such coin may be a security or is fraudulent or otherwise poses high risk to investors or (b) as the Sponsor otherwise determines in its sole discretion. Also, capitalizing on airdrops and proof-of-stake opportunities and staking or lending

digital assets (as discussed above) may cause divergences between the performance of the Trust and the Index.

In making a determination regarding whether a coin is a security, the Sponsor expects to take into account a number of factors, including the definition of a “security” under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act, *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) and the case law interpreting it, as well as reports, orders, press releases, public statements and speeches by the SEC providing guidance on when a digital asset is a “security” for purposes of the federal securities laws.

The Sponsor in its sole discretion may create other exceptions where the Trust will not track the Index and such exceptions may not always be communicated in advance to Investors. In addition, the Trust may invest in other assets on a limited basis in the sole discretion of the Sponsor. There can be no assurance that the Fund will track the Index.

The Trust currently operates a redemption program; however, the redemption of Shares is subject to limitations (as described in this Private Placement Memorandum), and the Sponsor may suspend or terminate the redemption program at any time, in the Sponsor’s sole discretion, and the Sponsor will terminate the redemption program, in the event that the Shares are traded on any Secondary Market. In addition, the Trust may from time to time halt the issuance of Shares.

If the Shares are traded on any Secondary Market, there can be no assurance that the value of the Shares of the Trust will reflect the value of the digital assets held by the Trust, less the Trust’s expenses and other liabilities. The Shares may trade at a substantial premium over, or a substantial discount to, the value of the digital assets held by the Trust, less the Trust’s expenses and other liabilities, due to a lack of an ongoing redemption program, potential halts in the issuance of Shares, price volatility, trading volume, and closings of Digital Asset Exchanges due to fraud, failure, security breaches or otherwise.

For a discussion of risks relating to the unavailability of a redemption program, see “Risk Factors—Risk Factors Related to the Trust and the Shares— If the Shares are traded on any Secondary Market, because of the holding period under Rule 144 and the lack of an ongoing redemption program, there will be no arbitrage mechanism to keep the price of the Shares closely linked to the relevant Digital Asset Reference Rates and the Shares may trade at a substantial premium over, or substantial discount to, the Digital Asset Holdings per Share” and “Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares.”

Strategy behind the Shares

The Shares are intended to constitute a cost-effective and convenient means of gaining investment exposure to digital assets. A substantial direct investment in digital assets may require expensive and sometimes complicated arrangements in connection with the acquisition, security and

safekeeping of digital assets and may involve the payment of substantial fees to acquire such digital assets from third-party facilitators through cash payments of U.S. dollars. The Shares are intended to offer investors an opportunity to participate in Digital Asset Markets through an investment in securities. The logistics of accepting, transferring and safekeeping of the digital assets of the Trust are dealt with by the Sponsor and the Custodian, and the related expenses are built into the price of the Shares. Therefore, Shareholders do not have additional tasks or costs over and above those generally associated with investing in any other privately placed security. Although the Shares will not be the exact equivalent of a direct investment in digital assets, they provide investors with an alternative that constitutes a relatively cost-effective way to participate in Digital Asset Markets through the securities market. Because the value of the Shares is correlated with the value of the digital asset held by the Trust, it is important to understand the investment attributes of, and the market for, digital assets.

The Shares are intended to provide institutional and retail investors with a simple and cost-effective means, with minimal credit risk, of gaining investment benefits similar to those of directly holding a diversified basket of digital assets. The Shares offer an investment that is:

- *Easily Accessible, Diversified and Relatively Cost Efficient.* Investors in the Shares can also directly access Digital Asset Markets through the Digital Asset Exchange Market. The Sponsor believes that investors will be able to more effectively implement strategic and tactical asset allocation strategies that use a diversified basket of digital assets by using the Shares instead of directly purchasing and holding and managing a basket of digital assets, directly. For many investors, transaction costs related to the Shares will be lower than those associated with the direct purchase, storage and safekeeping of digital assets.
- *Transparent and Potentially Market-Traded.* The value of the Trust's assets will be reported each day on the Trust's website (idxdigitalassets.com/trusts). Investment in the Trust may provide investors with an efficient way to implement investment strategies, if the Shares are quoted and traded on a Secondary Market and the investor's Shares have become unrestricted in accordance with Rule 144 under the Securities Act. However, there can be no assurance that any Shares of the Trust will be quoted and traded on any Secondary Market.
- *Minimize Counterparty and Credit Risk.* The Shares of the Trust represent an interest in actual digital assets owned by the Trust. The Trust's digital assets are not subject to borrowing arrangements with third parties. A Trust's digital assets are not subject to counterparty or credit risk, while in a Digital Asset Custodial Account (see "*Safekeeping System*" below). This contrasts with the other financial products such as CoinShares exchange-traded notes, TeraExchange swaps and Bitcoin futures traded on the Chicago Mercantile Exchange ("*CME*") and the CBOE through which investors gain exposure to Bitcoins through the use of derivatives that are subject to counterparty and credit risks. However, the Trust's assets may be exposed in commingled accounts (which are online "hot" wallets) for periods of time, when the Trust must trade its digital assets outside the

Trust's Digital Asset Custodial Accounts. During those periods, the Trust's digital assets will be more vulnerable than when held in "cold" (offline storage). While the Sponsor will seek to utilize "cold" storage mechanisms when feasible, the Sponsor cannot guarantee that the Trust's digital assets will be held in cold storage at all times. In addition, whenever the Trust's assets are held in a commingled account outside the Trust's Digital Asset Custodial Account, the Trust will be subject to the risk of loss of such assets, due to a claim against the Trust's counterparty or such counterparty's bankruptcy or insolvency. In addition, whenever the Trust trades in digital assets, there is a risk that the Trust may suffer losses due to the credit and/or insolvency issues of the firm through which the transaction was executed. Digital assets transferred for the purposes of lending, staking, or participating in other network activities are subject to similar risk of loss, theft, or technological complication that could result in the loss of digital assets in their entirety. The Sponsor will use best efforts to protect the Trust to minimize counterparty risk but cannot guarantee the Trust against losses due to counterparty risk.

- *Safekeeping System.* The Custodian provides the capability to secure some of the digital assets for the Trust using offline storage, or "cold storage," mechanisms to secure the Trust's private key shards. The hardware, software, administration and continued technological development that are provided by the Custodian may not be available or cost-effective for many investors.

The Trust differentiates themselves from competing digital asset financial vehicles, to the extent that such digital asset financial vehicles may develop, in the following ways:

- *Custodian.* The Custodian that holds the private key shards associated with the Trust's digital assets is Coinbase Custody Trust Company, LLC. Other digital asset financial vehicles that use cold storage may not use a custodian to hold their private keys.
- *Cold Storage of Private Keys.* The private key shards associated with the Trust's digital assets are kept in cold storage when available, which means that the Trust's digital assets are disconnected and/or deleted entirely from the internet. See "Custody of the Trust's Digital Assets" for more information relating to the storage and retrieval of the Trust's private keys to and from cold storage. Other digital asset financial vehicles may not utilize cold storage or may utilize less effective cold storage-related hardware and security protocols. Not all of the Trust's assets necessarily will be in cold storage at all times.
- *Location of Private Vaults.* Private key shards associated with the Trust's digital assets are distributed geographically by the Custodian in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.
- *Enhanced Security.* Transfers from the Trust's Digital Asset Custodial Accounts require certain security procedures, including but not limited to, multiple encrypted private key

shards, usernames, passwords and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Trust's assets. Private key shards are distributed geographically in secure vaults around the world, including in the United States. As a result, if any one secure vault were to be compromised, this event would have no impact on the ability of the Trust to access its assets, other than a possible delay in operations, while one or more of the other secure vaults was used instead. These security procedures are intended to remove single points of failure in the protection of the Trust's assets.

- *Directly Held Digital Assets.* The Trust directly owns actual digital assets held through the Custodian. The direct ownership of digital assets is not subject to counterparty or credit risks. This may differ from other digital asset financial vehicles that provide digital asset exposure through other means, such as the use of financial or derivative instruments. But see the caveats in “*Minimize Counterparty and Credit Risk*” above.
- *Sponsor's Fee.* The Sponsor's Fee is a competitive factor that may influence an investor's decision to purchase Shares.

Incidental Rights and IR Virtual Currency

From time to time, the Trust may come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of digital assets, generally through a fork in the relevant digital asset's blockchain, an airdrop offered to holders of the relevant digital asset or other similar event. Pursuant to the terms of the Trust's Trust Agreement, the Trust may take any lawful action necessary or desirable in connection with its ownership of Incidental Rights, including the acquisition of IR Virtual Currency, unless such action would adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes or otherwise be prohibited by the Trust Agreement. These actions include (i) selling Incidental Rights and/or IR Virtual Currency and distributing the cash proceeds to Shareholders, (ii) distributing Incidental Rights and/or IR Virtual Currency in kind to the Shareholders or to an agent acting on behalf of the Shareholders for sale by such agent if an in-kind distribution would otherwise be infeasible and (iii) irrevocably abandoning Incidental Rights and/or IR Virtual Currency. The Trust may also use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses, if any, of the Trust, as discussed below under “—Trust Expenses.” However, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's Digital Asset Holdings, Digital Asset Holdings per Share, NAV or NAV per Share.

With respect to any fork, airdrop or similar event, the Sponsor may, in its discretion, decide to cause the Trust (i) to distribute the Incidental Rights or IR Virtual Currency in kind to an agent of the Shareholders for resale by such agent or (ii) to irrevocably abandon the Incidental Rights or IR Virtual Currency. In the case of a distribution in kind to an agent acting on behalf of the Shareholders, the Shareholders' agent will attempt to sell the Incidental Rights or IR Virtual

Currency, and if the agent is able to do so, will remit the cash proceeds to Shareholders, net of expenses and any applicable withholding taxes. There can be no assurance as to the price or prices for any Incidental Rights or IR Virtual Currency that the agent may realize, and the value of the Incidental Rights or IR Virtual Currency may increase or decrease after any sale by the agent. In the case of abandonment of Incidental Rights or IR Virtual Currency, the Trust would not receive any direct or indirect consideration for the Incidental Rights or IR Virtual Currency and thus the value of the Shares of the Trust will not reflect the value of the Incidental Rights or IR Virtual Currency.

The Sponsor plans to deliver to the Custodian, on behalf of the Trust, a notice (a “**Prospective Abandonment Notice**”) stating that the Trust is abandoning irrevocably for no direct or indirect consideration, effective immediately prior to each time at which the Trust creates Shares (any such time, a “**Creation Time**”), all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time (any such abandonment, a “**Pre-Creation Abandonment**”), provided that a Pre-Creation Abandonment will not apply to any Incidental Rights and IR Virtual Currency if (i) the Trust has taken, or is taking at such time, an Affirmative Action to acquire or abandon such Incidental Rights and IR Virtual Currency at any time prior to such Creation Time or (ii) such Incidental Rights and IR Virtual Currency has been subject to a previous Pre-Creation Abandonment. An Affirmative Action is a written notification from the Sponsor to the Custodian of the Trust’s intention (i) to acquire and/or retain any Incidental Rights and/or IR Virtual Currency or (ii) to abandon any Incidental Rights and/or IR Virtual Currency with effect prior to the relevant Creation Time.

In determining whether to take an Affirmative Action to acquire and/or retain an Incidental Rights and IR Virtual Currency, the Trust takes into consideration a number of factors, including:

- the Custodian’s agreement to provide access to the IR Virtual Currency;
- the availability of a safe and practical way to custody the IR Virtual Currency;
- the costs of taking possession and/or maintaining ownership of the IR Virtual Currency and whether such costs exceed the benefits of owning such IR Virtual Currency;
- whether there are any legal restrictions on, or tax implications with respect to, the ownership, sale or disposition of the Incidental Right or IR Virtual Currency, regardless of whether there is a safe and practical way to custody and secure such Incidental Right or IR Virtual Currency;
- the existence of a suitable market into which the Incidental Right or IR Virtual Currency may be sold; and
- whether the Incidental Right or IR Virtual Currency is, or may be, a security under federal securities laws.

In determining whether the IR Virtual Currency is, or may be, a security under federal securities laws, the Sponsor takes into account a number of factors, including the definition of a “security” under Section 2(a)(1) of the Securities Act and Section 3(a)(10) of the Exchange Act, *SEC v. W.J. Howey Co.*, 328 U.S. 293 (1946) and the case law interpreting it, as well as reports, orders, press releases, public statements and speeches by the SEC providing guidance on when a digital asset is a “security” for purposes of the federal securities laws.

Once the Sponsor delivers the Prospective Abandonment Notices, the Trust will irrevocably abandon, prior to the Creation Time of any Shares, any Incidental Right or IR Virtual Currency that it may have any right to receive at such time. The Trust will not have any right to receive any Incidental Right or IR Virtual Currency abandoned pursuant to either the Prospective Abandonment Notice or an Affirmative Action. Furthermore, the Custodian will have no authority, pursuant to the Custodian Agreement or otherwise, to exercise, obtain or hold, as the case may be, any such abandoned Incidental Right or IR Virtual Currency on behalf of the Trust or to transfer any such abandoned Incidental Right or IR Virtual Currency to the Trust if the Trust terminates its custodial arrangement with the Custodian.

The Sponsor intends to evaluate each fork, airdrop or similar occurrence on a case-by-case basis in consultation with the Trust’s legal advisors, tax consultants, and the Custodian, and may decide to abandon any Incidental Rights or IR Virtual Currency resulting from a hard fork, airdrop or similar occurrence should the Sponsor conclude, in its discretion, that such abandonment is in the best interests of the Trust.

Secondary Market Trading

While the Trust’s investment objective is for the Shares (based on digital assets per Share) to reflect the value of the digital assets held by the Trust, as determined by reference to the applicable Digital Asset Reference Rates, less the Trust’s expenses and other liabilities, to the extent the Shares of the Trust trade in the Secondary Market, such Shares may trade at prices that are lower or higher than applicable Digital Asset Holdings per Share. The amount of the discount or premium in the trading price relative to the Digital Asset Holdings per Share may be influenced by non-concurrent trading hours. Liquidity in the Digital Asset Markets may fluctuate depending upon the volume and availability of larger Digital Asset Exchanges. As a result, during periods in which Digital Asset Market liquidity is limited or a major Digital Asset Exchange is off-line, trading spreads, and the resulting premium or discount, on such Shares may widen.

Trust Expenses

The Trust’s only ordinary recurring expenses are expected to be the Sponsor’s Fee. The Sponsor’s Fee will accrue daily at a percentage, to be specified in the Trust Supplement, of the cash assets of the Trust and the Digital Asset Holdings Fee Basis Amount as of 4:00 p.m. GMT on each day; *provided* that for a day that is not a business day, the calculation of the Sponsor’s Fee will be based on the Digital Asset Holdings Fee Basis Amount from the most recent business day, reduced by

the accrued and unpaid Sponsor's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. Notwithstanding the foregoing, the Sponsor's Fee is payable, at the Sponsor's sole discretion, in digital assets held by the Trust (by reference to the same Digital Asset Reference Rate(s) used to determine such accrual) or U.S. dollars, monthly in arrears.

Extraordinary expenses incurred by the Trust, such as taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), or extraordinary legal fees and expenses, are not assumed by the Sponsor and are borne by the Trust. See "Expenses; Sales of Digital Assets" for additional information about the expenses of the Trust.

DESCRIPTION OF THE TRUST

The Trust is a Delaware Statutory Trust that was formed pursuant to the filing of a Certificate of Trust with the Delaware Secretary of State in accordance with the provisions of the DSTA. The Trust operates pursuant to the Trust Agreement.

In general, the Trust may hold one or more types of digital assets, at such times and for such periods as determined by the Sponsor, issue Shares in exchange for cash, and redeem shares in exchange for cash and/or digital assets. The investment objective of the Trust is for its Shares (based on digital assets per Share) to reflect a dynamic allocation of digital assets as determined by reference to the Index. The Sponsor believes that, for many investors, the Shares of the Trust represent a cost-effective and convenient investment relative to a direct, outright investment in digital assets.

The Shares of the Trust represent units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust will be managed in a manner that seeks to maintain exposures consistent with the Index. The objective of the Trust is to largely replicate the exposures (and therefore the performance) of the Index. For more information, please visit the following website:

- **IDX Risk-Weighted DeFi Index** (<https://www.spglobal.com/spdji/en/custom-indices/idx-insights/idx-risk-weighted-defi-index/#overview>)

The Trust's digital assets are held in a digital wallet, the security of which is facilitated by the Sponsor, the Custodian and any other security vendor engaged by the Trust. The Trust's digital assets will be transferred out of the applicable Digital Asset Custodial Account only in the following circumstances: transferred or sold in connection with each rebalancing of the Index and the Trust, transferred or sold to pay the Sponsor's Fee or any Additional Trust Expenses, transferred or sold in connection with the redemption of Shares, or sold on behalf of the Trust in the event the Trust terminates and liquidates its assets, when in the Sponsor's judgment, it is necessary or desirable to execute transactions in digital assets outside the Trust's Digital Asset

Custodial Accounts, transferred for the purposes of lending, staking, or participating in other network activities, or as otherwise required by law or regulation. Assuming that the Trust is treated as a partnership for U.S. federal income tax purposes, each delivery or sale of digital assets by the Trust to pay the Sponsor's Fee or any Additional Trust Expenses, pay redemption proceeds or liquidate the Trust will be a taxable event for the Trust that may result in income or gain allocations to a Shareholder. See "Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders."

The Trust is not registered as an investment company under the Investment Company Act, and the Sponsor believes that the Trust is not required to register under the Investment Company Act. The Trust will not hold or trade in commodity futures contracts or other derivative contracts regulated by the CEA, as administered by the CFTC. The Sponsor believes that the Trust is not a commodity pool for purposes of the CEA and that neither the Sponsor nor the Trustee is subject to regulation as a commodity pool operator or a commodity trading adviser in connection with the operation of the Trust.

The Trust expects to create and redeem Shares from time to time. The number of outstanding Shares of the Trust is expected to increase and decrease from time to time. The issuance or redemption of the Shares will require the delivery to the Trust or the distribution by the Trust, as applicable, of cash in an amount equal to the NAV of the Shares being issued or redeemed next determined after the subscription for, or redemption of, such Shares.

Shareholders may sell to other investors the Shares they purchase from the Trust only in transactions exempt from registration under the Securities Act and State securities laws and as permitted by the Trust Agreement.

The Administrator will determine the Trust's Digital Asset Holdings on each business day as of 4:00 p.m. GMT. The Administrator will also determine the Trust's Digital Asset Holdings per Share, which equals the applicable Digital Asset Holdings divided by the number of outstanding Shares of the Trust. Each business day, the Sponsor will publish the Trust's Digital Asset Holdings and Digital Asset Holdings per Share on the Trust's website, <https://idxdigitalassets.com/risk-weighted-defi-trust/>.

The Trust's assets consist solely of the Relevant Digital Currencies, Incidental Rights, IR Virtual Currency, proceeds from the sale of the relevant digital assets, Incidental Rights and IR Virtual Currency pending use of such cash for permitted Trust purposes or distribution to the Shareholders of the Trust, cash, and any rights of the Trust pursuant to any agreements, other than the Trust Agreement, to which the Trust is a party. Each Share of the Trust represents a proportional interest, based on the total number of Shares outstanding, in the Trust's assets as determined in the case of its digital assets by reference to the relevant Digital Asset Reference Rates, less its expenses and other liabilities (which include accrued but unpaid fees and expenses). The Sponsor expects that the market price of the Shares of the Trust will fluctuate over time in response to the market prices of the Relevant Digital Currencies. In addition, because the Shares will reflect the estimated

accrued but unpaid expenses of the Trust, the number of digital assets represented by a Share will gradually decrease over time as the Trust's digital assets are used to pay its expenses. The Sponsor does not expect that the Trust will take any Incidental Rights or IR Virtual Currency they may hold into account for purposes of determining its Digital Asset Holdings or the Digital Asset Holdings per Share.

Investors may obtain, on a 24-hour basis, digital asset pricing information from various financial information service providers or digital asset information sites such as the Coinbase or Coinmarketcap.com. The spot prices and bid/ask spreads for several digital assets are also generally available directly from Digital Asset Exchanges, such as Bitfinex, Bittrex, Bitstamp, Coinbase Pro, itBit and Kraken.

The Trust does not have a fixed termination date.

THE SPONSOR

IDX Digital Assets, LLC, a Delaware limited liability company formed on March 18, 2021, is the Sponsor of the Trust. The Sponsor's principal place of business is 2201 E Camelback Road, Suite 605, Phoenix, AZ 85016 and its telephone number is 1-800-403-4349. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, the members of the Sponsor are not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being members of the Sponsor.

The Sponsor is neither an investment adviser registered with the SEC nor a commodity pool operator registered with the CFTC, and will not be acting in either such capacity with respect to the Trust, and the Sponsor's provision of services to the Trust will not be governed by the Investment Advisers Act or the CEA.

The Sponsor's Role

The Sponsor arranged for the creation of the Trust. As partial consideration for its receipt of the Sponsor's Fee from the Trust, the Sponsor is obligated to pay the Sponsor-paid Expenses for the Trust. The Sponsor also paid the costs of the Trust's organization and has paid for the costs of the initial sale of the Shares of the Trust.

The Sponsor is generally responsible for the day-to-day administration of the Trust under the provisions of the Trust Agreement. This includes (i) preparing and providing periodic reports and financial statements on behalf of the Trust to investors, (ii) processing orders to create and redeem Shares and coordinating the processing of such orders with the Custodian and the Administrator (or a transfer agent, as applicable), (iii) selecting and monitoring the Trust's Service Providers and from time to time engaging additional, successor or replacement Service Providers, instructing the Custodian as necessary to transfer or liquidate the Trust's digital assets, as needed to pay the Sponsor's Fee and any Additional Trust Expenses or redemption proceeds, (iv) rebalancing the

Trust's Relevant Digital Assets in connection with each rebalancing of the Index, and (v) upon dissolution, distributing the Trust's remaining digital assets, Incidental Rights and IR Virtual Currency or the cash proceeds of the sale thereof to the owners of record of the Shares of the Trust and (vi) establishing the principal market of the Trust for GAAP valuation. In addition, if there is a fork in the network of a digital asset held by the Trust after which there is a dispute as to which network resulting from the fork is generally accepted as the network for such digital asset, the Sponsor has the authority to select the network that it believes in good faith is the network for such digital asset, unless such selection or authority would otherwise conflict with the Trust Agreement. The Sponsor may also seek to generate additional returns for the Trust by capitalizing on network events like airdrops and proof-of-stake opportunities, staking or lending digital assets, and participating in other network events and activities.

The Sponsor does not store, hold, or maintain custody or control of the digital assets of the Trust but instead has entered into the Custodian Agreement with the Custodian to facilitate the security of the Trust's digital assets.

The Sponsor may transfer all or substantially all of its assets to an entity that carries on the business of the Sponsor, if at the time of the transfer the successor assumes all of the obligations of the Sponsor under the Trust Agreement. In such an event, the Sponsor will be relieved of all further liability under the Trust Agreement.

The Sponsor's Fee is paid by the Trust to the Sponsor as compensation for services performed under the Trust Agreement for the Trust and as partial consideration for the Sponsor's agreement to pay the Sponsor-paid Expenses of the Trust. Once the Sponsor has paid the Sponsor-paid Expenses of the Trust, it may use the remaining portion of the Sponsor's Fee received from the Trust at its discretion, which may include the payment of fees from time to time for the referral of new investors in the Trust. See "Activities of the Trust—Trust Expenses." and "Expenses; Sales of Digital Assets" herein for more information.

Index License Agreement

The Sponsor has entered into the Index License Agreement, a non-exclusive, royalty-free, non-transferable, perpetual license agreement, with the Index Provider, an affiliate of the Sponsor, governing the Sponsor's use of the Index. The Index Provider may adjust the calculation methodology for the Index without notice to, or consent of, the Trust or its Shareholders.

Management of the Sponsor

The Trust does not have any directors, officers or employees. Under the Trust Agreement, the Trust's management functions are conducted by the Sponsor, its agents and its affiliates, and Service Providers, including without limitation, the Custodian and its agents.

IDX Global, LLC, the sole member of the Sponsor, is responsible for managing and directing the affairs of the Sponsor. As officers of the Sponsor, Andrew Swan, the Chief Executive Officer of the Sponsor, and Ben McMillan, the Chief Investment Officer of the Sponsor, may take certain actions and execute certain agreements and certifications for the Trust, in their capacity as the officers of the Sponsor.

The Sponsor has an audit committee (“*Audit Committee*”). The Audit Committee has the responsibility for overseeing the financial reporting process of the Trust, including the risks and controls of that process and such other oversight functions as are typically performed by an audit committee of a public company. The Audit Committee consists of Andrew Swan, Ben McMillan and Ben Jacobson.

The Sponsor has a code of ethics (the “*Code of Ethics*”) that applies to its executive officers and agents. The Code of Ethics is available by writing the Sponsor at 2201 E Camelback Road, Suite 605, Phoenix, AZ 85016, Attn: Compliance or e-mailing the Sponsor at compliance@idxdigitalassets.com. The Sponsor’s Code of Ethics is intended to be a codification of the business and ethical principles that guide the Sponsor, and to deter wrongdoing, to promote honest and ethical conduct, to avoid conflicts of interest, and to foster compliance with applicable governmental laws, rules and regulations, the prompt internal reporting of violations and accountability for adherence to the Code of Ethics.

Ben McMillan, Chief Investment Officer of the Sponsor

Ben McMillan is a principal and founder, and the Chief Investment Officer and Chief Technology Officer, of IDX Insights, LLC, IDX Advisors, LLC, and IDX Digital Assets, LLC. Previously, he was the portfolio manager at Ramsey Quantitative Systems Inc. (RQSI) where he developed and managed the RQSI Small Cap Hedged Equity Fund mutual fund. Prior to that he served as co-portfolio manager (and co-creator) of the Van Eck Long/Short Equity Index Fund since July 2012. Prior to joining Van Eck Global, Mr. McMillan worked at Lyster Watson & Co. where he developed and launched the Lyster Watson Long/Short Equity Replication strategy in 2009. Additionally, between 2007 and 2012, Mr. McMillan served as a co-founder of the cloud-based 13F analytics platform, AlphaStratus, which was acquired by eVestment in 2012.

Mr. McMillan holds an MSc in Econometrics from the London School of Economics as well as an MA and BA in Economics from Boston University.

Andrew Swan, Chief Executive Officer of the Sponsor

Andrew Swan is a principal and founder, and the Chief Executive Officer, of IDX Insights, LLC, IDX Advisors, LLC, and IDX Digital Assets, LLC. Previously, he served as a co-founder and President of Bastion Quantitative Sciences, a Quantamental Macro Hedge Fund firm based in New York. From 2016 through 2018 Mr. Swan oversaw the formation, operational development, and strategic guidance of the business. Prior to that, Mr. Swan served as the Managing Director of

Longboard Asset Management, a liquid alternatives CTA based in Phoenix. In his role at Longboard, Mr. Swan oversaw the liquid alternatives division consisting of multiple quantitative mutual funds, which grew to \$1 billion in assets in under four years.

Mr. Swan holds a BS of Finance from Arizona State University.

Ben Jacobson

Ben Jacobson is a principal and founder of, and Managing Director of, IDX Insights, LLC, IDX Advisors, LLC, and IDX Digital Assets, LLC. Mr. Jacobson is responsible for the management of the firm's distribution strategy and investor operations. Mr. Jacobson has spent his entire career in the asset management industry, most recently as a director at Longboard Asset Management, a liquid alternatives CTA firm, where he led an investor relations team that raised \$1 billion in assets under management. Prior to that, Mr. Jacobson served high and ultra-high net worth clients as an Investment Advisor with a Registered Investment Adviser in Scottsdale, Arizona.

Mr. Jacobson holds a BS of Finance from Arizona State University.

THE ADMINISTRATOR

Gryphon Fund Group, LLC is the Administrator of the Trust.

The Administrator is generally responsible for accounting and administrative services under the provisions of the Trust Agreement. This includes (i) calculating and publishing the Digital Asset Holdings and the Digital Asset Holdings per Share of the Trust each business day as of 4:00 p.m. GMT, (ii) tracking and monitoring contributions and subscription documents, (iii) preparing allocation schedules to track allocations of income, gain/loss, and expenses, (iv) preparing quarterly financial statements, and (v) preparation and distribution of tax information and forms.

THE TRUSTEE

Delaware Trust Company serves as Delaware trustee of the Trust under the Trust Agreement for the Trust. The Trustee has its principal office at 251 Little Falls Drive, Wilmington, Delaware 19808. The Trustee is unaffiliated with the Sponsor. A copy of the Trust Agreement for the Trust is available for inspection at the Trustee's principal office identified above.

The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirement of Section 3807(a) of the DSTA that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee for the Trust are limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Delaware Trustee is required to execute under the DSTA. To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties), and liabilities relating thereto, to the Trust or its Shareholders, such duties and liabilities will be replaced by the duties and liabilities of

the Trustee expressly set forth in the Trust Agreement for the Trust. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, Custodian or any other person.

Neither the Trustee, either in its capacity as trustee on in its individual capacity, nor any director, officer or controlling person of the Trustee is, or has any liability as, the issuer, director, officer or controlling person of the issuer of Shares of the Trust. The Trustee's liability in connection with the issuance and sale of Shares by the Trust is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement for the Trust.

The Trustee has not prepared or verified, and will not be responsible or liable for, any information, disclosure or other statement in this Private Placement Memorandum, the Trust Supplement or in any other document issued or delivered in connection with the sale or transfer of the Shares of the Trust. The Trust Agreement provides that the Trustee will not be responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the digital assets or other assets of the Trust. See "Description of the Trust Documents—Description of the Trust Agreement."

The Trustee is permitted to resign upon at least 60 days' notice to the Trust. The Trustee will be compensated by the Sponsor and indemnified by the Sponsor and the Trust against any expenses it incurs relating to or arising out of the formation, operation or termination of the Trust, or the performance of its duties pursuant to the Trust Agreement, except to the extent that such expenses result from gross negligence, willful misconduct or bad faith of the Trustee. The Sponsor has the discretion to replace the Trustee pursuant to the terms of the Trust Agreement.

The Trustee's fees and expenses under the Trust Agreement will be paid by the Sponsor.

THE CUSTODIAN

Coinbase Custody Trust Company, LLC is a fiduciary under § 100 of the New York Banking Law and a qualified custodian for purposes of Rule 206(4)-2(d)(6) under the Investment Advisers Act. The Custodian is authorized to serve as the Trust's custodian under the Trust Agreement and pursuant to the terms and provisions of the Custodian Agreement. The Custodian has its principal office at 200 Park Avenue South, Suite 1208, New York, NY 10003. A copy of the Custodian Agreement is available for inspection at the Sponsor's principal office identified herein.

Under the Custodian Agreement, the Custodian controls and secures each "***Digital Asset Custodial Account***," a segregated custody account to store private keys, which allow for the transfer of ownership or control of the Trust's digital assets, on the Trust's behalf. The Custodian's services (i) allow digital assets to be deposited from a public blockchain address (or the Trust's applicable trading account) to a Digital Asset Custodial Account and (ii) allow the Trust or the Sponsor to withdraw digital assets from such Digital Asset Custodial Account to a public blockchain address the Trust or the Sponsor controls (the "***Custodial Services***"). Each Digital Asset Custodial Account

uses offline storage, or “cold” storage, mechanisms to secure the Trust’s private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. However, there may be periods during which the Trust’s digital assets are held in a commingled account outside the Trust’s Digital Asset Custodial Accounts and will be subject to counterparty risk. See “ACTIVITIES OF THE TRUSTS - Strategy behind the Shares – *Minimize Counterparty and Credit Risk*” herein.

The Custodian will withdraw from the Trust’s Digital Asset Custodial Accounts the number of digital assets necessary to pay the Trust’s expenses.

Fees payable to the Custodian are a Sponsor-paid Expense.

Under the Custodian Agreement, each of the Custodian and the Trust has agreed to indemnify and hold harmless the other party in specified circumstances from each claim and related losses (including reasonable and documented attorneys’ fees and any fines, fees or penalties imposed by any regulatory authority) arising out of or related to specified conduct of the Custodian or the Trust, as the case may be.

The Custodian and its affiliates may from time to time purchase or sell digital assets for their own accounts and as agent for their customers or Shares for their own accounts. The foregoing notwithstanding, digital assets in the Digital Asset Custodial Accounts are not treated as general assets of the Custodian and cannot be commingled with any other digital assets held by the Custodian. The Custodian serves as a fiduciary and custodian on the Trust’s behalf, and the digital assets in the Digital Asset Custodial Accounts are considered fiduciary assets that remain the Trust’s property at all times during the term of the Custodian Agreement.

If the Custodian resigns in its capacity as custodian, the Sponsor may appoint an additional or replacement custodian and enter into a custodian agreement on behalf of the Trust with such custodian. Furthermore, the Sponsor and the Trust may use digital asset custody services or similar services provided by entities other than Coinbase Custody Trust Company, LLC at any time without prior notice to Coinbase Custody Trust Company, LLC.

DISTRIBUTORS

The Sponsor has the discretion to appoint one or more distributors of the Shares. The Distributors will be registered broker-dealers with the SEC and members of FINRA. The Distributors will assist the Sponsor in distributing the Shares of the Trust and providing strategic and tactical research on the Digital Asset Markets. For more information regarding the distribution of the Shares, see “Plan of Distribution” herein.

CONFLICTS OF INTEREST

General

The Sponsor has not established formal procedures to resolve all potential conflicts of interest. Consequently, investors may be dependent on the good faith of the respective parties subject to such conflicts to resolve them equitably. Although the Sponsor attempts to monitor these conflicts, it is extremely difficult, if not impossible, for the Sponsor to ensure that these conflicts do not, in fact, result in adverse consequences to the Trust.

Prospective investors should be aware that the Sponsor presently intends to assert that Shareholders of the Trust have, by subscribing for Shares of the Trust, consented to the following conflicts of interest in the event of any proceeding alleging that such conflicts violated any duty owed by the Sponsor to investors.

The Sponsor

The Sponsor has a conflict of interest in allocating its own limited resources among the Trust and, when applicable, different clients and potential future business ventures, to each of which it owes fiduciary duties. Additionally, the professional staff of the Sponsor also services other affiliates of the Trust, including other digital asset investment vehicles, and their respective clients. Although the Sponsor and its professional staff cannot and will not devote all of its or their respective time or resources to the management of the affairs of the Trust, the Sponsor intends to devote, and to cause its professional staff to devote, sufficient time and resources to manage properly the affairs of the Trust consistent with its or their respective fiduciary duties to the Trust and others.

The Sponsor and the Index Provider are affiliates, and the Sponsor may engage other affiliated service providers in the future. Because of potential benefits accruing indirectly to the Sponsor by engaging affiliates, the Sponsor may have an incentive to retain affiliates to provide services to the Trust and no incentive to replace affiliated service providers. In connection with this conflict of interest, Shareholders should understand that affiliated service providers may receive fees for providing services to the Trust. Clients of the affiliated service providers may pay fees at negotiated rates which are greater or less than the rate paid by the Trust.

The Sponsor and any affiliated service provider may, from time to time, have conflicting demands in respect of their obligations to the Trust and, in the future, to other clients. It is possible that future business ventures of the Sponsor and affiliated service providers may generate larger fees, resulting in increased payments to employees, and therefore, incentivizing the Sponsor and/or the affiliated service providers to allocate it/their limited resources accordingly to the potential detriment of the Trust.

There is an absence of arm's length negotiation with respect to some of the terms of the offering of Shares of the Trust, and, where applicable, there has been no independent due diligence

conducted with respect to these offerings. The Sponsor will, however, not retain any affiliated service providers for the Trust which the Sponsor has reason to believe would knowingly or deliberately favor any other client over the Trust.

Proprietary Trading/Other Clients

Because the officers of the Sponsor may trade digital assets for their own personal trading accounts (subject to certain internal trading policies and procedures) at the same time as they are managing the account of the Trust, prospective investors should be aware that the activities of the officers of the Sponsor, subject to their fiduciary duties, may, from time-to-time, result in their taking positions in their personal trading accounts which are opposite of the positions taken for the Trust or pre-empt the positions taken in the Trust. Records of the Sponsor's officers' personal trading accounts will not be available for inspection by Shareholders.

Relationships of the Index Provider with the Sponsor and Management of the Sponsor

The Sponsor and the Index Provider are both wholly owned subsidiaries of IDX Global, LLC. The Sponsor and its affiliates rely on the Index provided by the Index Provider, and may otherwise be interested in the success of the Index Provider. Under the Index License Agreement, the Index Provider may, in its sole discretion, modify the rules governing the calculation of the Index for the Trust.

DESCRIPTION OF THE SHARES

General

The Trust is authorized under the Trust Agreement to create and issue an unlimited number of Shares. The Shares of the Trust represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value. Fractional share quantities may be entered out to four decimal places.

Description of Limited Rights

The Shares do not represent a traditional investment and should not be viewed as similar to "shares" of a corporation operating a business enterprise with management and a board of directors. A Shareholder will not have the statutory rights normally associated with the ownership of shares of a corporation. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Trust Agreement for the Trust. For example, Shareholders do not have the right to elect directors and will not receive dividends in connection with the Trust. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as discussed below, any redemption rights or rights to distributions of the Trust.

Voting and Approvals

The Shareholders take no part in the management or control of the Trust. Under the Trust Agreement, Shareholders have limited voting rights. For example, in the event that the Sponsor withdraws from the Trust, a majority of the Shareholders may elect and appoint a successor sponsor to carry out the affairs of the Trust. In addition, no amendments to the Trust Agreement of the Trust that materially adversely affect the interests of its Shareholders may be made without the vote of at least a majority (over 50%) of the Shares of the Trust (not including any Shares held by the Sponsor or its affiliates). However, the Sponsor may make any other amendments to the Trust Agreement in its sole discretion without Shareholder consent, provided that the Sponsor provides 20 days' notice of any such amendment.

Distributions

Pursuant to the terms of the Trust Agreement, the Trust may make distributions on its Shares in cash or in kind, including in such form as is necessary or permissible for the Trust to facilitate its Shareholders' access to any Incidental Rights or to virtual currencies underlying such Incidental Rights.

In addition, if the Trust is terminated and liquidated, the Sponsor will distribute to the Shareholders any amounts of the cash proceeds of the liquidation remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Sponsor will determine. See "Description of the Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust" herein. Shareholders of record on the record date fixed by the Administrator (or a transfer agent, as applicable) for a distribution of the Trust will be entitled to receive their pro rata portions of any distribution.

Appointment of Agent

Pursuant to the terms of the Trust Agreement, by holding the Shares, Shareholders of the Trust will be deemed to agree that the Sponsor may cause the Trust to appoint an agent (any person appointed in such capacity, an "**Agent**") to act on their behalf in connection with any distribution of Incidental Rights and/or IR Virtual Currency, if the Sponsor has determined in good faith that such appointment is reasonably necessary or in the best interests of the Trust and its Shareholders in order to facilitate the distribution of any Incidental Rights and/or IR Virtual Currency.

Any Agent appointed by the Trust to facilitate a distribution of Incidental Rights and/or IR Virtual Currency will receive an in-kind distribution of Incidental Rights and/or IR Virtual Currency on behalf of the Shareholders of record of the Trust with respect to such distribution, and following receipt of such distribution, will determine, in its sole discretion and without any direction from the Trust, or the Sponsor, in its capacity as Sponsor of the Trust, whether and when to sell the distributed Incidental Rights and/or IR Virtual Currency on behalf of the record date Shareholders

of the Trust. If the Agent is able to do so, it will remit the cash proceeds to such record date Shareholders. There can be no assurance as to the price or prices for any Incidental Rights and/or IR Virtual Currency that the Agent may realize, and the value of the Incidental Rights and/or IR Virtual Currency may increase or decrease after any sale by the Agent.

Any Agent appointed pursuant to the Trust Agreement will not receive any compensation in connection with its role as Agent. However, any Agent will be entitled to receive from the record date Shareholders, out of the distributed Incidental Rights and/or IR Virtual Currency, an amount of Incidental Rights and/or IR Virtual Currency with an aggregate fair market value equal to the amount of administrative and other reasonable expenses incurred by the Agent in connection with its activities as agent of such record date Shareholders, including expenses incurred by the Agent in connection with any post-distribution sale of such Incidental Rights and/or IR Virtual Currency.

The Trust has no right to receive any information about any distributed Incidental Rights and/or IR Virtual Currency or the disposition thereof from the record date Shareholders, their Agent or any other person.

Creation of Shares

The Trust creates Shares at such times and for such periods as determined by the Sponsor. The Trust may from time to time halt creations. As a result, the Shares of the Trust, if traded on any Secondary Market, may trade at a substantial premium over, or substantial discount to, the value of the Trust's Digital Asset Holdings per Share. This is because Shareholders would not be able to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust's Digital Asset Holdings per Share.

Redemption of Shares

The Trust currently operates a redemption program; however, the redemption of Shares is subject to limitations (as described in this Private Placement Memorandum), and the Sponsor may suspend or terminate the redemption program at any time, in the Sponsor's sole discretion, and the Sponsor will terminate the redemption program, in the event that the Shares are traded on any Secondary Market.

Transfer Restrictions

The Shares of the Trust are restricted securities that may not be resold except in transactions exempt from registration under the Securities Act and state securities laws and any such transaction must be approved in advance by the Sponsor. Any attempt to sell or transfer Shares without the approval of the Sponsor, in its sole discretion, will be void *ab initio*. The Sponsor may impose conditions on its approval of any sale or other transfer of Shares, in the Sponsor's discretion, including among other things: (i) satisfaction of anti-money laundering requirements by the transferee; (ii) receipt of a transfer agreement from the transferor and the transferee, in form and

substance satisfactory to the Sponsor, including representations and warranties to, and indemnification of, the Trust and the Sponsor; (iii) an opinion of counsel satisfactory to the Sponsor as to securities, tax and regulatory matters; and (iv) payment of the costs and expenses of the Trust and the Sponsor (including legal fees) in connection with the sale or other transfer of the Shares.

Book-Entry Form

Shares of the Trust are held primarily in book-entry form by the Administrator (or a transfer agent, as applicable). The Sponsor or its delegate will direct the Administrator (or a transfer agent, as applicable) to issue and cancel Shares of the Trust. Transfers will be made in accordance with standard securities industry practice. The Sponsor may cause the Trust to issue Shares of the Trust in certificated form in limited circumstances in its sole discretion.

Share Splits

In its discretion, the Sponsor may direct the Administrator (or a transfer agent, as applicable) to declare a split or reverse split in the number of Shares of the Trust outstanding. For example, if the Sponsor believes that the per Share price in a Secondary Market has risen or fallen outside a desirable trading price range, it may declare such a split or reverse split.

CUSTODY OF THE TRUSTS' DIGITAL ASSETS

Digital assets and digital asset transactions are recorded and validated on blockchains, the public transaction ledgers of a digital asset network. Each digital asset blockchain serves as a record of ownership for all of the units of such digital asset, even in the case of certain privacy-focused digital assets, where the transactions themselves are not publicly viewable. All digital assets recorded on a blockchain are associated with a public blockchain address, also referred to as a digital wallet. Digital assets held at a particular public blockchain address may be accessed and transferred using a corresponding private key.

Key Generation

Public addresses and their corresponding private keys are generated by the Custodian in secret key generation ceremonies at secure locations inside faraday cages, which are enclosures used to block electromagnetic fields and thus mitigate against attacks. The Custodian uses quantum random number generators to generate the public and private key pairs.

Once generated, private keys are encrypted, separated into “shards” and then further encrypted. After the key generation ceremony, all materials used to generate private keys, including computers, are destroyed. All key generation ceremonies are performed offline. No party other than the Custodian has access to the private key shards of the Trust.

Key Storage

Private key shards are distributed geographically in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes.

Each Digital Asset Custodial Account uses offline storage, or “cold” storage, mechanisms to secure the Trust’s private keys. The term “cold” storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. Cold storage of private keys may involve keeping such keys on a non-networked (or “air-gapped”) computer or electronic device or storing the private keys on a storage device (for example, a USB thumb drive) or printed medium (for example, paper or a metallic object). A digital wallet may receive deposits of digital assets but may not send digital assets without use of the digital assets’ corresponding private keys. In order to send digital assets from a digital wallet in which the private keys are kept in cold storage, either the private keys must be retrieved from cold storage and entered into an online, or “hot”, digital asset software program to sign the transaction, or the unsigned transaction must be transferred to the cold server in which the private keys are held for signature by the private keys and then transferred back to the online digital asset software program. At that point, the user of the digital wallet can transfer its digital assets. While cold storage is the preferred storage mechanism for digital assets, the Trust’s assets may be exposed to commingled, or “hot”, wallets for certain periods (including when the Trust trades in digital assets outside the Trust’s Digital Asset Custodial Accounts). During these periods, the Trust’s digital assets would be more vulnerable than when in cold storage. See “Activities of the Trust— Strategy behind the Shares – *“Minimize Counterparty and Credit Risk”* herein.

Security Procedures

The Custodian is the custodian of the Trust’s private keys in accordance with the terms and provisions of the Custodian Agreement. Transfers from each Digital Asset Custodial Account requires certain security procedures, including but not limited to, multiple encrypted private key shards, usernames, passwords and 2-step verification. Multiple private key shards held by the Custodian must be combined to reconstitute the private key to sign any transaction in order to transfer the Trust’s assets. Private key shards are distributed geographically in secure vaults around the world, including in the United States. As a result, if any one secure vault is ever compromised, this event will have no impact on the ability of the Trust to access its assets, other than a possible delay in operations, while one or more of the other secure vaults is used instead. These security procedures are intended to remove single points of failure in the protection of the Trust’s assets. Transfers of digital assets to a Digital Asset Custodial Account will be available to the Trust once processed on the applicable blockchain.

Subject to obtaining regulatory approval to operate a redemption program and authorization of the Sponsor, the process of accessing and withdrawing digital assets from the Trust to redeem Shares

will follow the same general procedure as transferring digital assets to the Trust to create Shares, only in reverse. See “Description of Creation and Redemption of Shares” herein.

DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES

Issuance of Shares

The Trust will issue Shares from time to time, but only in connection with an accepted investor subscription. The issuance of Shares requires payment to the Trust of the amount of U.S. dollars required for the Shares being issued, as adjusted in respect of accrued but unpaid fees and expenses of the Trust. The number of Shares to be issued with respect to the amount of cash paid by an investor will depend on (i) when the subscription of such investor is accepted, and (ii) when such investor’s subscription amount is then invested. Such investment is expected to take place within approximately five (5) business days or fewer after receiving the subscription amount, but it could take place at a later time. In all events, it is only when the subscription amount is invested that it will be known, based on the then-applicable NAV per Share, how many Shares to issue to the investor. The Trust intends to have all subscriptions reviewed for acceptance, and all subscription amounts invested, with a reasonable degree of speed and efficiency. However, an accepted investor who submits a subscription amount on a particular day should not expect to receive Shares based on the latest NAV as of that day. Instead, the investor will receive Shares based on the NAV applicable to the day on which that subscription amount is invested, which could be the same day but may more likely be a later day.

The Sponsor may allow orders to accumulate between issuances. The Sponsor retains discretion to issue Shares more frequently if it deems such action advisable.

Shareholders do not pay a transaction fee to the Trust in connection with the issuance of Shares (but there may be transaction fees associated with the validation of the transfer of digital assets on the relevant digital asset networks).

Unless the minimum is waived by the Sponsor in its sole discretion, the Trust will issue Shares to investors in this offering in a minimum amount of at least \$50,000.00 per investor.

Payment for Shares in cash shall be in the form of a wire transfer. Upon the acceptance of any particular investment by the Sponsor, the Trust will be permitted to close on the funds received in respect of that investment and make use of those funds. No minimum aggregate offering amount must be raised before the Trust can make use of invested funds.

The amount of cash or digital assets required to create a Share may gradually decrease over time due to the transfer or liquidation of digital assets to pay the Sponsor’s Fee and the transfer or liquidation of digital assets to pay the Trust expenses not assumed by the Sponsor.

Suspension or Rejection of Orders

The issuance of the Shares may be suspended generally, or refused with respect to particular requested issuances, during any period when the transfer books of the Trust are closed or if circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process such issuances. The Sponsor may reject any subscription application not presented in proper form as described in the Subscription Agreement or if the fulfillment of the subscription application, in the opinion of counsel, might be unlawful, or for any other reason or for no reason. None of the Sponsor or its delegates will be liable for the suspension, rejection or acceptance of any subscription application.

In particular, upon the Trust's receipt of any Incidental Rights and/or IR Virtual Currency in connection with a fork, an airdrop or similar event, the Sponsor will suspend the issuance of Shares, until the Sponsor is able to cause the Trust to sell or distribute such Incidental Rights and/or IR Virtual Currency.

None of the Sponsor or its delegates will be liable for the suspension, rejection or acceptance of any issuance or subscription.

Redemptions

The Trust Documents also provide procedures for the redemption of Shares.

The Trust currently operates a redemption program; however, the redemption of Shares is subject to limitations (as described in this Private Placement Memorandum), and the Sponsor may suspend or terminate the redemption program at any time, in the Sponsor's sole discretion, and the Sponsor will terminate the redemption program, in the event that the Shares are traded on any Secondary Market.

Subject to the restrictions described below, each Shareholder may request a redemption (a "**Redemption Request**") of any Shares attributable to any subscription of Shares from the Trust (each, a "**Subscription**"), as of the first Redemption Date (as defined below) that occurs on or immediately following, the first anniversary of the date on which that Subscription was made (such initial 12-month period, the "**Lock-Up Period**"); provided that, a Shareholder may, in its discretion, request redemption of all or a portion of its Shares during a Lock-Up Period on a Redemption Date upon the payment of a 3% early redemption fee to the Trust and subject to all other redemption restrictions. For clarity, each Subscription is subject to a Lock-Up Period so that Subscriptions made on various dates will all have Lock-Up Periods expiring on various dates based on each Subscription's Lock-Up Period. "**Redemption Date**" means the last day of each calendar quarter at 1 p.m. New York time on which banking institutions are open for business in New York.. Each Redemption Request once made is irrevocable and must be communicated in writing to the Administrator by 2 p.m. New York time on the first day of the calendar quarter in which redemption of Shares is requested.

Subject to the Trust-level suspensions and Shareholder-level limitations described in this Private Placement Memorandum and the Trust Agreement and to any other restrictions described herein or in the Trust Agreement, the Sponsor will, within 30 business days following the applicable Redemption Date, distribute not less than 90% of the Redemption Price (as defined below) and distribute the balance of the Redemption Price, if any, upon the completion of the Trust's annual audit for the fiscal year in which the redemption is effected. However, the Trust may take longer than 30 Business Days to settle Redemption Requests, if the Trust is unable to liquidate its investments, if the value of the assets and liabilities of the Trust cannot be determined with reasonable accuracy, or for any other reason. Transaction costs involved in funding a redemption may be charged to the withdrawing Shareholder. The Shareholder shall not earn interest on any such unpaid balance. If, after completion of the Trust's annual audit for the fiscal year in which the redemption is effected, the Sponsor determines that the Redemption Price previously paid to the Shareholder exceeds the amount that such Shareholder was actually entitled to receive, then within 10 Business Days of notification thereof, such Shareholder shall be obligated to repay to the Trust the excess of the amount previously paid over the amount to which such Shareholder is actually entitled. "**Redemption Price**" for each redemption of Shares means the amount determined by multiplying the total number of Shares to be redeemed by the price per Share as of the Redemption Date (net of any accrual of the Sponsor's Fee then due and expenses for legal, accounting or administrative costs associated with such redemption, and any reserves)

A Shareholder may not request a redemption of more than 25% of such Shareholder's Shares on any Redemption Date and may not request a partial redemption that would reduce the aggregate value of such Shareholder's Shares held below \$10,000 (except in the case of a complete redemption of such Shareholder's Shares), subject to the discretion of the Sponsor to waive such limitation.

The Sponsor may require the compulsory redemption of a Shareholder's Shares, in whole or in part, for any reason. Furthermore, the Sponsor may suspend redemptions for any reason, as discussed herein and in the Trust Agreement.

Redemptions may be settled in cash or in kind (or partially in cash and partially in kind) in the Sponsor's sole discretion.

While the Trust intends to offer redemptions on these terms for a period of time immediately subsequent to your investment, the Trust intends to terminate the availability of redemptions in connection with the commencement of quotations of the Shares on any Secondary Market. As a result, Shareholders may no longer be able to request redemption of their Shares subsequent to such investment. On and after the date that is six (6) business days prior to the date on which a market maker for the Shares determines the opening quotation price or similar trading price of the Shares on a Secondary Market or such other date determined in the Sponsor's reasonable discretion to be necessary in order to comply with Regulation M under the Exchange Act, the Trust will not offer a redemption program for the Shares. The Trust may, but shall not be required to, seek regulatory approval to operate a redemption program. If any

redemption program is approved, then any redemption authorized by the Sponsor must be conducted in accordance with the provisions of the Trust Agreement.

In particular, upon the Trust's receipt of any Incidental Rights and/or IR Virtual Currency in connection with a fork, an airdrop or similar event, the Sponsor will suspend redemptions of the Shares, until it is able to cause the Trust to sell or distribute such Incidental Rights and/or IR Virtual Currency.

Tax Responsibility

Shareholders are responsible for any transfer tax, sales or use tax, stamp tax, recording tax, value-added tax or similar tax or governmental charge applicable to the creation, redemption, or transfer of Shares of the Trust, regardless of whether such tax or charge is imposed directly on the Shareholders, and agree to indemnify the Sponsor and the Trust, if the Sponsor or the Trust is required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

DETERMINATION OF DIGITAL ASSET HOLDINGS

The Administrator will evaluate the digital assets held by the Trust and determine the Digital Asset Holdings of the Trust in accordance with the relevant provisions of the Trust Documents. The following is a description of the material terms of the Trust Documents as they relate to valuation of the Trust's digital assets and the Digital Asset Holdings calculations.

On each business day at 4:00 p.m. GMT (the “*Evaluation Time*”), the Administrator will evaluate the digital assets held by the Trust and calculate and publish the Digital Asset Holdings of the Trust. To calculate the Digital Asset Holdings for the Trust, the Administrator will:

1. Determine the applicable Digital Asset Reference Rate for each digital asset as of such business day;
2. Multiply such Digital Asset Reference Rate by the aggregate number of such digital assets owned by the Trust as of 4:00 p.m. GMT on the immediately preceding day, less the U.S. dollar amount payable as the accrued and unpaid Sponsor's Fee as of 4:00 p.m. GMT on the immediately preceding day;
3. Add the U.S. dollar value of digital assets, calculated using the relevant Digital Asset Reference Rates, and cash receivable under pending subscriptions for Shares or as redemption fees;
4. Subtract the U.S. dollar amount of accrued and unpaid Additional Trust Expenses, if any;
5. Subtract the U.S. dollar value of digital assets, calculated using the relevant Digital Asset Reference Rates, to be distributed under pending redemption orders, if any, determined by

multiplying the number of Shares represented by such redemption orders by the total amount of Shares and then multiplying such product by the relevant Digital Asset Reference Rate (the amount derived from steps 1 through 5 above, the Trust's "***Digital Asset Holdings Fee Basis Amount***"); and

6. Subtract the U.S. dollar amount payable to the Sponsor as the Sponsor's Fee for such business day.

In the event that the Administrator determines that the methodology used to determine the Digital Asset Reference Rate for a digital asset held by the Trust is not an appropriate basis for valuation of such digital asset, the Administrator may, in its sole discretion, modify its methodology. In addition, in the event that the Trust holds any Incidental Rights and/or IR Virtual Currency, the Administrator may, in its discretion, include the value of such Incidental Rights and/or IR Virtual Currency in the determination of the Trust's Digital Asset Holdings, provided that the Administrator has determined in good faith a method for assigning an objective value to such Incidental Rights and/or IR Virtual Currency. At this time, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's Digital Asset Holdings or the Digital Asset Holdings per Share.

For the Trust, the Sponsor will publish the relevant Digital Asset Reference Rates, the Digital Asset Holdings and the Digital Asset Holdings per Share on the Trust's website, <https://idxdigitalassets.com/risk-weighted-defi-trust/>, as soon as practicable after its determination by the Administrator.

In the event of a hard fork of the network of a digital asset held by the Trust, the Administrator will, if permitted by the terms of the Trust Agreement, use its discretion to determine, in good faith, which peer-to-peer network, among a group of incompatible forks of such network, is generally accepted as the network for such digital asset and should therefore be considered the appropriate network for the Trust's purposes. The Administrator will base its determination on a variety of then relevant factors, including (but not limited to) the following: (i) the Administrator's beliefs regarding expectations of the core developers, users, services, businesses, miners and other constituencies and (ii) the actual continued acceptance of, mining power on, and community engagement with the relevant network.

The Shareholders may rely on any evaluation furnished by the Administrator. The determinations that the Administrator makes will be made in good faith upon the basis of, and the Administrator will not be liable for any errors contained in, information reasonably available to it. The Administrator will not be liable to the Shareholders or any other person for errors in judgment with respect to the Trust. However, the preceding liability exclusion will not protect the Administrator against any liability resulting from gross negligence, willful misconduct or bad faith in the performance of its duties with respect to the Trust.

The Digital Asset Reference Rates

The Trust values each of its digital assets for operational purposes by reference to the relevant Digital Asset Reference Rate, less the Trust's expenses and other liabilities. The relevant Digital Asset Reference Rate is derived from data collected from the Digital Asset Exchanges trading such digital asset selected by the Administrator.

Each Digital Asset Reference Rate is a U.S. dollar-denominated composite reference rate for the price of the applicable digital asset. Each Digital Asset Reference Rate is designed to (1) mitigate instances of fraud, manipulation and other anomalous trading activity, (2) provide a real-time, trade-weighted fair value of the applicable digital asset and (3) appropriately handle and adjust for non-market related events.

EXPENSES; SALES OF DIGITAL ASSETS

Expenses to Be Paid by the Sponsor

The Trust will pay the Sponsor's Fee to the Sponsor. As partial consideration for its receipt of the Sponsor's Fee from the Trust, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: (i) any distribution fees; (ii) the Administrator Fee, if any; (iii) fees for the Custodian and any other security vendor engaged by the Trust; (iv) any transfer agent fee; (v) the Trustee fee; (vi) ordinary course legal fees and expenses; (vii) audit fees; (viii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; (ix) printing and mailing costs; (x) the costs of maintaining the Trust's website; and (xi) applicable license fees (each a "*Sponsor-paid Expense*"). The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee of the Trust in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee for the Trust.

The Sponsor's Fee will be payable, at the Sponsor's sole discretion, in the digital assets held by the Trust (by reference to the same Digital Asset Reference Rates used to determine such accrual) or U.S. dollars. However, if the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of its Trust Agreement. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to an index provided by the Administrator. If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR

Virtual Currency, in whole or in part, the amount of the Relevant Digital Currencies that would otherwise have been used to satisfy such payment will be correspondingly reduced.

After the Trust's payment of the Sponsor's Fee to the Sponsor in digital assets, the Sponsor may elect to convert the digital assets, Incidental Rights and/or IR Virtual Currency received as payment of the Sponsor's Fee into U.S. dollars. The rate at which the Sponsor converts such digital assets, Incidental Rights and/or IR Virtual Currency into U.S. dollars may differ from the rate at which the relevant Sponsor's Fee was determined. The Trust will be responsible for any fees and expenses incurred by the Sponsor to convert digital assets, Incidental Rights and/or IR Virtual Currency received in payment of the Sponsor's Fee into U.S. dollars.

After payment of the Sponsor-paid Expenses, the Sponsor may use the remaining portion of the Sponsor's Fee received from the Trust at its discretion, which may include the payment of fees from time to time for the referral of new investors in the Trust.

Extraordinary and Other Expenses

In certain extraordinary circumstances, the Trust may incur certain extraordinary and/or, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to: taxes and governmental charges; expenses and costs of any extraordinary services performed by the Sponsor (or any other Service Provider) on behalf of the Trust to protect the Trust or the interests of its Shareholders (including in connection with any Incidental Rights and IR Virtual Currency); indemnification of the Custodian and other agents, service providers and counterparties of the Trust; fees and expenses related to the listing, quotation or trading of the Shares of the Trust on any Secondary Market (including legal, marketing and audit fees and expenses) and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "***Additional Trust Expenses***"). If Additional Trust Expenses are incurred by the Trust, or by the Sponsor on behalf of the Trust, the Trust will be required to pay these Additional Trust Expenses (and reimburse the Sponsor, if applicable) by selling or delivering digital assets, Incidental Rights and/or IR Virtual Currency. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to an index provided by the Administrator. If the Trust pays Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of the Relevant Digital Currencies that would otherwise have been used to satisfy such payment will be correspondingly reduced. See "—Disposition of Digital Assets, Incidental Rights and/or IR Virtual Currency" for further information on sales or other dispositions of digital assets, Incidental Rights and/or IR Virtual Currency. Although the Sponsor cannot definitively state the frequency or magnitude of Additional Trust Expenses, the Sponsor expects that they may occur infrequently for the Trust.

The Sponsor or any of its affiliates may be reimbursed only for the actual cost to the Sponsor or such affiliate of any expenses that it advances on behalf of the Trust for payment of which the

Trust is responsible. The Trust Agreement prohibits the Trust from paying to the Sponsor or such affiliate for indirect expenses incurred in performing services for the Trust in its capacity as the Sponsor (or an affiliate of the Sponsor) of the Trust, such as salaries and fringe benefits of officers and directors, rent or depreciation, utilities and other administrative items generally falling within the category of the Sponsor's "overhead."

Disposition of Digital Assets, Incidental Rights and/or IR Virtual Currency

To cause the Trust to pay the Sponsor's Fee payable by the Trust, the Sponsor will instruct the Custodian to (i) withdraw from the Digital Asset Custodial Accounts (or other applicable account) the quantity of digital assets, Incidental Rights and/or IR Virtual Currency, determined as described above in "Activities of the Trust—Trust Expenses," equal to the accrued but unpaid Sponsor's Fee of the Trust and (ii) transfer such digital assets, Incidental Rights and/or IR Virtual Currency to an account maintained by the Sponsor at such times as the Sponsor determines in its absolute discretion. In addition, if the Trust incurs any Additional Trust Expenses, the Sponsor or its delegates (i) will instruct the Custodian to withdraw digital assets, Incidental Rights and/or IR Virtual Currency from the Digital Asset Custodial Accounts (or other applicable account) in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust to convert such digital assets, Incidental Rights and/or IR Virtual Currency into U.S. dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver digital assets, Incidental Rights and/or IR Virtual Currency in kind, in each case in such quantity as may be necessary to permit payment of such Additional Trust Expenses. The Sponsor's Fee and Additional Trust Expenses payable by the Trust will generally be paid in the digital assets held by the Trust. Shareholders do not have the option of choosing to pay their proportionate shares of Additional Trust Expenses in lieu of having their shares of Additional Trust Expenses paid by the Trust's delivery or disposition of digital assets, Incidental Rights and/or IR Virtual Currency. Assuming that the Trust is a partnership for U.S. federal income tax purposes, the transfer or sale of digital assets, Incidental Rights and/or IR Virtual Currency to pay the Trust's expenses will be a taxable event for the Trust, allocable to its Shareholders. See "Certain U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders" herein.

Because the number of digital assets held by the Trust will decrease as a consequence of the payment of the Sponsor's Fee in digital assets or the sale of digital assets to pay Additional Trust Expenses (and the Trust will incur additional fees associated with converting digital assets into U.S. dollars), the number of digital assets represented by a Share of the Trust will decline at such time and the Trust's Digital Asset Holdings may also decrease. Similarly, the number (if any) of Incidental Rights and IR Virtual Currency represented by a Share of the Trust will decrease as a consequence of the use of Incidental Rights and IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses. Accordingly, the Shareholders will bear the cost of the Sponsor's Fee and any Additional Trust Expenses.

The Sponsor will also cause the sale of the Trust's digital assets, Incidental Rights and/or IR Virtual Currency, if the Sponsor determines that sale is required by applicable law or regulation or

in connection with the termination and liquidation of the Trust. The Sponsor will not be liable or responsible in any way for depreciation or loss incurred by reason of any sale of digital assets, Incidental Rights and/or IR Virtual Currency.

BOOKS AND RECORDS; STATEMENTS, FILINGS AND REPORTS

Books and Records

The Sponsor will keep proper books and records of accounts of the Trust at such place or places as the Sponsor may from time to time determine, except as required by law. A Shareholder's right to inspect any account, book, or document of the Trust is limited as provided in the Trust Agreement.

Reports to Shareholders

The Sponsor will furnish Shareholders of the Trust with an annual report of the Trust within 180 calendar days after the end of the Trust's fiscal year (or as soon as reasonably practicable thereafter) including, but not limited to, annual audited financial statements (including a statement of income and statement of financial condition), prepared in accordance with GAAP and accompanied by a report of the independent registered public accounting firm that audited such statements.

The accounts of the Trust will be audited, as required by law and as may be directed by the Sponsor, by independent registered public accountants designated by the Sponsor. The accountants' report for the Trust will be furnished by the Sponsor to Shareholders of the Trust upon request.

Fiscal Year

The fiscal year-end of the Trust is December 31 in each calendar year.

DESCRIPTION OF THE TRUST DOCUMENTS

Description of the Trust Agreement

The following is a description of the material terms of the Trust Agreement. The Trust Agreement establishes the roles, rights and duties of the Sponsor and the Trustee.

The Sponsor

Liability of the Sponsor and Indemnification

The Sponsor and its affiliates (each, a "***Covered Person***") will not be liable to the Trust or any Shareholder for any loss suffered by the Trust which arises out of any action or inaction of such Covered Person if such Covered Person determined in good faith that such course of conduct was

in the best interests of the Trust. However, the preceding liability exclusion will not protect any Covered Person against any liability resulting from its own willful misconduct, bad faith or gross negligence in the performance of its duties.

Each Covered Person will be indemnified by the Trust against any loss, judgment, liability, expense incurred or amount paid in settlement of any claim sustained by it in connection with the Covered Person's activities for the Trust, provided that (i) the Covered Person was acting on behalf of, or performing services for, the Trust and had determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct or a material breach of the Trust Agreement on the part of such Covered Person and (ii) any such indemnification will be recoverable only from the property of the Trust. Any amounts payable to an indemnified party will be payable in advance under certain circumstances.

Fiduciary and Regulatory Duties of the Sponsor

The Sponsor is not effectively subject to the duties and restrictions imposed on "fiduciaries" under both statutory and common law. Rather, the general fiduciary duties that would apply to the Sponsor are defined and limited in scope by the Trust Agreement.

Under Delaware law, a shareholder may bring a derivative action if the shareholder is a shareholder at the time the action is brought and either (i) was a shareholder at the time of the transaction at issue or (ii) acquired the status of shareholder by operation of law or the trust's governing instrument from a person who was a shareholder at the time of the transaction at issue. Additionally, Section 3816(e) of the DSTA specifically provides that "a beneficial owner's right to bring a derivative action may be subject to such additional standards and restrictions, if any, as are set forth in the governing instrument of the statutory trust, including, without limitation, the requirement that beneficial owners owning a specified beneficial interest in the statutory trust join in the bringing of the derivative action." In addition to the requirements of applicable law, the Trust Agreement provides that no Shareholder will have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not affiliates of one another and (ii) collectively hold at least 10.0% of the outstanding Shares of the Trust join in the bringing or maintaining of such action, suit or other proceeding. The Trust selected the 10.0% ownership threshold because the Trust believed that this was a threshold that investors would be comfortable with based on market precedent.

Due to this additional requirement, a Shareholder attempting to bring a derivative action in the name of the Trust will be required to locate other Shareholders with which it is not affiliated and that have sufficient Shares to meet the 10.0% threshold based on the number of Shares outstanding on the date the claim is brought and thereafter throughout the duration of the action, suit or proceeding.

“Affiliate” is defined in the Trust Agreement to mean any natural person, partnership, limited liability company, statutory trust, corporation, association or other legal entity (each, a “Person”) directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of such Person, (ii) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such Person, (iii) any Person, directly or indirectly, controlling, controlled by or under common control of such Person, (iv) any employee, officer, director, member, manager or partner of such Person, or (v) if such Person is an employee, officer, director, member, manager or partner, any Person for which such Person acts in any such capacity. Any Shareholders seeking to bring a derivative action may determine whether the 10.0% ownership threshold required to bring a derivative action has been met by dividing the number Shares owned by such Shareholders by the total number of Shares outstanding. Shareholders may determine the total number of Shares outstanding by reviewing the Trust’s annual filings and quarterly filings, as applicable, or by requesting the number of Shares outstanding at any time from the Sponsor, subject to Section 8.1 of the Trust Agreement and Section 3819(a) of the DSTA.

The Trust offers Shares at such times and for such periods as the Sponsor determines in its sole discretion. As a result, in order to maintain the 10.0% ownership threshold required to maintain a derivative action, Shareholders may need to increase their holdings or locate additional Shareholders during the pendency of a claim. The Trust posts the number of Shares outstanding as of the end of each month on its website. Shareholders may monitor the number of Shares outstanding at any time for purposes of calculating their ownership threshold by reviewing the Trust’s website and by requesting the number of Shares outstanding on any date from the Sponsor at any time, subject to Section 8.1 of the Trust Agreement. Shareholders have the opportunity at any time to increase their holdings or locate other Shareholders to maintain the 10.0% threshold throughout the duration of a derivative claim. Shareholders may do so by requesting from the Sponsor the list of the names and last known address of all Shareholders, subject to Section 8.1 of the Trust Agreement and Section 3819(a) of the DSTA.

The Sponsor is not aware of any reason to believe that Section 7.4 of the Trust Agreement is not enforceable under state or federal law. The Court of Chancery of Delaware has stated that “[t]he DSTA is enabling in nature and, as such, permits a trust through its declarations of trust to delineate additional standards and requirements with which a stockholder-plaintiff must comply to proceed derivatively in the name of the trust.” *Hartsel v. Vanguard Group, Inc.*, Del. Ch. June 15, 2011. However, there is limited case law addressing the enforceability of provisions like Section 7.4 under state and federal law and it is possible that this provision would not be enforced by a court in another jurisdiction or under other circumstances.

Beneficial owners may have the right, subject to certain legal requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Beneficial owners who have suffered losses in connection with the purchase or sale of their beneficial interests may be able to recover such losses from the

Sponsor where the losses result from a violation by the Sponsor of the anti-fraud provisions of the federal securities laws.

Actions Taken to Protect the Trust

The Sponsor may, in its sole discretion, prosecute, defend, settle or compromise actions or claims at law or in equity that it considers necessary or proper to protect the Trust or the interests of its Shareholders. The expenses incurred by the Sponsor in connection therewith (including the fees and disbursements of legal counsel) will be expenses of the Trust and are deemed to be Additional Trust Expenses. The Sponsor will be entitled to be reimbursed for Additional Trust Expenses it pays on behalf of the Trust.

Successor Sponsors

If the Sponsor is adjudged bankrupt or insolvent, the Trust may dissolve and a liquidating Trustee may be appointed to terminate and liquidate the Trust and distribute their remaining assets. The Trustee will have no obligation to appoint a successor sponsor or to assume the duties of the Sponsor, and will have no liability to any person because one or more Trust are or are not terminated. However, if a certificate of dissolution or revocation of the Sponsor's charter is filed (and ninety (90) days have passed after the date of notice to the Sponsor of revocation without a reinstatement of the Sponsor's charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor has occurred, Shareholders holding at least a majority (over 50%) of the Shares of the Trust may agree in writing to continue the affairs of the Trust and to select, effective as of the date of such event, one or more successor Sponsors within ninety (90) days of any such event.

The Trustee

The Trustee is a fiduciary under the Trust Agreement and must satisfy the requirements of Section 3807 of the Delaware Trust Statute. However, the fiduciary duties, responsibilities and liabilities of the Trustee are limited by, and are only those specifically set forth in, the Trust Agreement.

Limitation on Trustee's Liability

Under the Trust Agreement, the Sponsor has exclusive control of the management of all aspects of the activities of the Trust and the Trustee has only nominal duties and liabilities to the Trust. The Trustee is appointed to serve as the trustee for the sole purpose of satisfying Section 3807(a) of the DSTA which requires that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee are limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Trustee is required to execute under the DSTA.

To the extent the Trustee has duties (including fiduciary duties) and liabilities to the Trust or its Shareholders under the DSTA, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement of the Trust. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, the Custodian or any other security vendor engaged by the Trust. Neither the Trustee, either in its capacity as trustee or in its individual capacity, nor any director, officer or controlling person of the Trustee is, or has any liability as, the issuer, director, officer or controlling person of the issuer of Shares of the Trust. The Trustee's liability is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement.

Under the Trust Agreement, the Sponsor has the exclusive management, authority and control of all aspects of the activities of the Trust. The Trustee has no duty or liability to supervise or monitor the performance of the Sponsor, nor does the Trustee have any liability for the acts or omissions of the Sponsor. The existence of a trustee should not be taken as an indication of any additional level of management or supervision over the Trust.

The Trust Agreement provides that the management authority with respect to the Trust is vested directly in the Sponsor and that the Trustee is not responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the digital assets or other assets of the Trust.

Possible Repayment of Distributions Received by Shareholders; Indemnification by Shareholders

The Shares of the Trust are limited liability investments. Investors may not lose more than the amount that they invest in the Trust plus any profits recognized on their investment. Although it is unlikely, the Sponsor may, from time to time, make distributions to the Shareholders of the Trust. However, Shareholders could be required, as a matter of bankruptcy law, to return to the estate of the Trust any distribution they received at a time when the Trust was in fact insolvent or in violation of its Trust Agreement. In addition, the Trust Agreement provides that Shareholders will indemnify the Trust for any harm suffered by it as a result of Shareholders' actions unrelated to the activities of the Trust.

The foregoing repayment of distributions and indemnity provisions (other than the provision for Shareholders indemnifying the Trust for taxes imposed upon it by a state, local or foreign taxing authority, which is included only as a formality due to the fact that many states do not have statutory trust statutes therefore the tax status of the Trust in such states might, theoretically, be challenged) are commonplace in statutory trusts and limited partnerships.

Indemnification of the Trustee

The Trustee and any of the officers, directors, employees and agents of the Trustee will be indemnified by the Trust as primary obligor and held harmless against any loss, damage, liability,

claim, action, suit, cost, expense, disbursement (including the reasonable fees and expenses of counsel), tax or penalty of any kind and nature whatsoever, arising out of, imposed upon or asserted at any time against such indemnified person in connection with the performance of its obligations under the Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated therein; *provided, however*, that the Trust will not be required to indemnify any such indemnified person for any such expenses which are a result of the willful misconduct, bad faith or gross negligence of such indemnified person. If the Trust shall have insufficient assets or improperly refuses to pay the Trustee and any of the officers, directors, employees and agents of the Trust within 60 days of request for payment owed under the Trust's Trust Agreement, the Sponsor, as secondary obligor, shall compensate or reimburse the Trustee or indemnify, defend and hold harmless the Trustee and any of the officers, directors, employees and agents of the Trustee, as if the Sponsor were the primary obligor thereunder; *provided, however*, that the Sponsor shall not be required to indemnify the Trustee or any of the officers, directors, employees and agents of the Trustee for any expenses which are the result of the willful misconduct, bad faith or gross negligence of the Trustee or any of the officers, directors, employees and agents of the Trustee. Any amount payable to such an indemnified person under the Trust's Trust Agreement may be payable in advance under certain circumstances and will be secured by a lien on the property of the Trust. The obligations of the Trust to indemnify such indemnified persons under the Trust's Trust Agreement will survive the termination of the Trust Agreement.

Holding of Trust Property

The Trust will hold and record the ownership of its Trust's assets in a manner such that it will be owned for the benefit of the Shareholders for the purposes of, and subject to and limited by the terms and conditions set forth in, its Trust Agreement. The Trust will not create, incur or assume any indebtedness or borrow money from or loan money to any person. The Trust may not commingle the Trust's assets with those of any other person.

The Trustee may employ agents, attorneys, accountants, auditors and nominees and will not be answerable for the conduct or misconduct of any such custodians, agents, attorneys or nominees, if such custodians, agents, attorneys and nominees have been selected with reasonable care.

Resignation, Discharge or Removal of Trustee; Successor Trustees

The Trustee may resign as Trustee by written notice of its election so to do, delivered to the Sponsor with at least 60 days' notice. The Sponsor may remove the Trustee in its discretion. If the Trustee resigns or is removed, the Sponsor, acting on behalf of the Shareholders of the Trust, will appoint a successor trustee for the Trust. The successor Trustee will become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee.

If the Trustee resigns and no successor trustee is appointed within 180 days after the Trustee notifies the Sponsor of its resignation, the Sponsor will terminate and liquidate the Trust and distribute its remaining assets.

Amendments to the Trust Agreement

In general, the Sponsor may amend the Trust Agreement without the consent of any Shareholder. In particular, the Sponsor may, without the approval of the Shareholders, amend the Trust Agreement, if the Trust is advised at any time by its legal counsel that the amendments are necessary to permit the Trust to take favorable positions on other regulatory matters. In addition, no amendments to the Trust's Trust Agreement that materially adversely affect the interests of Shareholders may be made without the vote of at least a majority (over 50%) of the Shares of the Trust (not including any Shares held by the Sponsor or its affiliates). A Shareholder will be deemed to have consented to a modification or amendment of the Trust's Trust Agreement, if the Sponsor has notified the Shareholders of the Trust in writing of the proposed modification or amendment and the Shareholder has not, within 20 calendar days of such notice, notified the Sponsor in writing the Shareholder objects to such modification or amendment.

Termination of the Trust

The Trust will dissolve, if any of the following events occur:

- a U.S. federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its digital assets or seizes, impounds or otherwise restricts access to Trust assets;
- any ongoing event exists that either prevents the Trust from making, or makes impractical its reasonable efforts to make, a fair determination of the relevant Digital Asset Reference Rates; or
- any ongoing event exists that either prevents the Trust from converting, or makes impractical its reasonable efforts to convert digital assets to U.S. dollars; or a certificate of dissolution or revocation of the Sponsor's charter is filed (and 90 days have passed since the date of notice to the Sponsor of revocation without a reinstatement of its charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor has occurred unless (i) at the time there is at least one remaining Sponsor and that remaining Sponsor carries on the Trust or (ii) within 90 days of any such event Shareholders holding at least a majority (over 50%) of Shares of the Trust agree in writing to continue the activities of the Trust and to select, effective as of the date of such event, one or more successor Sponsors.

The Sponsor may, in its sole discretion, dissolve the Trust, if any of the following events occur:

- the SEC determines that the Trust is an investment company required to be registered under the Investment Company Act;
- the CFTC determines that the Trust is a commodity pool under the CEA;

- the Trust is determined to be a “money service business” under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act and is required to comply with certain FinCEN regulations thereunder;
- the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services businesses, providers of prepaid or stored value or similar entities, or virtual currency businesses;
- the Trust becomes insolvent or bankrupt;
- a security vendor to the Trust, such as the Custodian, resigns or is removed without replacement;
- all of the Trust’s assets are sold;
- the Sponsor determines that the aggregate net assets of the Trust in relation to the expenses of the Trust make it unreasonable or imprudent to continue the Trust;
- the Sponsor receives notice from the IRS or from counsel for the Trust or the Sponsor that the Trust fails to qualify for treatment, or will not be treated, as a partnership under the Code;
- if the Trustee notifies the Sponsor of the Trustee’s election to resign and the Sponsor does not appoint a successor trustee within 180 days; or
- the Sponsor determines, in its sole discretion, that it is desirable or advisable for any reason to discontinue the affairs of the Trust.

The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Shareholder (as long as such Shareholder is not the sole Shareholder of the Trust) will not result in the termination of the Trust, and such Shareholder, his or her estate, custodian or personal representative will have no right to a redemption or value such Shareholder’s Shares. Each Shareholder (and any assignee thereof) expressly agrees that in the event of his or her death, he or she waives on behalf of himself or herself and his or her estate, and he or she directs the legal representative of his or her estate and any person interested therein, to waive the furnishing of any inventory, accounting or appraisal of the assets of the Trust and any right to an audit or examination of the books of account for the Trust, except for such rights as are set forth in Article VIII of the Trust Agreement relating to the books of account and reports of the Trust.

Upon dissolution of the Trust and surrender of the Trust’s Shares by the Shareholders, Shareholders will receive a distribution in U.S. dollars or digital assets, Incidental Rights and/or IR Virtual Currency, at the sole discretion of the Sponsor, after the Sponsor has sold the Trust’s

digital assets, Incidental Rights and IR Virtual Currency, if applicable, and has paid or made provision for the Trust's claims and obligations.

If the Trust is forced to liquidate, the Trust will be liquidated under the Sponsor's direction. The Sponsor, on behalf of the Trust, will engage directly with Digital Asset Markets to liquidate the Trust's digital assets as promptly as possible while obtaining the best fair value possible. The proceeds therefrom will be applied and distributed in the following order of priority: (a) to the expenses of liquidation and termination and to creditors, including Shareholders of the Trust who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Trust other than liabilities for distributions to its Shareholders and (b) to the holders of Shares of the Trust pro rata in accordance with the respective percentage of percentages of Shares that they hold. It is expected that the Sponsor would be subject to the same regulatory requirements as the Trust, and therefore, the markets available to a Sponsor will be the same markets available to the Trust being liquidated.

Governing Law; Arbitration and Adjudication

The Trust Agreement and the rights of the Sponsor, Trustee and Shareholders under the Trust Agreement are governed by the laws of the State of Delaware.

Except as to any claims with respect to enforcement of an arbitration award and matters covered by the following paragraph, any controversy, claim or dispute arising out of, or relating to, the Trust, its Trust Agreement or the breach thereof, or regarding the interpretation thereof, between a Shareholder and the Trust and/or the Sponsor shall be solely and exclusively settled by binding arbitration conducted in Phoenix, Arizona, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator appointed in accordance with such rules and applying the laws of the State of Delaware, without regard to the conflict of laws provisions thereof. Judgment upon any award rendered in any such arbitration may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief (other than punitive damages), whether legal or equitable in nature, including specific performance, subject to the applicable limitations on liability in the Trust Agreement. Each Shareholder must agree to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity.

Any claims relating to the rights, privileges, liabilities, and indemnities of or relating to the Trustee under the Trust Agreement shall be adjudicated by the Court of Chancery in the State of Delaware.

The Custodian

Description of the Custodian Agreement

The Custodian Agreement establishes the rights and responsibilities of the Custodian and the Trust with respect to the Trust's digital assets in the Digital Asset Custodial Accounts, which are maintained and operated by the Custodian on behalf of the Trust. For a general description of the Custodian's obligations, see "The Custodian—The Custodian's Role" herein.

Account; Location of Digital Assets

The Trust's Digital Asset Custodial Accounts are segregated custody accounts controlled and secured by the Custodian to store private keys, which allows for the transfer of ownership or control of the Trust's digital assets, on the Trust's behalf. Private key shards associated with the Trust's digital assets are distributed geographically by the Custodian in secure vaults around the world, including in the United States. The locations of the secure vaults may change regularly and are kept confidential by the Custodian for security purposes. The Custodian requires written approval of the Trust prior to changing the location of the private key shards, and therefore the Trust's digital assets, including to a different state. Each Digital Asset Custodial Account uses offline storage, or cold storage, mechanisms to secure the Trust's private keys. The term cold storage refers to a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. While cold storage is the preferred storage mechanism for digital assets, the Trust's assets may be exposed to commingled, or "hot", wallets for certain periods (including when the Trust trades in digital assets outside the Trust's Digital Asset Custodial Accounts). During these periods, the Trust's digital assets would be more vulnerable than when in cold storage. See "Activities of the Trust – Strategy behind the Shares – *Minimize Counterparty and Credit Risk*" herein.

Digital assets in each Digital Asset Custodial Account are not treated as general assets of the Custodian. Rather, the Custodian serves as a fiduciary and custodian on the Trust's behalf, and the digital assets in the Digital Asset Custodial Accounts are considered fiduciary assets that remain the Trust's property at all times during the term of the Custodian Agreement.

Safekeeping of Digital Assets

The Custodian will use reasonable care to keep in safe custody on behalf of the Trust all digital assets received by the Custodian. All digital assets credited to the Trust's Digital Asset Custodial Accounts will (i) be held in such Digital Asset Custodial Accounts at all times, and such Digital Asset Custodial Accounts will be controlled by the Custodian; (ii) be labeled or otherwise appropriately identified as being held for the Trust; (iii) be held in such Digital Asset Custodial Accounts on a non-fungible basis; (iv) not be commingled with other digital assets held by the Custodian, whether held for the Custodian's own account or the account of other clients other than the Trust; (v) not without the prior written consent of the Trust be deposited or held with any third-

party depository, custodian, clearance system or wallet; and (vi) for any such Digital Asset Custodial Account maintained by the Custodian on behalf the Trust, the Custodian will use reasonable care to keep the private key or keys secure and will not disclose such keys to the Trust, the Sponsor or to any other individual or entity except to the extent that any keys are disclosed consistent with a standard of reasonable care and as part of a multiple signature solution that would not result in the Trust or the Sponsor “storing, holding, or maintaining custody or control of” the digital assets “on behalf of others” within the meaning of the New York BitLicense Rule (23 NYCRR Part 200) as in effect as of June 24, 2015 such that it would require the Trust or the Sponsor to become licensed under such law. However, the Trust’s assets may be exposed in commingled accounts (which are online “hot” wallets) for periods of time, when the Trust must trade its digital assets outside the Trust’s Digital Asset Custodial Accounts. During those periods, the Trust’s digital assets will be more vulnerable than when held in “cold” (offline storage). While the Sponsor will seek to utilize “cold” storage mechanisms when feasible, the Sponsor cannot guarantee that the Trust’s digital assets will be held in “cold” storage at all times.

Insurance

The Custodian has agreed to maintain the types and amounts of insurance commercially reasonable for the Custodial Services it provides under the Custodian Agreement.

Deposits, Withdrawals and Storage; Access to the Digital Asset Custodial Accounts

The Custodial Services (i) allow digital assets to be deposited from a public blockchain address (or the Trust’s applicable trading account) to each Digital Asset Custodial Account and (ii) allow the Trust or Sponsor to withdraw digital assets from the applicable Digital Asset Custodial Account to a public blockchain address such Trust or the Sponsor controls (each such transaction is a “***Custody Transaction***”).

The Custodian reserves the right to refuse to process or to cancel any pending Custody Transaction as required by law or in response to a subpoena, court order, or other binding government order or to enforce transaction, threshold, and condition limits, in each case as communicated to the Trust and the Sponsor as soon as reasonably practicable where the Custodian is permitted to do so, or if the Custodian reasonably believes that the Custody Transaction may violate or facilitate the violation of an applicable law, regulation or applicable rule of a governmental authority or self-regulatory organization. The Custodian may suspend or restrict the Trust’s and Sponsor’s access to the Custodial Services, and/or deactivate, terminate or cancel the applicable Digital Asset Custodial Account if the Trust or Sponsor taken certain actions, including any prohibited use or activity as set forth in the Custodian Agreement.

From the time the Custodian has verified the authorization of a complete set of instructions to withdraw digital assets from a Digital Asset Custodial Account by the Trust’s authorized representative(s), the Custodian will have up to forty-eight (48) hours to process and complete such withdrawal. The Custodian will ensure that initiated deposits are processed in a timely manner

but the Custodian makes no representations or warranties regarding the amount of time needed to complete processing which is dependent upon many factors outside of the Custodian's control.

The Custodian makes no other representations or warranties with respect to the availability and/or accessibility of digital assets or the availability and/or accessibility of the applicable Digital Asset Custodial Account or Custodial Services.

Security of the Account

The Custodian securely stores all digital asset private keys held by the Custodian in offline storage. Under the Custodian Agreement, the Custodian has implemented and will maintain a reasonable information security program that includes policies and procedures that are reasonable designed to safeguard the Custodian's electronic systems and the Trust's confidential information from unauthorized access or misuse, among other things.

The Custodian has implemented and will maintain a reasonable information security program that includes policies and procedures that are reasonably designed to safeguard the Custodian's electronic systems and the Trust's and the Sponsor's confidential information from, among other things, unauthorized access or misuse. In the event of a Data Security Event (as defined below), the Custodian will promptly (subject to any legal or regulatory requirements) notify each of Trust and the Sponsor. "***Data Security Event***" is defined as any event whereby (a) an unauthorized person (whether within the Custodian or a third party) acquired or accessed the Trust's confidential information or (b) the Trust's confidential information is otherwise lost, stolen or compromised, in each case while in the possession or control of the Custodian.

Record Keeping

The Custodian will keep timely and accurate records of its services pursuant to the Custodian Agreement, and such records must be retained by the Custodian for the minimum period required by applicable law and in accordance with the Custodian's internal document retention policies

Limitations of Liability

The Custodian will not be liable for any breach of its obligations under the Custodian Agreement that does not result solely from the Custodian's gross negligence, fraud, or willful misconduct. Furthermore, under the Custodian Agreement, the Custodian's liability with respect to any breach of its obligations under the Custodian Agreement is limited to the greater of (i) the aggregate amount of fees paid by the Trust to the Custodian for Custodial Services in the 12-month period prior to the event giving rise to the liability or (ii) the value of the digital assets on deposit in the Digital Asset Custodial Accounts at the time of the event giving rise to such liability (the value of which shall be calculated at the average U.S. dollar ask price, at the time of such event, of the three largest U.S.-based Digital Asset Exchanges (by trailing 30-day volume) which offer the relevant digital asset. The Custodian is not liable for any lost profits or any incidental, indirect, special,

punitive, consequential or similar damages, whether or not the Custodian has been advised of such losses or the Custodian knew or should have known of the possibility of such damages. In the event the Trust suffers a loss, the Custodian's liability to the Trust may be less than the amount of the loss.

Furthermore, the Custodian is not liable for delays, suspension of operations, whether temporary or permanent, failure in performance, or interruption of service which result directly or indirectly from any cause or condition beyond the reasonable control of the Custodian, including but not limited to, any delay or failure due to any act of God, natural disasters, act of civil or military authorities, act of terrorists, including but not limited to cyber-related terrorist acts, hacking, government restrictions, exchange or market rulings, civil disturbance, war, strike or other labor dispute, fire, interruption in telecommunications or Internet services or network provider services, failure of equipment and/or software, other catastrophe or any other occurrence which is beyond the reasonable control of the Custodian.

The Custodian does not bear any liability, whatsoever, for any damage or interruptions caused by any computer viruses, spyware, scareware, Trojan horses, worms or other malware that may affect Client's computer or other equipment, or any phishing, spoofing or other attack, unless such damage or interruption originated from the Custodian due to its gross negligence, fraud, or willful misconduct.

Indemnity

Under the Custodian Agreement, each of the Custodian and the Trust has agreed to indemnify and hold harmless the other party in specified circumstances from each claim and related losses (including reasonable and documented attorneys' fees and any fines, fees or penalties imposed by any regulatory authority) arising out of or related to specified conduct of the Custodian or the Trust, as the case may be.

Fees and Expenses

The Custodian Fee is an annualized fee charged monthly that is a percentage of the Trust's monthly assets under custody. The fee may be adjusted by the Custodian with at least 30 days' advance notice. Any changes to the fee will be agreed to by the Trust and the Sponsor and the Custodian in writing. To the extent the parties cannot reach an agreement regarding any modifications in pricing, either party may elect to terminate the Custodian Agreement pursuant to the terms set forth therein. It is the Trust's and the Sponsor's sole responsibility to determine whether, and to what extent, any taxes apply to any deposits or withdrawals conducted through the Custodial Services.

Termination

The Custodian may terminate the Custodian Agreement at any time by written notice to the Sponsor, effective immediately, or on such later date as may be specified in the notice, in certain circumstances described in the Custodian Agreement.

Either party may terminate the Custodian Agreement upon 30 days' prior written notice to the other party.

Governing Law

The Custodian Agreement is governed by New York law, without regard to principles of conflicts of law.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

You should carefully review the section entitled Supplemental Tax Disclosure, if any, in the Supplement applicable to the Trust in which you are considering an investment. If the discussion in that section of a Supplement is inconsistent with the discussion below, the tax consequences described in the Supplement will apply to an investment in Shares of the Trust covered by that Supplement.

The following discussion addresses the material U.S. federal income tax consequences of the ownership of Shares of the Trust. References to “the Trust” and “Shares” in this discussion refer separately to the Trust and its Shares, except where otherwise specified, and references to “Relevant Digital Currencies” refer to the digital currencies held by the Trust. This discussion does not describe all of the tax consequences that may be relevant to a beneficial owner of Shares in light of the beneficial owner’s particular circumstances, including tax consequences applicable to beneficial owners subject to special rules, such as:

- financial institutions;
- dealers in securities or commodities;
- traders in securities or commodities that have elected to apply a mark-to-market method of tax accounting in respect thereof;
- persons holding Shares as part of a hedge, “straddle,” integrated transaction or similar transaction;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- entities or arrangements classified as partnerships for U.S. federal income tax purposes;

- real estate investment trusts;
- regulated investment companies; and
- tax-exempt entities, including individual retirement accounts.

This discussion applies only to Shares that are held as capital assets and does not address alternative minimum tax consequences or consequences of the Medicare contribution tax on net investment income.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares and partners in those partnerships are urged to consult their tax advisers about the particular U.S. federal income tax consequences of owning Shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. For the avoidance of doubt, this summary does not discuss any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Prospective investors are urged to consult their tax advisers about the application of the U.S. federal income tax laws to their particular situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Tax Treatment of the Trust

It is anticipated that the Trust will have at least two Shareholders and thus, subject to the discussion below under “*Publicly Traded Partnership*”, will be classified as a partnership for U.S. federal income tax purposes. As a partnership, the Trust will generally not be subject to federal income tax. Instead, each Shareholder will be required to report separately on its income tax return for each year its distributive share of the Trust’s items of income, gain, loss and deduction and will be taxed currently on that distributive share, regardless of whether the Shareholder has received or will receive a distribution from the Trust.

Publicly Traded Partnership. If the Trust is able to be traded on an exchange or is readily tradable on a secondary market or the equivalent thereof (“***readily tradable***”), the Trust may be a “publicly traded partnership.” A publicly traded partnership is taxable as a corporation.

The Trust does not plan to be traded on an exchange, and, based on limitations it imposes on transfers and redemptions of interests by Shareholders, the Trust does not believe that it will be treated as readily tradable under the Code and Treasury regulations. However, the Trust has not received an opinion of counsel as to whether its interests are readily tradable, and the IRS or a court may determine that Trust interests are readily tradable.

Partnerships that have income that is comprised at least 90% of certain types of passive “qualifying income” (such as interest, dividends, real property rents) are not taxable as corporations even if they are publicly traded. The law is unclear as to whether income from virtual currency is qualifying income for this purpose.

If the IRS or a court determines that the Trust is properly taxed as a corporation, such determination may be retroactive.

In the event that the Trust is table as a corporation, the Trust would be subject to entity-level U.S. federal income tax (currently at the rate of 21%) on its net taxable income and certain distributions made by the Trust to its Shareholders would be treated as taxable dividends to the extent of the Trust’s current and accumulated earnings and profits. Any such dividend distributed to a beneficial owner of Shares of the Trust that is a non-U.S. person for U.S. federal income tax purposes would be subject to U.S. federal withholding tax at a rate of 30% (or such lower rate as provided in an applicable tax treaty).

The remainder of this discussion is based on the assumption that the Trust will be treated as a partnership for U.S. federal income tax purposes.

General Principles of Partnership Taxation. A partnership generally is not subject to federal income tax; however, a partnership must file a federal information return in which it reports its items of income, gain, loss and deduction for each taxable year. Each partner in a partnership includes its allocable share of the partnership’s items in determining its taxable income. Thus, each Shareholder must take into account its allocable share of the Trust’s partnership items. A Shareholder will be subject to tax on its distributive share of the Trust’s taxable income regardless of whether any distribution of cash or property is made to it.

Distributions. A distribution by a partnership to a partner generally is not taxable to the partner except to the extent the distribution consists of cash (and, in certain circumstances, marketable securities) and the amount distributed exceeds the partner’s adjusted basis of its Shares immediately before the distribution. See “Taxation of Operations – Basis” below. Ordinarily, any such excess will be treated as gain from a sale or exchange of the partner’s interest. The Trust may, but it is not required to, make distributions to its Investors.

Allocations of Income and Loss. A capital account will be established and maintained on the Trust’s books separately for each Share. These accounts will be maintained in accordance with Code Section 704(b) and Regulation Section 1.704-1(b)(2)(iv).

A partner’s distributive share of a partnership’s items of income, gain, loss or deduction for federal income tax purposes generally is determined in accordance with the provisions of its partnership agreement. An allocation under a partnership agreement may be disregarded, however, if the allocation does not have “substantial economic effect.” An allocation to a partner that does not cause or increase a deficit balance in the partner’s capital account has economic effect if (i) the

partners' capital accounts are determined and maintained in accordance with the Regulations, (ii) distributions on liquidation of the partnership are to be made in accordance with the partners' positive capital account balances and (iii) the partnership agreement includes certain protective allocation provisions. Subject to special rules regarding certain shifting or transitory allocations, the Regulations provide that the economic effect of an allocation will be substantial if there is a reasonable possibility that the allocation will substantially affect the dollar amount to be received by the partners, independent of tax consequences. It is believed that the Trust Agreement contains provisions designed to comply with the requirements of the Regulations so that allocations of taxable income and loss thereunder should have substantial economic effect.

Under the Trust Agreement, the Sponsor has the discretion to follow an industry accounting convention of specially allocating the Trust's realized gains and losses, for federal income tax purposes, with respect to Shares that are redeemed or transferred to the extent the capital account balance associated with such Shares is more or less, respectively, than the tax basis for such Shares. There can be no assurance that the IRS will accept any such special allocation. If the IRS successfully challenged such an allocation, the Trust's gains and losses allocable to the remaining Shares could change.

Allocations Between Transferors and Transferees. In general, our taxable income and losses will be determined on a weekly basis and will be subsequently apportioned among the Shares. As a result, a Shareholder transferring Shares may be allocated income, gain, loss and deduction realized after the date of transfer.

Although simplifying conventions are contemplated by the Code and most publicly traded partnerships use similar simplifying conventions, the use of this method may not be permitted under existing Regulations as there is no direct or indirect controlling authority on this issue. Regulations under Section 706 of the Code provide a safe harbor pursuant to which a publicly traded partnership may use a semi-monthly or monthly simplifying convention to allocate tax items among transferors and transferees, although such tax items must be prorated on a daily basis. The Regulations do not specifically authorize the use of the proration method we have adopted. If this method is not allowed under the Regulations, or only applies to transfers of less than all of a Shareholder's interest in the Trust, our taxable income or losses might be reallocated among the Investors. We are authorized to revise our method of allocation between transferors and transferees to conform to a method permitted under existing or future Treasury Regulations.

Taxation of Operations

Gains and Losses from Cryptocurrency Transactions. The Trust expects to deal with its cryptocurrencies as a trader or investor (generally, a person that buys and sells property for its own account for purposes of investment) and not as a dealer (generally, a person that buys from and sells property to customers with a view to the gains from those transactions). Accordingly, except as discussed below, the Trust generally expects that gains and losses recognized on the sale of its cryptocurrencies will be capital gains and losses, which will be long-term or short-term depending,

in general, on the length of time it held the cryptocurrencies and, in some cases, the nature of the transactions. Without limiting the foregoing, each delivery or sale of Portfolio Crypto Assets for purposes of rebalancing the Trust's Portfolio Crypto Assets to track the Index will be a taxable event for Investors. In addition, each sale of Portfolio Crypto Assets by the Trust to pay the Management Fee and/or any Organizational Expenses will be a taxable event for Shareholders.

Gains recognized by noncorporate taxpayers from property held for more than one year generally will be eligible for favorable tax treatment. The maximum federal income tax rate applicable to a noncorporate taxpayer's net capital gain (the excess of net long-term capital gain over net short-term capital loss) recognized on the sale or exchange of capital assets held for more than one year is 20%. In addition, certain non-corporate taxpayers are subject to an increased rate of federal tax on some or all of their "net investment income," which generally will include all or a portion of the income allocated to noncorporate Shareholders by the Trust, and any net gain recognized upon a disposition of Shares. Prospective investors should consult their tax advisor regarding the applicability of this federal tax in respect of an investment in the Trust.

Treatment of Management Fees and Expenses. A partnership may deduct a trade or business expense that is ordinary, necessary and reasonable in amount. The IRS could challenge any expense deducted by the Trust, including the Management Fee, on the ground that the expense is a capital expenditure, which must either be amortized over an extended period or indefinitely deferred. The IRS could also challenge the treatment of the Trust's expenses, including the Management Fee, on the grounds that the amount of the expense is unreasonable in relation to the value of the services performed, the goods acquired or the other benefits to the Trust.

The Trust pays out of its assets certain legal, accounting and other expenses of its organization. Expenses directly related to the Trust's organization, such as the costs of preparing the Trust Agreement, may generally be capitalized and amortized over a period of 180 months for tax purposes. Those expenses, if any, related to the sale of Shares must be capitalized and cannot be amortized.

If the Trust were considered an investor rather than a trader in securities (an annual determination which is generally based on facts and circumstances), expenses incurred by the Trust, including the Management Fee, would generally constitute "miscellaneous itemized deductions." A non-corporate taxpayer's "miscellaneous itemized deductions," which include certain investment expenses, are allowable only to the extent they exceed, in the aggregate, 2% of the non-corporate taxpayer's adjusted gross income and are not allowed for purposes of the alternative minimum tax and are not allowed at all for taxable years beginning after December 31, 2017 and before January 1, 2026. In determining his, her or its miscellaneous itemized deductions, a non-corporate partner in a partnership, such as the Trust, must take into account his, her or its distributive share of the partnership's deductions. The Sponsor will receive Management Fees. If the Management Fees and/or such other expenses are characterized as "miscellaneous itemized deductions," each non-corporate Investor would be required to include his, her or its allocable share thereof in calculating deductible miscellaneous itemized deductions, if any.

The Code may also require a non-corporate taxpayer whose adjusted gross income exceeds a specified threshold amount which is adjusted annually for inflation to reduce the amount allowable for itemized deductions if available (including such amount of miscellaneous itemized deductions as remain deductible after applying the 2% “floor” described above) by the lesser of (i) 3% of the excess of adjusted gross income over the threshold amount or (ii) 80% of the total amount of otherwise allowable deductions. When taken together with the limitations on miscellaneous itemized deductions, this limitation (sometimes referred to as the “overall limitation on itemized deductions”) could cause the amount of taxable income from Trust with respect to a Shareholder to be significantly higher than his, her or its share of the Trust’s net profits. Prospective non-corporate investors thus should consider, in the context of their own personal circumstances, the extent to which these limitations may reduce or even eliminate the deductibility of the Trust’s expenses.

Basis. A Shareholder’s basis of its Shares is important in determining (i) the amount of gain or loss it will realize on the sale or other disposition of the Shares, (ii) the amount of non-taxable distributions (including any decrease in the Investor’s share of the Trust’s liabilities) that it may receive from the Trust and (iii) its ability to utilize its distributive share of any tax loss of the Trust. A Shareholder’s initial tax basis of its Shares will equal its cost for the Shares (which, to the extent that the Investor contributes property other than cash, will be limited to the Investor’s basis in the contributed property) plus its share of the Trust’s liabilities at the time of purchase. In general, a Shareholder’s “share” of those liabilities will equal the sum of (i) the entire amount of any otherwise nonrecourse liability of the Trust as to which the Investor or an affiliate is the creditor (a “partner nonrecourse liability”) and (ii) a share, based in part on profit-sharing ratios, of any nonrecourse liabilities of the Trust that are not partner nonrecourse liabilities as to any partner.

A Shareholder’s tax basis in each of its Shares will be equal to the Investor’s initial purchase price for such Share (i) increased by (a) such Share’s allocable share of the Trust’s taxable income and gain and (b) any amounts treated as additional contributions by the Investor to the Trust with respect to such Share and (ii) decreased (but not below zero) by (a) such Share’s allocable share of the Trust’s tax deductions and losses and (b) any distributions by the Trust to the Investor with respect to such Share. For this purpose, an increase in a share of the Trust’s liabilities allocated to a Share will be treated as a contribution by the Investor to the Trust with respect to such Share and a decrease in a share of the Trust’s liabilities allocated to a Share will be treated as a distribution by the Trust to the Investor with respect to such Share.

“At Risk” Limitations. The “at risk” rules of Section 465 of the Code generally limit a taxpayer’s loss to the amount the taxpayer has at risk (i.e., the amount the taxpayer could actually lose from an activity). In the context of a partnership such as the Trust, the “at risk” rules, which apply to individuals, estates, S corporation shareholders and certain closely-held “C” corporations, can operate to limit the amount of losses that such persons can deduct from their participation in a partnership in much the same way that the rules discussed above under “Basis” limit a partner’s ability to deduct currently its distributive share of partnership losses to such partner’s adjusted basis in its partnership interest. In general, a partner’s “at risk” basis will be equal to the sum of (i)

the amount of money and adjusted basis of property contributed by such partner to the activity and (ii) any amounts borrowed for use in the activity where the partner is personally liable for the repayment of the loan or has pledged property other than that used in the activity as security (but only to the extent of the net fair market value of the partner's interest in the property). Such "at risk" basis will be further increased by a partner's share of partnership income retained in the partnership but reduced by such items as cash distributed by the partnership to such partner, the commencement of a guarantee or similar device that eliminates the partner's personal liability for borrowed amounts, and losses previously allocated to a partner. If and to the extent that a loss allocated to a partner exceeds the amount that such partner has "at risk," such loss is not permanently disallowed but can be carried over indefinitely and deducted in a subsequent taxable year to the extent the partner's "at risk" basis increases and is sufficient to absorb such loss in such later year. Rules requiring the recapture of previously deducted losses can be triggered when a taxpayer's "at risk" basis in an activity falls below zero.

Limitation on Deductibility of Passive Activity Losses. Section 469 of the Code restricts individual, certain other non-corporate and certain closely-held corporate taxpayers from using trade or business losses incurred by partnerships and other businesses in which the taxpayer does not materially participate to offset income from other sources. Therefore, such losses cannot be used to offset salary or other earned income, active business income or "portfolio" income (i.e., dividends, interest, royalties and non-business capital gains) of the taxpayer. However, losses and credits suspended under Section 469 of the Code may be carried forward indefinitely and may be used in later years to offset income from passive activities. Moreover, a fully taxable disposition by a taxpayer of its entire interest in a passive activity will allow the deduction of any suspended losses attributable to that activity. These so-called "passive activity loss" limitations should not apply to limit the deductibility by Shareholders of their distributive share of any losses of the Trust because the activities of the Trust should be treated as giving rise only to "portfolio" income and deductions allocable to "portfolio" income. However, passive losses from other sources generally will not be deductible against a Shareholder's share of portfolio income and gain from the Trust. Investors should consult with their own tax advisors regarding additional limitations on interest deductions contained in recently enacted tax legislation.

Alternative Minimum Tax. The extent, if any, to which the federal alternative minimum tax will be imposed on any Investor will depend on the Investor's overall tax situation for the taxable year. Prospective investors should consult with their tax advisors regarding the alternative minimum tax consequences of an investment in the Trust.

Dissolution and Liquidation of the Trust. On dissolution of the Trust, its assets may be sold, which may result in the realization of taxable gain or loss to the Investors. Distributions of cash in complete liquidation of the Trust generally will cause recognition of gain or loss – which will be capital gain or loss to a Shareholder if it holds its Shares as capital assets – to the extent, if any, that the Investor's adjusted basis of its Shares is less or greater than the amount of cash received. Any capital gain or loss will be treated as long-term if the Shares are held for more than one year.

If liquidating distributions consist wholly or partly of assets other than cash, the Trust will not recognize any gain or loss on the distributions and a Shareholder that receives such a distribution generally will not recognize any loss on the distribution and will have a basis in the non-cash assets equal to the adjusted basis of its Shares immediately before the liquidating distribution, reduced by the amount of cash the Investor receives in the distribution.

Redemption or Transfer of Shares

If a Shareholder's Shares are redeemed or a Shareholder, with the Sponsor's consent, sells or exchanges its Shares, the Investor will realize gain or loss equal to the difference between the amount realized from the redemption, sale or exchange (including any reduction in its share of the Trust's liabilities) and its adjusted basis of its Shares. That gain or loss will be treated as capital gain or loss (taxed as described above). In addition, as noted above under "Entity Classification and Partnership Taxation – Allocations of Income and Loss," the Sponsor has the discretion to specially allocate the Trust's realized gains and losses, for federal income tax purposes, with respect to Shares that are redeemed or transferred to the extent the capital account balance associated with such Shares is more or less, respectively, than the tax basis in such Shares.

Tax Elections and Returns

The Trust may make various elections for federal income tax purposes that could result in certain items of income, gain, loss and deduction being treated differently for tax and accounting purposes. Elections permitted under the Code that may affect the determination of the Trust's income, the deductibility of expenses, accounting methods and the like must be made by the Trust and not by the Investors, and these elections will be binding in most cases on all Investors.

Section 754 of the Code permits a partnership to elect to adjust the basis of partnership property on the sale or exchange of an interest in the partnership or on a partner's death and on certain distributions of cash or property by the partnership to a partner. These adjustments are mandatory if the aggregate bases of partnership assets exceed their fair market value by more than \$250,000 at the time of the sale or exchange, or if a distribution of partnership property would result in a reduction in the basis of the partnership's assets of more than \$250,000 if a Section 754 election were in effect. If such a basis adjustment were made by the Trust, a transferee of Shares would be treated, for purposes of computing gain, as though it had acquired a direct interest in the Trust's assets, and the Trust would be treated, on certain distributions to Investors, as though it had obtained a new cost basis of its assets. The Trust Agreement authorizes the Sponsor, in its discretion, to make a Section 754 election. If the Sponsor determines not to do so, and the Trust is not otherwise required to adjust the bases of its assets, a transferee of Shares may be subject to tax on a portion of the income from the disposition of Trust assets that, as to it, constitutes a return of capital if the purchase price of its Shares exceeds its share of the Trust's adjusted basis of its investments.

The Trust will file an annual partnership information return with the IRS reporting the results of its operations. After the end of each calendar year, the Trust or the Administrator will distribute to the Investors or custodians of Shares, as applicable, federal income tax information reasonably necessary to enable each Investor to report its distributive share of the Trust's partnership items. Each Investor must treat partnership items reported on the Trust's returns consistently on the Investor's own returns, unless the Investor files a statement with the IRS disclosing the inconsistency.

Audits

The Trust, like all partnerships, is subject to a risk of audit by the IRS. The Code contains special provisions for audits of partnerships by the IRS. Pursuant to these provisions, the tax treatment of a partnership's income and deductions generally will be determined at the partnership level in a single proceeding, rather than by individual audits of the partners, and no deficiency resulting from such an audit may be assessed against a partner until the correctness of any challenge by the IRS to any of the partnership's federal returns is determined at the administrative or judicial level.

Under the Trust Agreement, to the extent permitted by applicable law, the Sponsor serves as the Trust's "partnership representative." The Trust will be subject to new partnership audit procedures that may result in partnership adjustments at the Trust level. The Sponsor may require that the Investors affected by such partnership adjustments file amended returns that take into account such partnership adjustments and pay any additional tax due or the Sponsor may elect to issue amended statements to the Investors and the Investors will be responsible for any increase in tax and associated penalties and interest.

The Trust's partnership representative will have considerable authority to make decisions affecting the tax treatment of partnership items and procedural rights of the Investors. For example, the partnership representative will have the right on behalf of all Investors to extend the statute of limitations with respect to the Trust's tax items and to select the forum for litigating any tax disputes, including a forum that might require the Investors to pay an assessed tax deficiency before the litigation is resolved. In certain circumstances, Investors may be bound by the outcome of final administrative adjustments agreed to by the partnership representative resulting from an audit by the IRS of the Trust, as well as by the outcome of judicial review of disputed adjustments.

Tax Shelter Disclosure

Certain rules require taxpayers to disclose—on their federal income tax returns and, under certain circumstances, separately to the Office of Tax Shelter Analysis—their participation in "reportable transactions" and require "material advisors" to maintain investor lists with respect thereto. These rules apply to a broad range of transactions, including transactions that would not ordinarily be viewed as tax shelters, and to indirect participation in a reportable transaction (such as through a partnership). For example, reportable transactions include "loss transactions," defined as any

losses incurred by a taxpayer, either directly or through a partnership, that exceed certain thresholds.

An excise tax and additional disclosure requirements may apply to certain tax-exempt entities that are “parties” to certain types of reportable transactions (referred to as “prohibited tax shelter transactions”). A notice issued by the IRS in February 2007 and confirmed by Regulations finalized in 2010 provides that a tax-exempt investor in a partnership will generally not be treated as a “party” to a prohibited tax shelter transaction, even if the partnership engages in such a transaction, if the tax-exempt investor does not facilitate the transaction by reason of its tax-exempt, tax indifferent or tax-favored status. There can be no assurance, however, that the IRS or Treasury Department will not provide guidance in the future, either generally or with respect to particular types of investors, that reaches a conclusion different than the conclusion in the notice.

Failure to comply with the disclosure requirements for reportable transactions or prohibited tax shelter transactions can result in the imposition of penalties. Prospective investors are urged to consult with their own tax advisors with respect to the effect of these rules on an investment in the Trust.

U.S. Taxation of Non-U.S. Persons

In general, the tax treatment of a Non-U.S. Person will depend on whether the Trust is deemed to be engaged in a U.S. trade or business and whether the Trust earns effectively connected income (“ECI”).

To the extent the Trust is not engaged in a U.S. trade or business (or such income is not effectively connected to a U.S. trade or business), non-U.S. source dividends and interest paid to the Trust and, except as discussed below, gains from the sale or other disposition of securities by the Trust, that are allocable to a Non-U.S. Person generally will not be subject to U.S. federal income tax. However, a non-resident individual present in the United States for 183 or more days in the taxable year of a sale generally will be subject to a 30% U.S. federal income tax (or applicable lower treaty rate) on any gain resulting from such sale if either (i) such individual’s tax home for U.S. federal income tax purposes is in the United States or (ii) the gain is attributable to an office or other fixed place of business maintained in the United States by such individual.

To the extent the Trust is not engaged in a U.S. trade or business (or such income is not effectively connected to a U.S. trade or business), U.S. source dividends paid to the Trust that are allocable to a Non-U.S. Person generally will be subject to withholding tax at a 30% rate. U.S. source interest paid to the Trust that is allocable to a Non-U.S. Person will also be subject to 30% withholding unless such interest qualifies as portfolio interest. Portfolio interest generally includes (with certain exceptions) interest paid on registered obligations with respect to which the beneficial owner provides a statement that it is not a U.S. Person. The portfolio interest exemption is not available with respect to interest paid to a 10% shareholder of the issuer of the indebtedness and is subject to certain other limitations. A Non-U.S. Person who is resident for tax purposes in a country with

respect to which the United States has an income tax treaty may be eligible for a reduced rate of withholding on such Person's distributive share of U.S. source interest and dividends.

Notwithstanding the foregoing, if the Trust were to acquire stock in a "U.S. real property holding corporation" and either (i) such stock was not regularly traded on an established securities market within the meaning of the Code or (ii) the stock was treated as owned by a holder of more than 5% (by value) of such stock, then gain on the sale of such stock would be treated as income effectively connected with the conduct of a U.S. trade or business and would be subject to regular U.S. federal income tax. A "U.S. real property holding corporation" is generally a corporation 50% or more of whose assets consist of U.S. real property interests within the meaning of Section 897(c) of the Code ("USRPIs").

If the Trust were engaged in a U.S. trade or business or otherwise realizes ECI, it generally will be required to withhold and pay over to the U.S. tax authorities a percentage equal to the highest applicable U.S. tax rate of each Non-U.S. Person's share of the Trust's net ECI (thus, the Trust would be liable for taxes attributable to a Non-U.S. Person's investment), and each Non-U.S. Person would be required to file U.S. tax returns and pay U.S. tax on its share of the Trust's net ECI. In addition, all or a portion of the gain realized on the disposition (including by redemption) by a Non-U.S. Person of its Shares will be treated as ECI to the extent such gain is attributable to assets of the Trust that generate ECI, including for this purpose gain that is attributable to stock of a U.S. real property holding corporation, and may be subject to U.S. withholding tax under certain circumstances. ECI realized by a Non-U.S. Person generally will be subject to U.S. income tax on a net basis at graduated rates. A Non-U.S. Person that is a non-U.S. corporation that is (or is deemed to be) engaged in a trade or business also may be subject to an additional branch profits tax of 30% on its effectively connected earnings and profits (which generally will include any ECI realized with respect to its investment in the Trust), adjusted as provided by law (subject to reduction by any applicable tax treaty).

In addition, if the Trust were regarded as engaged in a U.S. trade or business for U.S. federal income tax purposes, Non-U.S. Persons would be viewed as being engaged in a trade or business in the United States and as maintaining an office or other fixed place of business in the United States. Certain other income of a Non-U.S. Person could thus be treated as ECI as a result of such Non-U.S. Person's investment in the Trust. For example, a Non-U.S. Person who, pursuant to an applicable tax treaty, is currently not subject to tax with respect to a trade or business in the United States because such Non-U.S. Person does not have a permanent establishment in the United States could lose the benefits of the tax treaty as a result of its investment in the Trust.

Special rules may apply in the case of Non-U.S. Persons (i) that have an office or fixed place of business in the United States or (ii) that are former citizens of the United States, controlled foreign corporations as to the United States, foreign insurance companies that hold interests in the Trust in connection with their U.S. business, passive foreign investment companies, and corporations which accumulate earnings to avoid U.S. federal income tax. **Such persons are urged to consult their U.S. tax advisors before investing in the Trust.**

Possible Legislative or Other Changes The Code, with respect to all of the foregoing matters and other matters that may affect the Trust or the Investors, is constantly subject to change by Congress. Congress, in 2017, enacted a major overhaul of the Code. In recent years there have been significant changes in the Code, many of which are being reconsidered by Congress and interpretations of which are being considered by the IRS and the courts. It is not possible at this time to predict whether or to what extent any changes in the Code or interpretations thereof will occur. Prospective investors should note that the Trust will not undertake to advise investors of any legislative or other developments. Such investors should consult their own tax advisors regarding pending and proposed legislation or other changes.

State and Local Taxation. In addition to the federal income tax considerations summarized above, prospective investors should consider potential state and local tax consequences of an investment in the Trust. A Shareholder's distributive share of the Trust's taxable income or loss generally will be required to be included in determining the Investor's taxable income for state and local tax purposes in the jurisdiction in which it is resident. However, state and local laws may differ from the federal income tax law with respect to the treatment of specific items of income, gain, loss and deduction from a partnership. Prospective Investors are urged to consult with their own tax advisors with respect to state and local income tax consequences of an investment in the Trust.

Other Jurisdictions. Interest, dividend and other income received by the Trust from sources outside the United States may give rise to withholding or other taxes imposed by other jurisdictions. The Trust may also be subject to taxes on net income in certain other jurisdictions with respect to its investments.

Uncertainty Regarding the U.S. Federal Income Tax Treatment of Digital Currency

In 2014, the Internal Revenue Service (“**IRS**”) released a notice (the “**Notice**”) discussing certain aspects of the treatment of “convertible virtual currency” (that is, digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency) for U.S. federal income tax purposes. In the Notice, the IRS stated that, for U.S. federal income tax purposes, such digital currency (i) is “property,” (ii) is not “currency” for purposes of the provisions of the Code relating to foreign currency gain or loss and (iii) may be held as a capital asset. The IRS released a revenue ruling and a set of “Frequently Asked Questions” (the “**Ruling & FAQs**”) that provide some additional guidance, including guidance to the effect that, under certain circumstances, hard forks of digital currencies are taxable events giving rise to ordinary income and guidance with respect to the determination of the tax basis of digital currency. However, the Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of digital currencies. Moreover, although the Ruling & FAQs address the treatment of hard forks, there continues to be significant uncertainty with respect to the timing and amount of the income inclusions. While the Ruling & FAQs do not address most situations in which airdrops occur, it is clear from the reasoning of the Ruling & FAQs that the IRS generally would treat an airdrop as a taxable event giving rise to ordinary income.

The IRS has taken a litigation position that staking gives rise to income at the time a taxpayer is rewarded for the staking activity. Although the IRS has offered a refund to at least one taxpayer with respect to the taxpayer's position that its staking reward was not taxable on receipt, the IRS has not issued guidance on staking and other taxpayers cannot rely on the IRS's settlement offer to another taxpayer. Accordingly, the Trust's staking activities may result in additional taxable income to the Trust.

There can be no assurance that the IRS will not alter its position with respect to digital currencies in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs. It is also unclear what additional guidance on the treatment of digital currencies for U.S. federal income tax purposes may be issued in the future. Any such alteration of the current IRS positions or additional guidance could result in adverse tax consequences for Shareholders and could have an adverse effect on the prices of digital currencies, including the price of the Relevant Digital Currencies in the Digital Asset Exchange Market, and therefore could have an adverse effect on the value of Shares. Future developments that may arise with respect to digital currencies may increase the uncertainty with respect to the treatment of digital currencies for U.S. federal income tax purposes. For example, the Notice addresses only digital currency that is "convertible virtual currency," and it is conceivable that, as a result of a fork, airdrop or similar occurrence, the Trust will hold certain types of digital currency that are not within the scope of the Notice.

The remainder of this discussion assumes that digital currency, and any Incidental Rights or IR Virtual Currency that the Trust may hold, is properly treated for U.S. federal income tax purposes as property that may be held as a capital asset and that is not currency for purposes of the provisions of the Code relating to foreign currency gain and loss.

Prospective investors are urged to consult their tax advisers regarding the tax consequences of an investment in the Trust and in the digital currencies in general, including, in the case of prospective investors that are generally exempt from U.S. federal income taxation, whether such investors may recognize "unrelated business taxable income" ("**UBTI**") as a consequence of a fork, airdrop or similar occurrence.

Incidental Rights and IR Virtual Currency

It is possible that, in the future, the Trust will hold Incidental Rights and/or IR Virtual Currency that it receives in connection with its investment in the Relevant Digital Currencies. The uncertainties with respect to the treatment of digital currency for U.S. federal income tax purposes, described above, apply to Incidental Rights and IR Virtual Currency, as well as to the Relevant Digital Currencies. As described above, the Notice addressed only digital currency that is "convertible virtual currency," defined as digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency. It is conceivable that certain IR Virtual Currency the Trust may receive in the future would not be within the scope of the Notice.

In general, it is expected that the Trust would receive Incidental Rights and IR Virtual Currency as a consequence of a fork, an airdrop or a similar occurrence related to its ownership of each Relevant Digital Currency. As described above, the Ruling & FAQs include guidance to the effect that, under certain circumstances, forks (and, presumably, airdrops) of digital currencies are taxable events giving rise to ordinary income, but there continues to be uncertainty with respect to the timing and amount of the income inclusions. The Trust's receipt of Incidental Rights or IR Virtual Currency may give rise to other tax issues. The possibility that the Trust will receive Incidental Rights and/or IR Virtual Currency thus increases the uncertainties and risks with respect to the U.S. federal income tax consequences of an investment in Shares.

The Trust may distribute Incidental Rights or IR Virtual Currency, or cash from the sale of Incidental Rights or IR Virtual Currency, to the Shareholders. Alternatively, the Trust may form a liquidating trust to which it contributes Incidental Rights or IR Virtual Currency and distribute interests in the liquidating trust to the Shareholders. Any such distribution would be expected to be a distribution of property from a partnership for federal income tax purposes, which may be a taxable transaction for the Shareholders.

ERISA AND RELATED CONSIDERATIONS

General

The following section sets forth certain consequences under ERISA and the Code which a fiduciary of an "employee benefit plan" as defined in and subject to the fiduciary responsibility provisions of ERISA, or of a "plan" as defined in and subject to Section 4975 of the Code, who has investment discretion should consider before deciding to invest the plan's assets in the Trust (such "employee benefit plans" and "plans" being referred to herein as "**Plans**," and such fiduciaries with investment discretion being referred to herein as "**Plan Fiduciaries**"). The following summary is not intended to be comprehensive, but only to address certain questions under ERISA and the Code that may be raised by the Plan Fiduciary's own counsel.

In general, the terms "employee benefit plan" as defined in ERISA and "plan" as defined in Section 4975 of the Code together refer to any plan or account of various types which provides retirement benefits or welfare benefits to an individual or to an employer's employees and their beneficiaries. Such plans and accounts include, but are not limited to, corporate pension and profit sharing plans, "simplified employee pension plans," "Keogh" plans for self-employed individuals (including partners), individual retirement accounts described in Section 408 of the Code and medical benefit plans.

Each Plan Fiduciary must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Trust, including the role an investment in the Trust plays in the Plan's investment portfolio. Each Plan Fiduciary, before deciding to invest in the Trust, must be satisfied that investment in the Trust is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Trust, are diversified so as to minimize the risks of large

losses and that an investment in the Trust complies with the documents of the Plan and related trust and that an investment in the Trust does not give rise to a transaction prohibited by Section 406 of ERISA or Section 4975 of the Code. In general, Plans that are governmental plans, certain church plans and foreign plans are not subject to the fiduciary provisions of ERISA but may be subject to similar provisions under similar laws. The fiduciary of each prospective Plan investor will be required to represent and warrant that investment in the Trust is permissible, complies in all respects with applicable law, and has been duly authorized.

Plan Fiduciaries should also take into account the fact that, while the Sponsor, Trustee and related parties may have certain duties to the Trust as provided in the Trust Agreements and subject to applicable law, no such party will have any direct fiduciary relationship with or duty to any investor, either with respect to its investment in Shares or with respect to the management and investment of the assets of the Trust. Similarly, it is intended that the assets of the Trust will not be considered “Plan Assets” (as described below) of any Plan or be subject to any fiduciary or investment restrictions that may apply to such Plans.

Plan Fiduciaries may be required to determine and report annually the fair market value of the assets of the Plan. Since it is expected that there will not be any public market for the Shares, there may not be an independent basis for the Plan Fiduciary to determine the fair market value of such Shares.

EACH PLAN FIDUCIARY CONSIDERING ACQUIRING SHARES MUST CONSULT ITS OWN LEGAL AND TAX ADVISERS BEFORE DOING SO.

Restrictions on Investments by Benefit Plan Investors

ERISA and regulations issued thereunder contain rules for determining when an investment by a Plan in an entity will result in the underlying assets of the entity being deemed assets of the Plan for purposes of ERISA and Section 4975 of the Code (i.e., “plan assets”). Those rules provide that assets of an entity will not be plan assets of a Plan that purchases an interest therein if the investment in the entity by all “benefit plan investors” is not “significant” or certain other exceptions apply. The term “benefit plan investors” includes all Plans (i.e., all “employee benefit plans” as defined in and subject to the fiduciary responsibility provisions of ERISA and all “plans” as defined in and subject to Section 4975 of the Code) and all entities that hold “plan assets” (each, a “Plan Assets Entity”) due to investments made in such entities by already described benefit plan investors. ERISA provides that a Plan Assets Entity is considered to hold plan assets only to the extent of the percentage of the Plan Assets Entity’s equity interests held by benefit plan investors. In addition, all or part of an investment made by an insurance company using assets from its general account may be treated as a benefit plan investor. Investments by benefit plan investors will be deemed not significant if benefit plan investors own, in the aggregate, less than 25% of the total value of each class of equity interests of the entity (determined by not including the investments of persons with discretionary authority or control over the assets of such entity, of any person who provides investment advice for a fee (direct or indirect) with respect to such assets,

and “affiliates” (as defined in the regulations issued under ERISA) of such persons; *provided, however*, that under no circumstances are investments by benefit plan investors excluded from such calculation) (the “**25% Test**”).

In order to avoid causing assets of the Trust to be “plan assets,” the Sponsor intends to restrict the aggregate investment by “benefit plan investors” to under 25% of the total value of the Shares of the Trust (not including the investments of the Trustee, the Sponsor, the Distributors, any other person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Trust, any other person who has discretionary authority or control over the assets of the Trust, and any entity (other than a benefit plan investor) that is directly or indirectly through one or more intermediaries controlling, controlled by or under common control with any of such entities (including a partnership or other entity for which the Sponsor is the general partner, managing member, investment adviser or provides investment advice), and each of the principals, officers, and employees of any of the foregoing entities who has the power to exercise a controlling influence over the management or policies of such entity or the Trust).

Furthermore, because the 25% Test is ongoing, the Sponsor may restrict additional investments by benefit plan investors, and may also require that existing benefit plan investors redeem from the Trust in the event that other investors redeem their Shares. If rejection of subscriptions or such compulsory redemptions are necessary, as determined by the Sponsor, to avoid causing the assets of the Trust to be “plan assets,” the Sponsor will effect such rejections or redemptions of the Trust in such manner as the Sponsor, in its sole discretion, determines.

The Sponsor shall use reasonable best efforts to conduct the affairs and operations of the Trust, so that their assets do not constitute Plan Assets. For this purpose, the Sponsor has been provided broad authority. However, there can be no assurance that, notwithstanding the reasonable best efforts of the Sponsor, the Trust will satisfy the 25% Test or that underlying assets of the Trust will not be deemed to include Plan Assets.

Ineligible Purchasers

In general, the Shares may not be purchased with the assets of a Plan, if the Trustee, the Sponsor, the Distributors, any placement agent, any of their respective affiliates or any of their respective employees either: (i) has investment discretion with respect to the investment of such Plan assets; (ii) has authority or responsibility to give or regularly gives investment advice with respect to such Plan assets, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such Plan assets and that such advice will be based on the particular investment needs of the Plan; or (iii) is an employer maintaining or contributing to such Plan. A party that is described in clause (i) through (iii) of the preceding sentence is a fiduciary under ERISA and the Code with respect to the Plan, and any such purchase might result in a “prohibited transaction” under ERISA and the Code.

Except as otherwise set forth, the foregoing statements regarding the consequences under ERISA and the Code of an investment in the Trust are based on the provisions of the Code and ERISA as currently in effect, and the existing administrative and judicial interpretations thereunder. No assurance can be given that administrative, judicial or legislative changes will not occur that may make the foregoing statements incorrect or incomplete.

ACCEPTANCE OF SUBSCRIPTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY THE SPONSOR OR ANY OTHER PARTY RELATED TO A TRUST THAT AN INVESTMENT IN SUCH TRUST MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PERSON WITH INVESTMENT DISCRETION SHOULD CONSULT WITH HIS OR HER ATTORNEY AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN THE TRUST, IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.

PLAN OF DISTRIBUTION

The Shares will be offered by the Trust and the Sponsor and its officers, in reliance upon the Rule 3a4-1 of the Exchange Act. The Trust may also use underwriters, finders or other intermediaries to offer or sell the Shares and in any such case pay the fees of such intermediaries itself or pass some or all of such fees on to purchasers (in which case the Trust will make advanced disclosure of such fee arrangements to such purchasers). The offering expenses, including legal and other charges (other than distribution fees to be paid by investors), will be paid by the Sponsor.

Because the Shares may be offered, and new Shares can be created and issued, on a continuous basis throughout the duration of this offering, a “distribution,” as such term is used in the Securities Act, may be continuously occurring during the duration of this offering. Although the Shares may be offered continuously, the Sponsor may, in its discretion, issue Shares only periodically. The Sponsor may allow orders to accumulate between issuances.

The Shares are being offered and sold in reliance upon the exemption from the registration requirements of the U.S. federal securities laws that is set forth in Rule 506 of Regulation D under the Securities Act. Specifically, they are being offered and sold in reliance on Rule 506(c) under the Securities Act solely to accredited investors as defined in Rule 501 under the Securities Act. Under Rule 506, offers and sales may be made solely to investors that qualify as “accredited investors” as defined in Rule 501 under the Securities Act. Prospective investors will be required to represent and warrant in their subscription documents as to their accredited investor status.

As part of any purchase order, an investor will be required to fill out a Subscription Agreement, providing representations in writing as to such investor’s status as an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act. In addition, each investor will also be required to furnish documentation to confirm investor’s status as an accredited investor as required by the investor questionnaire included in the Subscription Agreement. Each such person

will be required to make usual and customary representations made in private placements undertaken pursuant to Regulation D under the Securities Act, including: (i) that they have had an opportunity and a reasonable time prior to the purchase date to ask questions and receive answers concerning the terms and conditions of the offering of the Shares and to obtain any additional information which the Sponsor possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of the information in this Private Placement Memorandum; and (ii) that they are purchasing the securities for investment purposes only and not with a view to resale.

The Shares will be restricted securities under U.S. federal securities laws, and therefore, upon issuance, they will not be freely tradeable for a minimum period of one year under current law, with the prior approval of the Sponsor.

Although the Shares will be offered continuously in this offering, the Trust reserves the right to periodically discontinue the offering and thereafter restart it. The Trust expects to continue conducting offerings of the Shares, including in compliance with Rule 506(c) of Regulation D under the Securities Act for the foreseeable future.

The Trust has agreed to indemnify certain parties against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that such parties may be required to make in respect of those liabilities. The Trust has agreed to reimburse such parties, solely from and to the extent of the Trust's assets, for indemnification and contribution amounts due from the Sponsor in respect of such liabilities to the extent the Sponsor has not paid such amounts when due.

LEGAL AND ACCOUNTING MATTERS

Royer Cooper Cohen Braunfeld LLC ("**RCCB**") served as legal counsel to the Sponsor in connection with the organization of the Trust and the initial preparation of this Private Placement Memorandum. RCCB may continue to serve in such capacity in the future, but has not assumed any obligation to update this Private Placement Memorandum. RCCB may also advise the Sponsor in matters relating to the operation of the Trust on an ongoing basis and in other unrelated matters. RCCB does not represent and has not represented the prospective investors of the Trust in the course of the organization of the Trust, the negotiation of the Trust's business terms, the offering of the Shares of the Trust or in respect of the Trust's ongoing operations. Prospective investors acknowledge that, as they have had no representation in the organization process, none of the terms of the Trust or the Shares of the Trust have been negotiated at arm's length.

RCCB's engagement by the Sponsor in respect of the Trust is limited to the specific matters as to which it is consulted by the Sponsor and, therefore, there may exist facts or circumstances that have a bearing on the Trust's (or the Sponsor's) financial condition or operations with respect to which RCCB has not been consulted and for which RCCB expressly disclaims any responsibility. More specifically, RCCB does not undertake to monitor the compliance of the Sponsor with the investment objectives, valuation procedures and other guidelines for the Trust set forth herein, nor

does it monitor compliance with applicable laws. In preparing this Private Placement Memorandum, RCCB relied upon information furnished to it by the Trust and/or the Sponsor, and did not investigate or verify the accuracy and completeness of information set forth herein concerning the Trust, the Sponsor, the Trust's Service Providers and their affiliates and personnel.

Marcum LLP serves as the independent certified public accountants of the Trust.

GLOSSARY OF DEFINED TERMS

Capitalized terms used in this Private Placement Memorandum, but not defined below, have the meanings given to them in the Trust Agreement, a copy of which is included in this Private Placement Memorandum as Exhibit A. Each of the following terms has the meaning assigned to it below:

“Actual Exchange Rate” — With respect to any particular asset, at any time, the price per single unit of such asset (determined net of any associated fees) at which the Trust is able to sell such asset for U.S. dollars (or other applicable fiat currency) at such time to enable the Trust to timely pay the Sponsor's Fee and any Additional Trust Expenses, through use of the Sponsor's commercially reasonable efforts to obtain the highest such price.

“Additional Trust Expenses” — Together, any expenses incurred by the Trust in addition to the Sponsor's Fee that are not Sponsor-paid Expenses, including, but not limited to, (i) taxes and governmental charges, (ii) expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of its Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), (iii) any indemnification of the Custodian or other agents, Service Providers or counterparties of the Trust, (iv) the fees and expenses related to the listing, quotation or trading of the Shares of the Trust on any Secondary Market (including legal, marketing and audit fees and expenses) and (v) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters.

“Administrator” — Any Person from time to time engaged by the Sponsor to assist in the administration of the Shares of the Trust.

“Administrator Fee” — The fees payable to the Administrator for services it provides to the Trust, which the Sponsor will pay the Administrator as a Sponsor-paid Expense of the Trust.

“Affirmative Action” — A decision by the Trust to acquire or abandon specific Incidental Rights and IR Virtual Currency other than pursuant to the Prospective Abandonment Notice delivered by the Trust to the Custodian.

“Agent” — A Person appointed by the Trust to act on behalf of its Shareholders in connection with any distribution of Incidental Rights and/or IR Virtual Currency.

“Bitcoin” or **“BTC”** — A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin network.

“Bitcoin Cash” or **“BCH”** — A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin Cash network.

“CEA” — The Commodity Exchange Act of 1936, as amended.

“CFTC” — The U.S. Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and option markets in the United States.

“Code” — The U.S. Internal Revenue Code of 1986, as amended.

“Covered Person” — As defined in the section “Description of the Trust Documents—Description of the Trust Agreement —Fiduciary and Regulatory Duties of the Sponsor” herein.

“Creation Time”—With respect to the creation of any Shares by the Trust, the time at which the Trust creates such Shares.

“Custodial Services” — the Custodian’s services that (i) allow digital assets to be deposited from a public blockchain address (or the Trust’s applicable trading account) to the Trust’s Digital Asset Custodial Accounts and (ii) allow authorized representatives of the Trust and the Sponsor to withdraw digital assets from the Trust’s Digital Asset Custodial Accounts to a public blockchain address (or the Trust’s applicable trading account) the Trust or the Sponsor controls pursuant to instructions the Trust or the Sponsor provides to the Custodian.

“Custodian” — Coinbase Custody Trust Company, LLC.

“Custodian Agreement” — The Coinbase Prime Broker Agreement by and between the Trust and Coinbase, Inc. (for itself and as agent of the Custodian) that governs the Trust’s use of the Custodial Services provided by the Custodian with respect to the Trust’s custodial assets.

“Custodian Fee” — Fee payable to the Custodian for services it provides to the Trust, which the Sponsor shall pay to the Custodian as a Sponsor-paid Expense.

“Digital Asset Benchmark Exchange” — A Digital Asset Exchange that represents at least 10% of the aggregate trading volume of the Digital Asset Exchange Market for the applicable digital asset during the last 30 consecutive calendar days and that to the knowledge of the Sponsor is in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures, of such Digital Asset Exchange’s jurisdiction. If there are fewer than three individual Digital Asset Benchmark Exchanges each of which represent at least 10% of the aggregate trading volume on the Digital Asset Exchange Market for the applicable digital asset during the last 30 consecutive calendar days, then the Digital Asset Benchmark Exchanges for such digital asset that will serve as the basis for the relevant Digital Asset Reference

Rate calculation will be those Digital Asset Benchmark Exchanges that meet the above-described requirements, as well as one or more additional Digital Asset Exchanges, as selected by the Sponsor, that has had a specified minimum monthly trading volume.

“Digital Asset Custodial Account” — Each segregated custody account controlled and secured by the Custodian to store private keys of the Trust, which allow for the transfer of ownership or control of the Trust’s digital assets on the Trust’s behalf.

“Digital Asset Exchange” — An electronic marketplace where exchange participants may trade, buy and sell digital assets based on bid-ask trading. The largest Digital Asset Exchanges are online and typically trade on an hourly basis, publishing transaction price and volume data.

“Digital Asset Exchange Market” — With respect to the Trust, the global market for the trading of digital assets, which consists of transactions on electronic Digital Asset Exchanges.

“Digital Asset Holdings” — The aggregate value, expressed in U.S. dollars, of the Trust’s assets (other than U.S. dollars or other fiat currency), less its liabilities (which include estimated accrued but unpaid fees and expenses), calculated in the manner set forth under “Determination of Digital Asset Holdings” herein.

“Digital Asset Holdings Fee Basis Amount” — The amount on which the Sponsor’s Fee for the Trust is partially based, as calculated in the manner set forth under “Determination of Digital Asset Holdings” herein.

“Digital Asset Market”—A dealer market, brokered market, principal-to-principal market or exchange market on which digital assets are bought and sold.

“Digital Asset Reference Rate” — The Digital Asset Reference Rate for each digital asset held by the Trust is derived from data collected from the Digital Asset Exchanges trading such digital asset selected by the Administrator. The Administrator may use, in its sole discretion, any reference rate. Initially, the Administrator intends to use spot prices as provided by Coinbase, Coinmarketcap.com or a similar provider. The Digital Asset Reference Rate is subject to change if the stated reference rate is unavailable.

“Distribution Agreement” — The agreements among the Sponsor and each Distributor, which sets forth the obligations and responsibilities of each Distributor.

“Distribution Fee” — Fee payable to the Distributors for services they provide to the Trust.

“Distributor” — Any person who is engaged by the Sponsor to assist in the distribution of the Shares of the Trust.

“DSTA” — The Delaware Statutory Trust Act, as amended.

“ERISA” — Employee Retirement Income Security Act of 1974, as amended.

“Ether” or **“ETH”** — Ethereum tokens, which are a type of digital asset based on an open-source cryptographic protocol existing on the Ethereum network.

“Ether Classic” or **“ETC”** — Ethereum Classic tokens, which are a type of digital asset based on an open-source cryptographic protocol existing on the Ethereum Classic network.

“Evaluation Time” — Each business day at 4:00 p.m. GMT, or as soon thereafter as practicable.

“Exchange Act” — The Securities Exchange Act of 1934, as amended.

“FDIC” — The Federal Deposit Insurance Corporation.

“FinCEN” — The Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury.

“FINRA” — The Financial Industry Regulatory Authority, Inc., which is the primary regulator in the United States for broker-dealers.

“GAAP” — U.S. generally accepted accounting principles.

“ICO” — Initial coin offering.

“Incidental Rights” — Rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of digital assets and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust.

“Index” — The IDX Risk-Weighted DeFi Index and any other custom index licensed to the Sponsor under the Index License Agreement.

“Index License Agreement” — The license agreement entered into by the Index Provider and the Sponsor granting the Sponsor a non-exclusive, royalty-free, non-transferable, perpetual license to use certain custom indices.

“Index Provider” — IDX Insights, LLC, a Florida limited liability company.

“Investment Advisers Act” — The Investment Advisers Act of 1940, as amended.

“Investment Company Act” — The Investment Company Act of 1940, as amended.

“Investor” — Any investor that has entered into a Subscription Agreement with the Trust, pursuant to which the Trust will issue Shares to the investor.

“IR Virtual Currency” — Any virtual currency tokens, or other asset or right, acquired by the Trust through the exercise (subject to the applicable provisions of the Trust’s Trust Agreement) of any Incidental Right.

“IRS” — The U.S. Internal Revenue Service, a bureau of the U.S. Department of the Treasury.

“Litecoin” or **“LTC”** — Litecoin tokens, which are a type of digital asset based on an open-source cryptographic protocol existing on the Litecoin network.

“Lock-up Period” — See “DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES – Redemption” herein.

“Lumens” or **“XLM”** — A type of digital asset based on an open-source cryptographic protocol existing on the Stellar network.

“Mt. Gox” — Mt. Gox K.K., formerly a Japan-based Bitcoin exchange.

“NAV” — The net asset value of the Trust determined on a GAAP basis.

“NYDFS” — The New York State Department of Financial Services.

“NYDTF” — The New York State Department of Taxation and Finance.

“Pre-Creation Abandonment”—The abandonment by the Trust, irrevocably for no direct or indirect consideration, all Incidental Rights and IR Virtual Currency to which the Trust would otherwise be entitled, effective immediately prior to a Creation Time for the Trust.

“Private Placement Memorandum” — This Private Placement Memorandum, as the same may at any time and from time to time be amended or supplemented.

“Prospective Abandonment Notice”—A notice delivered by the Sponsor to the Custodian, on behalf of the Trust, stating that the Trust is abandoning irrevocably for no direct or indirect consideration, effective immediately prior to each Creation Time, all Incidental Rights and IR Virtual Currency to which it would otherwise be entitled as of such time and with respect to which the Trust has not taken any Affirmative Action at or prior to such time.

“Redemption Date” — See “DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES – Redemption” herein.

“Redemption Price” — See “DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES – Redemption” herein.

“Redemption Request” — See “DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES – Redemption” herein.

“Relevant Digital Currency”—With respect to the Trust, each digital asset included in the Index from time to time.

“SEC” — The U.S. Securities and Exchange Commission.

“Secondary Market” — Any marketplace or other alternative trading system, as determined by the Sponsor, on which the Shares of the Trust may then be listed, quoted or traded.

“Securities Act” — The Securities Act of 1933, as amended.

“Service Providers” — Collectively, IDX Digital Assets, LLC, Delaware Trust Company, Coinbase Custody Trust Company, LLC, Winbridge Partners, LLC and any distributors and transfer agents appointed by the Sponsor.

“Shareholder” — Any person that owns Shares of the Trust.

“Shares” — Common units of fractional undivided beneficial interest in, and ownership of, the Trust.

“SIPC” — The Securities Investor Protection Corporation.

“Sponsor” — IDX Digital Assets, LLC, a Delaware limited liability company.

“Sponsor-paid Expenses”— The fees and expenses incurred by the Trust in the ordinary course of its affairs that the Sponsor is obligated to assume and pay, excluding taxes, but including: (i) any distributor fees (unless the Sponsor determines to pass some or all of such fees on to purchasers of Shares); (ii) the Administrator Fee, if any; (iii) fees for the Custodian and any other security vendor engaged by the Trust; (iv) any transfer agent fees; (v) the Trustee fee; (vi) ordinary course legal fees and expenses; (vii) audit fees; (viii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; (ix) printing and mailing costs; (x) the costs of maintaining the Trust’s website; and (xi) applicable license fees.

“Sponsor’s Fee” — A fee, payable in U.S. dollars or digital assets, which accrues daily at an annual rate to be specified in the Trust Supplement, calculated as a percentage of the cash assets of the Trust and the Digital Asset Holdings Fee Basis Amount of the Trust as of 4:00 p.m. GMT on each day, provided that for a day that is not a business day, the calculation of the Sponsor’s Fee will be based on the Digital Asset Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date.

“Staking” – Generally, an act in which holders of digital assets make use of their digital assets within the underlying protocol to allow their tokens to be utilized by the protocol for providing the consensus mechanism (generally in Proof-of-Stake algorithms) in exchange for compensation

(usually in the form of the native digital asset) or for providing asset liquidity in exchange for a portion of the borrowing and/or exchange revenues generated.

“Subscription” — See “DESCRIPTION OF ISSUANCE AND REDEMPTION OF SHARES – Redemption” herein.

“Subscription Agreement” — An agreement between an Investor and the Trust pursuant to which the Investor can subscribe for Shares of the Trust.

“Treasury Regulations” — The regulations, including proposed or temporary regulations, promulgated under the Code.

“Trust” — The Delaware statutory trust named in “About This Private Placement Memorandum” herein.

“Trust Agreement” — The trust agreement between the Trustee and the Sponsor establishing and governing the operations of the Trust, as it may be amended from time to time.

“Trustee” — Delaware Trust Company, a Delaware trust company, is the Delaware trustee of each of the Trust.

“U.S.” — United States.

“U.S. dollar” or **“\$”** — United States dollar or dollars.

“XRP” — XRP tokens, which are a type of digital asset based on a cryptographic protocol existing on the Ripple network.

“Zcash” or **“ZEC”** — A type of digital asset based on an open-source cryptographic protocol existing on the Zcash network.

“Zen” or **“ZEN”** — A type of digital asset based on an open-source cryptographic protocol existing on the Horizen network.

EXHIBIT A
TRUST AGREEMENT

IDX RISK-WEIGHTED DECENTRALIZED FINANCE (DEFI) TRUST
AMENDED AND RESTATED
DECLARATION OF TRUST AND TRUST AGREEMENT

Dated as of April 1, 2022

By and Among
IDX DIGITAL ASSETS, LLC,
DELAWARE TRUST COMPANY
and
THE SHAREHOLDERS

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IDX RISK-WEIGHTED DECENTRALIZED FINANCE (DEFI) TRUST

AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT

This **AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT** of **IDX RISK-WEIGHTED DECENTRALIZED FINANCE (DEFI) TRUST** is made and entered into as of April 1, 2022, by and among **IDX DIGITAL ASSETS, LLC**, a Delaware limited liability company, as sponsor, **DELAWARE TRUST COMPANY**, a Delaware corporation, as trustee, and the **SHAREHOLDERS** from time to time hereunder.

* * *

RECITALS

WHEREAS, the Sponsor and the Trustee entered into the Declaration of Trust and Trust Agreement dated as of August 20, 2021 (the **“Existing Agreement”**);

WHEREAS, the Sponsor initially contributed \$1 to the Trust, constituting the initial trust estate;

WHEREAS, concurrent with the initial issuance of Shares (as defined below), the Trust will distribute the aforementioned \$1 to the Sponsor in complete redemption of the Sponsor’s beneficial interest in the Trust; and

WHEREAS, the Sponsor and the Trustee wish to amend the Existing Agreement pursuant to Section 3 thereof.

NOW, THEREFORE, pursuant to Section 3 of the Existing Agreement, the Trustee and the Sponsor hereby amend and restate the Existing Agreement in its entirety as set forth below.

ARTICLE I. DEFINITIONS; THE TRUST

SECTION 1.1 *Definitions.*

As used in this Trust Agreement, the following terms shall have the following meanings unless the context otherwise requires:

“Actual Exchange Rate” means, with respect to any particular asset, at any time, the price per single unit of such asset (determined net of any associated fees) at which the Trust is able to sell such asset for U.S. Dollars (or other applicable fiat currency) at such time to enable the Trust to timely pay the Sponsor’s Fee, amounts payable by the Trust for Shares subject to redemption, and/or any Additional Trust Expenses, through use of the Sponsor’s commercially reasonable efforts to obtain the highest such price.

“Additional Trust Expenses” has the meaning set forth in Section 6.8(b).

“Adjusted Basis” means, with respect to any Share and as of any time of calculation, an amount (which may be positive or negative) equal to (i) the value of such Share minus (ii) its “adjusted tax basis,” for federal income tax purposes, as of such time (determined without regard to any adjustments made to such “adjusted tax basis” by reason of any transfer or assignment of such Share, including by reason of death of the Shareholder of such Share, and without regard to such Share’s share of the liabilities of the Trust under Code Section 752).

“Adjusted Basis Share” means any Share that is redeemed and has an Adjusted Basis as of the effective date of the redemption that does not equal zero.

“Administrator” means Gryphon Fund Group, LLC or any other Person from time to time engaged by the Sponsor to assist in the administration of the Shares.

“Administrator Fee” means the fee payable to the Administrator for services it provides to the Trust, which the Sponsor shall pay the Administrator as a Sponsor-paid Expense.

“Affiliate” means (i) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of such Person, (ii) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such Person, (iii) any Person, directly or indirectly, controlling, controlled by or under common control of such Person, (iv) any employee, officer, director, member, manager or partner of such Person, or (v) if such Person is an employee, officer, director, member, manager or partner, any Person for which such Person acts in any such capacity.

“Annual Report” means (i) the Trust’s most recent annual report prepared and publicly disseminated pursuant to the standards of any Secondary Market on which the Shares are then listed, quoted or traded or (ii) if the Shares are then registered under the Exchange Act, the Trust’s most recent annual report on Form 10-K prepared and filed in accordance with the rules and regulations of the SEC.

“Business Day” means any day other than a Saturday, Sunday or other day on which banks are permitted or required to close for business in New York, New York.

“Carrying Value” shall mean, with respect to any Trust asset, the asset’s adjusted basis for U.S. federal income tax purposes, except that: (i) the initial Carrying Value of any asset contributed by a Shareholder to the Trust shall be the fair market value of such asset at the time of such contribution and (ii) the Carrying Values of all Trust assets may be adjusted to equal their respective fair market values upon the occurrence of any events listed in Treasury Regulations § 1.704-1(b)(2)(iv)(f)(5); provided, however, that adjustments pursuant to this clause (ii) (other than in a liquidation of the Trust within the meaning of Treasury Regulations § 1.704-1(b)(2)(ii)(g)) shall be made only if the Sponsor reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic value of the Shares in the Trust. The Carrying Value of any Trust asset distributed with respect to any Share shall be adjusted immediately prior to such distribution to equal its fair market value. In the case of any asset that has a Carrying Value that differs from its adjusted tax basis, Carrying Value shall be adjusted by the amount of depreciation

calculated for purposes of the definition of “Profits and Losses” rather than the amount depreciation determined for U.S. federal income tax purposes.

“**Certificate of Trust**” means the Certificate of Trust of the Trust, including all amendments thereto, in the form attached hereto as Exhibit A, filed with the Secretary of State of the State of Delaware pursuant to Section 3810 of the Delaware Trust Statute.

“**CFTC**” means the Commodity Futures Trading Commission.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Corporate Trust Office**” means the principal office at which at any particular time the corporate trust business of the Trustee is administered, which office at the date hereof is located at 251 Little Falls Drive, Wilmington, DE 19808.

“**Covered Person**” means the Sponsor and its Affiliates and their respective members, managers, directors, officers, employees, agents and controlling persons.

“**Delaware Trust Statute**” means the Delaware Statutory Trust Act, Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. § 3801 et seq., as the same may be amended from time-to-time.

“**Digital Asset**” means digital asset tokens available on centralized U.S. digital asset exchanges, as described in the Memorandum from time to time.

“**Digital Asset Account**” means an account holding the Trust’s Digital Assets, which, in the discretion of the Sponsor, could be an on-blockchain hot or cold wallet or a collection of accounts or sub-accounts maintained by one or more Security Vendors that represent or relate to on-blockchain Digital Assets accounts that hold the Trust’s Digital Assets.

“**Digital Asset Holdings**” means, at any time, the aggregate value, expressed in U.S. Dollars, of the Trust’s assets (other than U.S. Dollars or other fiat currency), less its liabilities (which include estimated accrued but unpaid fees and expenses), calculated in accordance with Section 8.4.

“**Digital Asset Holdings Fee Basis Amount**” has the meaning assigned thereto in Section 9.4(e).

“**Digital Asset Reference Rate**” has the meaning ascribed to such term in the Memorandum.

“**Distributor**” means any Person from time to time engaged to provide distribution services or related services to the Trust pursuant to authority delegated by the Sponsor.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**Event of Withdrawal**” has the meaning set forth in Section 12.1(a)(iv) hereof.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expenses” has the meaning set forth in Section 2.4.

“FinCEN” means the Financial Crimes Enforcement Network, a bureau of the U.S. Department of Treasury.

“Fiscal Year” has the meaning set forth in Section 9.6 hereof.

“Full Redemption” has the meaning set forth in Section 5.1(d).

“FOIA” means the Freedom of Information Act.

“GAAP” means U.S. generally accepted accounting principles.

“GMT” means Greenwich Mean Time.

“Incidental Rights” means the rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of Digital Assets and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust.

“Indemnified Persons” has the meaning assigned to such term in Section 2.4.

“IR Virtual Currency” means any virtual currency or other asset or right acquired by the Trust through the exercise (subject to Section 1.5(b) and Section 6.4(m)) of any Incidental Right.

“IRS” means the U.S. Internal Revenue Service or any successor thereto.

“Liquidating Trustee” has the meaning assigned thereto in Section 12.2.

“Lock-Up Period” has the meaning set forth in Section 5.1(b).

“Memorandum” means (i) the Confidential Private Placement Memorandum of the Trust, as the same may, at any time and from time to time, be amended or supplemented, or (ii) if the Shares are registered under the Exchange Act, the most recent of (x) any prospectus of the Trust that has been filed with the SEC as a part of the Registration Statement and (y) any report filed by the Trust with the SEC under the Exchange Act that states that it is to be treated as the Memorandum for general purposes or any specific purpose.

“Partnership Adjustment” has the meaning set forth in Section 9.7(a).

“Partnership Representative” has the meaning set forth in Section 9.7(a).

“Percentage Interest” means, with respect to any Shareholder at any time, a fraction, the numerator of which is the number of Shares held by such Shareholder and the denominator of which is the total number of Shares outstanding, in each case as of 4:00 p.m., New York time, on the date of determination.

“Person” means any natural person, partnership, limited liability company, statutory trust, corporation, association or other legal entity.

“Per Share Capital Account” means, for each Share, a separate account that is:

(i) Increased by (A) the Share Price and (B) allocations of Profit with respect to such Share pursuant to Article VIII;

(ii) Decreased by: (A) the amount of cash distributed to a Shareholder with respect to such Share by the Trust; (B) the fair market value of any other property distributed to a Shareholder with respect to such Share by the Trust (determined as of the time of the distribution and net of any liabilities secured by such property that the Shareholder assumes or to which the Shareholder’s ownership of the property is subject); and (C) allocations of Loss to a Shareholder with respect to such Share pursuant to Article VIII;

(iii) Otherwise adjusted in accordance with the provisions of this Agreement;
and

(iv) Revalued in connection with any event described in paragraph (ii) of the definition of “Carrying Value” including, but not limited to, adjustment of Per Share Capital Accounts pursuant to Treasury Regulations § 1.704-1(b)(2)(iv)(f)(5)(v) to the extent the Sponsor determines that a revaluation is necessary to preserve the economic arrangement of the Shares.

Per Share Capital Account shall be maintained in accordance with Treasury Regulations § 1.704-1(b) and specifically in a manner consistent with a Shareholder’s interest in the Trust and the provisions of this Agreement shall be interpreted and applied in a manner consistent with such regulations and intent.

“Profits and Losses” shall mean, for any period, the Trust’s items of income and gain as well as loss, expense and deduction as determined in accordance with the accounting method used by the Trust for U.S. federal income tax purposes with the following adjustments: (i) any items that are specially allocated pursuant to Section 8.1(b) shall not be taken into account in computing such taxable income or loss; (ii) any income of the Trust that is exempt from U.S. federal income taxation and not otherwise taken into account in computing Profits and Losses shall be added to such taxable income or loss; (iii) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. federal income tax purposes, any gain or loss resulting from a disposition of such asset shall be calculated with reference to such Carrying Value; (iv) upon an adjustment to the Carrying Value of any asset (other than an adjustment in respect of depreciation), pursuant to the definition of Carrying Value, the amount of the adjustment shall be included as gain or loss in computing such taxable income or loss; (v) if the Carrying Value of any asset differs from its adjusted tax basis for U.S. federal income tax purposes, the amount of depreciation, amortization or other cost recovery deductions with respect to such asset shall, for purposes of determining Profits and Losses, be an amount which bears the same ratio to such Carrying Value as the U.S.

federal income tax depreciation, amortization or other cost recovery deductions bears to such adjusted tax basis (provided that if the U.S. federal income tax depreciation, amortization or other cost recovery deduction is zero, the Sponsor may use any reasonable method for purposes of determining depreciation, amortization or other cost recovery deductions in calculating Profits and Losses); and (vi) except for items in (i) above, any expenditures of the Trust not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Profits and Losses pursuant to this definition shall be treated as deductible items.

“Public Access Law” has the meaning assigned thereto in Section 13.7(b).

“Quarterly Report” means (i) the Trust’s most recent quarterly report prepared and publicly disseminated pursuant to the standards of any Secondary Market on which the Shares are then listed, quoted or traded or (ii) if the Shares are then registered under the Exchange Act, the Trust’s most recent quarterly report on Form 10-Q prepared and filed in accordance with the rules and regulations of the SEC.

“Redemption Cutoff Date” shall mean the date that is six (6) Business Days prior to the date on which a market maker for the Shares determines the opening quotation price or similar trading price of the Shares on a Secondary Market or such other date determined in the Sponsor’s reasonable discretion to be necessary in order to comply with Regulation M under the Exchange Act.

“Redemption Date” shall mean the last Business Day of each calendar quarter.

“Redemption Price” has the meaning set forth in Section 5.2.

“Registration Statement” means the most recent registration statement of the Trust, as filed with and declared effective by the SEC, as the same may at any time and from time to time be amended or supplemented.

“Rules” has the meaning assigned thereto in Section 13.3.

“SEC” means the Securities and Exchange Commission.

“Secondary Market” means any marketplace or other alternative trading system, as determined by the Sponsor, on which the Shares may then be listed, quoted or traded, including but not limited to, the OTCQX tier of the OTC Markets Group Inc. and NYSE Arca, Inc.

“Securities Act” means the Securities Act of 1933, as amended.

“Security Vendor” or **“Security Vendors”** means Coinbase Custody Trust Company, LLC and any other Person or Persons from time to time engaged to provide security or custodian services or related services to the Trust pursuant to authority delegated by the Sponsor.

“Security Vendors Fee” means the fee payable to the Security Vendors for the services they provide to the Trust, which the Sponsor shall pay to the Security Vendors as a Sponsor-paid Expense.

“Shareholder” means any Person that owns Shares.

“Share Price” means, with respect to each Share is a price determined by the Sponsor in reference to the quotient of (x) the fair market value of the Trust Estate as determined by the Sponsor in its reasonable discretion divided by (y) the number of Shares then outstanding, and adjusted as the Sponsor shall determine to be necessary or desirable to fairly allocate (i) Profits and Losses among the Shares, (ii) foreign tax credits and other types of withholding tax credits available to the Shareholders, or (iii) otherwise as the Sponsor shall determine to be necessary or desirable to fairly account for the net pro rata value of the Shares in reference to the value of the Trust Estate as determined by the Sponsor.

“Shares” means the common units of fractional undivided beneficial interest in the profits, losses, distributions, capital and assets of, and ownership of, the Trust.

“Sponsor” means IDX Digital Assets, LLC, or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

“Sponsor-paid Expense” and **“Sponsor-paid Expenses”** each has the meaning set forth in Section 6.8(a)(vi).

“Sponsor’s Fee” has the meaning set forth in Section 6.8(a)(i).

“Subscription” has the meaning set forth in Section 3.2(b).

“Subscription Agreement” means an agreement among the Trust, the Sponsor and any Shareholder pursuant to which the Shareholder agrees to transfer U.S. Dollars to the Trust in exchange for the creation and issuance of Shares to the Shareholder.

“Subscription Date” means the date on which a Person makes a Subscription.

“Total Subscription Amount” means the amount of U.S. Dollars and any fees required to be transferred to the Trust by a Shareholder in connection with a Subscription.

“Transfer Agent” means the Administrator or any other Person from time to time engaged to provide the services of a transfer agent or related services to the Trust pursuant to authority delegated by the Sponsor, as described herein and in the Memorandum.

“Treasury Regulations” means regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

“Trust” means IDX Risk-Weighted Decentralized Finance (DeFi) Trust, a Delaware statutory trust formed pursuant to the Certificate of Trust, the affairs of which are governed by this Trust Agreement.

“Trust Agreement” means this Amended and Restated Declaration of Trust and Trust Agreement, as it may at any time or from time-to-time be amended.

“Trust Counsel” has the meaning set forth in Section 13.3.

“Trustee” means Delaware Trust Company, its successors and assigns, or any substitute therefor as provided herein, acting not in its individual capacity but solely as trustee of the Trust.

“Trust Estate” means (i) all the Digital Assets in the Trust’s Digital Asset Accounts, (ii) all Incidental Rights held by the Trust, (iii) all IR Virtual Currency in the Trust’s Digital Asset Accounts, (iv) all proceeds from Subscriptions and from the sale of Digital Assets, Incidental Rights and IR Virtual Currency and other activities pending use of such cash for reinvestment in Digital Assets or for payment of the Sponsor’s Fee, amounts payable by the Trust for Shares subject to redemption and/or Additional Trust Expenses or distribution to the Shareholders and (v) any rights of the Trust pursuant to any agreements, other than this Trust Agreement, to which the Trust is a party.

“Trust Expenses” has the meaning set forth in Section 2.3.

“U.S. Dollar” means United States dollars.

SECTION 1.2 *Name.*

The name of the Trust is “IDX Risk-Weighted Decentralized Finance (DeFi) Trust” in which name the Trustee and the Sponsor shall cause the Trust to carry out its purposes as set forth in Section 1.5, make and execute contracts and other instruments in the name and on behalf of the Trust and sue and be sued in the name and on behalf of the Trust.

SECTION 1.3 *Delaware Trustee; Offices.*

(a) The sole Trustee of the Trust is Delaware Trust Company, which is located at the Corporate Trust Office or at such other address in the State of Delaware as the Trustee may designate in writing to the Shareholders. The Trustee shall receive service of process on the Trust in the State of Delaware at the foregoing address. In the event Delaware Trust Company resigns or is removed as the Trustee, the trustee of the Trust in the State of Delaware shall be the successor Trustee, subject to Section 2.1.

(b) The principal office of the Trust, and such additional offices as the Sponsor may establish, shall be located at such place or places inside or outside the State of Delaware as the Sponsor may designate from time to time in writing to the Trustee and the Shareholders. Initially, the principal office of the Trust shall be at c/o IDX Digital Assets, LLC, 2201 E. Camelback Road, Phoenix, AZ 85016.

SECTION 1.4 *Declaration of Trust.*

The Trust Estate shall be held in trust for the Shareholders. It is the intention of the parties hereto that the Trust shall be a statutory trust, under the Delaware Trust Statute and that this Trust

Agreement shall constitute the governing instrument of the Trust. It is not the intention of the parties hereto to create a general partnership, limited partnership, limited liability company, joint stock association, corporation, bailment or any form of legal relationship other than a Delaware statutory trust that is treated as a partnership for U.S. federal income tax purposes and for purposes of applicable state and local tax laws. Nothing in this Trust Agreement shall be construed to make the Shareholders partners or members of a joint stock association. Effective as of the date hereof, the Trustee and the Sponsor shall have all of the rights, powers and duties set forth herein and in the Delaware Trust Statute with respect to accomplishing the purposes of the Trust. The Trustee has filed the certificate of trust required by Section 3810 of the Delaware Trust Statute in connection with the formation of the Trust under the Delaware Trust Statute.

SECTION 1.5 *Purposes and Powers.*

(a) The purposes of the Trust shall be to accept U.S. Dollars for subscriptions of Shares in accordance with Article III hereof; to purchase and hold and sell Digital Assets; to hold Incidental Rights and IR Virtual Currency; to distribute Digital Assets (or cash from the sale of Digital Assets) upon redemptions of Shares in accordance with Article V hereof (if authorized in accordance with Section 5.1 hereof); to distribute Digital Assets, Incidental Rights and IR Virtual Currency (or cash from the sale thereof) upon the liquidation of the Trust; and to enter into any lawful transaction and engage in any lawful activities in furtherance of or incidental to the foregoing, including, without limitation, lending Digital Assets (with or without security), staking Digital Assets, and participating in other network events and activities. For the avoidance of doubt, such activities include any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, except if such action would be prohibited by any other provision of this Trust Agreement. The Trust shall not engage in any other business activity and shall not acquire or own any assets other than Digital Assets, Incidental Rights and IR Virtual Currency, U.S. Dollars received in connection with Subscriptions (pending use to purchase Digital Assets), early redemption fees and proceeds from sale of Digital Assets, Incidental Rights and IR Virtual Currency (pending use of such fees and proceeds for reinvestment in Digital Assets and/or for payment of the Sponsor's Fee, amounts payable by the Trust for Shares subject to redemption and/or Additional Trust Expenses or distribution to Shareholders), and rights pursuant to any agreements to which the Trust is a party (other than this Trust Agreement), or take any of the actions set forth in Section 6.4. The Trust shall have all of the powers specified in this Trust Agreement as powers which may be exercised by a Sponsor on behalf of the Trust under this Trust Agreement.

(b) [Intentionally omitted.]

SECTION 1.6 *Tax Treatment.*

Each of the parties hereto, by entering into this Trust Agreement, expresses its intention that the Shares will qualify under applicable tax law as interests in a partnership which holds the Trust Estate, and no party shall cause the Trust to elect to be classified as an association taxable as a corporation under Treasury Regulations § 301.7701-3.

SECTION 1.7 *Legal Title.*

Legal title to all of the Trust Estate shall be vested in the Trust as a separate legal entity; *provided, however*, that if applicable law in any jurisdiction requires legal title to any portion of the Trust Estate to be vested otherwise, the Sponsor may cause legal title to such portion of the Trust Estate to be held by or in the name of the Sponsor or any other Person (other than a Shareholder) as nominee.

SECTION 1.8 *Assets of the Trust.*

The Trust Estate shall irrevocably belong to the Trust for all purposes, subject only to the rights of creditors of the Trust and shall be so recorded upon the books of account of the Trust.

SECTION 1.9 *Liabilities of the Trust.*

The Trust Estate shall be charged with the liabilities of the Trust and with all expenses, costs, charges and reserves attributable to the Trust. The Sponsor shall have full discretion, to the extent not inconsistent with applicable law, to determine which items shall be treated as income and which items as capital, and each such determination and allocation shall be conclusive and binding upon the Shareholders.

ARTICLE II. THE TRUSTEE

SECTION 2.1 *Term; Resignation; Removal.*

(a) Delaware Trust Company has been appointed and hereby agrees to serve as the Trustee of the Trust. The Trust shall have only one Trustee unless otherwise determined by the Sponsor. The Trustee shall serve until such time as the Trust is terminated or if the Sponsor removes the Trustee or the Trustee resigns. The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware and shall at all times satisfy the requirements of Section 3807(a) of the Delaware Trust Statute and be authorized to exercise corporate trust powers under the laws of Delaware, having a combined capital, surplus and undivided profits of at least \$50,000,000 and subject to supervision or examination by federal or state authorities. If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Article II the combined capital, surplus and undivided profits of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible to serve as trustee of the Trust in accordance with the provisions of this Section 2.1, the Trustee shall resign promptly in the manner and with the effect specified in this Article II. The Trustee may have normal banking and trust relationships with the Sponsor and their respective Affiliates; provided that none of (i) the Sponsor, (ii) any Person involved in the organization or operation of the Sponsor or the Trust or (iii) any Affiliate of any of them may be the Trustee hereunder. The Trust shall have at least one trustee with a principal place of business in Delaware. It is understood and agreed by the parties hereto that the Trustee shall have none of the duties or liabilities of the Sponsor and shall have no obligation to supervise or monitor the Sponsor or otherwise manage the Trust.

(b) The Trustee is permitted to resign upon at least sixty (60) days' notice to the Sponsor upon which date such resignation shall be effective.

(c) If at any time the Trustee shall cease to be eligible to serve as trustee of the Trust in accordance with the provisions of this Trust Agreement, or if at any time the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Sponsor may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, which instrument shall be delivered to the Trustee so removed and the successor trustee. The Sponsor may at any time, upon sixty (60) days' prior notice to the Trustee, remove the Trustee and appoint a successor trustee by written instrument or instruments, in triplicate, signed by the Sponsor or its attorney-in-fact duly authorized, one complete set of which instruments shall be delivered to the Trustee so removed and one complete set to the successor so appointed.

SECTION 2.2 *Powers.*

Except to the extent expressly set forth in Section 1.3 and this Article II, the duty and authority to manage the affairs of the Trust is vested in the Sponsor, which duty and authority the Sponsor may further delegate as provided herein, all pursuant to Section 3806(b)(7) of the Delaware Trust Statute. The duties of the Trustee shall be limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Secretary of State of the State of Delaware which the Trustee is required to execute under Section 3811 of the Delaware Trust Statute. The Trustee shall provide prompt notice to the Sponsor of its performance of any of the foregoing. The Sponsor shall reasonably keep the Trustee informed of any actions taken by the Sponsor with respect to the Trust that would reasonably be expected to affect the rights, obligations or liabilities of the Trustee hereunder or under the Delaware Trust Statute.

SECTION 2.3 *Compensation and Expenses of the Trustee.*

The Trustee shall be entitled to receive from the Sponsor, as a Sponsor-paid Expense, reasonable compensation for its services hereunder as set forth in a separate fee agreement and shall be entitled to be reimbursed by the Sponsor on behalf of the Trust for reasonable out-of-pocket expenses incurred by it in the performance of its duties hereunder, including without limitation, the reasonable compensation, out-of-pocket expenses and disbursements of counsel, any experts and such other agents as the Trustee may employ in connection with the exercise and performance of its rights and duties hereunder (together, the "**Trust Expenses**"). To the extent that the Sponsor fails to pay the Trust Expenses, the Trust will be responsible for such Trust Expenses.

SECTION 2.4 *Indemnification.*

(a) The Trust hereby agrees to be the primary obligor and shall indemnify, defend and hold harmless the Trustee and any of the officers, directors, employees and agents of the Trustee (the "**Indemnified Persons**") from and against any and all losses, damages, liabilities, claims, actions, suits, costs, expenses, disbursements (including the reasonable fees and expenses of

counsel and fees and expenses incurred in connection with enforcement of its indemnification rights hereunder), taxes and penalties of any kind and nature whatsoever (collectively, "Expenses"), to the extent that such Expenses arise out of or are imposed upon or asserted at any time against such Indemnified Persons with respect to the performance of this Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated hereby; provided, however, that the Trust shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of an Indemnified Person. If the Trust shall have insufficient assets or improperly refuses to pay an Indemnified Person within sixty (60) days of a request for payment owed hereunder, the Sponsor shall, as secondary obligor, compensate or reimburse the Trustee or indemnify, defend and hold harmless an Indemnified Person as if it were the primary obligor hereunder; provided, however, that the Sponsor shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of an Indemnified Person. To the fullest extent permitted by law, Expenses to be incurred by an Indemnified Person shall, from time to time, be advanced by, or on behalf of, the Sponsor prior to the final disposition of any matter upon receipt by the Sponsor of an undertaking by, or on behalf of, such Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified under this Trust Agreement.

(b) As security for any amounts owing to the Trustee hereunder, the Trustee shall have a lien against the Trust property, which lien shall be prior to the rights of the Sponsor or any Shareholder. The obligations of the Sponsor and the Trust to indemnify the Indemnified Persons under this Section 2.4 shall survive the termination of this Trust Agreement.

SECTION 2.5 *Successor Trustee.*

Upon the resignation or removal of the Trustee, the Sponsor shall appoint a successor Trustee by delivering a written instrument to the outgoing Trustee. Any successor Trustee must satisfy the requirements of Section 3807 of the Delaware Trust Statute. The successor Trustee shall become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee under this Trust Agreement, with like effect as if originally named as Trustee, and the outgoing Trustee shall be discharged of its duties and obligations under this Trust Agreement. Any business entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, to the fullest extent permitted by law without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 2.6 *Liability of Trustee.*

Except as otherwise provided in this Article II, in accepting the trust created hereby, Delaware Trust Company acts solely as Trustee hereunder and not in its individual capacity, and all Persons having any claim against Delaware Trust Company by reason of the transactions contemplated by this Trust Agreement and any other agreement to which the Trust is a party shall look only to the Trust Estate for payment or satisfaction thereof. The Trustee shall not be liable or

accountable hereunder to the Trust or to any other Person or under any other agreement to which the Trust is a party, except for the Trustee's own fraud, gross negligence, bad faith or willful misconduct. In particular, but not by way of limitation:

(a) The Trustee shall have no liability or responsibility for the validity or sufficiency of this Trust Agreement or for the form, character, genuineness, sufficiency, enforceability, collectability, location, existence, value or validity of the Trust Estate;

(b) The Trustee has not prepared or verified, and shall not be responsible or liable for, any information, disclosure or other statement in the Memorandum or in any other document issued or delivered in connection with the sale or transfer of the Shares;

(c) The Trustee shall not be liable for any actions taken or omitted to be taken by it in accordance with the written instructions of the Sponsor or the Liquidating Trustee;

(d) The Trustee shall not have any liability for the acts or omissions of the Sponsor, the Security Vendors or their respective delegates, or any other Person;

(e) The Trustee shall have no duty or obligation to supervise the performance of any obligations of the Sponsor, the Security Vendors or their respective delegates or any other Person;

(f) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its rights or powers hereunder;

(g) Under no circumstances shall the Trustee be liable for any obligations of the Trust arising under this Trust Agreement or any other agreements to which the Trust is a party;

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement, or to institute, conduct or defend any litigation under this Trust Agreement or any other agreements to which the Trust is a party, at the request, order or direction of the Sponsor, unless the Sponsor has offered to Delaware Trust Company (in its capacity as Trustee and individually) security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred by Delaware Trust Company (including, without limitation, the reasonable fees and expenses of its counsel) therein or thereby;

(i) Notwithstanding anything contained herein to the contrary, the Trustee shall not be required to take any action in any jurisdiction other than in the State of Delaware, if the taking of such action will (i) require the consent or approval or authorization or order of, or the giving of notice to, or the registration with or taking of any action in respect of, any state or other governmental authority or agency of any jurisdiction other than the State of Delaware, (ii) result in any fee, tax or other governmental charge becoming payable by the Trustee under the laws of any jurisdiction or any political subdivision thereof other than the State of Delaware or (iii) subject the Trustee to personal jurisdiction, other than in the State of Delaware, for causes of action arising from personal acts unrelated to the consummation of the actions of the Trustee contemplated by this Trust Agreement;

(j) To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust, the Shareholders or any other Person, the Trustee, acting under this Trust Agreement, shall not be liable to the Trust, the Shareholders or any other Person for its good faith reliance on the provisions of this Trust Agreement, and the provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties and liabilities of the Trustee otherwise existing at law or in equity are agreed by the parties hereto to replace such other duties and liabilities of the Trustee;

(k) The Trustee shall not be liable for punitive, exemplary, consequential or similar damages for a breach of the Trust Agreement under any circumstances; and

(l) The Trustee shall have no duty or obligation to prepare, execute or file any federal or state tax returns, documents, or other reports or apply for any Employer Identification Number.

SECTION 2.7 Reliance; Advice of Counsel.

(a) In the absence of bad faith, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement in determining the truth of the statements and the correctness of the opinions contained therein, and shall incur no liability to anyone in acting or not acting on any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties and need not investigate any fact or matter pertaining to, or contained in, any such document; provided, however, that the Trustee shall have examined any certificates and opinions so as to reasonably determine compliance of such certificates and opinions with the requirements of this Trust Agreement. The Trustee may accept a certified copy of a resolution of the board of directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that such resolution is in full force and effect. As to any fact or matter the method of the determination of which is not specifically prescribed in this Trust Agreement, the Trustee may for all purposes hereof rely on a certificate, signed by the president, any vice president, the treasurer or any other authorized officers of the relevant party, as to such fact or matter, and such certificate shall constitute full protection to the Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

(b) In the exercise or administration of the Trust hereunder and in the performance of its duties and obligations under this Trust Agreement, the Trustee, at the expense of the Trust (i) may act directly or through its agents, attorneys, custodians or nominees pursuant to agreements entered into with any of them, and the Trustee shall not be liable for the conduct or misconduct of such agents, attorneys, custodians or nominees if such agents, attorneys, custodians or nominees shall have been selected by the Trustee with reasonable care and (ii) may consult with counsel, accountants and other skilled professionals to be selected with reasonable care by it. The Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the opinion or advice of any such counsel, accountant or other such Persons.

SECTION 2.8 Payments to the Trustee.

Any amounts paid to the Trustee pursuant to this Article II shall be deemed not to be a part of the Trust Estate immediately after such payment. Any amounts owing to the Trustee under this Trust Agreement shall constitute a claim against the Trust Estate. Notwithstanding any other provision of this Trust Agreement, all payments to the Trustee, including fees, expenses and any amounts paid in connection with indemnification of the Trustee in accordance with the terms of this Trust Agreement will be payable only in U.S. Dollars.

ARTICLE III. SHARES; CREATIONS AND ISSUANCE OF SHARES

SECTION 3.1 *General.*

The Sponsor shall have the power and authority, without action or approval by the Shareholders, to cause the Trust to issue Shares from time to time as it deems necessary or desirable in such manner and subject to such procedures as the Sponsor shall determine from time to time. The number of Shares authorized shall be unlimited, and the Shares so authorized may be represented in part by fractional Shares, calculated to one ten-thousandth of one Digital Asset token (*i.e.*, carried to the fourth decimal place). From time to time, the Sponsor may cause the Trust to divide or combine the Shares into a greater or lesser number without thereby changing the proportionate beneficial interests in the Trust Estate, or in any way affecting the rights, of the Shareholders, without action or approval by the Shareholders. The Trust shall issue Shares solely in exchange for contributions of U.S. Dollars (or for no consideration if pursuant to a Share distribution or split-up). All Shares when so issued shall be fully paid and non- assessable. The number of Shares that may be issued by the Trust is unlimited. Every Shareholder, by virtue of having purchased or otherwise acquired a Share, shall be deemed to have expressly consented and agreed to be bound by the terms of this Trust Agreement.

SECTION 3.2 *Offer of Shares; Procedures for Creation and Issuance of Shares to Purchasers.*

(a) On any Business Day, the Trust may create and issue Shares to any Person that has signed a Subscription Agreement with the Trust and transferred the Total Subscription Amount to the Trust; provided that the Trust shall create and issue Shares only if the Sponsor has determined in good faith that such creation and issuance does not conflict with the other terms of this Trust Agreement or with applicable law. The following procedures, as supplemented by the more detailed procedures specified in the Memorandum and the Subscription Agreement (each of which may be amended from time to time) will govern the Trust with respect to the creation and issuance of Shares.

(b) On any Business Day, a Person may submit an order to create Shares by delivering a Subscription Agreement to the Sponsor or its delegate and transferring the Total Subscription Amount to the Trust in the manner provided in the Subscription Agreement (a “**Subscription**”).

(c) After receiving and accepting a Subscription, the Sponsor or its delegate shall instruct the Transfer Agent to credit Shares to the Person making the Subscription, as described in the Memorandum and the Subscription Agreement (each of which may be amended from time to time).

(d) The Sponsor or its delegate shall reject a Subscription, if the Subscription is not in proper form or if the fulfillment of the Subscription, in the opinion of its counsel, might be unlawful. The issuance of Shares may be suspended by the Sponsor generally, or refused with respect to a particular Subscription, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Sponsor or its delegate make it for all practicable purposes not feasible to process Subscriptions or for any other reason at any time or from time to time. None of the Sponsor, its delegates or the Security Vendors shall be liable for the suspension or rejection of any Subscription.

(e) In the event of any conflict between the procedures described in this Section 3.2 and the procedures described in the Memorandum, the procedures described in the Memorandum shall control.

Successor Security Vendors. If a successor to any of the Security Vendors shall be employed, the Trust and the Sponsor shall establish procedures acceptable to such successor with respect to the matters addressed in this Section 3.2.

SECTION 3.3 *Book-Entry System.*

(a) Shares shall be held in book-entry form by the Transfer Agent. The Sponsor or its delegate shall direct the Transfer Agent to (i) credit or debit the number of Shares to the account of the applicable Shareholder and (ii) issue or cancel Shares or Shares, as applicable, at the direction of the Sponsor or its delegate.

(b) The Sponsor or its delegate may cause the Trust to issue Shares in certificated form in its sole discretion.

SECTION 3.4 *Voting Rights.*

Notwithstanding any other provision hereof, on each matter submitted to a vote of the Shareholders, each Shareholder shall be entitled to a proportionate vote based upon its Percentage Interest at such time.

SECTION 3.5 *Equality.*

All Shares shall represent an equal proportionate beneficial interest in the Trust Estate subject to the liabilities of the Trust, and each Share's interest in the Trust Estate shall be equal to each other Share.

SECTION 3.6 *Distributions.*

(a) The Trust may make distributions on Shares either in cash or in kind, including in such form as is necessary and permissible for the Trust to facilitate the distribution of Incidental Rights and/or IR Virtual Currency.

(b) Distributions on Shares, if any, may be made with such frequency as the Sponsor may determine, which may be daily or otherwise, to the Shareholders, from the Trust Estate, after

providing for actual and accrued liabilities. All distributions on Shares shall be made pro rata to the Shareholders in proportion to their respective Percentage Interests at the date and time of record established for such distribution.

(c) If the Trust sells Digital Assets, Incidental Rights and/or IR Virtual Currency in order to pay the Sponsor's Fee, amounts payable by the Trust for Shares subject to redemption and/or Additional Trust Expenses, then any cash remaining from these sales after the payment of such amounts shall promptly be distributed to the Shareholders.

ARTICLE IV. TRANSFERS OF SHARES

SECTION 4.1 *General Prohibition*

A Shareholder may not sell, assign, transfer or otherwise dispose of, or pledge, hypothecate or in any manner encumber any or all of its Shares or any part of its right, title and interest in the Trust Estate except as permitted in this Article IV and any act in violation of this Article IV shall not be binding upon or recognized by the Trust (regardless of whether the Sponsor shall have knowledge thereof), unless approved in writing by the Sponsor, in its sole discretion.

SECTION 4.2 *Restricted Securities.*

Except for Shares transferred in a transaction registered under the Securities Act, the Shares are "**restricted securities**" that cannot be resold, pledged or otherwise transferred without registration under the Securities Act and state securities laws or exemption therefrom and may not be resold, pledged or otherwise transferred without the prior written consent of the Sponsor, which it may withhold in its sole discretion for any reason or for no reason. The Sponsor may provide any such written consent in the Memorandum.

SECTION 4.3 *Transfer of Shares Generally.*

Shares shall be transferable on the books of account for the Trust only by the record holder thereof or by his or her duly authorized agent upon delivery to the Sponsor or the Transfer Agent or similar agent of a duly executed instrument of transfer, and such evidence of the genuineness of each such execution and authorization and of such other matters as may be required by the Sponsor. Upon such delivery, and subject to any further requirements specified by the Sponsor, the transfer shall be recorded on the books of account for the Trust. Until a transfer is so recorded, the Shareholder of record of Shares shall be deemed to be the Shareholder with respect to such Shares for all purposes hereunder and neither the Sponsor nor the Trust, nor the Transfer Agent or any similar agent or registrar or any officer, employee or agent of the Trust, shall be affected by any notice of a proposed transfer.

ARTICLE V. REDEMPTIONS

SECTION 5.1 *Redemptions by Shareholders.*

(a) Notwithstanding anything in this Agreement to the contrary, unless otherwise determined by the Sponsor in its sole discretion following the Trust's receipt of regulatory

approval therefor, the Trust shall not offer a redemption program for the Shares on or after the Redemption Cutoff Date. The Trust may, but shall not be required to, seek regulatory approval to operate a redemption program on or after the Redemption Cutoff Date. If any redemption program is approved, then any redemption authorized by the Sponsor shall be subject to the provisions of this Article V and such other conditions determined by the Sponsor in its sole discretion.

(b) Subject to the limitations set forth in this Article V and elsewhere in this Trust Agreement, and subject also to the notice requirement described below, at any time prior to the Redemption Cutoff Date, each Shareholder may request that the Trust redeem all or a portion of such Shareholder's Shares attributable to any Subscription as of the first Redemption Date that occurs on or immediately following the first anniversary of the Subscription Date on which that Subscription was made (the "Lock-up Period"). Each Subscription by a Shareholder and corresponding issuance of Shares shall be subject to a new Lock-Up Period. Notwithstanding the foregoing and subject to all other redemption restrictions, including without limitation, the restrictions set forth in Sections 5.1(c) and (d), a Shareholder may have any portion of such Shareholder's Shares redeemed during a Lock-Up Period on a Redemption Date upon the payment to the Trust of an early redemption fee equal to 3% of the fair value of the Shares subject to the redemption.

(c) Each Shareholder seeking a redemption pursuant to this Section 5.1 on any Redemption Date must give written notice to the Administrator in the form and with the conditions prescribed by the Administrator from time to time by the first Business Day of the calendar quarter in which such Redemption Date falls. Once submitted, redemption requests may not be revoked, except with the consent of the Sponsor, which may be granted or withheld in its discretion. A Shareholder shall not, without the approval of the Sponsor, which may be granted or withheld in its discretion, request a partial redemption of such Shareholder's Shares that will cause such Shareholder to hold Shares with an aggregate value of less than \$10,000 or such lower amount as the Sponsor may specify in its discretion, with such aggregate value to be determined by aggregating the Share Prices of all of the Shares owned by that Shareholder at the time of determination. No redemption shall be made unless the Trust has sufficient assets to pay its liabilities.

(d) Notwithstanding anything in this Agreement to the contrary, and subject to the Lock-Up Period, if applicable, the Sponsor, in its discretion, upon prior notice to the Shareholders, may elect to not allow a Shareholder to have more than 25% of that Shareholder's outstanding Shares redeemed as of any particular Redemption Date. If the Sponsor has made the election provided in this Section 5.1(d), any request for redemption of more than 25% of a Shareholder's Shares, other than with respect to a request for the redemption of all of a Shareholder's Shares (a "Full Redemption"), will be deemed to be a request for redemption of 25% of such Shares, and the excess amount of any such request shall be deemed to be cancelled, meaning that that Shareholder must resubmit a redemption request, if that Shareholder would like such excess amount to be redeemed as of subsequent Redemption Dates. If the Sponsor has made the election provided in this Section 5.1(d) with respect to a request for a Full Redemption, any amount of a Shareholder's Shares that are not redeemed due to the application of the suspension set forth in this Section 5.1(d) will have first priority as of the next Redemption Date and will also be subject to any suspension under this Section 5.1(d) at each subsequent Redemption Date, until the initial

request for redemption amount is fulfilled; provided that, the application of a suspension pursuant to this Section 5.1(d) will not delay the redemption of any amount of a Shareholder's Shares for more than twelve months after the effective date of such request for redemption. The Sponsor may, in its discretion, fulfill a redemption request that remains unsatisfied following a Redemption Date at earlier times than those provided in the immediately preceding sentence and in priority to later requests.

(e) The Sponsor, in its discretion, may terminate the ability of Shareholders to request redemptions upon written notice to the Shareholders, permit redemptions at other times or otherwise modify or waive any redemption conditions and requirements set forth in this Article V. Notwithstanding any provision of this Agreement to the contrary, the rights of Shareholders to request redemptions shall automatically terminate without any action required on the part of the Sponsor on the Redemption Cutoff Date; provided that (i) the foregoing shall not limit the right of the Sponsor to require the redemption of any Shares at any time, for any reason or no reason, including pursuant to Section 5.3 and (ii) the Sponsor may, but shall not be required to, reinstate the right of Shareholders to request redemptions in accordance with this Article V upon receiving regulatory approval to operate a redemption program subsequent to the Redemption Cutoff Date.

SECTION 5.2 Payment for Redeemed Shareholders.

The amount payable by the Trust for a Shareholder's Shares subject to a redemption shall equal the total number of Shares such Shareholder has specified in its redemption notice multiplied by the price per Share as of the Redemption Date and after adjustment for (i) any accrual of the Sponsor's Fee then due and attributable with respect to such redemption amount, (ii) any expenses associated with such redemption, including transaction costs, and (iii) any reserves (as described in Section 5.4 below) (the "**Redemption Price**"). Except as otherwise set forth in this Article V and unless otherwise agreed by the Sponsor, at least 90% of the Redemption Price shall be paid to a Shareholder within 30 Business Days after the relevant Redemption Date, with the balance being paid as soon as practicable after completion of the Trust's annual audit for the Fiscal Year in which the redemption was effected. The Shareholder shall not earn interest on any such unpaid balance. However, the Trust may take longer than 30 Business Days to settle redemption requests, if the Trust is unable to liquidate its investments, if the value of the assets and liabilities of the Trust cannot be determined with reasonable accuracy, or for any other reason. If, after the completion of the Trust's year-end audit, the Sponsor determines that the amount previously distributed to a Shareholder varied from the amount that such Shareholder was actually entitled to receive, then within 10 calendar days of notification thereof, the Trust will pay to such Shareholder the remaining balance, if any, of the amount to which such Shareholder is entitled, or such Shareholder will be obligated to repay the Trust the excess, if any, of the amount previously paid over the amount to which such Shareholder is entitled. All of the Shareholder's Shares subject to the redemption shall be deemed to have been redeemed as of the applicable Redemption Date. At the discretion of the Sponsor, the amount of payment for the Shares to be redeemed may be made in whole in cash, or in whole in kind, or in part in cash and in part in kind and, in all cases, shall be subject to the establishment of reserves, in cash or in kind, which the Sponsor deems necessary or appropriate to reflect contingent or other liabilities of the Trust existing as of the effective date of such redemption. To cause the Trust to pay the Redemption Price, the Sponsor or its delegates shall, instructing the Security Vendors as necessary, (a) withdraw from the Digital Asset Accounts

Digital Assets in such quantity as may be necessary to permit payment of such Redemption Price and (b) may either (x) cause the Trust (or its delegate) to convert such Digital Assets into U.S. Dollars or other fiat currencies at the Actual Exchange Rate(s) or (y) cause the Trust (or its delegate) to deliver such Digital Assets in kind in satisfaction of such redemption.

SECTION 5.3 *Mandatory Redemptions.*

At any time prior to the Redemption Cutoff Date, the Sponsor shall, in its discretion, have the right to require the redemption of all or any portion of a Shareholder's Shares at any time, for any reason or no reason, upon written notice to the Shareholder. The effective date of such redemption shall be determined by the Sponsor in its discretion. In the event of such redemption, payment shall be made to such Shareholder in accordance with the payment provisions of 5.2 hereof.

SECTION 5.4 *Limitations on Redemptions.*

(a) In addition to the Sponsor's discretion to elect to apply the limitations set forth in Section 5.1(d), the right of any Shareholder or its legal representatives to request redemption of its Shares and to have distributed to it any such amount (or any portion thereof) pursuant to this Article V is subject to the provision by the Sponsor for all Trust liabilities in accordance with the Delaware Trust Stature and for reserves for contingencies and estimated accrued expenses and liabilities. Such reserves may be invested in the same manner as other assets of the Trust, placed in an interest-bearing account or dealt with in such other manner as the Sponsor deems appropriate.

(b) The Sponsor, by written notice to the Shareholders, may suspend redemption rights, in whole or in part: (i) during the existence of any state of affairs as a result of which, in the opinion of the Sponsor, disposal of investments by the Trust would not be reasonably practicable, would be seriously prejudicial to the non-redeeming Shareholders or would otherwise not be in the best interests of the Trust; (ii) during any breakdown in the means of communication normally employed in determining the price or value of the Trust's assets or liabilities, or of current prices in any stock market as aforesaid, or when for any other reason the prices or values of any assets or liabilities of the Trust cannot reasonably be promptly and accurately ascertained; or (iii) during any period when the transfer of funds involved in the realization or acquisition of any investments cannot, in the opinion of the Sponsor, be effected at normal rates of exchange. In addition, the Sponsor, by written notice to any Shareholder, may suspend payment of redemption proceeds to such Shareholder, if the Sponsor reasonably deems it necessary to do so to comply with anti-money laundering laws and regulations applicable to the Trust, the Sponsor and their affiliates, subsidiaries or associates or any of the Trust's other service providers.

(c) The Sponsor may withhold taxes from any payments for redemptions or other distributions to any Shareholder, or in respect of allocations of Trust net or gross income or gain, to the extent required by the Code or any other applicable law. For purposes of this Agreement, any taxes so withheld by the Trust with respect to any redemption payments or other distributions by the Trust on any Shares, or in respect of allocations of Trust net or gross income or gain, shall be deemed to be a distribution or payment with respect to such Shares, inter alia reducing the amount otherwise distributable on such Shares pursuant to this Trust Agreement. The Sponsor

shall not be obligated to apply for or obtain a reduction of or exemption from withholding tax on behalf of any Shareholder that may be eligible for such reduction or exemption. To the extent that a Shareholder claims to be entitled to a reduced rate of, or exemption from, a withholding tax pursuant to an applicable income tax treaty, or otherwise, the Shareholder shall furnish the Sponsor with such information and forms as such Shareholder may be required to complete where necessary to comply with any and all laws and regulations governing the obligations of withholding tax agents. Each Shareholder represents and warrants that any such information and forms furnished by such Shareholder shall be true and accurate and agrees to indemnify the Trust, the Sponsor and each of the Shareholders from any and all damages, costs and expenses resulting from the filing of inaccurate or incomplete information or forms relating to such withholding taxes.

(d) Notwithstanding the foregoing, the Trust shall not deem a Shareholder's Shares to have been redeemed to the extent that such redemption, as determined in the reasonable discretion of the Sponsor, would cause the Trust to be treated as an association taxable as a corporation for U.S. federal income tax purposes pursuant to Code Section 7704.

ARTICLE VI. THE SPONSOR

SECTION 6.1 *Management of the Trust.*

Pursuant to Section 3806(b)(7) of the Delaware Trust Statute, the Trust shall be managed by the Sponsor in accordance with this Trust Agreement. The Sponsor may delegate, as provided herein, the duty and authority to manage the affairs of the Trust. Any determination as to what is in the interests of the Trust made by the Sponsor in good faith shall be conclusive. In construing the provisions of this Trust Agreement, the presumption shall be in favor of a grant of power to the Sponsor, but subject, for the avoidance of doubt, to the restrictions, prohibitions and limitations expressly set forth in this Trust Agreement. The enumeration of any specific power in this Trust Agreement shall not be construed as limiting the aforesaid power.

SECTION 6.2 *Authority of Sponsor.*

In addition to, and not in limitation of, any rights and powers conferred by law or other provisions of this Trust Agreement, and except as limited, restricted or prohibited by the express provisions of this Trust Agreement or the Delaware Trust Statute, the Sponsor shall have and may exercise on behalf of the Trust, all powers and rights necessary, proper, convenient or advisable to effectuate and carry out the purposes of the Trust, which powers and rights shall include, without limitation, the following:

(a) To enter into, execute, accept, deliver and maintain, and to cause the Trust to perform its obligations under, contracts, agreements and any or all other documents and instruments incidental to the Trust's purposes, and to do and perform all such acts as may be in furtherance of the Trust's purposes, or necessary or appropriate for the offer and sale of the Shares, including, but not limited to, causing the Trust to enter into (i) contracts or agreements with the Sponsor or an Affiliate, *provided* that any such contract or agreement does not conflict with the provisions of Section 6.4 of this Trust Agreement or clause (ii) of this Section 6.2(a) and (ii) contracts with third parties for various services, it being understood that any document or instrument executed or accepted by the Sponsor in the Sponsor's name shall be deemed executed and accepted on behalf of the Trust by the Sponsor, *provided, however*, that such services may be performed by an Affiliate or Affiliates of the Sponsor so long as the Sponsor has made a good faith determination that (A) the Affiliate that it proposes to engage to perform such services is qualified to do so (considering the prior experience of the Affiliate or the individuals employed by the Affiliate); (B) the terms and conditions of the agreement pursuant to which such Affiliate is to perform services for the Trust are no less favorable to the Trust than could be obtained from equally-qualified unaffiliated third parties; and (C) the maximum period covered by the agreement pursuant to which such Affiliate is to perform services for the Trust shall not exceed one year, and such agreement shall be terminable without penalty upon one hundred twenty (120) days' prior written notice by the Trust;

(b) To establish, maintain, deposit into, and sign checks and/or otherwise draw upon, accounts on behalf of the Trust with appropriate banking and savings institutions;

(c) To deposit, withdraw, pay, retain and distribute the Trust Estate or any portion thereof in any manner consistent with the provisions of this Trust Agreement;

(d) To supervise the preparation of the Memorandum and supplements and amendments thereto;

(e) To make or authorize the making of distributions to the Shareholders and expenses of the Trust out of the Trust Estate;

(f) To cause the Trust to appoint an agent to act on behalf of the Shareholders pursuant to Section 7.5;

(g) To prepare, or cause to be prepared, and file, or cause to be filed, an application to register any Shares under the Securities Act and/or the Exchange Act and to take any other action and execute and deliver any certificates or documents that may be necessary to effectuate such registration;

(h) To prepare, or cause to be prepared, and file, or cause to be filed, a registration statement for the offer and sale of Shares under the Securities Act and/or an application to enable the Shares to be listed, quoted or traded on any Secondary Market and to take any other action and execute and deliver any certificates or documents that may be necessary to effectuate such listing, quotation or trading;

(i) To appoint one or more Security Vendors, including itself or an Affiliate, to provide for custodial or non-custodial security services, or to determine not to appoint any Security Vendors, and to otherwise take any action with respect to the Security Vendors to safeguard the Trust Estate;

(j) In the sole and absolute discretion of the Sponsor, to admit an Affiliate or Affiliates of the Sponsor as additional Sponsors;

(k) To delegate those of its duties hereunder as it shall determine from time to time to one or more Distributors, and add any additional service providers, if needed and as applicable;

(l) To perform such other services as the Sponsor believes that the Trust may from time to time require;

(m) To determine, in good faith, which peer-to-peer network, among a group of incompatible forks of a Digital Asset network, is generally accepted as the appropriate network for such Digital Asset and should therefore be considered “**Digital Assets**” for the Trust’s purposes, which the Sponsor will determine based on a variety of then relevant factors, including (but not limited to) the following: (i) the Sponsor’s beliefs regarding expectations of the core developers of such Digital Asset, users, services businesses, miners and other constituencies and (ii) the actual, continued development, acceptance, mining power and community engagement with respect to such network; and

(n) In general, but subject to Section 1.5 and Section 6.4 of this Trust Agreement, to do everything necessary, suitable or proper for the accomplishment of any purpose or the furtherance of any power herein set forth, either alone or in association with others, and to do every other act or thing incidental or appurtenant to, or growing out of or connected with, the aforesaid purposes or powers.

SECTION 6.3 *Obligations of the Sponsor.*

In addition to the obligations expressly provided by the Delaware Trust Statute or this Trust Agreement, the Sponsor shall:

(a) Devote such of its time to the affairs of the Trust as it shall, in its discretion exercised in good faith, determine to be necessary to carry out the purposes of the Trust, as set forth in Section 1.5, for the benefit of the Shareholders;

(b) Execute, file, record and/or publish all certificates, statements and other documents, prepare and execute any tax reports or filings, apply for the Employer Identification Number, and do any and all other things as may be appropriate for the formation, qualification and operation of the Trust and for the conduct of its affairs in all appropriate jurisdictions;

(c) Retain independent public accountants to audit the accounts of the Trust;

(d) Employ attorneys to represent the Sponsor and, as necessary, the Trust;

(e) Select and enter into agreements with the Trustee and any other service provider to the Trust;

(f) [Intentionally omitted.]

(g) Monitor all fees charged to the Trust, and the services rendered by the service providers to the Trust, to determine whether the fees paid by, and the services rendered to, the Trust are at competitive rates and are the best price and services available under the circumstances, and if necessary, renegotiate the fee structure to obtain such rates and services for the Trust;

(h) Have fiduciary responsibility for the safekeeping and use of the Trust Estate, whether or not in the Sponsor's immediate possession or control;

(i) Not employ or permit others to employ the Trust Estate in any manner except for the benefit of the Trust, as determined by the Sponsor in its discretion, including, among other things, the utilization of any portion of the Trust Estate as compensating balances for the exclusive benefit of the Sponsor;

(j) At all times act with integrity and good faith and exercise due diligence in all activities relating to the Trust and in resolving conflicts of interest;

(k) In connection with each Subscription, receive directly or through it delegates the Total Subscription Amount;

(l) In connection with each Subscription, after receiving the Total Subscription Amount and accepting the Subscription, direct the Transfer Agent to credit the Shares subject to the Subscription to the Shareholder, as described in Section 3.2;

(m) Receive directly or through its delegates and process properly submitted redemption requests (if authorized, as described in Article V);

(n) Interact with the Security Vendors and any other party as required;

(o) If the Shares are listed, quoted or traded on any Secondary Market, cause the Trust to comply with all rules, orders and regulations of such Secondary Market to which the Trust is subject as a result of the listing, quotation or trading of the Shares on such Secondary Market, and take all such other actions that may reasonably be taken and are necessary for the Shares to remain listed, quoted or traded on such Secondary Market until the Trust is terminated or the Shares are no longer listed, quoted or traded on such Secondary Market;

(p) If the Shares are transferred in a transaction registered under the Securities Act or registered under the Exchange Act, cause the Trust to comply with all rules, orders and regulations of the SEC and take all such other actions as may reasonably be taken and are necessary for the Shares to remain registered under the Exchange Act, until the Trust is terminated or the Shares are no longer registered under the Exchange Act; and

(q) Take all actions to prepare and, to the extent required by this Trust Agreement or by law, mail to Shareholders any reports, press releases or statements, financial or otherwise, that the Sponsor determines are required to be provided to Shareholders by applicable law or governmental regulation or the requirements of any Secondary Market on which the Shares are listed, quoted or traded or, if any Shares are transferred in a transaction registered under the Securities Act or registered under the Exchange Act, the SEC, as applicable.

The foregoing clauses of Section 6.2 and Section 6.3 shall be construed as powers, and the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the general powers of the Sponsor. Any action by the Sponsor hereunder shall be deemed an action on behalf of the Trust, and not an action in an individual capacity.

SECTION 6.4 *General Prohibitions.*

The Trust shall not, and the Sponsor shall not have the power to cause the Trust to:

(a) Receive any property other than U.S. Dollars upon the issuance of Shares;

(b) Hold any property other than (i) Digital Assets, Incidental Rights and IR Virtual Currency, (ii) cash received as redemption fees and from the sale of Digital Assets, Incidental Rights or IR Virtual Currency and (iii) interests in any liquidating trust or other vehicle formed to hold Incidental Rights or IR Virtual Currency pending distribution of such interests to the Shareholders;

(c) Hold any cash received as redemption fees or from the sale of Digital Assets, Incidental Rights or IR Virtual Currency for more than thirty (30) Business Days prior to using such cash to invest in Digital Assets or to pay the Sponsor's Fee, amounts payable by the Trust for Shares subject to redemption and/or Additional Trust Expenses and distributing any remaining cash to the Shareholders;

(d) If the redemption of Shares is not authorized as described in Article V, redeem any Shares other than upon the dissolution of the Trust or pursuant to Section 5.3;

(e) If the redemption of Shares is authorized as described in Article V, redeem the Shares other than (i) to satisfy a redemption order from a Shareholder, (ii) pursuant to Section 5.3 or (ii) upon the dissolution of the Trust;

(f) Borrow money from, or loan money to, any Shareholder (including the Sponsor) or any other Person;

(g) Create, incur, assume or suffer to exist any lien, mortgage, pledge conditional sales or other title retention agreement, charge, security interest or encumbrance on or with respect to the Trust Estate, except in the ordinary course of business of the Trust, as described in Section 1.5, and except for (i) liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established and (ii) liens by the Trustee against the Trust property as security for any amounts owing to the Trustee hereunder;

(h) Commingle the Trust Estate with the assets of any other Person, except in the ordinary course of business of the Trust, as described in Section 1.5;

(i) Permit rebates to be received by the Sponsor or any Affiliate of the Sponsor, or permit the Sponsor or any Affiliate of the Sponsor to engage in any reciprocal business arrangements which would circumvent the foregoing prohibitions;

(j) Enter into any contract with the Sponsor or an Affiliate of the Sponsor (A) that, except for selling agreements for the sale of Shares, has a term of more than one year and that does not provide that it may be canceled by the Trust without penalty on one hundred twenty (120) days prior written notice or (B) for the provision of services, except at rates and terms at least as favorable as those that may be obtained from third parties in arm's length negotiations;

(k) Enter into any exclusive brokerage contract; or

(l) Elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes.

SECTION 6.5 *Liability of Covered Persons.*

A Covered Person shall have no liability to the Trust or to any Shareholder or other Covered Person for any loss suffered by the Trust which arises out of any action or inaction of such Covered Person, if such Covered Person, in good faith, determined that such course of conduct was in the best interest of the Trust and such course of conduct did not constitute fraud, gross negligence, bad

faith or willful misconduct of such Covered Person. Subject to the foregoing, neither the Sponsor nor any other Covered Person shall be personally liable for the return or repayment of all or any portion of the purchase price paid by a Shareholder for its Shares, it being expressly agreed that any such return made pursuant to this Trust Agreement shall be made solely from the assets of the Trust without any rights of contribution from the Sponsor or any other Covered Person. A Covered Person shall not be liable for the conduct or misconduct of any delegate selected by the Sponsor with reasonable care.

SECTION 6.6 *Fiduciary Duty.*

(a) To the extent that, at law or in equity, the Sponsor has duties (including fiduciary duties) and liabilities relating thereto to the Trust, the Shareholders or any other Person, the Sponsor acting under this Trust Agreement shall not be liable to the Trust, the Shareholders or any other Person for its good faith reliance on the provisions of this Trust Agreement subject to the standard of care set forth in Section 6.5 herein. The provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties and liabilities of the Sponsor otherwise existing at law or in equity are agreed by the parties hereto to replace such other duties and liabilities of the Sponsor. To the fullest extent permitted by law, no Person other than the Sponsor and the Trustee shall have any duties (including fiduciary duties) or liabilities at law or in equity to the Trust, the Shareholders or any other Person.

(b) Unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between the Sponsor or any of its Affiliates, on the one hand, and the Trust, any Shareholder or any other Person, on the other hand; or (ii) whenever this Trust Agreement or any other agreement contemplated herein provides that the Sponsor shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust, any Shareholder or any other Person, the Sponsor shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Sponsor, the resolution, action or terms so made, taken or provided by the Sponsor shall not constitute a breach of this Trust Agreement or any other agreement contemplated herein or of any duty or obligation of the Sponsor at law or in equity or otherwise.

(c) The Sponsor and any Affiliate of the Sponsor may engage in or possess an interest in profit-seeking or business ventures of any nature or description, independently or with others, whether or not such ventures are competitive with the Trust and the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to the Sponsor. If the Sponsor acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Trust, it shall have no duty to communicate or offer such opportunity to the Trust, and the Sponsor shall not be liable to the Trust or to the Shareholders for breach of any fiduciary or other duty by reason of the fact that the Sponsor pursues or acquires for, or directs such opportunity to, another Person or does not communicate such opportunity or information to the Trust. Neither the Trust nor any Shareholder shall have any rights or obligations by virtue of this Trust Agreement or the trust relationship created hereby in or to such independent ventures or

the income or profits or losses derived therefrom, and the pursuit of such ventures, even if competitive with the purposes of the Trust, shall not be deemed wrongful or improper. Except to the extent expressly provided herein, the Sponsor may engage or be interested in any financial or other transaction with the Trust, the Shareholders or any Affiliate of the Trust or the Shareholders.

(d) To the fullest extent permitted by law and notwithstanding any other provision of this Trust Agreement or in any agreement contemplated herein or applicable provisions of law or equity or otherwise, whenever in this Trust Agreement a Person is permitted or required to make a decision (a) in its “sole discretion” or “discretion” or under a grant of similar authority or latitude, the Person shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust, the Shareholders or any other Person, or (b) in its “good faith” or under another express standard, the Person shall act under such express standard and shall not be subject to any other or different standard. The term “good faith” as used in this Trust Agreement shall mean subjective good faith as such term is understood and interpreted under Delaware law

SECTION 6.7 Indemnification of the Sponsor.

(a) The Sponsor shall be indemnified by the Trust against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with its activities for the Trust, provided that (i) the Sponsor was acting on behalf of, or performing services for, the Trust and has determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct, or a material breach of this Trust Agreement on the part of the Sponsor and (ii) any such indemnification will be recoverable only from the Trust Estate. All rights to indemnification permitted herein and payment of associated expenses shall not be affected by the dissolution or other cessation of existence of the Sponsor, or the withdrawal, adjudication of bankruptcy or insolvency of the Sponsor, or the filing of a voluntary or involuntary petition in bankruptcy under Title 11 of the United States Code by or against the Sponsor.

(b) Notwithstanding the provisions of Section 6.7(a) above, the Sponsor and any other Person acting as a broker-dealer for the Trust shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of U.S. federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and the court approves the indemnification of such expenses (including, without limitation, litigation costs), (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee and the court approves the indemnification of such expenses (including, without limitation, litigation costs) or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made.

(c) The Trust shall not incur the cost of that portion of any insurance that insures any party against any liability, the indemnification of which is herein prohibited.

(d) Expenses incurred in defending a threatened or pending civil, administrative or criminal action suit or proceeding against the Sponsor shall be paid by the Trust in advance of the final disposition of such action, suit or proceeding, if (i) the legal action relates to the performance of duties or services by the Sponsor on behalf of the Trust; (ii) the legal action is initiated by a third party who is not a Shareholder or the legal action is initiated by a Shareholder and a court of competent jurisdiction specifically approves such advance; and (iii) the Sponsor undertakes to repay the advanced funds with interest to the Trust in cases in which it is not entitled to indemnification under this Section 6.7.

(e) The term “Sponsor” as used only in this Section 6.7 shall include, in addition to the Sponsor, any other Covered Person performing services on behalf of the Trust and acting within the scope of the Sponsor’s authority as set forth in this Trust Agreement.

(f) In the event the Trust is made a party to any claim, dispute, demand or litigation or otherwise incurs any loss, liability, damage, cost or expense as a result of or in connection with any Shareholder’s (or assignee’s) obligations or liabilities unrelated to Trust affairs, such Shareholder (or assignees cumulatively) shall indemnify, defend, hold harmless, and reimburse the Trust for all such loss, liability, damage, cost and expense incurred, including attorneys’ and accountants’ fees.

SECTION 6.8 Expenses and Limitations Thereon.

(a) Sponsor’s Fee.

(i) The Trust shall pay to the Sponsor a fee (the “**Sponsor’s Fee**”), payable in U.S. Dollars and/or Digital Assets, or as provided in Section 6.8(a)(iv), at the discretion of the Sponsor, which shall accrue daily in U.S. Dollars at an annual rate of 2.99% of the Digital Asset Holdings Fee Basis Amount of the Trust as of 4:00 p.m. GMT on each day; provided that for a day that is not a Business Day, the calculation shall be based on the Digital Asset Holdings Fee Basis Amount from the most recent Business Day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent Business Day and for each day after such most recent Business Day and prior to the relevant calculation date. The amount of U.S. Dollars and/or Digital Assets payable in respect of each daily U.S. Dollar accrual shall be determined by reference to the same Digital Asset Reference Rate(s) used to determine such accrual. The Sponsor’s Fee is payable to the Sponsor monthly in arrears.

(ii) Except as provided in Section 6.8(a)(iv), to cause the Trust to pay the Sponsor’s Fee, the Sponsor shall instruct the Security Vendors to withdraw from the Digital Asset Account(s) the number of Digital Assets equal to the accrued but unpaid Sponsor’s Fee, convert such Digital Assets to U.S. Dollars to the extent the fee shall be payable in U.S. Dollars, and transfer such U.S. Dollars and/or Digital Assets to the Sponsor’s account at such times as the Sponsor determines in its absolute discretion.

(iii) The Shareholders acknowledge that (x) after the payment of all or part of the Sponsor’s Fee to the Sponsor in Digital Assets, the Sponsor may elect to convert the

Digital Assets it receives into U.S. Dollars and (y) the rate at which the Sponsor converts such Digital Assets to U.S. Dollars may differ from the rate at which the Sponsor's Fee was initially converted into Digital Assets. The Trust shall not be responsible for any fees and expenses incurred by the Sponsor to convert Digital Assets received in payment of the Sponsor's Fee into U.S. Dollars.

(iv) If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement; *provided* that the Trust shall use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of this Trust Agreement. If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of Digital Assets that would otherwise have been used to satisfy such payment shall be correspondingly reduced.

(v) The Sponsor may, from time to time, temporarily waive all or a portion of the Sponsor's Fee in its sole discretion.

(vi) As partial consideration for receipt of the Sponsor's Fee, the Sponsor shall assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: (i) the Administrator Fee, (ii) the Security Vendors Fee, (iii) the Transfer Agent fee, (iv) the Trustee fee, (v) ordinary course legal fees and expenses, (vi) audit fees, (vii) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act, (viii) printing and mailing costs, (ix) costs of maintaining the Trust's website and (x) applicable license fees (each, a "**Sponsor-paid Expense**" and together, the "**Sponsor-paid Expenses**"), *provided* that any expense that qualifies as an Additional Trust Expense as set forth in Section 6.8(b) shall be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

(b) Additional Trust Expenses.

(i) The Trust shall pay any expenses incurred by the Trust in addition to the Sponsor's Fee that are not Sponsor-paid Expenses, including, but not limited to, (a) taxes and governmental charges, (b) expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), (c) any indemnification of the Security Vendors, or other agents, service providers or counterparties of the Trust, (d) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses), and (e) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively, "**Additional Trust Expenses**").

(ii) To cause the Trust to pay the Additional Trust Expenses, if any, the Sponsor or its delegates shall, instructing the Security Vendors as necessary, (a) withdraw from the Digital Asset Accounts Digital Assets in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (b) may either (x) cause the Trust (or its delegate) to convert such Digital Assets into U.S. Dollars or other fiat currencies at the Actual Exchange Rate(s) or (y) cause the Trust (or its delegate) to deliver such Digital Assets in kind in satisfaction of such Additional Trust Expenses.

(iii) If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may pay any Additional Trust Expenses, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the relevant payee and transferring such Incidental Rights and/or IR Virtual Currency to that payee at a value to be determined pursuant to such agreement; *provided* that the Trust shall use Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses only if such agreement and transfer does not otherwise conflict with the terms of this Trust Agreement. If the Trust pays the Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of Digital Assets that would otherwise have been used to satisfy such payment shall be correspondingly reduced.

(c) The Sponsor or any Affiliate of the Sponsor may be reimbursed only for the actual cost to the Sponsor or such Affiliate of any expenses that it advances on behalf of the Trust for payment of which the Trust is responsible. In addition, payment to the Sponsor or such Affiliate for indirect expenses incurred in performing services for the Trust in its capacity as the Sponsor (or an Affiliate of the Sponsor) of the Trust, such as salaries and fringe benefits of officers and directors, rent or depreciation, utilities and other administrative items generally falling within the category of the Sponsor's "**overhead**," is prohibited.

SECTION 6.9 *Voluntary Withdrawal of the Sponsor.*

The Sponsor may withdraw voluntarily as the Sponsor of the Trust only upon one hundred and twenty (120) days' prior written notice to all Shareholders and the Trustee. If the withdrawing Sponsor is the last remaining Sponsor, the Shareholders holding Shares equal to at least a majority (over 50%) of the Shares may vote to elect and appoint, effective as of a date on or prior to the withdrawal, a successor Sponsor who shall carry on the affairs of the Trust. If the Sponsor withdraws and a successor Sponsor is named, the withdrawing Sponsor shall pay all expenses as a result of its withdrawal.

SECTION 6.10 *Litigation.*

The Sponsor is hereby authorized to prosecute, defend, settle or compromise actions or claims at law or in equity as may be necessary or proper to enforce or protect the Trust's interests. The Sponsor shall satisfy any judgment, decree or decision of any court, board or authority having jurisdiction or any settlement of any suit or claim prior to judgment or final decision thereon, first, out of any insurance proceeds available therefor, next, out of the Trust's assets and, thereafter, out of the assets (to the extent that it is permitted to do so under the various other provisions of this Trust Agreement) of the Sponsor.

SECTION 6.11 *Bankruptcy; Merger of the Sponsor.*

(a) The Sponsor shall not cease to be a Sponsor of the Trust merely upon the occurrence of its making an assignment for the benefit of creditors, filing a voluntary petition in bankruptcy, filing a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, filing an answer or other pleading admitting or failing to contest material allegations of a petition filed against it in any proceeding of this nature or seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for itself or of all or any substantial part of its properties.

(b) To the fullest extent permitted by law, and on sixty (60) days' prior written notice to the Shareholders of their right to vote thereon, if any such transaction is other than with an affiliated entity, nothing in this Trust Agreement shall be deemed to prevent the merger of the Sponsor with another corporation or other entity, the reorganization of the Sponsor into or with any other corporation or other entity, the transfer of all the capital stock of the Sponsor or the assumption of the rights, duties and liabilities of the Sponsor by, in the case of a merger, reorganization or consolidation, the surviving corporation or other entity by operation of law. Without limiting the foregoing, none of the transactions referenced in the preceding sentence shall be deemed to be a voluntary withdrawal for purposes of Section 6.9 or an Event of Withdrawal for purposes of Section 12.1(a)(iv).

ARTICLE VII. THE SHAREHOLDERS

SECTION 7.1 *No Management or Control; Limited Liability.*

The Shareholders shall not participate in the management or control of the Trust nor shall they enter into any transaction on behalf of the Trust or have the power to sign for or bind the Trust, said power being vested solely and exclusively in the Sponsor. Except as provided in Section 7.3 hereof, no Shareholder shall be bound by, or be personally liable for, the expenses, liabilities or obligations of the Trust in excess of its Percentage Interest of the Trust Estate. Except as provided in Section 7.3 hereof, each Share owned by a Shareholder shall be fully paid and no assessment shall be made against any Shareholder. No salary shall be paid to any Shareholder in its capacity as a Shareholder, nor shall any Shareholder have a drawing account or earn interest on its Percentage Interest of the Trust Estate. By the purchase and acceptance or other lawful delivery and acceptance of Shares, each owner of such Shares shall be deemed to be a Shareholder and beneficiary of the Trust and vested with beneficial undivided interest in the Trust to the extent of the Shares owned beneficially by such Shareholder, subject to the terms and conditions of this Trust Agreement.

SECTION 7.2 *Rights and Duties.*

The Shareholders shall have the following rights, powers, privileges, duties and liabilities:

(a) The Shareholders shall receive the share of the distributions provided for in this Trust Agreement in the manner and at the times provided for in this Trust Agreement.

(b) Except for any redemption rights provided to Shareholders as described in Article V hereof, Shareholders shall have the right to demand a redemption of their Shares only upon the dissolution and winding up of the Trust and only to the extent of funds available therefor, as provided in Section 12.2. In no event shall a Shareholder be entitled to demand or receive property other than cash upon the dissolution and winding up of the Trust. No Shareholder shall have priority over any other Shareholder as to distributions. The Shareholder shall not have any right to bring an action for partition against the Trust.

(c) Shareholders holding Shares representing at least a majority (over 50%) of the Shares may vote to appoint a successor Sponsor as provided in Section 6.9 or to continue the Trust as provided in Section 12.1(a)(iv).

Except as set forth above, the Shareholders shall have no voting or other rights with respect to the Trust.

SECTION 7.3 *Limitation of Liability.*

(a) Except as provided in Section 6.7(f) hereof, and as otherwise provided under Delaware law, the Shareholders shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of Delaware and no Shareholder shall be liable for claims against, or debts of the Trust in excess of its Percentage Interest of the Trust Estate. In addition, and subject to the exceptions set forth in the immediately preceding sentence, the Trust shall not make a claim against a Shareholder with respect to amounts distributed to such Shareholder or amounts received by such Shareholder upon redemption of such Shareholder's Shares unless, under Delaware law, such Shareholder is liable to repay such amount.

(b) The Trust shall indemnify to the full extent permitted by law and the other provisions of this Trust Agreement, and to the extent of the Trust Estate, each Shareholder against any claims of liability asserted against such Shareholder solely because it is a beneficial owner of one or more Shares as a Shareholder.

(c) Every written note, bond, contract, instrument, certificate or undertaking made or issued by the Sponsor on behalf of the Trust shall give notice to the effect that the same was executed or made by or on behalf of the Trust and that the obligations of such instrument are not binding upon the Shareholders individually but are binding only upon the assets and property of the Trust, and no resort shall be had to the Shareholders' personal property for satisfaction of any obligation or claim thereunder, and appropriate references may be made to this Trust Agreement and may contain any further recital that the Sponsor deems appropriate, but the omission thereof shall not operate to bind the Shareholders individually or otherwise invalidate any such note, bond, contract, instrument, certificate or undertaking. Nothing contained in this Section 7.3 shall diminish the limitation on the liability of the Trust to the extent set forth in Section 1.9 hereof.

SECTION 7.4 Derivative Actions; Arbitration.

(a) ***Subject to any other requirements of applicable law, including Section 3816 of the Delaware*** Trust Statute, no Shareholder shall have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust, unless two or more Shareholders who (i) are not Affiliates of one another and (ii) collectively hold at least 10% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding.

(b) Except as to any claims with respect to enforcement of an arbitration award and matters covered by Section 7.4(c), any controversy, claim or dispute arising out of, or relating to, the Trust, this Agreement or the breach thereof, or regarding the interpretation thereof, between a Shareholder and the Trust and/or the Sponsor shall be solely and exclusively settled by binding arbitration conducted in Phoenix, Arizona, in accordance with the rules of the American Arbitration Association then in effect before a single arbitrator appointed in accordance with such rules and applying the laws of the State of Delaware, without regard to the conflict of laws provisions thereof. Judgment upon any award rendered in any such arbitration may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief (other than punitive damages), whether legal or equitable in nature, including specific performance, subject to the applicable limitations on liability in this Agreement. Each Shareholder agrees to abide by all decisions and awards rendered in such proceedings. Such decisions and awards rendered by the arbitrator shall be final and conclusive. All such controversies, claims or disputes shall be settled in this manner in lieu of any action at law or equity. For the avoidance of doubt, it shall be the Sponsor's duty and responsibility, and not the Trustee's duty and responsibility, to cause the Trust to respond to, defend, participate in, or otherwise act in connection with, any regulatory, administrative, or arbitral proceedings.

(c) Any claims relating to the rights, privileges, liabilities, and indemnities of or relating to the Trustee under this Agreement shall not be subject to Section 7.4(b) and shall instead be adjudicated by the Court of Chancery in the State of Delaware. For the avoidance of doubt, the Trustee shall not have to appear, be present at, or consent to, or cause the Trust to appear, be present at, or consent to, any proceedings or judgments under Section 7.4(b).

SECTION 7.5 Appointment of Agents.

(a) By the purchase and acceptance or other lawful delivery, acceptance or holding of the Shares, the Shareholders shall be deemed to agree that the Sponsor may cause the Trust to appoint an agent to act on their behalf in connection with any distribution of Incidental Rights and/or IR Virtual Currency, if the Sponsor has determined in good faith that such appointment is reasonably necessary or in the best interests of the Trust and the Shareholders in order to facilitate the distribution of any Incidental Rights and/or IR Virtual Currency. For the avoidance of doubt, the Sponsor may cause the Trust to appoint the Sponsor or any of its Affiliates to act in such capacity, subject to Section 6.2(a) of this Trust Agreement. Any Person appointed as agent of the Shareholders pursuant to this Section 7.5(a) (i) shall receive an in-kind distribution of Incidental Rights and/or IR Virtual Currency on behalf of the Shareholders of record with respect to such distribution and (ii) following receipt of any such distribution, shall determine, in such Person's sole discretion and without any direction from the Trust or the Sponsor (in its capacity as Sponsor

of the Trust), whether and when to sell the distributed Incidental Rights and/or IR Virtual Currency on behalf of the record date Shareholders.

(b) Any agent appointed pursuant to Section 7.5(a) shall not receive any compensation in connection with its role as agent. The foregoing notwithstanding, any such agent shall be entitled to receive from any distribution of Incidental Rights and/or IR Virtual Currency, Incidental Rights and/or IR Virtual Currency with an aggregate fair market value equal to the amount of administrative and other reasonable expenses incurred by such agent in connection with such in-kind distribution of Incidental Rights and/or IR Virtual Currency, including expenses incurred by such agent in connection with any post-distribution sale of such Incidental Rights and/or Virtual Currency.

SECTION 7.6 Business of Shareholders.

Except as otherwise specifically provided herein, any of the Shareholders and any shareholder, officer, director, employee or other Person holding a legal or beneficial interest in an entity that is a Shareholder, may engage in or possess an interest in business ventures of every nature and description, independently or with others, and the pursuit of such ventures, even if competitive with the affairs of the Trust, shall not be deemed wrongful or improper.

SECTION 7.7 Authorization of Memorandum.

Each Shareholder (or any permitted assignee thereof) hereby agrees that the Trust, the Sponsor and the Trustee are authorized to execute, deliver and perform the agreements, acts, transactions and matters contemplated hereby or described in, or contemplated by, the Memorandum on behalf of the Trust without any further act, approval or vote of the Shareholders, notwithstanding any other provision of this Trust Agreement, the Delaware Trust Statute or any applicable law, rule or regulation.

ARTICLE VIII. ALLOCATION OF PROFITS AND LOSSES FOR FEDERAL INCOME TAX PURPOSES

SECTION 8.1 Generally.

(a) Except as otherwise provided in this Agreement, Profits and Losses for each Fiscal Year and, to the extent necessary, individual items of income, deduction, gain, loss or credit for such Fiscal Year shall be allocated pro rata among the Shares. Allocations shall generally be made pursuant to the principles of Code Section 704, and in conformity with Treasury Regulations §§ 1.704-1, 1.704-2, and 1.704-3 promulgated thereunder, as applicable, or successor provisions of such Code Section and Treasury Regulations.

(b) Without limiting the foregoing, there are hereby incorporated herein such special allocation provisions governing the allocation of Trust income, deduction, gain and loss for federal income tax purposes as may be necessary under Treasury Regulations to provide herein a so-called “qualified income offset” within the meaning of Treasury Regulations § 1.704-1(b)(2)(ii)(d) and to ensure that this Article VIII complies with all requirements of Treasury Regulations § 1.704-2 relating to “minimum gain” and “partner nonrecourse minimum gain” and the allocation and

chargeback of “nonrecourse deductions” and “partner nonrecourse deductions.” In addition, to the extent an adjustment to the adjusted tax basis of any Trust asset pursuant to Section 734 or 743 of the Code is required due to certain transfers of Shares, any adjustment that would be required to be made to Per Share Capital Accounts maintained in accordance with Treasury Regulations § 1.704-1(b)(2)(iv) shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), which such item of gain or loss shall be specially allocated with respect to the Shares in a manner consistent with the manner in which Per Share Capital Accounts maintained in accordance with Treasury Regulations § 1.704-1(b)(2)(iv) are required to be adjusted pursuant to such section of the Treasury Regulations.

SECTION 8.2 *Ordinary Deductions and Ordinary Income.*

Subject to and in accordance with Section 8.1 and subject to Section 8.4, for federal income tax purposes, all items of deduction other than realized capital losses, and all items of income other than realized capital gains, shall be allocated equally among the Shares, as nearly as is practicable, in accordance with the manner in which such items of deduction or income affected the amounts that were either deducted from or added to the value of the Shares.

SECTION 8.3 *Capital Gains and Capital Losses.*

Subject to and in accordance with Section 8.1 and subject to Section 8.4, for federal income tax purposes, capital gains and capital losses (short-term and long-term, as the case may be) recognized by the Trust shall be allocated among the Shares, as nearly as is practicable, in accordance with the manner in which the aggregate of the increase or decrease in the value of the Digital Asset positions giving rise to such gains or losses was added to or deducted from the value of the Shares.

SECTION 8.4 *Allocations to Redeemed Shareholders.*

Notwithstanding Sections 8.2 and 8.3 above but subject to Section 8.1(b), if the Trust realizes items of capital gain or loss (including short-term capital gain or loss) and/or deductions, items of ordinary income or loss for federal income tax purposes (collectively, “gains/losses”) for any Fiscal Year during or as of the end of which the Trust redeems Adjusted Basis Shares from one or more Shareholders, the Sponsor may elect to (i) allocate such gains/losses first among such Adjusted Basis Shares in such a manner as will cause the Adjusted Basis of each Adjusted Basis Share to equal zero (or as near to zero in each case as possible if the total amount of gains/losses available to be allocated is insufficient to permit allocations that would cause the Adjusted Basis of each Adjusted Basis Share to equal zero), and (ii) thereafter to allocate any gains/losses not so allocated to Adjusted Basis Shares of the other Shareholders in accordance with Sections 8.1 to 8.3.

SECTION 8.5 *Share Transfer Allocations.*

A transferee of any Share pursuant to Article IV shall succeed to the Per Share Capital Account relating to such Share. The Trust shall allocate Profits and Losses for the Fiscal Year of transfer of any Share consistent with this Article VIII; provided that such Profits and Losses and,

to the extent necessary, individual items of income, deduction, gain, loss or credit shall be prorated for such Fiscal Year to take into account any adjustments in the Carrying Value of the Trust assets through the date of the applicable transfer, using any reasonable method selected by the Sponsor. The Sponsor may revise, alter or otherwise modify such methods of allocation to the extent permitted or required by Section 706 of the Code and the regulations or other guidance promulgated thereunder.

ARTICLE IX. BOOKS OF ACCOUNT AND REPORTS

SECTION 9.1 *Books of Account.*

Proper books of account for the Trust shall be kept and shall be audited annually by an independent certified public accounting firm selected by the Sponsor in its sole discretion, and there shall be entered therein all transactions, matters and things relating to the Trust as are required by the applicable law and regulations and as are usually entered into books of account kept by trusts. Such books of account shall be kept, and the Trust shall report its profits and losses on, the accrual method of accounting for financial accounting purposes on a Fiscal Year basis as described in Section 9.6. To the fullest extent permitted by law, including Section 3819 of the Delaware Statutory Trust Act, no Shareholder shall have the right to inspect any account, book, or document of the Trust that is not publicly available. The books and records of the Trust may be kept at such place or places as the Sponsor may from time to time determine, except as otherwise required by law.

SECTION 9.2 *Annual Reports.*

If the Shares are not then listed, quoted or traded on any Secondary Market or registered under the Securities Act or the Exchange Act, the Sponsor shall furnish each Shareholder with an annual report of the Trust within one hundred and eighty (180) calendar days after the Trust's fiscal year (or as soon as reasonably practicable thereafter) including, but not limited to, annual audited financial statements (including a statement of income and statement of financial condition), prepared in accordance with GAAP and accompanied by a report of the independent registered public accounting firm that audited such statements; provided that the first annual report of the Trust shall cover the period from August 20, 2021, through the end of the Trust's second Fiscal Year and shall be furnished within one hundred and eighty (180) calendar days thereafter (or as soon as reasonably practicable thereafter).

If the Shares are then listed, quoted or traded on a Secondary Market or registered under the Securities Act or the Exchange Act, the Sponsor shall prepare and publish the Trust's Annual Reports and Quarterly Reports as required by the rules and regulations of such Secondary Market or the SEC, as applicable.

SECTION 9.3 *Tax Information.*

Federal income tax returns in compliance with Code Section 6031 shall be delivered to each Shareholder following the end of each Fiscal Year but, to the extent possible, no later than March 15. All such information shall be prepared, and all of the Trust's tax returns shall be filed, in a manner consistent with the treatment of the Trust as a partnership. The Trust's taxable year shall be the calendar year. The Trustee shall comply with all U.S. federal withholding requirements respecting distributions to, or receipts of amounts on behalf of, Shareholders that the Trustee reasonably believes are applicable under the Code. The consent of Shareholders shall not be required for such withholding. The costs incurred in connection with such returns will be treated as expenses of the Trust.

SECTION 9.4 *Calculation of Digital Asset Holdings.*

On each Business Day, the Sponsor or its delegate shall calculate the Trust's Digital Asset Holdings as of 4:00 p.m. GMT and publish such holdings as of 4:00 p.m., New York time, or as soon as practicable thereafter. In order to calculate the Digital Asset Holdings, the Sponsor shall:

- (a) Determine the Digital Asset Reference Rate(s) as of such Business Day;
- (b) Multiply the aggregate number of each Digital Asset owned by the Trust by the applicable Digital Asset Reference Rate as of 4:00 p.m. GMT on the immediately preceding day, less the U.S. Dollar amount payable as the accrued and unpaid Sponsor's Fee as of 4:00 p.m. GMT on the immediately preceding day;
- (c) Add the U.S. Dollar amount of cash receivable under pending Subscriptions or as redemption fees, if any;
- (d) Subtract the U.S. Dollar amount of accrued and unpaid Additional Trust Expenses, if any;
- (e) Subtract the U.S. Dollar amount and U.S. Dollar value of the Digital Assets, calculated using the applicable Digital Asset Reference Rate(s), to be distributed under pending redemption orders, if any, determined by multiplying the number of Shares represented by such redemption orders by the applicable Digital Asset Reference Rate(s) (the amount derived from steps 1 through 5 above, the "**Digital Asset Holdings Fee Basis Amount**"); and
- (f) Subtract the U.S. Dollar amount of the Sponsor's Fee that accrues for such Business Day, as calculated based on the Digital Asset Holdings Fee Basis Amount for such Business Day, to the extent applicable.

Notwithstanding the foregoing, (i) in the event that the Sponsor determines that the methodology used to determine any Digital Asset Reference Rate is not an appropriate basis for valuation of the Trust's Digital Assets, the Sponsor shall use an alternative methodology as set forth in the Memorandum and (ii) in the event that the Trust holds any Incidental Rights and/or IR Virtual Currency, the Sponsor may, at its discretion, include the value of such Incidental Rights and/or IR Virtual Currency in the determination of the Trust's Digital Asset Holdings, provided that the Sponsor has determined in good faith a method for assigning an objective value to such Incidental Rights and/or IR Virtual Currency.

SECTION 9.5 *Maintenance of Records*

- (a) The Sponsor or its delegate shall maintain for a period of at least six Fiscal Years (a) all books of account required by Section 9.6 hereof; (b) a list of the names and last known address of, and number of Shares owned by, all Shareholders; (c) a copy of the Certificate of Trust and all certificates of amendment thereto; (d) executed copies of any powers of attorney pursuant to which any certificate has been executed; (e) copies of the Trust's U.S. federal, state and local

income tax returns and reports, if any; (f) copies of any effective written Trust Agreements, including any amendments thereto; and (g) any financial statements of the Trust.

(b) The Sponsor or its delegate may keep and maintain the books and records of the Trust in paper, magnetic, electronic or other format as the Sponsor may determine in its sole discretion, provided that the Sponsor shall use reasonable care to prevent the loss or destruction of such records. If there is a conflict between this Section 9.5 and the rules and regulations of any Secondary Market on which the Shares are listed, quoted or traded or, if applicable, the SEC with respect to the maintenance of records, the records shall be maintained pursuant to the rules and regulations of such Secondary Market or the SEC.

SECTION 9.6 *Fiscal Year.*

The fiscal year of the Trust for financial reporting purposes (the “**Fiscal Year**”) shall begin on the 1st day of January and end on the 31st day of December in each year. The Fiscal Year in which the Trust shall terminate shall end on the date of such termination. The Fiscal Year shall be the taxable period of the Trust for federal income tax purposes, except as provided in Section 706 of the Code.

SECTION 9.7 *Partnership Representative and Audits.*

(a) The Sponsor shall be the “partnership representative” of the Trust (“**Partnership Representative**”) pursuant to Section 6223 of the Code. In the event of any pending tax action, investigation, claim or controversy at the Trust level that may result in a “partnership adjustment” within the meaning of Section 6241 of the Code (“**Partnership Adjustment**”), to any item reported on a federal tax return of any Shareholder, the Partnership Representative shall keep such Shareholder fully and timely informed by written notice of any audit, administrative or judicial proceedings, meetings or conferences with the IRS or other similar matters that come to its attention in its capacity as Partnership Representative. Notwithstanding the foregoing, (i) the Partnership Representative shall be authorized to act for, and its decision shall be final and binding upon, the Trust and all Shareholders, and (ii) all expenses incurred by the Partnership Representative in connection with any income tax audit of any tax return of the Trust, the filing of any amended return or claim for refund in connection with any item of income, gain, loss, deduction or credit reflected on any tax return of the Trust, or any administrative or judicial proceedings arising out of or in connection with any such audit, amended return, claim for refund or denial of such claim (including, without limitation, reasonable attorneys’, accountants’ and other experts’ fees and disbursements) shall be expenses of the Trust. Without the consent of the Sponsor, as applicable, no Shareholder shall have the right to (A) participate in the audit of any Trust tax return, (B) file any return inconsistent with, or file any amended return or claim for refund in connection with, any item of income, gain, loss, deduction or credit reflected on any tax return of the Trust, (C) participate in any administrative or judicial proceedings arising out of or in connection with any audit, amended return, claim for refund or denial of such claim, or (D) appeal, challenge or otherwise protest any adverse findings in any such audit or with respect to any such amended return or claim for refund or in any such administrative or judicial proceedings.

(b) For any Partnership Adjustment or proposed Partnership Adjustment to the federal income tax returns of the Trust which an “imputed underpayment, within the meaning of Section 6225(b) of the Code would arise, the Partnership Representative is authorized to elect application of Section 6226 of the Code, and each Shareholder agrees to take any action and furnish the Partnership Representative with any information necessary to give effect to such election. In any case, (i) the affected Shareholder(s) shall keep the Partnership Representative fully and timely informed by written notice of any administrative or judicial proceedings, meetings or conferences with the IRS or other similar matters with respect to the Partnership Adjustment, and (ii) the Partnership Representative Shall have the right to review and comment on any submissions to the IRS, and attend and jointly participate in any meetings or conferences with the IRS at its own expense.

(c) This Section 9.7 is intended to comply with certain provisions of the Code that may be subject to change or further interpretation by the U.S. Treasury or IRS after the date hereof. In the event of such change or further interpretation, the Sponsor is hereby authorized to amend this Agreement consistent with the provisions of Section 9.7(a) and (b) above.

SECTION 9.8 *Tax Elections.*

The Sponsor, and each Shareholder by virtue of its purchase or acceptance of Shares, (i) express their intent that the Shares qualify under applicable tax law as interests in a partnership, and (ii) agree to file U.S. federal, state and local income franchise, and other tax returns in a manner that is consistent with the treatment of the Trust as a partnership in which each of the Shareholders thereof is a partner. The Sponsor may, in its discretion, cause the Partnership Representative to make or revoke all tax elections that it is entitled to make on behalf of the Trust and the Shareholders for federal, state, local, and other tax purposes, including, without limitations, the election referred to in Code Section 754 or any similar provisions of state, local, or foreign tax law, the determination of which items of cash outlay are to be capitalized or treated as current expenses, and selection of the method of accounting and bookkeeping procedures to be used by the Trust. In the event that any election under the Code is made, each Shareholder will furnish the Trust with all information necessary to give effect to such election.

ARTICLE X. AMENDMENT OF TRUST AGREEMENT; MEETINGS

SECTION 10.1 *Amendments to the Trust Agreement.*

(a) Amendment Generally.

(i) Except as otherwise specifically provided in this Section 10.1, the Sponsor, in its sole discretion and without Shareholder consent, may amend or otherwise supplement this Trust Agreement by making an amendment, an agreement supplemental hereto, or an amended and restated declaration of trust and trust agreement. Any such restatement, amendment and/or supplement hereto shall be effective on such date as designated by the Sponsor in its sole discretion; provided, however, that the Sponsor may amend or eliminate Section 7.4(b) without Shareholder consent, and for the avoidance of

doubt, any such amendment by the Sponsor shall be conclusively deemed to not materially adversely affect the interests of the Shareholders..

(ii) Any amendments to this Trust Agreement which materially adversely affects the interests of the Shareholders shall occur only upon the vote of Shareholders holding Shares equal to at least a majority (over 50%) of the Shares (not including Shares held by the Sponsor and its Affiliates). For all purposes of this Section 10.1, a Shareholder shall be deemed to consent to a modification or amendment of this Trust Agreement if the Sponsor has notified such Shareholder in writing of the proposed modification or amendment and the Shareholder has not, within twenty (20) calendar days of such notice, notified the Sponsor in writing that the Shareholder objects to such modification or amendment. Notwithstanding anything to the contrary herein, notice pursuant to this Section 10.1 may be given by the Sponsor to the Shareholder by email or other electronic transmission and shall be deemed given upon receipt without requirement of confirmation.

(b) Without limitation of the foregoing, the Sponsor may, without the approval of the Shareholders, amend the provisions of this Trust Agreement, if the Trust is advised at any time by the Trust's accountants or legal counsel that the amendments made are necessary to ensure that the Trust's status as a partnership will be respected for U.S. federal income tax purposes.

(c) No amendment affecting the rights or duties of the Trustee shall be binding upon or effective against the Trustee unless consented to by the Trustee in writing. No amendment shall be made to this Trust Agreement without the consent of the Trustee, if the Trustee reasonably believes that such amendment adversely affects any of its rights, duties or liabilities. The Trustee shall be under no obligation to execute any amendment to the Trust Agreement or to any agreement to which the Trust is a party, until it has received an instruction letter from the Sponsor, in form and substance reasonably satisfactory to the Trustee (i) directing the Trustee to execute such amendment, (ii) representing and warranting to the Trustee that such execution is authorized and permitted by the terms of the Trust Agreement and (if applicable) such other agreement to which the Trust is a party and does not conflict with or violate any other agreement to which the Trust is a party and (iii) confirming that such execution and acts related thereto are covered by the indemnity provisions of the Trust Agreement in favor of the Trustee and do not adversely affect the Trustee.

(d) Upon amendment of this Trust Agreement, the Certificate of Trust shall also be amended, if required by the Delaware Trust Statute, to reflect such change. At the expense of the Sponsor, the Trustee shall execute and file any amendment to the Certificate of Trust if so directed by the Sponsor.

(e) To the fullest extent permitted by law, no provision of this Trust Agreement may be amended, waived or otherwise modified orally but only by a written instrument adopted in accordance with this Section 10.1.

SECTION 10.2 *Meetings of the Trust.*

Meetings of the Shareholders may be called by the Sponsor in its sole discretion. The Sponsor shall furnish written notice to all Shareholders thereof of the meeting and the purpose of the meeting, which shall be held on a date, not less than ten (10) nor more than sixty (60) days after the date of mailing of said notice, at a reasonable time and place. Any notice of meeting shall be accompanied by a description of the action to be taken at the meeting. Shareholders may vote in person or by proxy at any such meeting.

SECTION 10.3 *Action without a Meeting.*

Any action required or permitted to be taken by Shareholders by vote may be taken without a meeting by written consent setting forth the actions so taken. Such written consents shall be treated for all purposes as votes at a meeting. If the vote or consent of any Shareholder to any action of the Trust or any Shareholder, as contemplated by this Trust Agreement, is solicited by the Sponsor, the solicitation shall be effected by notice to each Shareholder given in the manner provided in Section 13.6. The vote or consent of each Shareholder so solicited shall be deemed conclusively to have been cast or granted as requested in the notice of solicitation, whether or not the notice of solicitation is actually received by that Shareholder, unless the Shareholder expresses written objection to the vote or consent by notice given in the manner provided in Section 13.6 and actually received by the Trust within twenty (20) days after the notice of solicitation is sent. The Covered Persons dealing with the Trust shall be entitled to act in reliance on any vote or consent that is deemed cast or granted pursuant to this Section 10.3 and shall be fully indemnified by the Trust in so doing. Any action taken or omitted in reliance on any such deemed vote or consent of one or more Shareholders shall not be void or voidable by reason of any communication made by or on behalf of all or any of such Shareholders in any manner other than as expressly provided in Section 13.6.

ARTICLE XI. TERM

SECTION 11.1 *Term.*

The term for which the Trust is to exist shall be perpetual, unless terminated pursuant to the provisions of Article XII hereof or as otherwise provided by law.

ARTICLE XII. TERMINATION

SECTION 12.1 *Events Requiring Dissolution of the Trust.*

(a) The Trust shall dissolve at any time upon the happening of any of the following events:

(i) a U.S. federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its Digital Assets or seizes, impounds or otherwise restricts access to the Trust Estate;

(ii) any ongoing event exists that either prevents the Trust from making or makes impractical the Trust's reasonable efforts to make a fair determination of the Digital Asset Reference Rates;

(iii) any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert Digital Assets to U.S. Dollars;
or

(iv) a certificate of dissolution or revocation of the Sponsor's charter is filed (and ninety (90) days have passed after the date of notice to the Sponsor of revocation without a reinstatement of the Sponsor's charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor (each of the foregoing events an "Event of Withdrawal") has occurred unless (i) at the time there is at least one remaining Sponsor or

(v) within ninety (90) days of such Event of Withdrawal Shareholders holding at least a majority (over 50%) of the Shares agree in writing to continue the affairs of the Trust and to select, effective as of the date of such event, one or more successor Sponsors.

(b) The Sponsor may, in its sole discretion, dissolve the Trust if any of the following events occur:

(i) the SEC determines that the Trust is an investment company required to be registered under the Investment Company Act of 1940;

(ii) the CFTC determines that the Trust is a commodity pool under the Commodity Exchange Act;

(iii) the Trust is determined to be a "**money service business**" under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act and is required to comply with certain FinCEN regulations thereunder;

(iv) the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services businesses, providers of prepaid or stored value or similar entities, or virtual currency businesses;

(v) the Trust becomes insolvent or bankrupt;

(vi) a Security Vendor resigns or is removed without replacement;

(vii) all of the Trust's Digital Assets are sold;

(viii) the Sponsor determines that the size of the Trust Estate in relation to the expenses of the Trust makes it unreasonable or imprudent to continue the affairs of the Trust;

(ix) the Sponsor receives notice from the IRS or from counsel for the Trust or the Sponsor that the Trust fails to qualify for treatment, or will not be treated, as a partnership under the Code;

(x) the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within one hundred and eighty (180) days; or

(xi) the Sponsor determines, in its sole discretion, that it is desirable or advisable for any reason to discontinue the affairs of the Trust.

The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Shareholder (as long as such Shareholder is not the sole Shareholder of the Trust) shall not result in the termination of the Trust, and such Shareholder, his or her estate, custodian or personal representative shall have no right to a redemption of such Shareholder's Shares. Each Shareholder (and any assignee thereof) expressly agrees that in the event of his or her death, he or she waives on behalf of himself or herself and his or her estate, and he or she directs the legal representative of his or her estate and any person interested therein to waive the furnishing of any inventory, accounting or appraisal of the Trust Estate and any right to an audit or examination of the books of account for the Trust, except for such rights as are set forth in Article VIII hereof relating to the books of account and reports of the Trust.

SECTION 12.2 *Distributions on Dissolution.*

Upon the dissolution of the Trust, the Sponsor (or in the event there is no Sponsor, such person (the "**Liquidating Trustee**") as the majority in interest of the Shareholders may propose and approve, which in no event shall be the Trustee, unless the Trustee shall have agreed in writing in its sole discretion) shall take full charge of the Trust Estate. Any Liquidating Trustee so appointed shall have and may exercise, without further authorization or approval of any of the parties hereto, all of the powers conferred upon the Sponsor under the terms of this Trust Agreement, subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, and provided that the Liquidating Trustee shall not have general liability for the acts, omissions, obligations and expenses of the Trust. Thereafter, in accordance with Section 3808(e) of the Delaware Trust Statute, the affairs of the Trust shall be wound up and all assets owned by the Trust shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom shall be applied and distributed in the following order of priority: (a) to the expenses of liquidation and termination and to creditors, including Shareholders who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Trust (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for distributions to Shareholders, and (b) to the Shareholders *pro rata* in accordance with their respective Percentage Interests of the Trust Estate.

SECTION 12.3 *Termination; Certificate of Cancellation.*

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Sponsor or the Liquidating Trustee, as the case may be, shall instruct the Trustee

in writing to execute and cause such certificate of cancellation of the Certificate of Trust to be filed in accordance with the Delaware Trust Statute at the expense of the Sponsor or the Liquidating Trustee, as the case may be. Notwithstanding anything to the contrary contained in this Trust Agreement, the existence of the Trust as a separate legal entity shall continue until the filing of such certificate of cancellation.

ARTICLE XIII. MISCELLANEOUS

SECTION 13.1 *Governing Law.*

The validity and construction of this Trust Agreement and all amendments hereto shall be governed by the laws of the State of Delaware, and the rights of all parties hereto and the effect of every provision hereof shall be subject to and construed according to the laws of the State of Delaware without regard to the conflict of laws provisions thereof; *provided, however*, that causes of action for violations of U.S. federal or state securities laws shall not be governed by this Section 13.1, and *provided*, further, that the parties hereto intend that the provisions hereof shall control over any contrary or limiting statutory or common law of the State of Delaware (other than the Delaware Trust Statute and Del. C. §3328) and that, to the maximum extent permitted by applicable law, there shall not be applicable to the Trust, the Trustee, the Sponsor, the Shareholders or this Trust Agreement any provision of the laws (statutory or common) of the State of Delaware (other than the Delaware Trust Statute and 12 Del. C. §3328) pertaining to trusts that relate to or regulate in a manner inconsistent with the terms hereof: (a) the filing with any court or governmental body or agency of trustee accounts or schedules of trustee fees and charges, (b) affirmative requirements to post bonds for trustees, officers, agents, or employees of a trust, (c) the necessity for obtaining court or other governmental approval concerning the acquisition, holding or disposition of real or personal property, (d) fees or other sums payable to trustees, officers, agents or employees of a trust, (e) the allocation of receipts and expenditures to income or principal, (f) restrictions or limitations on the permissible nature, amount or concentration of trust investments or requirements relating to the titling, storage or other manner of holding of trust assets or (g) the establishment of fiduciary or other standards or responsibilities or limitations on the acts or powers of trustees or managers that are inconsistent with the limitations on liability or authorities and powers of the Trustee or the Sponsor set forth or referenced in this Trust Agreement. Section 3540 of Title 12 of the Delaware Code shall not apply to the Trust. The Trust shall be of the type commonly called a “**statutory trust**,” and without limiting the provisions hereof, but subject to Section 1.5 and Section 1.6, the Trust may exercise all powers that are ordinarily exercised by such a statutory trust under Delaware law. Subject to Section 1.5 and Section 1.6, the Trust specifically reserves the right to exercise any of the powers or privileges afforded to statutory trusts and the absence of a specific reference herein to any such power, privilege or action shall not imply that the Trust may not exercise such power or privilege or take such actions.

SECTION 13.2 *Provisions In Conflict With Law or Regulations.*

(a) The provisions of this Trust Agreement are severable, and if the Sponsor shall determine, with the advice of counsel, that any one or more of such provisions (the “**Conflicting Provisions**”) are in conflict with the Code, the Delaware Trust Statute, the Securities Act, if

applicable, or other applicable U.S. federal or state laws or the rules and regulations of any Secondary Market, the Conflicting Provisions shall be deemed never to have constituted a part of this Trust Agreement, even without any amendment of this Trust Agreement pursuant to this Trust Agreement; provided, however, that such determination by the Sponsor shall not affect or impair any of the remaining provisions of this Trust Agreement or render invalid or improper any action taken or omitted prior to such determination. No Sponsor or Trustee shall be liable for making or failing to make such a determination.

(b) If any provision of this Trust Agreement shall be held invalid or unenforceable in any jurisdiction, such holding shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Trust Agreement in any jurisdiction.

SECTION 13.3 *Counsel to the Trust.*

Counsel to the Trust may also be counsel to the Sponsor and its Affiliates. The Sponsor may execute on behalf of the Trust and the Shareholders any consent to the representation of the Trust that counsel may request pursuant to the Pennsylvania Rules of Professional Conduct or similar rules in any other jurisdiction (the “**Rules**”). The Shareholders acknowledge that the Trust has selected Royer Cooper Cohen Braunfeld LLC as legal counsel to the Trust (“**Trust Counsel**”). Trust Counsel shall not represent any Shareholder in the absence of a clear and explicit agreement to such effect between the Shareholder and Trust Counsel (and that only to the extent specifically set forth in that agreement), and in the absence of any such agreement Trust Counsel shall owe no duties directly to a Shareholder. Each Shareholder agrees that, in the event any dispute or controversy arises between any Shareholder and the Trust, or between any Shareholder or the Trust, on the one hand, and the Sponsor (or an Affiliate thereof that Trust Counsel represents), on the other hand, that Trust Counsel may represent either the Trust or the Sponsor (or its Affiliate), or both, in any such dispute or controversy to the extent permitted by the Rules, and each Shareholder hereby consents to such representation. Each Shareholder further acknowledges that, regardless of whether Trust Counsel has in the past represented any Shareholder with respect to other matters, Trust Counsel has not represented the interests of any Shareholder in the preparation and negotiation of this Trust Agreement.

SECTION 13.4 *Merger and Consolidation.*

The Sponsor may cause (i) the Trust to be merged into or consolidated with, converted to or to sell all or substantially all of its assets to, another trust or entity; (ii) the Shares of the Trust to be converted into beneficial interests in another statutory trust (or series thereof); or (iii) the Shares of the Trust to be exchanged for shares in another trust or company under or pursuant to any U.S. state or federal statute to the extent permitted by law. For the avoidance of doubt, the Sponsor, with written notice to the Shareholders, may approve and effect any of the transactions contemplated under (i), (ii) and (iii) above without any vote or other action of the Shareholders.

SECTION 13.5 *Construction.*

In this Trust Agreement, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of this Trust Agreement.

SECTION 13.6 *Notices.*

All notices or communications under this Trust Agreement (other than notices of pledge or encumbrance of Shares, and reports and notices by the Sponsor to the Shareholders) shall be in writing and shall be effective upon personal delivery, or if sent by mail, postage prepaid, or if sent electronically, by email, or by overnight courier; and addressed, in each such case, to the address set forth in the books and records of the Trust or such other address as may be specified in writing, of the party to whom such notice is to be given, upon the deposit of such notice in the United States mail, upon transmission and electronic confirmation thereof or upon deposit with a representative of an overnight courier, as the case may be. Notices of pledge or encumbrance of Shares shall be effective upon timely receipt by the Sponsor in writing. Any reports or notices by the Sponsor to the Shareholders which are given electronically shall be effective upon receipt without requirement of confirmation.

All notices that are required to be provided to the Trustee shall be sent to:

Delaware Trust Company
Attention: Corporate Trust Administration
251 Little Falls Drive
Wilmington, DE 19808

All notices that the Trustee is required to provide shall be sent to:

if to the Trust, at

IDX Risk-Weighted Decentralized Finance (DeFi) Trust
2201 E Camelback Road
Suite 605
Phoenix, AZ 85016
Attention: IDX Digital Assets, LLC

if to the Sponsor, at

IDX Digital Assets, LLC
2201 E Camelback Road
Suite 605
Phoenix, AZ 85016
Attention: Andrew Swan

SECTION 13.7 *Confidentiality.*

(a) All communications between the Sponsor or the Trustee on the one hand, and any Shareholder, on the other, shall be presumed to include confidential, proprietary, trade secret and other sensitive information. Unless otherwise agreed to in writing by the Sponsor, each Shareholder shall maintain the confidentiality of information that is non-public information furnished by the Sponsor regarding the Sponsor and the Trust received by such Shareholder pursuant to this Trust Agreement in accordance with such procedures as it applies generally to information of this kind (including procedures relating to information sharing with Affiliates), except (i) as otherwise required by governmental regulatory agencies (including tax authorities in connection with an audit or other similar examination of such Shareholder), self-regulating bodies, law, legal process, or litigation in which such Shareholder is a defendant, plaintiff or other named party or (ii) to directors, employees, representatives and advisors of such Shareholder and its Affiliates who need to know the information and who are informed of the confidential nature of the information and agree to keep it confidential. Without limiting the foregoing, each Shareholder acknowledges that notices and reports to Shareholders hereunder may contain material non-public information and agrees not to use such information other than in connection with monitoring its investment in the Trust and agrees not to trade in securities on the basis of any such information.

(b) In the event that the Sponsor determines in good faith that (i) a Shareholder has violated or is reasonably likely to violate the provisions of this Section 13.7 or (ii) a Shareholder that is subject to FOIA, any state public records access law or any other law or statutory or regulatory requirement that is similar to FOIA in intent or effect (each, a “**Public Access Law**”) is reasonably likely to be subject to a disclosure request pursuant to a Public Access Law that would result in the disclosure by such Shareholder of confidential information regarding the Trust, the Sponsor may (x) provide to such Shareholder access to such information only on the Trust’s website in password protected, non-downloadable, non-printable format and (y) require such Shareholder to return any copies of information provided to it by the Sponsor or the Trust.

(c) If any Public Access Law would potentially cause a Shareholder or any of its Affiliates to disclose information relating to the Trust, its Affiliates and/or any investment of the Trust, then in addition to compliance with the notice requirements set forth in Section 13.7(a) above, such Shareholder shall take commercially reasonable steps to oppose and prevent the requested disclosure unless (i) such Shareholder is advised by counsel that there exists no reasonable basis on which to oppose such disclosure or (ii) the Sponsor does not object in writing to such disclosure within ten (10) days (or such lesser time period as stipulated by the applicable law) of such notice. Each Shareholder acknowledges and agrees that in such event, notwithstanding any other provision of this Trust Agreement, the Sponsor may, in order to prevent any such potential disclosure that the Sponsor determines in good faith is likely to occur, withhold all or any part of the information otherwise to be provided to such Shareholder; *provided*, that the Sponsor shall not withhold any such information if a Shareholder confirms in writing to the Sponsor that compliance with the procedures provided for in Section 13.7(b) above is legally sufficient to prevent such potential disclosure.

(d) A Shareholder may, by giving written notice to the Sponsor, elect not to receive copies of any document, report or other information that such Shareholder would otherwise be entitled to receive pursuant to this Trust Agreement and is not required by applicable law to be

delivered. The Sponsor agrees that it shall make any such documents available to such Shareholder at the Sponsor's offices.

(e) Notwithstanding anything in this Trust Agreement to the contrary, each Shareholder and each Shareholder's employees, representatives or other agents are authorized to disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the Trust and any transaction entered into by the Trust and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or tax structure that are provided to such Shareholder, except for any information identifying the Sponsor, the Trust, the Trustee or their respective advisors, affiliates, officers, directors, members, employees and principals or (except to the extent relevant to such tax structure or tax treatment) any nonpublic commercial or financial information.

(f) Any obligation of a Shareholder pursuant to this Section 13.7 may be waived by the Sponsor in its sole discretion.

(g) Each Shareholder acknowledges and agrees that (i) the restrictions contained in this Section 13.7 are necessary for the protection of the affairs and goodwill of the Sponsor, the Trustee, the Trust and their Affiliates and each Shareholder considers such restrictions to be reasonable for such purpose, (ii) the misappropriation or unauthorized disclosure of confidential information is likely to cause substantial and irreparable damage to the Sponsor, the Trustee, the Trust and their Affiliates and (iii) damages may not be an adequate remedy for breach of this Section 13.7. Accordingly, the Sponsor, the Trustee, the Trust and their Affiliates shall be entitled to injunctive and other equitable relief, in addition to all other remedies available to them at law or at equity, and no proof of special damages shall be necessary for the enforcement of this Section 13.7.

SECTION 13.8 *Counterparts; Electronic Signatures.*

This Trust Agreement may be executed in one or more counterparts (including those by facsimile or other electronic means), all of which shall constitute one and the same instrument binding on all of the parties hereto, notwithstanding that all parties are not signatory to the original or the same counterpart. This Trust Agreement, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

SECTION 13.9 *Binding Nature of Trust Agreement*

The terms and provisions of this Trust Agreement shall be binding upon and inure to the benefit of the heirs, custodians, executors, estates, administrators, personal representatives, successors and permitted assigns of the respective Shareholders. For purposes of determining the rights of any Shareholder or assignee hereunder, the Trust and the Sponsor may rely upon the Trust records as to who are Shareholders and permitted assignees, and all Shareholders and assignees agree that the Trust and the Sponsor, in determining such rights, shall rely on such records and that Shareholders and their assignees shall be bound by such determination.

SECTION 13.10 *No Legal Title to Trust Estate.*

Subject to the provisions of Section 1.7 in the case of the Sponsor, the Shareholders shall not have legal title to any part of the Trust Estate.

SECTION 13.11 *Creditors.*

No creditors of any Shareholders shall have any right to obtain possession of, or otherwise exercise legal or equitable remedies with respect to the Trust Estate.

SECTION 13.12 *Integration.*

This Trust Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 13.13 *Goodwill; Use of Name.*

No value shall be placed on the name or goodwill of the Trust, which shall belong exclusively to IDX Digital Assets, LLC.

[Text continued on the following page]

SECTION 13.14 *Compliance with Applicable Law.*

Each Shareholder agrees to use its commercially reasonable efforts, upon reasonable request by the Sponsor, to cooperate with the Sponsor in complying with the applicable provisions of any material applicable law. Notwithstanding any other provision of this Trust Agreement to the contrary, the Sponsor, in its own name and on behalf of the Trust, shall be authorized without the consent of any Person, including any Shareholder, to take such action as in its sole discretion it deems necessary or advisable to comply with any anti-money laundering or anti-terrorist laws, rules, regulations, directives or special measures.

IN WITNESS WHEREOF, the undersigned have duly executed this Amended and Restated Declaration of Trust and Trust Agreement as of the day and year first above written.

DELAWARE TRUST COMPANY, as Trustee

By: /s/ Gregory Daniels
Name: Gregory Daniels
Titles: Assistant Vice President

IDX DIGITAL ASSETS, LLC, as Sponsor

By: /s/ Andrew Swan
Name: Andrew Swan
Title: Chief Executive Officer

EXHIBIT A
CERTIFICATE OF TRUST

CERTIFICATE OF TRUST
OF
IDX RISK-WEIGHTED DECENTRALIZED FINANCE (DEFI) TRUST

THIS Certificate of Trust of IDX Risk-Weighted Decentralized Finance (DeFi) Trust (the “Trust”) is being duly executed and filed on behalf of the Trust by the undersigned, as trustee, to form a statutory trust under the Delaware Statutory Trust Act (12 Del. C. § 3801 et seq.) (the “Act”).

1. Name. The name of the statutory trust formed by this Certificate of Trust is IDX Risk-Weighted Decentralized Finance (DeFi) Trust.

2. Delaware Trustee. The name and address of the trustee of the Trust having a principal place of business in the State of Delaware are Delaware Trust Company, 251 Little Falls Drive, Wilmington, DE 19808, Attn: Corporate Trust.

3. Effective Date. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned trustee has duly executed this Certificate of Trust in accordance with Section 3811(a)(1) of the Act.

DELAWARE TRUST COMPANY, not in its
individual capacity but solely as trustee

By: /s/ Gregory Daniels

Name: Gregory Daniels

Title: Assistant Vice President

IDX Risk-Weighted Decentralized Finance (DeFi) Trust

Private Placement Memorandum

Dated May 1, 2022

Principal Office

2201 E Camelback Road
Suite 605
Phoenix, AZ 85016

Registered Office

Delaware Trust Company
Attention: Corporate Trust Administration
251 Little Falls Drive
Wilmington, Delaware 19808

Custodian

Coinbase Custody Trust Company, LLC
200 Park Avenue South
Suite 1208
New York, New York 10003

Auditor

Marcum LLP

Administrator

Gryphon Fund Group, LLC

Sponsor

IDX Digital Assets, LLC
2201 E Camelback Road
Suite 605
Phoenix, AZ 85016

Trustee

Delaware Trust Company
Attention: Corporate Trust Administration
251 Little Falls Drive
Wilmington, Delaware 19808

Sponsor's Counsel

Royer Cooper Cohen Braunfeld LLC
101 West Elm Street, Suite 400
Conshohocken, Pennsylvania 19428