CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM

Offering of Units

in

Osprey Polkadot Trust

Sponsor
Osprey Funds, LLC

July 15, 2021

THIS OFFERING IS AVAILABLE TO "ACCREDITED INVESTORS" ONLY

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NOTICES TO PROSPECTIVE INVESTORS

THE INFORMATION CONTAINED IN THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, INCLUDING THE APPENDICES HERETO (COLLECTIVELY, THIS "MEMORANDUM"), SUPERSEDES ALL PRELIMINARY VERSIONS HEREOF AND ALL OTHER INFORMATION POTENTIAL INVESTORS MAY HAVE RECEIVED FROM OSPREY FUNDS, LLC (THE "SPONSOR").

THE UNITS OF OSPREY POLKADOT TRUST (THE "TRUST") DESCRIBED IN THIS MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY OF THE STATES OF THE UNITED STATES. THE OFFERING CONTEMPLATED BY THIS MEMORANDUM WILL BE MADE IN RELIANCE UPON AN EXEMPTION OR EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND QUALIFICATIONS OR EXEMPTIONS UNDER THE STATE SECURITIES LAWS OF THOSE STATES IN WHICH THE UNITS ARE OFFERED.

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"). CURRENTLY, THE COMMODITY FUTURES TRADING

COMMISSION (THE "CFTC") TAKES THE POSITION THAT DOT IS A COMMODITY, ALTHOUGH IT HAS NOT ISSUED REGULATIONS TO FORMALIZE THIS POSITION. THE TRUST IS NOT REGISTERED AS A COMMODITY POOL FOR PURPOSES OF THE COMMODITY EXCHANGE ACT OF 1936, AS AMENDED (THE "CEA"), AND THE SPONSOR IS NOT REGISTERED AS A COMMODITY POOL OPERATOR, A COMMODITY TRADING ADVISOR OR OTHERWISE. THE TRUST AND THE SPONSOR WILL CONTINUE TO MONITOR AND EVALUATE WHETHER ANY SUCH REGISTRATIONS MAY BE OR MAY BECOME REQUIRED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF UNITS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. EACH INVESTOR MUST COMPLY WITH ALL LEGAL REQUIREMENTS IN EACH APPLICABLE JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS UNITS OR POSSESSES THIS MEMORANDUM, AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT IN CONNECTION WITH THE OFFERING. NEITHER THE SPONSOR, THE TRUST NOR ANY OF THEIR RESPECTIVE AFFILIATES OR SERVICE PROVIDERS MAKES ANY REPRESENTATION OR WARRANTY REGARDING, OR SHALL HAVE ANY RESPONSIBILITY FOR, THE LEGALITY OF AN INVESTMENT IN THE UNITS UNDER ANY SECURITIES OR SIMILAR LAWS.

THIS MEMORANDUM IS BEING FURNISHED SOLELY FOR THE PURPOSE OF ENABLING PROSPECTIVE INVESTORS TO DETERMINE WHETHER THEY WISH TO PROCEED WITH FURTHER INVESTIGATION OF THE TRUST AND TO MAKE AN INVESTMENT IN THE UNITS. THIS MEMORANDUM IS NOT INTENDED TO FORM THE SOLE BASIS OF ANY INVESTMENT DECISION AND DOES NOT ATTEMPT TO PRESENT ALL THE INFORMATION THAT PROSPECTIVE INVESTORS MAY REQUIRE FOR PURPOSES OF MAKING AN INVESTMENT DECISION. NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE TRUST WHICH ARE INCONSISTENT WITH THOSE CONTAINED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS SHOULD NOT RELY ON ANY INFORMATION NOT CONTAINED IN THIS MEMORANDUM WHEN MAKING AN INVESTMENT DECISION. INSTEAD, INVESTORS MUST, AND BY ACCEPTING DELIVERY OF THIS MEMORANDUM THEY AGREE TO, RELY ON THEIR OWN EXAMINATION OF THE TRUST AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. SEE "RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST".

THIS MEMORANDUM SPEAKS AS OF THE DATE HEREOF. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY EVENTUAL SALE OF UNITS SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY FUTURE DATE OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE TRUST AFTER THE DATE HEREOF. NOTHING CONTAINED HEREIN IS, OR SHOULD BE RELIED UPON AS, A PROMISE OR REPRESENTATION AS TO FUTURE PERFORMANCE. NEITHER THE TRUST, THE SPONSOR, NOR ANY OF THEIR AFFILIATES OR SERVICE PROVIDERS UNDERTAKES ANY OBLIGATION TO UPDATE OR REVISE THIS MEMORANDUM, EXCEPT AS MAY BE REQUIRED BY LAW.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR FINANCIAL ADVICE. EACH PROSPECTIVE INVESTOR SHOULD, AND BY ACCEPTING DELIVERY OF THIS MEMORANDUM AGREES TO, CONSULT HIS, HER OR ITS OWN PROFESSIONAL ADVISORS AS TO THE LEGAL, TAX, FINANCIAL OR OTHER MATTERS RELEVANT TO THE SUITABILITY OF AN INVESTMENT IN UNITS FOR SUCH INVESTOR.

THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, AND MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE REQUIREMENTS AND CONDITIONS IN THE SECOND AMENDED AND RESTATED TRUST AGREEMENT AND DECLARATION OF TRUST OF OSPREY POLKADOT TRUST (THE "TRUST AGREEMENT"), WHICH TRUST AGREEMENT REQUIRES THE APPROVAL OF THE SPONSOR FOR SUCH TRANSFER. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

ANY FINANCIAL PROJECTIONS OR OTHER FORWARD-LOOKING STATEMENTS THAT ARE INCLUDED IN THIS MEMORANDUM OR OTHERWISE FURNISHED IN CONNECTION WITH THIS OFFERING ARE FOR ILLUSTRATIVE PURPOSES ONLY AND ARE BASED ON ASSUMPTIONS BY THE SPONSOR'S MANAGEMENT THAT ARE SUBJECT TO RISKS AND UNCERTAINTIES AND MAY PROVE TO BE INCOMPLETE OR INACCURATE. SEE "RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST". ACTUAL RESULTS ACHIEVED MAY VARY FROM ANY SUCH PROJECTIONS AND THE VARIATIONS MAY BE MATERIAL. NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY FINANCIAL PROJECTIONS OR OTHER FORWARD-LOOKING STATEMENTS, ANY ASSUMPTIONS UNDERLYING THEM, THE FUTURE OPERATIONS OF THE TRUST OR THE AMOUNT OF ANY FUTURE INCOME OR LOSS. WITHOUT LIMITATION OF THE FOREGOING, NEITHER THE SPONSOR'S NOR THE TRUST'S ACCOUNTANTS EXPRESS ANY OPINION OR OTHER FORM OF ASSURANCE WITH RESPECT TO ANY SUCH MATTERS. CERTAIN INFORMATION CONTAINED HEREIN REGARDING ECONOMIC TRENDS AND PERFORMANCE IS BASED UPON OR DERIVED FROM INFORMATION PROVIDED BY THIRD PARTIES AND OTHER INDUSTRY SOURCES. THE SPONSOR

HAS NOT INDEPENDENTLY VERIFIED AND CANNOT ASSURE THE ACCURACY OF ANY DATA OBTAINED BY OR FROM ANY OF THESE SOURCES.

NO REPRESENTATIONS OR WARRANTIES ARE MADE OR INTENDED, AND NONE SHOULD BE INFERRED, WITH RESPECT TO THE ECONOMIC RETURN OR THE TAX CONSEQUENCES OF AN INVESTMENT IN THE UNITS. NO ASSURANCE CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED OR INTERPRETED ADVERSELY TO THE TRUST, THE SPONSOR, THE UNITS OR INVESTORS IN THE UNITS.

NO SALE WILL BE MADE TO ANY PERSON WHO IS NOT AN ELIGIBLE INVESTOR AS DESCRIBED IN THIS MEMORANDUM. IF YOU ARE IN ANY DOUBT AS TO THE SUITABILITY FOR YOU OF AN INVESTMENT IN OUR SECURITIES, YOU SHOULD CONSULT YOUR INVESTMENT ADVISOR. NO SUBSCRIPTIONS WILL BE ACCEPTED FROM RESIDENTS OF ANY STATE UNLESS WE ARE SATISFIED THAT THE OFFERING IS IN COMPLIANCE WITH THE LAWS OF SUCH STATE.

WE RESERVE THE RIGHT, IN OUR SOLE DISCRETION AND FOR ANY REASON WHATSOEVER OR NO REASON, TO MODIFY, AMEND OR WITHDRAW ALL OR A PORTION OF THE OFFERING OR TO ACCEPT OR REJECT IN WHOLE OR IN PART ANY PROSPECTIVE INVESTMENT IN THE UNITS OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE AMOUNT OF UNITS SUCH INVESTOR DESIRES TO PURCHASE. WE SHALL HAVE NO LIABILITY WHATSOEVER TO ANY OFFEREE OR INVESTOR IN THE EVENT ANY OF THE FOREGOING SHALL OCCUR.

IT IS THE RESPONSIBILITY OF ANY INVESTOR PURCHASING THE UNITS TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT JURISDICTION OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS AND OBSERVING ANY OTHER APPLICABLE REQUIREMENTS.

CONFIDENTIALITY

THIS MEMORANDUM AND ALL OTHER MATERIALS RECEIVED IN CONNECTION WITH THIS OFFERING ARE INTENDED SOLELY FOR THE USE OF THE PERSON TO WHOM THEY HAVE BEEN DELIVERED BY THE SPONSOR OR ITS AUTHORIZED REPRESENTATIVE AND SOLELY FOR THE PURPOSE OF EVALUATING A POSSIBLE INVESTMENT BY THE RECIPIENT IN THE UNITS DESCRIBED HEREIN, AND ARE NOT TO BE REPRODUCED OR DISTRIBUTED, IN WHOLE OR IN PART, TO ANY OTHER PERSON (OTHER THAN PROFESSIONAL ADVISORS OF THE PROSPECTIVE INVESTOR RECEIVING THIS DOCUMENT FROM THE SPONSOR OR ITS AUTHORIZED REPRESENTATIVE), OR USED FOR ANY OTHER REASON, WITHOUT THE PRIOR WRITTEN CONSENT OF THE SPONSOR. BY ACCEPTING DELIVERY OF THIS MEMORANDUM, YOU AGREE TO THE FOREGOING ON BEHALF OF YOURSELF AND YOUR EMPLOYEES, AGENTS AND ADVISORS. IF YOU ELECT NOT TO PARTICIPATE IN THIS OFFERING, IF YOUR SUBSCRIPTION IS REJECTED OR IF THE TRUST OR THE

SPONSOR SO REQUEST, YOU AGREE TO PROMPTLY RETURN THIS MEMORANDUM AND ALL OTHER MATERIALS RECEIVED IN CONNECTION WITH THIS OFFERING WITHOUT RETAINING ANY COPIES OR OTHER REPRODUCTIONS THEREOF, IN WHOLE OR IN PART.

NASAA UNIFORM LEGEND

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

PATRIOT ACT RIDER

THE INVESTOR HEREBY REPRESENTS AND WARRANTS THAT THE INVESTOR IS NOT, NOR IS IT ACTING AS, AN AGENT, REPRESENTATIVE, INTERMEDIARY OR NOMINEE FOR, A PERSON IDENTIFIED ON THE LIST OF BLOCKED PERSONS MAINTAINED BY THE OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF TREASURY. IN ADDITION, THE INVESTOR HAS COMPLIED WITH ALL APPLICABLE U.S. LAWS, REGULATIONS, DIRECTIVES AND EXECUTIVE ORDERS RELATING TO ANTI-MONEY LAUNDERING, INCLUDING BUT NOT LIMITED TO THE FOLLOWING LAWS: (1) THE UNITING AND STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM ACT OF 2001, PUBLIC LAW 107-56, AND (2) EXECUTIVE ORDER 13224 (BLOCKING PROPERTY AND PROHIBITING TRANSACTIONS WITH PERSONS WHO COMMIT, THREATEN TO COMMIT OR SUPPORT TERRORISM) OF SEPTEMBER 23, 2001.

TAX CONSIDERATIONS

THIS MEMORANDUM PROVIDES NO TAX ADVICE. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE RECEIPT, OWNERSHIP, AND DISPOSITION OF THE UNITS.

IF ANY PROSPECTIVE INVESTOR HAS ANY QUESTIONS REGARDING THIS OFFERING OR DESIRES ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS MEMORANDUM, THAT PROSPECTIVE INVESTOR SHOULD CONTACT THE SPONSOR USING THE

CONTACT INFORMATION PROVIDED LATER IN THIS MEMORANDUM UNDER THE HEADING “INQUIRIES”.

WE HAVE AGREED TO MAKE AVAILABLE, PRIOR TO THE SALE OF THE UNITS OFFERED PURSUANT TO THIS MEMORANDUM, TO EACH OFFEREE, SUCH OFFEREE’S REPRESENTATIVE, OR BOTH, THE OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, OUR OFFICERS OR ANY OTHER PERSON ACTING ON OUR BEHALF CONCERNING THE TERMS AND CONDITIONS OF THE UNITS AND THE OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THEY POSSESS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, WHICH IS NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH IN THIS MEMORANDUM OR WHICH AN OFFEREE OR SUCH OFFEREE’S REPRESENTATIVE MAY REASONABLY REQUIRE IN ORDER TO MAKE AN INVESTMENT DECISION CONCERNING THE UNITS.

OSPREY POLKADOT TRUST

SUMMARY OF THE OFFERING

The following summary of certain portions of this Memorandum is intended for reference only and is by its nature incomplete. This Memorandum and the other documents accompanying this Memorandum describe in more detail aspects of the investment that are material to prospective investors in the Units. They must be read in their entirety by prospective investors.

Statements contained in this Memorandum as to the content of any other agreement or document are not necessarily complete, and each such statement is deemed to be qualified in all respects by the provisions of those agreements and documents, copies of which are available for examination by prospective investors upon request.

Issuer:	Osprey Polkadot Trust (the "Trust"), a Delaware trust. The Trust was formed on March 25, 2021, and operates pursuant to the Declaration of Trust and Trust Agreement of Osprey Polkadot Trust, dated as of April 20, 2021 (as it may be further amended or restated, the "Trust Agreement"). As of July 9 2021, there were 3,758,246 Units issued and outstanding with a net asset value ("NAV") of $2.2681. All Units outstanding were sold in an offering exempt from registration under federal and state law.
Sponsor:	Osprey Funds, LLC (the "Sponsor")
Custodian:	Coinbase Custody Trust Company, LLC (the "Custodian")
Securities Offered:	A continuous unlimited offering of Units with no par value, each Unit representing a fractional undivided beneficial interest in the Trust (collectively, the "Units"). The Sponsor retains the right to discontinue the offering periodically, from time to time, or for such period as the Sponsor deems necessary or appropriate.
Investment Objective:	The investment objective of the Trust is solely for the Units to realize long-term capital appreciation by tracking the price of DOT tokens, the native token to the Polkadot Network, as defined below ("DOT") on each business day, less liabilities and expenses of the Trust. The Units are designed as a convenient and cost-effective method for investors to gain investment exposure to DOT without making a direct investment in DOT.
DOT Market Price:	The Trust will rely on the Kraken Polkadot Price (defined below) as the "DOT Market Price" to be used when determining the net asset value of the Trust.

NAV:	The net asset value ("NAV") of the Trust is used by the Trust in its day-to-day operations to measure the net value of the Trust's assets , as measured at 4:00 P.M. New York time. calculated using the Polkadot rate **available at: https://www.kraken.com/prices/dot-polkadot-price-chart** (the "Kraken Polkadot Price"), The NAV is calculated on each business day and is equal to the aggregate value of the Trust's assets less its liabilities (which include accrued but unpaid fees and expenses), based on the DOT Market Price. In determining the NAV of the Trust on any business day, the Trust's Administrator will calculate the DOT Market Price as of 4:00 P.M. New York time on such day. The Administrator will also calculate the NAV per Unit of the Trust, which equals the NAV of the Trust divided by the number of outstanding Units (the "NAV per Unit"). The Administrator will calculate the NAV and NAV per Unit on each business day and these amounts will be published as soon thereafter as practicable on the website www.ospreyfunds.io.
Offering Price of the Units, Number of Units Issued:	The issuance of Units requires payment to the Trust of the amount of U.S. dollars required for the Units being issued (or, at the sole discretion of the Sponsor, payment of the number of DOT represented by the Units being issued). The number of Units to be issued with respect to the amount of cash (or DOT) 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 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 Unit, how many Units 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 Units based on the latest NAV as of that day. Instead, the investor will receive Units based on the NAV applicable to the day on which that subscription amount is invested, which could be the same day but will more likely be a later day. The Sponsor currently expects that it may issue Units weekly and allow orders to accumulate between issuances. The Sponsor or its delegate has final determination of all questions as to the number of Units issuable with respect to a particular purchase, including as to how such number may be adjusted in respect of accrued but unpaid fees and expenses of the Trust. Unless otherwise

	waived by the Sponsor in its sole discretion, the minimum investment accepted by the Trust will be $10,000.00 (Ten Thousand Dollars) per investor.
Use of Proceeds:	Proceeds received by the Trust from the issuance and sale of Units will be used to acquire DOT. The Trust may accrue staked, forked or airdropped cryptocurrency coins from the Polkadot Network, or their respective U.S. dollar cash equivalents. Such DOT will in all cases be (1) owned by the Trust and held by the Custodian, (2) disbursed (after conversion to U.S. dollars, as applicable) to pay the Trust's expenses, (3) distributed (after conversion to U.S. dollars, as applicable) to holders of the Trust's Units ("Unitholders") in connection with the redemption of Units, if and when redemptions of Units are ever permitted, (4) distributed (after conversion to U.S. dollars, as applicable), to Unitholders as dividends, if and when dividends are ever paid (see"—Dividends", below) and (5) liquidated in the event that the Trust is terminated or as otherwise required by law or regulation.
Management Fee:	The Trust's only ordinary recurring charge is expected to be the remuneration due to the Sponsor (the "Management Fee"). The Management Fee equals 2.50% of the Trust assets per annum. The Sponsor expects that the Trust will pay the Management Fee in monthly installments in arrears.
Management Fee Waiver:	The Sponsor agrees to waive the management fee until January 1, 2023. The Sponsor may extend this waiver annually, in whole or in part, at its sole discretion.
Staking Rewards:	The Sponsor is committed to supporting the Polkadot community and ecosystem. To this end, the Sponsor will ensure that a portion of DOT held by the Trust will be a bonded by the Custodian to the Polkadot Network ("staked") for purposes of running a node or multiple nodes on the network. DOT staked to the Polkadot Network receives network inflation and transaction fees in the form of DOT. Such rewards ("Staking Rewards") are variable and will accrue to the benefit of the Sponsor only (*i.e.*, paid entirely, promptly by the Trust to the Sponsor as received), and will be used, in part, to cover expenses related to operating the Trust. Any staking activity will have no material impact on the investment objective of the Trust which is to track the price of DOT.
Trust Expenses:	The Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the "Assumed Expenses"); provided, however, that the Trust shall be responsible for

	any non-routine and ordinary expenses, including in addition to the Management Fee (and Staking Rewards), fees and expenses such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees, and expenses related to public trading on OTCQX, as defined below ("Extraordinary Expenses").
Unit Issuance:	The issuance of Units requires payment to the Trust of the amount of U.S. dollars required for the Units being issued (or, at the sole discretion of the Sponsor, payment of the number of DOT represented by the Units being issued). The Sponsor or its delegate has final determination of all questions as to the number of Units issuable with respect to a particular purchase, including as to how such number may be adjusted in respect of accrued but unpaid fees and expenses of the Trust. The amount of cash (or the number of DOT) required to create a Unit may gradually decrease over time due to the transfer of Trust DOT to pay the Management Fee and the transfer or liquidation of Trust DOT to pay any Trust expenses not assumed by the Sponsor.
Payments by Investors:	Payment for Units in cash may be in the form of a check or wire transfer. In-kind payments may be accepted at the sole discretion of the Sponsor. 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.
No Minimum Aggregate Offering Amount:	No minimum aggregate offering amount must be raised before the Trust can make use of invested funds.
Exemption from U.S. Federal Securities Registration:	The Units are being offered and sold in reliance upon the exemption from the registration requirements of the U.S. federal securities laws 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. The Units are restricted securities under the U.S. federal and state securities laws. They may not be sold, transferred, hypothecated or otherwise disposed of in the absence of an effective registration statement or an exemption from the registration requirements of the Securities Act and pursuant to prior approval by the Sponsor. Any

	attempt to sell Units without the approval of the Sponsor in its sole discretion will be void *ab initio*. As noted under "Unit Issuance and Redemption," at this time, the Sponsor is not accepting redemption requests from Unitholders.
Eligible Investors:	The Units are being offered to prospective investors who are verified as "accredited investors" (as defined in Rule 501 under the Securities Act) pursuant to a private placement being made in reliance upon an exemption from the registration requirements of federal and state securities laws and will not be registered under federal securities laws or the laws of any state. Each purchaser will be required in connection with the purchase of the Units to make representations and provide documentation confirming that the purchaser is eligible as a prospective investor and that the purchase is purchasing the securities for the purchaser's own account and not with a view to resale or distribution of the securities. Further independent verification of "accredited investor" status of the purchaser may also be required.
Plan of Distribution:	The Units will be offered by the Trust and the Sponsor and its officers. Currently, the Trust does not expect to use underwriters, finders or other intermediaries to offer or sell Units, but it may choose to do so, 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). Because Units may be offered, and new Units 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 Units may be offered continuously, the Sponsor may, in its discretion, issue Units only periodically. The Sponsor currently expects that it may issue Units weekly and allow orders to accumulate between issuances.
Duration of Offering:	The Units will be offered continuously with no specific completion date of the offering currently foreseen, and the Trust is not mandating a specific completion date. The Sponsor retains the right to discontinue the offering periodically, from time to time, or for such period as the Sponsor deems necessary or appropriate.
Public Trading:	The Units sold in the offering will be restricted securities under U.S. federal securities laws, and therefore such units will not be freely tradeable for a minimum of one year from the date of purchase under current law., We intend to apply for the Units to be quoted on the OTCQX Best Market, an over-the-counter market operated by OTC Markets Group Inc. (the "OTCQX") as soon as reasonably

	practicable.. Nevertheless, there can be no assurance as to when, if ever, the Units will be quoted on any market. Moreover, there can be no assurance that, if quoted, the Units will trade with sufficient liquidity for the quotation to be of practical use to investors. Therefore, investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time.
Dividends:	The Trust does not intend to pay dividends. The Trust may pay dividends, at the sole discretion of the Sponsor, including without limitation, in the event of a fork in the Polkadot Network, or airdrops or other rewards received by the Trust other than in the form of DOT.
No Voting Rights:	Unitholders will have no voting rights in regard to the management of the Trust or otherwise.
No Redemptions:	Currently, Units may not be redeemed. In the future, redemptions may be permitted. However, there can be no assurance as to when redemptions may be permitted, if ever.
ERISA:	The Sponsor intends to restrict the aggregate investment by "benefit plan investors" (as defined in the section entitled "ERISA and Related Considerations") in the Trust to under 25% of the total value of each class of equity interests of the Trust so that the assets of the Trust will not be deemed to be "plan assets" for purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Internal Revenue Code.
Fiscal Year End:	The fiscal year of the Trust ends on December 31st of each year.
Termination Event:	Upon dissolution of the Trust and surrender of Units by the Unitholders, Unitholders will receive a distribution in U.S. dollars or DOT or both, at the sole discretion of the Sponsor, after the Sponsor has paid or made provision for the Trust's obligations.
Withdrawal of the Sponsor:	The Trust shall terminate upon the withdrawal of the Sponsor unless at the time there is at least one Sponsor remaining. The Sponsor may admit an additional Sponsor.
Risk Factors:	Any investment in the Units involves significant risks. See "Risk Factors and Potential Conflicts of Interest" for more information.

INFORMATION ABOUT THE POLKADOT NETWORK AND DOT

The information provided in this section has been developed by the Trust from publicly available sources. Although we have endeavored to provide a fair summary of the matters discussed, we have not been able to, and have not, independently verified any of the information provided. Potential investors are warned that this information may not be materially accurate or complete, are cautioned not to place undue reliance on it in making any investment decisions, and are encouraged to engage in their own due diligence regarding the Polkadot Network, DOT and the other information provided.

Overview

The DOT token ("DOT") is the native token of the Polkadot Network. It is a digital asset that is issued by, and transmitted through, the operations of the Polkadot Network. "The Polkadot Network" is an online, decentralized, distributed computing platform that operates on a peer-to-peer basis. The Polkadot Network uses a heterogeneous multi-chain to ensure the secure transfer and authenticity of each DOT and hosts the public transaction ledger. This central chain is known as the Relay Chain (the "Relay Chain") on which all DOT is recorded. The Relay Chain is a decentralized digital file, or ledger, that contains all the records of DOT, and is stored in multiple copies globally on the computers of users of the Polkadot Network.

A cryptocurrency is a virtual or digital asset, often referred to as a token or coin, which can serve as virtual or digital money. Cryptocurrencies are secured by cryptography and use blockchain ledgers to record and validate transactions. As a cryptocurrency, DOT can be used as a form of payment for goods and services with merchants that accept DOT, it can be lent or borrowed, it can be used as collateral for a wide range of finance transactions and it can be used as a medium of exchange to purchase intangible assets such as other blockchain based tokens or crypto-collectibles. DOT can also be bought or sold in exchange for U.S. dollars or other fiat currencies, either through digital asset exchanges or in individual end-user-to-end-user transactions under a barter system. In addition to these uses, DOT also has speculative value, and investors can buy and sell DOT or hold it as an investment. DOT is mainly used for the functional mechanisms of the Polkadot Network, including: governance of updates, staking for network operations, and bonding for connecting a new "Parachain" to Polkadot (see Technology and Operation, below). As of February 2021, DOT was the fourth-largest virtual currency by US dollar value; the total outstanding DOT supply was over 1.04 billion, and there has been nearly US$19 billion in total staked value (over 60% of tokens available are staked in support of the network) since the Mainnet Rollout Phase 2 staking launch in June of 2020. This makes Polkadot the top staked public blockchain network in existence. Unlike Bitcoin, there is no maximum amount of DOT that may be outstanding. DOT is divisible to up to ten decimal places into units named "Plancks".

DOT is "stored" on a blockchain and is linked to a unique digital address, or wallet, that is associated with a public key and a private key. The public key is used to generate the address that is available to other users of the Polkadot Network. The address serves as the location to which DOT can be transferred and from which DOT can be sent. The private key authorizes the transfer or "spending" of DOT from its associated public address. Ownership of DOT is established by recording on the Relay Chain the unique address and the amount of DOT held. The wallet thus

holds the cryptographic keys associated with DOT, rather than the DOT itself. DOT cannot be transferred by a holder unless that holder provides the private key. See "—Description of DOT Transfers."

The Relay Chain is the decentralized, publicly distributed ledger that holds DOT and the mechanism that allows people to exchange DOT. All transactions on the Polkadot Network are recorded on the Relay Chain. Like other blockchains, the Polkadot Relay Chain can be thought of as a collective chain of digital signatures that reflect transaction history. The Relay Chain is downloaded and stored, in whole or in part, on the computers of each user of the Polkadot Network. The Relay Chain is public and accessible to all, and includes a record of every DOT, every transaction in DOT in order and every public address on the Polkadot Network. Every computer on the Polkadot Network is a "node", and collectively all of the nodes ensure that each new transaction in DOT adheres to certain rules before it is added to the Relay Chain.

Transaction data is permanently recorded on the Relay Chain in data files called "blocks," which reflect transactions that have been recorded and authenticated by Polkadot Network participants. Each newly recorded block of transactions refers back to and "connects" with the immediately preceding recorded block in the ledger. Each new block records outstanding DOT transactions, and outstanding transactions are settled and validated through such recording. Although there are size limits to each block, the Relay Chain is designed to represent a complete, transparent, secure and unbroken history of all the transactions that have occurred on the Polkadot Network. The Polkadot Network and associated software programs can view the Relay Chain to determine the exact balance, if any, of DOT associated with any public address listed on the Relay Chain.

Founding

The concept for the Polkadot Network was conceived by Dr. Gavin Wood, one of the five principal programmers involved in the launch of Ethereum. Dr. Wood is also the inventor of the Solidity smart contract language and the co-founder of Parity Technologies with Julia Steiner (an applied mathematician and an original Ethereum team member as Chief of Security). Parity is a company known for maintaining the Parity Ethereum client as well as creating Substrate, the development framework tools used for projects on Polkadot. Joining Dr. Wood as founders are Robert Habermeier and Peter Czaban. Dr. Wood reportedly believed that Ethereum was moving too slowly and without common purpose towards addressing the initial limitations of blockchain technology, namely: interoperability between chains, scalability of transaction processing, security for the development of new networks, customization, robust governance, and upgrades without forks. Polkadot was officially launched in white paper released in October of 2016. In 2017, Dr. Wood and Parity's Peter Czaban founded the Swiss non-profit organization Web3 Foundation, which was created to support the research and development of Polkadot as well as to oversee its fundraising efforts. Opting to do an unconventional capital raise, a "presale" of DOT occurred online in October 2017 which sold 50% of the initial 10 million DOT supply and raised $145 million.

Parity Hack and Subsequent Fundraising.

On November 6, 2017, shortly after the initial fundraise, a vulnerability in the Parity Technologies-created wallet holding the Polkadot fundraise proceeds was discovered by an anonymous user. Specifically, the vulnerability was with the library smart contract code component, shared by all Parity wallets deployed after July 20, 2017. The user exploited this anomaly to make himself or herself the owner of the contract and then destroyed the component, rendering 587 wallets holding $98m worth of the proceeds (denominated in 513,774.16 Ether) frozen. Parity is working on several Ethereum improvement proposals (EIPs) that would have the potential to unblock the funds, but there is no timeline or assurance that they will ever be implemented. Even if these funds are lost, both Parity and the Web3 Foundation are reported to believe that it will not negatively affect their development roadmap.

Subsequent to this incident, the Web3 foundation has confirmed that, in July 2019, it had raised funds through a private transaction of 500,000 DOT (50 million in redenominated terms – see below) that met its target goals for the fundraising round. At the launch of the effort, those goals were articulated as $60 million at a $1.2 billion valuation. In July of 2020, through another private transaction, Web3 reportedly raised an additional $47m funds earmarked for operations.

Milestones and Roadmap

The Polkadot Network launched with its Proof of Concept software release in May of 2018. This was followed up with the second Proof of Concept release in July of 2018, a third in January of 2019 and a fourth in May of 2019.

Polkadot's first mainnet chain candidate launched May 27, 2020. This was the first step in a multi-stage deployment per the project's planned roadmap. This first version of Polkadot used a Proof of Authority consensus mechanism (See Consensus – below) managed by six validators in the Web3 Foundation. In June of 2020, the Web3 Foundation started the initial validator election process to transition the network to a Nominated Proof-of-Stake consensus mechanism. This started the process of allowing DOT token holders from the fundraise the ability to stake DOT with newly elected validators. In July of 2020, the Web3 Foundation used its "superuser" key to upgrade the network and unlock full governance authority. Shortly thereafter, the newly formed governance council removed Web3's "superuser" privileges, allowing for the network to become permissionless. Then, in August of 2020, DOT token transfers were unlocked.

Technology and Operation

Polkadot is designed to be a base layer platform that will enable future developers the ability to build a wide variety of decentralized applications, as well as to seamlessly connect with existing non-Polkadot blockchains such as Bitcoin or Ethereum. Decentralized applications are applications that are designed to run without a middleman between the developer and the user. Polkadot's main feature is a sharded blockchain protocol. Conventional "homogenous" sharding is a way to distribute the burden of computation involved in processing the blocks of a blockchain. When sharded, portions of the distributed ledger are broken down further and distributed to additional computers for faster processing of a single chain. Heterogeneous sharding, on the other

hand, is unique to Polkadot. Heterogeneous sharding allows an entire network of blockchains to distribute the workload as shards but to operate together in a single ecosystem. This gives developers scale, while still preserving a high degree of flexibility to customize features. This flexibility allows for blockchains built on the Polkadot protocol to optimize for their own use cases. To accomplish heterogeneous sharding, Polkadot employs three types of blockchains that combine into one entity:

First are multiple, purpose-built chains that run in parallel, aptly named Parachains ("PCs"). PCs are where the future independent blockchains for decentralized applications will be built and operate. These "sovereign" chains can be created by developers using an already existing toolkit named Substrate (developed by Polkadot's corporate entity, Parity Labs – see above). Substrate's turnkey nature reduces project development time substantially, making the Polkadot Network more attractive and therefore more valuable.

Parachains can have their own native tokens and governance outside of DOT, but rely on the Polkadot system and DOT token for security and operability. As of February 2021, there are already at least 345 projects listed in development, 111 of which are Substrate-based (see www.polkaproject.com), constituting a wide variety of use cases.

Second is the base layer that connects all the Parachains together. This is the security layer, named the Relay Chain. The Relay Chain validates the state transition of all the connected Parachains. It is also what allows the Parachains to stay heterogeneous. By offloading the consensus work and block building to the Relay Chain, individual Parachains sacrifice less functionality and gain scale from parallel transactions that can be done on the latent capacity around the chain. Also, importantly, the Relay Chain facilitates cross communication between Parachains. Akin to the ARPAnet for the early internet, Polkadot harmonizes blockchain communications to allow data to move independently, facilitating the creation of large numbers of currently unworkable decentralized applications.

Lastly are Bridges. This is a feature that allows Parachains to interact with external blockchains like Ethereum or Bitcoin, although with some limitations. Due to the nature of decentralized technology, there will not be one blockchain to run all applications, yet there should not be a constellation of blockchains, all in the same universe but galaxies apart. The interoperability of Polkadot is therefore a notable feature.

Consensus Mechanism

The Polkadot Network uses a Proof of Stake ("PoS") consensus mechanism. A consensus mechanism is protocol in the software that determines if all nodes in the network are synchronized and are in agreement about which transactions in a block are legitimate, and therefore if a block can be added to the permanent blockchain. Because the Polkadot Network uses heterogeneous sharding, the task of creating consensus is divided among four actors in the network, each with different roles in authentication.

The first role that an operator on the Polkadot Network can assume is that of a Collator ("Collator"). Collators run full nodes on the network and they collect shard transactions for their individually dedicated Parachains. Collators produce cryptographic proofs to be solved be another actor in the system named a Validator ("Validators" – see below). Collators also keep the transactional record for their own dedicated Parachains.

The second role that an operator on the Polkadot Network can assume is that of a Validator. Validators keep a full copy and secure the Relay Chain by doing the key work of validating the

Parachain proofs and by joining with other Validators in forming consensus, and therefore adding blocks to the Relay Chain. The Validator is the most important role in the functioning of the Polkadot Network and therefore has the most financial risk and reward in the system (see below – DOT token issuance and DOT token transfer). Validators are assigned based on staked DOT and then elected by a Polkadot Network algorithm intended to optimize the aggregate Validator stake. Staking is where an actor on the network acquires DOT and then pledges that DOT as collateral. This collateral is then put at risk in exchange for the Validator collecting rewards for services rendered to the network in the process of forming consensus and adding blocks to the Relay Chain.

The third role that an operator on the Polkadot Network can assume is that of a Nominators ("Nominator"). Nominators are external actors that can choose to support Validators. The Nominator provides risk capital in the form of staked DOT in support of a specific Validator that acts as a check on the Validator system in that both share economic loss for misconduct. Nominators share in the risk and reward of the staked DOT of the Validator (see below – DOT token issuance and token transfer).

The last role that an operator on the Polkadot Network can assume is that of a Fishermen ("Fishermen"). The Fishermen's role in the system is to opportunistically check blocks on every part of the network. Fishermen provide a layer of security to the Polkadot Network by combatting the potential for Validators to neglect a level of rigor in approving blocks. Fishermen also keep Validators and Collators from colluding on the creation of fraudulent blocks. Fisherman perform their work in the Polkadot Network by keeping what they catch in the form of forfeited DOT from the Validators and Nominators stakes.

The Polkadot Network has developed technology to process blocks at high speed. Blocks are made by Collators and processed by Validators using a system of Blind Assignment for Blockchain Extension (BABE). This is time-slotting technology that relies on a 24-hour time period called an "Epoch," broken into 6 second increments, or slots. Slots for blocks are assigned by a random number system to Leaders – Primary and Secondary – and as the slots are populated this leads to the building of Relay Chain blocks.

Relay Chain blocks are then evaluated by a second system using what they describe as GHOST-based Recursive Ancestor Deriving Prefix Agreement (or GRANDPA). GRANDPA finalizes large quantities of blocks to the Relay Chain at high speed. At theoretical maximum, the current version of the Polkadot Network estimates that it has the ability to process 166,666+ transactions per second ("TPS").

DOT Token Issuance

The DOT token is the native currency of the Polkadot Network. In order to provide an incentive to participate in the operation of the Polkadot Network, participants who perform their delineated roles in validating transactions (see Consensus Mechanism – above) are awarded DOTs. Unlike tokens generated by mining on blockchains that use a Proof of Work consensus algorithm, the Polkadot Network uses a Proof of Stake algorithm. Proof of Stake means that the authority to build consensus and therefore to add blocks to the Relay Chain is conferred to actors in the system based on existing DOTs pledged to the system and not by solving increasingly or decreasingly complex cryptographic math problems in order to win the right to finalize a block.

The DOT serves four functions: payment for fees, governance over the network, allowing for interoperability between Parachains and Bridges, and bonding for Parachains to secure a spot on the Relay Chain. When messages are sent between two blockchains on the network, DOT's are used to pay for fees. DOT holders are also responsible for managing significant events by voting on protocol upgrades and fixes. The token also ensures that network participants act in a manner that does not damage the network by putting capital at risk.

In the October 2017 fundraise of DOT, 10 million DOT were created. The following table reflects the current reported distribution of DOTs:

- 50% allocated to token sale investors.
- 5% allocated to the 2019 private sale investors.
- 3.4% allocated to 2020 token sale investors.
- 11.6% retained by the Web3 Foundation for future fundraising efforts.
- 30% allocated to the Web3 Foundation for operating expenses used to develop Polkadot.

DOT Token Redenomination

While DOT is the unit of currency on the Polkadot Network that most people use when interacting with the system, the smallest unit of account is called the Planck. A Planck's relation to DOT is similar to the relation of a Satoshi to Bitcoin. Before August 21, 2020 the DOT was denominated as 1e12 Plancks, with twelve decimal places. Since that date, DOT has been denominated as 1e10 Plancks, with ten decimal places. DOT denominated to twelve decimal places is referred to as "DOT (old)" and DOT denominated to ten decimal places is generally referred to as "DOT". When the difference must be made explicit, the current ten-decimal-denominated DOT is referred to as "new DOT".

The change in denomination ("Redenomination") was voted on by the community of DOT holders (see Governance – below). The community decided between four options: to change the DOT denomination by a factor of ten, one hundred, one thousand, or not at all. The end result was to change the denomination by a factor of one hundred.

The overall effect of this change was that the number of Polkadot's smallest unit, the Planck, remained constant, while the DOT balance for all holders was increased by a factor of one hundred. The number of Plancks that a user has does not change, only the number of Plancks that constitute a single DOT. A user with 2,000,000,000,000 Plancks still has the same number of Plancks, but will have 100 DOT under the new denomination, as opposed to one DOT under the old denomination. There are no state changes and there are no transfers as a result of Redenomination.

The topic of redenomination was originated by members of users of the Kusama network ("Kusama") as a way to improve the use of Polkadot Network before it was launched. Kusama is a test network for Polkadot software that preceded the launch of Polkadot and still runs today as an experimental network meant to test upgrades and other changes relating to the Polkadot Network. The Kusama community voted for the redenomination, but the vote was non-binding in order to ensure that only the staked members of the Polkadot Network made functional software

changes per the Governance mechanisms (see Governance – below). After the genesis block of the Polkadot Network was created and the network was running with a decentralized community of Validators securing the network, the Web3 Foundation decided to put the Redenomination topic to a vote again. This time, the vote was explicitly binding.

Based on the feedback received during the Kusama referendum, the Polkadot vote was held as an approval vote, with four available options. DOT holders could issue votes for any configuration of the four options: no change, a change of 10x, a change of 100x, or a change of 1000x. The vote logic was contained in a specially-built Substrate pallet that was included in Polkadot's runtime for this poll.

After two weeks of voting, the results of the Redenomination vote were tallied. About one third of the total DOT in the network participated in the vote. The Redenomination proposal passed with 86% of the voters favoring a 100x factor increase (or two decimal places of precision loss).

Polkadot's redenomination then took place on August 21, 2020 now known as Denomination Day, at block #1,248,328.

DOT Token Inflation

The total supply of DOT is not fixed at 1 billion DOTS, but instead will use an inflationary issuance model to supply rewards for the operation of the network. There is no maximum number of DOT, as there is in Bitcoin. Inflation is designed to be 10% of the 1 billion DOT base in the first year, or 100m DOTs. Thereafter, inflation will be determined by the level of staking participation by Validators. Validator rewards are a function of amount staked, with the remainder going to treasury.

Depending on the staking participation, the distribution of the inflation to Validators versus the treasury will change dynamically to provide incentives to participate (or not participate) in staking. For instance, all of the inflation would go to the Validators if 50% of all DOTs in existence are staked on the network, but any deviation from the 50%, positive or negative, would send the proportional remainder to the treasury and effectively reduce Validator payouts.

There are two different DOT treasuries in the Polkadot Network. One treasury exists off the Polkadot Relay Chain and consists of the 3 million DOTs allocated to the Web3 Foundation in order to fund research and development related to the advancement of Polkadot functionality. The second treasury is located on the Relay Chain and consists of DOTs collected through fees that do not go to Validators, any actor's loss of staked DOTs for failure to perform the role according to its terms, inefficiencies in the Relay Chain's staking set, and lost deposits. Network participants can petition the Governance Council (see below – Governance) for a portion of the funds by submitting a spending proposal, which requires the proposer to deposit 5% of the total sum of costs of the project, which is put at risk if the proposal is rejected. DOT put at risk if a proposal is rejected are destroyed or "burned" as a deterrent against frivolous requests. If the proposal is approved, the request enters a queue that clears every 24 days ("the budget period"). The Governance Council is incentivized to spend these funds, because if the budget period without all of the funds being issued, the remaining DOTs are burned.

DOT Transaction Fees

Several resources in a blockchain network are limited: for example, storage and computation. Transaction fees prevent individual users from consuming too many resources. Polkadot uses a weight-based fee model, as opposed to a gas-metering model found on networks such as Ethereum. As such, fees are charged prior to transaction execution; once the fee is paid, nodes will execute the transaction. Fees on the Polkadot Relay Chain are calculated based on three parameters: a per-byte fee (also known as the "length fee"), a weight fee, and a tip (optional).

The length fee is the product of a constant per-byte fee and the size of the transaction in bytes. Weights are a fixed number designed to manage the time it takes to validate a block. Each transaction has a base weight that accounts for the overhead of inclusion (e.g. signature verification) as well as a dispatch weight that accounts for the time to execute the transaction. The total weight is multiplied by a per-weight fee to calculate the transaction's weight fee. Tips are an optional transaction fee that users can add to give a transaction higher priority. Together, these three fees constitute the inclusion fee. This fee is deducted from the sender's account prior to transaction execution. A portion of the fee will go to the block producer and the remainder will go to the treasury. At Polkadot's genesis, this was set to 20% and 80%, respectively.

Blocks in Polkadot have both a maximum length (in bytes) and a maximum weight. Block producers will fill blocks with transactions up to these limits. A portion of each block (currently 25%) is reserved for critical transactions that are related to the chain's operation – for example, misbehavior reports by Fishermen with respect to improper or fraudulent activity, and transactions that facilitate Governance Council operations. Block producers will only fill up to 75% of a block with normal transactions. Block producers prioritize transactions based on each transaction's total fee. Since a portion of the fee will go to the block producer, producers will include the transactions with the highest fees to maximize their reward.

DOT Token Fee Adjustment

Transaction volume on blockchains is highly irregular, and therefore transaction fees need a mechanism to adjust. However, users should be able to predict transaction fees. Polkadot uses a slow-adjusting fee mechanism with tips in order to seek to balance predictability and irregularity. In addition to block limits, Polkadot also has a block fullness target*:* fees increase or decrease for the next block based on the fullness of the current block relative to the target. The per-weight fee can change up to 30% in a 24-hour period. This rate captures long-term trends in demand, but not short-term spikes. To address short term spikes, Polkadot uses tips on top of the length and weight fees. Users can optionally add a tip to the fee to give the transaction a higher priority.

The transactions that take place within Polkadot's shards - Parachains - do not incur Relay Chain transaction fees. Users of shard applications do not even need to hold DOT tokens, as each shard has its own economic model and may or may not have a token. There are, however, situations where shards themselves engage in transactions on the Relay Chain. Parachains have a dedicated slot on the Relay Chain for execution, so their collators do not need to own DOT in order to include blocks. In addition, the Parachain will engage in some transactions itself – for example, upgrading

its runtime. Parachains have their own accounts on the Relay Chain and do need to use funds to issue transactions on the Parachain's behalf. Collators need to participate in an auction every block to progress their chain, and need to have DOT to participate in these auctions.

Governance

Because the Polkadot Network is managed as an open source project, the infrastructure of the Polkadot Network is not operated by a central source, but is instead maintained by the Polkadot Network's user base. As a result, the Polkadot Network is fully autonomous and is not owned by any group. No intermediary is required to transact in DOT. The Polkadot Network includes the Relay Chain, Parachains, Bridges, and the source code that comprises the basis for the cryptography and digital protocols governing the Polkadot Network.

Polkadot uses a governance mechanism that allows it to evolve over time at the ultimate behest of its assembled stakeholders. The stated goal is to ensure that the majority of the stake can always command the network. Other blockchain technology risks major disruption when the community of users disagrees on the future path of the network via updates. In those circumstances, if a modification is not accepted by a significant percentage of users and miners, a split in the network will occur, with one group running the pre-modification source code and another running the modified source code. Such a split is known as a "hard fork." Both Ethereum and Bitcoin, in their operating histories, have experienced hard forks that have resulted in separate chains, Ethereum Classic and Bitcoin Cash, respectively. The Polkadot Network's technology is built to avoid the disruption and inefficiencies that are created by hard forks.

In order to make any changes to the network, the idea is to compose active token holders and the Governance Council together to administer a network upgrade decision. To represent passive stakeholders, Polkadot introduces the idea of a Governance Council. The Council is an on-chain entity composed of a number of actors, each represented as an on-chain account. On Polkadot, the Council currently consists of 13 members. This is expected to increase over the course of 2021 to reach a fixed number of 24 members. Along with controlling the treasury, the Council is called upon principally for three tasks of governance: proposing sensible referenda, cancelling uncontroversially dangerous or malicious referenda, and electing the technical committee. For a referendum to be proposed by the Council, a strict majority of members must be in favor, with no member exercising a veto. Vetoes may be exercised only once by a member for any single proposal; if, after a cool-down period, the proposal is resubmitted, they may not veto it a second time. Council motions which pass with a 3/5 (60%) supermajority, but without reaching unanimous support, will move to a public referendum under a neutral, majority-carries voting scheme. In the event that all members of the Council vote in favor of a motion, the vote is considered unanimous and becomes a referendum with negative adaptive quorum biasing.

No matter whether a proposal is proposed by the public (DOT holders) or the Governance Council, it will have to be approved by a referendum of DOT holders, weighted by stake. Each referendum has a specific proposal associated with it that takes the form of a privileged function call in the runtime (and which includes the most powerful call: set-code, which switches out the entire code of the runtime, achieving what would otherwise require a hard fork). Proposals are discrete events, have a fixed period where voting happens, and are then tallied. The function call is made if the

proposal is approved. In referenda, the only options in voting are “aye”, “nay”, or abstaining entirely.

Referenda can be started in one of several ways: publicly submitted proposals; proposals submitted by the Council, either through a majority or unanimously; proposals submitted as part of the enactment of a prior referendum; and emergency proposals submitted by the Technical Committee and approved by the Council.

All referenda have an enactment delay associated with them. This is the period of time between the referendum ending and, assuming the proposal was approved, the changes being enacted. For the first two ways that a referendum is launched, this is a fixed time of 28 days. For the third type, it can be set as desired. Emergency proposals deal with major problems with the network that need to be “fast-tracked”. These will have a shorter enactment time.

Anyone can propose a referendum by depositing the minimum amount of DOTs for a certain period (number of blocks). If someone agrees with the proposal, they may deposit the same amount of DOTs to support it - this action is called seconding. The proposal with the highest amount of bonded support will be selected to be a referendum in the next voting cycle. Note that this may be different than the absolute number of seconds; for instance, three accounts bonding 20 DOT each would “outweigh” ten accounts bonding a single DOT each. The bonded tokens will be released once the proposal is tabled (that is, brought to a vote). There can be a maximum of 100 public proposals in the proposal queue.

There can only be one active referendum at any given time, except when there is also an emergency referendum in progress.

Every 28 days on Polkadot, a new referendum will come up for a vote, assuming there is at least one proposal in one of the queues. There is a queue for Council-approved proposals and a queue for publicly submitted proposals. The referendum to be voted upon alternates between the top proposals in the two queues. The “top” proposal is determined by the amount of stake bonded behind it. If the given queue whose turn it is to create a referendum has no proposals (is empty), and there are proposals waiting in the other queue, the top proposal in the other queue will become a referendum. Multiple referenda cannot be voted upon in the same time period, excluding emergency referenda. An emergency referendum occurring at the same time as a regular referendum (either public- or Council-proposed) is the only time that multiple referenda will be able to be voted on at once.

To vote, a voter generally must lock up their tokens for at least the enactment delay period beyond the end of the referendum. This is in order to ensure that some minimal economic buy-in to the result is needed and to dissuade vote selling. It is possible to vote without locking at all, but your vote is worth a small fraction of a normal vote, given your stake. At the same time, holding only a small amount of tokens does not mean that the holder cannot influence the referendum result, thanks to time-locking.

Depending on which entity proposed the proposal and whether all Council members voted yes, there are three different scenarios:

- Super-Majority Approve: A positive turnout bias, whereby a supermajority of aye votes is required to carry at low turnouts, but as turnout increases towards 100%, it becomes a simple majority-carries.
- Super-Majority Against: A negative turnout bias, whereby a supermajority of nay votes is required to reject at low turnouts, but as turnout increases towards 100%, it becomes a simple majority-carries.
- Simple-Majority: Majority carries; if there are more aye votes than nay, then the proposal is carried.

Polkadot uses Voluntary Locking that allows token holders to increase their voting power by declaring how long they are willing to lock-up their tokens. The number of votes for each token holder will be calculated by the following formula: votes = tokens * conviction multiplier.

The conviction multiplier increases the vote multiplier by one every time the number of lock periods doubles. The maximum number of "doublings" of the lock period is set to 6 (and thus 32 lock periods in total), and one lock period equals 28 days on Polkadot. While a token is locked, you can still use it for voting and staking; you are only prohibited from transferring these tokens to another account. Votes are still "counted" at the same time (at the end of the voting period), no matter for how long the tokens are locked.

Polkadot introduces a concept, "Adaptive Quorum Biasing", which functions as a lever that the Council can use to alter the effective supermajority required to make it easier or more difficult for a proposal to pass in the case that there is no clear majority of voting power backing it or against it. When turnout rate is low, a supermajority is required to reject the proposal, which means a lower threshold of "aye" votes have to be reached, but as turnout increases towards 100%, it becomes a simple majority.

All three tallying mechanisms – majority carries, supermajority approve, and supermajority against – equate to a simple majority-carries system at 100% turnout.

A proposal can be canceled if the Technical Committee unanimously agrees to do so. A canceled proposal's deposit is burned. Additionally, a two-thirds majority of the Council can cancel a referendum. This may function as a last resort if there is an issue found late in a referendum's proposal such as a bug in the code of the runtime that the proposal would institute. If the cancellation is controversial enough that the Council cannot get a two-thirds majority, it will be left to the stakeholders *en masse* to determine the fate of the proposal.

The Technical Committee was introduced in the Kusama rollout and governance post as one of the three chambers of Kusama governance (along with the Council and the Referendum chamber). The Technical Committee is composed of teams that have successfully implemented or specified either a Polkadot runtime or Polkadot Host. Teams are added or removed from the Technical Committee via simple majority vote of the Council. The Technical Committee can, along with the Council, produce emergency referenda, which are fast-tracked for voting and implementation. These emergency referenda are intended for use only under urgent circumstances.

Fast-tracked referenda are the only type of referenda that can be active alongside another active referendum. Thus, with fast-tracked referenda it is possible to have two active referenda at the same time. Voting on one does not prevent a user from voting on the other.

Description of DOT Transfers

For one party to transfer DOT to another over the Relay Chain, both parties must have Polkadot Network addresses, or "wallets," as described above. Each wallet has an associated public key, as well as an associated private key. In general, in order to obtain a Polkadot Network wallet, a user generally must first install on a computer or mobile device an Polkadot Network software program.

Wallets that are used to store cryptographic keys can be "hot" or "cold." A hot wallet is connected to the internet, and is thus readily available to facilitate trading, but may be more vulnerable to hacking. A cold wallet is a wallet that stores cryptographic keys offline, such as on a computer that has no internet access, a segregated piece of hardware, or a piece of paper.

The transaction process is different for the sender and the recipient. To receive DOT, the recipient must provide its public address to the sender. The recipient does not disclose its private key as part of this process.

From the sender's perspective, once the sender has the recipient's public address (or public key), the sender can initiate the transfer by executing a transaction that includes the recipient's wallet address, the amount of DOT to be sent and the private key of the sender's wallet that is transferring the DOT. To execute a transaction, the sender must have internet access. The sender does reveal their public key in verifying the transaction to the Relay Chain, but the sender does not reveal their private key publicly. The private key serves as validation that the transaction has been authorized by the holder of the associated public key. The resulting transaction is sent by the user's Polkadot Network software program to the decentralized Polkadot Network for eventual inclusion in the Relay Chain. Once the transaction is added to a new block that is included in the Relay Chain, the Polkadot Network software program of both parties will show confirmation of the transaction on the Relay Chain and reflect an adjustment to the DOT balance associated with each party's public key, completing the transaction. Once a transaction is confirmed on the Relay Chain, it is irreversible.

A private key is like a password to a bank account. Neither the sender nor the recipient reveal the private keys associated with their wallets because the private key gives anyone who has access to the private key the ability to transfer DOT from that wallet to other users. Therefore, if a user were to lose their private key irretrievably without any backup, the user would permanently lose access to the DOT contained in that wallet.

Some transactions in DOT are conducted "off-Blockchain," such as through a digital asset exchange, and are therefore not recorded on the Relay Chain. "Off-Blockchain transactions" may involve, for example, the reallocation of ownership of an amount of DOT in a pooled-ownership digital wallet, such as a digital wallet owned by a digital asset exchange, from one exchange participant to another. Therefore, off-Blockchain transactions do not involve the transfer of transaction data on the Polkadot Network and do not reflect a movement of DOT between

addresses recorded in the Relay Chain. For these reasons, off-Blockchain transactions are not protected by the protocol behind the Polkadot Network or recorded in, and validated through, the Relay Chain mechanism. In addition, information and data regarding off-Blockchain transactions are generally not publicly available. Transactions in DOT that are executed "off-Blockchain" do not require the payment of a fee, but may require a payment, for example, to the entity controlling a pooled-ownership digital wallet. Such transaction payments may or may not be required or allowed to be made in DOT. It has been estimated that as many as 99% of all digital asset trades may be made through digital asset exchanges. Some of the largest digital asset exchanges include Binance, Huobi Global, Coinbase, Kraken, Bithumb, and Bitfinex.

DOT Applications & Adoption

There are three well-known fundamental functions of digital assets: a medium of exchange (i.e., a means to transport value), a store of value (i.e., a trusted place to park value), and a unit of account (i.e., a metric to define value). A digital asset such as DOT may be used, among other things, to perform any of these three functions. Many forms of these applications are under development on the Polkadot Network.

Value of DOT

The value of DOT, as with most assets, is influenced by several factors, including the supply of and demand for DOT, the distribution of inflation mechanism, rewards issued to Validators for verifying transactions, the number of competing digital assets, how DOT trades, regulations governing its sale and trade, and the protocol itself. See "Risk Factors and Potential Conflicts of Interest—Risks Associated with Investing Directly or Indirectly in DOT—Valuation Risk." Due to the dynamic of these factors as well as others, the value of DOT is difficult to determine and the price of DOT can fluctuate. Demand for DOT can also be influenced by the applications that are built on the Polkadot Network. Although it is not possible to predict with certainty the price trajectory of DOT, the investment objective of the Trust is solely long-term capital appreciation by tracking the price of DOT.

The most common means of determining the value of DOT is by reviewing price data on one or more digital asset exchanges where DOT is traded publicly and transparently. The largest digital asset exchanges by trading volume of DOT include Kraken, Binance, Biki, Gate, and OKEx.

Regulation of DOT

Certain Historical Developments

In the United States, federal and state approaches to regulation and oversight of digital assets has varied significantly as between states, the states and the Federal government and among Federal agencies. The regulation on both the state and federal level generally come into focus upon the sale of digital assets that may constitute the sale of a security or when the sale can be considered to have constituted a money transmission under state law or under Financial Crimes Enforcement Network ("FinCEN") regulations, as part of a money services business.

Many state legislatures have passed crypto-friendly laws hoping to inspire growth in their local economies with the use of digital assets and the underlying blockchain technology. For example, Wyoming currently exempts digital asset from property taxation and has adopted regulations that allow state-chartered banks to opt-in to providing custody services for digital assets. Other crypto-friendly laws that have passed include exemptions from state securities laws, money transmission statutes and other regulatory requirements. Other states have taken a more cautious approach in order to mitigate the risks associated with digital assets. For example, New York has passed laws generally considered restrictive of digital assets, while several large digital asset service providers, such as Gemini and Fidelity Digital Asset Services, have received New York State trust company charters.

The Federal government has focused its regulation on the administrative agency level (including FinCEN, the Securities and Exchange Commission (the "SEC"), CFTC, Financial Industry Regulatory Authority ("FINRA"), the Consumer Financial Protection Bureau ("CFPB"), the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the IRS). The Federal government's focus has been, in part, on the extent to which digital assets like DOT can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises, and on the safety and soundness of exchanges or other third-party service providers that hold digital assets for users.

In addition, the CFTC has made it clear that despite the fundraising presale that accompanied the creation of Ethereum, Ethereum is a commodity, like Bitcoin. DOT, by analogy, may therefore be deemed a commodity as well, although we cannot be certain. Futures, options, swaps and other derivative contracts that make reference to the price of a "digital asset" may constitute a commodity and thus are subjected to regulation by the CFTC under the Commodity Exchange Act. The CFTC has granted licenses for designated contract markets to list futures relating to digital assets. With the CFTC's distinction of Bitcoin and Ethereum as a commodity in October 2019, DOT futures contracts could be launched on a CFTC-regulated platform in the future. On July 8, 2020, the CFTC announced the finalization of its 2020-2024 strategic plan, in which it announced that it would develop a "holistic framework" to promote responsible innovation in digital assets.

The SEC staff takes the position that digital assets can be, and most often are, securities. However, the Director of the SEC's Division of Corporation Finance explicitly stated in June 2018 that he did not believe that Ethereum and Bitcoin are securities, because they are sufficiently decentralized so that purchasers would no longer reasonably expect any person or group to perform essential

managerial or entrepreneurial efforts with respect to those digital currencies. The SEC may, by analogy, treat DOZT similarly to Ether in its analysis of whether DOT is a security, although we cannot be certain. In addition, in December 2019, the SEC approved a closed-end investment company that invests in Bitcoin futures; that fund does not intend to list its shares on any national securities exchange, and its shares were offered to a limited group of eligible investors, including institutional investors. More recently, in July 2020, the SEC approved a closed-end investment company (the Arca U.S. Treasury Fund) that invests in U.S. Treasury securities but distributes its shares as digital securities, known as ArCoins. ArCoins will be recorded on the Ethereum Blockhain; this, according to the fund's prospectus, will enable the Fund to control, among other things, the conditions under which ArCoins may be transferred, to whom they may be transferred, and the number of ArCoins that may be transferred. As of the date of this Memorandum, the SEC has not asserted regulatory authority over the Polkadot Network or DOT trading or ownership.

Additionally, the Internal Revenue Service ("IRS") has classified certain virtual currencies -- which it defined as a digital representation of value that functions as a medium of exchange, a unit of account and/or a store of value -- as property that is not currency for U.S. federal income tax purposes. The IRS indicated that virtual currency that has an equivalent value in real currency, or that acts as a substitute for real currency, can be referred to as convertible virtual currency. The IRS stated that convertible virtual currency was not "real" currency because it did not have legal tender status in any jurisdiction. The degree to which such interpretations will become the norm is unknown. The New York State Department of Taxation and Finance, citing the IRS classification, defined convertible virtual currency as "intangible property," and a number of other states have issued their own guidance regarding the tax treatment of virtual currencies for state income or sales tax purposes.

More recently, on July 22, 2020, the Office of the Comptroller of the Currency (the "OCC") issued an interpretive letter stating that national banks may provide cryptocurrency custody services to their customers. The permitted services include holding unique cryptographic keys associated with cryptocurrency. The OCC noted that banks have traditionally provided safekeeping and custody services and that there is a growing demand for safe places to store cryptographic keys for customers and for related custody services. The OCC concluded that, by providing such services, banks would be able to continue to perform the financial intermediation function that they have historically fulfilled in providing payment, loan and deposit services.

Illicit Use and Fraudulent Activity

As with any other asset or medium of exchange, DOT can be used to purchase illegal goods, fund unlawful activities or to launder money. Digital assets have been used for unlawful gambling and for the purchase of illegal goods.

Using DOT provides users with a certain degree of anonymity, insofar as sending and receiving DOT on the Relay Chain does not involve the use of personal information, but rather a public address on the Polkadot Network (i.e., DOT addresses are 48 character hex strings that appear random). Anonymity is limited, however, by the nature of DOT transactions, all of which are recorded indelibly on the Relay Chain, and by the fact that digital asset exchanges conduct anti-money laundering and "know your client" verifications on their customers due in part to such

anonymity. However, the Trust is unable to track the prior movement of DOT that it may purchase or trade to check for prior illicit activity. In the event of such prior illicit activity, the Trust's DOT may be subject to "clawback" by courts or regulators, which would reduce the value of Units.

During the past several years, a number of digital asset businesses have been associated with or have been victims of theft and fraudulent schemes. For example, in 2014, the largest digital asset exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 Bitcoin, valued then at over $450 million, as well as $28 million in cash from the exchange's bank accounts. Similarly, it has been reported that digital asset exchange Coincheck lost approximately $500 million to hackers in 2018 and that digital asset exchange Binance lost approximately $40 million to hackers in 2019.

In addition, Ponzi schemes have been created on the Ethereum Network, as well other digital asset ecosystems like the Bitcoin network. In particular, smart contract platforms like the Ethereum Network have proven to be useful to conduct such schemes, by positioning a party with malicious intent as a trustworthy counterparty as advertised by the Ethereum Network. In a recent study, 184 Ponzi schemes were found to be active on the Ethereum Network, and similar schemes could be created on the Polkadot Network.

Numerous additional fraudulent and other illicit activities regarding digital assets are reported regularly by major media, both in the United States and abroad. Such illicit activity makes investment in DOT potentially riskier than investment in other, more established, vehicles.

Historical Price of DOT

The price of DOT is volatile and fluctuations are expected to have a direct impact on the value of the Units. However, movements in the price of DOT in the past are not a reliable indicator of future movements. Movements may be influenced by various factors, including supply and demand, geo-political uncertainties, economic concerns such as inflation, and real or speculative investor interest.

Competition

DOT is not the only available digital asset. Other digital currencies that have been developed prior to or since the inception of DOT, including, but not limited to, Bitcoin, Ethereum, XRP, Litecoin, TDot, Cardano, Monero, EOS, Binance and Zcash. Although a competitive digital asset could displace the market share DOT currently occupies, or a competitive blockchain could take market share from the Relay Chain, it would face significant headwinds due to the network effect and financial and intellectual investments currently enjoyed by DOT and the Polkadot Network as one of the market leaders. As of April 7, 2021, DOT's market capitalization was estimated to be approximately $38.8 billion.

The above description of DOT and the Polkadot Network, its regulation and trading and other relevant aspects is not meant to be full and complete. The Sponsor recommends that each investor do their own research and consult with their own advisors to understand DOT and how it and

other cryptocurrencies operate and the risks involved in investing in DOT and other cryptocurrencies.

RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST

An investment in the Trust involves the risk of losing money. Consider the risks below as well as the rest of the information in this Memorandum before making an investment decision.

Risks Associated with Investing Directly or Indirectly in DOT

DOT, like other digital assets, is an extremely new and nontraditional asset. Digital assets, represented on a decentralized public transaction ledger that is maintained by an open source protocol, are substantively different from traditional assets and investments. Digital assets were only introduced within the past decade, and DOT was first released in 2020, which limits a potential Unitholder's ability to evaluate the performance of DOT. Because of the complex nature of DOT itself coupled with an investment with exposure to the performance thereof, an investor in the Trust may face numerous material risks that may not be present in other investments. These risks include:

Digital Asset Exchange Risk.

The digital asset exchanges on which DOT trades are new, developing in complexity and structure and, in many cases, unregulated. Digital asset exchanges are coming under more intense scrutiny from regulators around the world. Furthermore, many exchanges (including several of the most prominent U.S. dollar-denominated exchanges) do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. As a result, the marketplace may lose confidence in or may experience problems relating to digital asset exchanges, including prominent exchanges which handle a significant portion of the volume of DOT trading. Digital asset exchanges may impose daily, weekly, monthly or customer-specific transaction or distribution limits, or the exchanges may suspend withdrawals entirely, rendering the exchange of virtual currency for fiat currency difficult or impossible.

Digital asset exchanges generally operate outside of the United States. An investor may have difficulty in successfully pursuing claims in the courts of such countries or enforcing in the courts of such countries a judgment obtained in another country. In general, certain less developed countries lack fully developed legal systems and bodies of commercial law and practices normally found in countries with more developed market economies. Currently, there are no specific regulatory protections in place that would protect an investor in DOT from financial losses if a digital asset exchange were to fail or go out of business. Participation in digital asset exchanges requires users to assume risks by transferring traditional currencies from a traditional banking institution or DOT from a personal digital wallet account to a third party's account. However, in July 2020, the OCC announced that national banks may provide cryptocurrency custody services to their customers. See "Information About the Polkadot Network and DOT—Regulation of DOT—Certain Historical Developments." As a result, it is possible that, in the future, investors will use banks to hold their cryptocurrency wallets.

A number of digital asset exchanges have been closed due to fraud, failure or cyber-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 loss of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that make larger digital asset exchanges more stable, larger exchanges are more likely to be appealing targets for hackers and "malware" (*i.e.*, software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

In 2014, the largest digital asset exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost over $450 million in Bitcoin, as well as $28 million in cash from the exchanges bank accounts. In August 2016, Bitfinex, a digital asset exchange located in Hong Kong, reported a security breach that resulted in the theft of approximately 120,000 Bitcoin valued at the time at approximately $72 million, a loss which was allocated to all Bitfinex account holders (rather than just specified holders whose wallets were affected directly), regardless of Bitcoin the account holder held Bitcoin or cash in their account. Similarly, it has been reported that digital asset exchange Coincheck lost approximately $500 million to hackers in 2018. In 2020, a small South Korean peer-to-peer digital asset exchange, Good Cycle, was hacked for an amount of Ethereum valued at $5 million. Upbit suffered a significant hack in November 2019, totaling 342,000 Ethereum, valued at approximately $50 million at the time.

A lack of stability in the digital asset exchange market and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the Polkadot Network and result in greater volatility in the price of DOT. These potential consequences of a digital asset exchange's failure could adversely affect the price of DOT, which would be likely to affect the value of the Trust's investments.

Competition Risk.

Many parties are developing a variety of digital assets. For example, the People's Bank of China, the central bank of Sweden, the Bank of England, and the U.S. Federal Reserve are all in various stages of investigating and developing forms of central bank digital currencies. Private parties such as Facebook are also exploring the issuance of digital assets. It is possible that another digital asset could become materially popular due to either a perceived or exposed shortcoming of the Polkadot Network protocol that is not immediately addressed by the Polkadot contributor community or a perceived advantage of an "altcoin" that includes features not incorporated into DOT. However, DOT has gained substantial market share, which may be in part due to perceived institutional backing or potentially advantageous features not incorporated into Bitcoin or Ethereum. Nevertheless, if another digital asset were to obtain significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce DOT's market share and have an impact on the demand for, and price of, DOT and thereby adversely affect the value of the Trust's investments.

Intellectual Property Risk.

Third parties may assert intellectual property claims relating to the holding and transfer of digital assets and their source code. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the Polkadot Network's long-term viability or the ability of end-users to hold and transfer DOT may adversely affect an investment in the Units. Additionally, a successful intellectual property claim could prevent market participants from accessing the Polkadot Network or holding or transferring their DOT, which could adversely impact the price of DOT and the value of the Trust's investments.

Internet and Cybersecurity Risk.

The Polkadot Network's functionality relies on the Internet. A significant disruption of Internet connectivity affecting large numbers of users or geographic areas could impede the functionality of the Polkadot Network during the period of that disruption and could adversely affect user confidence in DOT and the Polkadot Network, which could adversely affect the Trust. In addition, certain features of the Polkadot Network, such as decentralization, open source protocol and reliance on peer-to-peer connectivity, may increase the risk of fraud or cyber-attack by potentially reducing the likelihood of a coordinated response in defense or prevention of such attack by network participants. Any incidents of fraud or cyber-attack on the Polkadot Network could reduce confidence in the Polkadot Network and DOT and adversely affect the value of the Trust's investments.

New Asset and Limited Trading History Risk.

DOT, which is a new technological innovation with a limited history, is a new and highly speculative asset. There is no assurance that usage of DOT will continue to grow. A contraction in the use of DOT may result in increased volatility or a reduction in the price of DOT, which could adversely impact the value of the Trust. DOT was first created in 2017; DOT and its trading history thus have existed for a relatively short time, which limits a potential Unitholder's ability to evaluate an investment in the Trust. Moreover, derivatives of DOT have only recently been introduced to the U.S. marketplace. This limited history creates risks for investment in the Units.

Regulatory Risk.

The laws and regulations applicable to digital assets like DOT are evolving in the United States and foreign jurisdictions. In the United States, bills have been introduced in the U.S. Congress that could affect DOT, the Polkadot Network, other digital assets, other blockchains, and other providers of digital asset services. None of these bills have been enacted into law, and it is unclear whether or when any law pertaining to digital assets might be enacted, as well as what provisions any such law might contain. As a result, it is impossible to predict the effect that any such law might have on the Polkadot Network, the market for DOT, or the Trust.

In the absence of federal legislation, the individual states as well as various federal agencies have taken varying approaches to regulation and oversight of digital assets. On July 25, 2017, the SEC issued a Report of Investigation (the "Report") which concluded that digital assets or tokens issued

for the purpose of raising funds may be securities within the meaning of the federal securities laws. The Report emphasized that whether a digital asset is a security is based on the particular facts and circumstances, including the economic realities of the transactions. The SEC staff takes the view that digital assets can be, and most often are, securities, although the staff has said that Bitcoin and DOT are sufficiently decentralized so that they may not be securities. This staff view, however, is not binding on the SEC. As of the date of this Memorandum, the SEC has not asserted regulatory authority over the Polkadot Network or DOT trading or ownership. The CFTC, meanwhile, has taken the position that, depending on the circumstances, transactions in digital assets may fall within the scope of the Commodity Exchange Act. The Trust is not registered as a commodity pool for purposes of the CEA, and the Sponsor is not registered as a commodity pool operator, a commodity trading advisor or otherwise. The Trust and the Sponsor will continue to monitor and evaluate whether any such registrations may be or may become required.

At the state level, some states like New York have passed laws and adopted regulations that are generally considered to be restrictive with respect to digital assets, while other states such as Wyoming have passed laws and adopted regulations that are generally considered to be more permissive with respect to digital assets. It is impossible to predict with certainty how the evolution of state laws with respect to digital assets may affect the Polkadot Network and DOT in the future.

If DOT were determined to be a security under the federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law, such a determination could have an adverse impact on DOT. For example, it might become more difficult for DOT to be traded, compared to other digital assets that are not considered to be securities, which could negatively affect the liquidity and general acceptance of DOT and cause users to migrate to other digital assets. Even if a different digital security were deemed to be a digital asset, there could be negative publicity or a decline in the general acceptance of digital assets that could have a negative impact on DOT or the Polkadot Network. As a result, any determination by a regulatory agency or a court deeming any digital asset, particularly DOT, to be a security for purposes of federal or state securities laws could have an adverse effect on the Trust and on Units. In addition, to the extent that future regulatory actions or policies limit or enhance the ability to exchange DOT or utilize them for payments, the demand for DOT may be reduced or increased. Furthermore, regulatory actions may limit the ability of end-users to convert DOT into fiat currency (*e.g.*, U.S. dollars) or use DOT to pay for goods and services.

To the extent that DOT were 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 DOT at a time that is disadvantageous to Unitholders.

Regulation of the digital asset industry as a whole continues to evolve and is subject to change. The effect of any future legal or regulatory developments on DOT or on the digital asset industry is impossible to predict, but such change could be substantial and adverse to the value of the Trust's

investments or to the Trust's operations. Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may affect how DOT is classified (*e.g.*, as a security, property, commodity, currency, etc.) and regulated. The impact that any such potential actions might have on the Polkadot Network or DOT cannot be predicted at this time.

Because factors affecting the value of DOT transcend borders, the approach taken internationally relating to the regulation of DOT may also have an adverse effect on its value and thus on the value of an investment in the Trust, and DOT currently faces an uncertain regulatory landscape in many foreign jurisdictions. Since December 2013, regulators in jurisdictions including the United States, the United Kingdom, South Korea and Switzerland have provided greater regulatory clarity, while Chinese, Indian, Icelandic, and Vietnamese government officials have taken steps to limit the participation of their respective financial services sectors from directly interacting with the ecosystems of some digital assets, creating additional regulatory uncertainty in those countries. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Polkadot Network, DOT, the digital asset exchange market and their users, particularly digital asset exchanges and service providers that fall within such jurisdictions' regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of DOT by users, merchants and service providers outside of the United States and may therefore impede the growth or sustainability of the DOT economy globally, or otherwise negatively affect the value of DOT. Foreign regulators and legislatures have also taken action against digital asset businesses or enacted restrictive regimes in response to adverse publicity arising from cybersecurity risks, potential consumer harm, or digital assets used in connection with criminal activity. The value of DOT could be impacted by such actions or by any resulting adverse publicity. The regulatory uncertainty surrounding the treatment of DOT by foreign jurisdictions creates risks for the Trust.

Current IRS guidance indicates that digital assets such as DOT should be treated and taxed as property, and that transactions involving the payment of DOT for goods and services should be treated as barter transactions. This treatment may create a potential tax reporting requirement in any circumstance where the ownership of DOT passes from one person to another, usually by means of DOT transactions. However, the tax treatment of digital currencies could change as a result of new laws or differing regulatory interpretations. Because of the evolving nature of digital currencies, it is not possible to predict potential future regulatory developments that may arise with respect to digital currencies, including forks, airdrops, staking and other similar events. Foreign jurisdictions may also elect to treat digital assets such as DOT differently for tax purposes. To the extent a foreign jurisdiction with a significant share of the market of DOT users imposes onerous tax burdens on DOT users, or imposes sales or value added tax on purchases and sales of DOT for fiat currency, such actions could result in decreased demand for DOT in such jurisdiction, which could impact the price of DOT and negatively impact the value of the Trust's investments. Accounting standards may also change, creating an obligation to accrue for a tax liability that was not previously required to be accrued for or in situations where it is not expected that will directly or indirectly be ultimately subject to such tax liability. These potential tax and accounting changes have the potential to increase or decrease interest in DOT, which could impact the price of DOT and the value of the Trust's investments.

The regulation of DOT, digital assets and related products and services continues to evolve. The inconsistent and sometimes conflicting regulatory landscape may make it more difficult for digital

asset businesses to provide services, which may impede the growth of the DOT economy and have an adverse effect on consumer adoption of DOT. There is a possibility of future regulatory change altering, perhaps to a material extent, the nature of an investment in the Units or the ability of the Trust to continue to operate. Additionally, to the extent that DOT itself is determined to be a security, commodity future or other regulated asset, or to the extent that a United States or foreign government or quasi-governmental agency exerts regulatory authority over the Polkadot Network, DOT trading or ownership in DOT, such determination may have an adverse effect on the value of your investment in the Trust. In sum, DOT regulation takes many different forms and will, therefore, impact DOT and its usage in a variety of manners. It is impossible to predict how future legal and regulatory changes, or the threat of such changes, may impact the Trust, the Sponsor and Unitholders.

Structural Risk.

The nature of the Polkadot Network's protocols and open source software makes the protocols vulnerable to exploitation. If the governance mechanism responsible for maintaining the protocol is unable to address potential flaws in a timely manner, a malicious actor who detects flaws in the protocol could damage the Polkadot Network and adversely affect the market for DOT. Any malicious damage to the protocol of the Polkadot Network could also have an adverse impact on the operations of the Trust and on the value of the Units.

The Polkadot Network relies on the use of the Relay Chain as a secure security feature that allows for multiple Parachains and bridges to participate in the Polkadot Network, becoming the framework for supporting the integrity of the relay chain through Validators. If there is a majority of validators that have colluded with collators on a specific Parachain proposing a compromised Parachain block, the successful addition of that fraudulent (or multiple fraudulent) blocks constitutes a failure of the Relay Chain. Polkadot assumes that actors named Fishermen will find compromised blocks that are proposed by colluding validators. However, this assumption is only legitimate if there are enough Fishermen checking blocks and have been properly incentivized to perform this function. Should that incentive mechanism break down, the Polkadot Network could be at risk for malicious activity that could depress the price of DOT.

Supply Risk.

Although it is possible to view the amount of DOT owned by any public address, there is no registry showing which individuals or entities own DOT or the quantity of DOT owned by any particular person or entity. It is possible that a small group of early DOT adopters hold a significant proportion of the DOT that has thus far been created. There are no regulations in place that would prevent a large holder of DOT from selling their DOT, which could depress the price of DOT.

Currently, a significant portion of DOT demand is generated by speculators and investors seeking to profit from the short- or long-term holding of DOT. A lack of expansion by DOT as a means for other use cases, or a contraction of such use, may result in increased volatility, which could adversely affect an investment in the Trust.

Usage Risk.

The growth of the digital asset industry in general, and the Polkadot Network in particular, is subject to a high degree of uncertainty. The factors affecting the further development of the Polkadot Network include:

- worldwide growth in the adoption and use of DOT, which may be impacted by, among other things, negative publicity, perceived illicit uses of digital assets, security risks for individual holders of digital assets and software or hardware malfunctions affecting DOT users;
- government and quasi-government regulation of DOT and its use, or restrictions on or regulation of access to and operation of the Polkadot Network;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies or the development of central bank digital currencies; and
- general economic conditions and the regulatory environment relating to digital assets.

There is no assurance that the Polkadot Network, or the ecosystem of developers, stakers and users necessary to accommodate it, will continue in existence or grow. Furthermore, there is no assurance that the availability of and access to Polkadot Network service providers will not be negatively affected by government regulation or supply and demand of DOT. A decline in the popularity or acceptance of the Polkadot Network may impair the price of DOT while an increased acceptance of the Polkadot Network may benefit the price of DOT, either of which could have an impact on the value of the Trust's investments.

Valuation Risk.

Market fluctuations in the price of DOT could affect an investment in the value of the Trust. The market price of DOT may be highly volatile, and subject to a number of factors, including:

- An increase or decrease in DOT supply or issuance procedures, including due to DOT supply inflation inherent in the Polkadot Network;
- DOT demand, which is influenced by Polkadot Network adoption, the growth of retail merchants' and commercial businesses' acceptance of DOT as a means of payment for goods and services, the security of online DOT exchanges and public and private keys associated with DOT, the perception that the use and holding of DOT is safe and secure, and the lack of regulatory restrictions on their use;
- Investor attitudes and regulatory actions with respect to digital assets generally;
- Investors' expectations with respect to the rate of inflation;
- Interest rates;
- Currency exchange rates, including the rates at which DOT may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies with respect to the digital asset exchange market;
- Interruptions in service from or failures of the digital asset exchange market;

- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in DOT;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Efforts by governments to develop their own digital currencies;
- Regulatory measures, if any, that restrict the use of DOT or the purchase of DOT on the digital asset exchange market;
- The maintenance and development of the open source software protocol of the Polkadot Network;
- Global or regional political, economic or financial events and situations; and
- Expectations among DOT market participants that the value of DOT will soon change.

In addition, investors should be aware that there is no assurance that DOT will maintain its long-term value. The failure of businesses to adopt DOT as a form of payment, especially if other digital assets are adopted, could have a negative impact on DOT's market value and on the value of the Units.

Market Related Risks

The Trust Is Subject to Market Risk.

Market risk refers to the risk that the market price of DOT held by the Trust will rise or fall, sometimes rapidly or unpredictably. An investment in the Trust's Units is subject to market risk, including the possible loss of the entire principal of the investment.

NAV May Not Always Correspond to the Market Price of DOT and, as a Result, Units May Be Purchased (or Redeemed, if Ever Permitted) at a Value that Differs From the Market Price of the Units.

The NAV of the Trust will change as fluctuations occur in the market price of the Trust's DOT holdings. If and when Unitholders are able to trade their Units on a secondary trading market, Unitholders should be aware that the market trading price of a Unit may be different from the NAV per Unit (i.e., Units may trade at a premium over, or a discount to, the NAV), and similarly the market trading price per Unit may be different from the NAV per Unit, for a number of reasons, including price volatility, trading volume and any closings of digital asset trading platforms due to fraud, failure, security breaches or otherwise. Consequently, an investor may be able to purchase Units at a discount or a premium to the market trading price per Unit (if and when Units trade on a secondary trading market). This price difference may be due, in large part, but not exclusively, to the fact that supply and demand forces at work in the secondary trading market for Units are related, but not identical, to the supply and demand forces influencing the market price of DOT. Unitholders also should note that the size of the Trust in terms of total DOT held may change substantially over time and as Units are issued and redeemed (if ever permitted).

Suspension or Disruptions of Market Trading May Adversely Affect the Value of Units.

As soon as practicable, we intend to apply for the Units to be quoted on the OTCQX. Nevertheless, there can be no assurance as to when, if ever, the Units will be quoted on any market. Moreover, quotation may be halted due to market conditions, or in light of the OTCQX rules and procedures. There can be no assurance that the requirements necessary to maintain the quotation of the Units on the OTCQX will continue to be met. This could adversely affect the value of the Units.

The Lack of Active Trading Markets For the Units May Result in Losses on an Investment in the Trust at the Time of Disposition of Units.

There can be no guarantee that an active trading market for the Units will develop or will be maintained. Even if an active trading market does develop, it may not provide significant liquidity, and the Units may not trade at prices advantageous to Unitholders. If a Unitholder wishes to sell Units at a time when no active market for such Units exists, the price received for the Units (assuming that the Unitholder is able to sell them) likely will be lower than the price a Unitholder would receive if an active market did exist and, accordingly, the Unitholder may suffer significant losses if they choose to sell at such a time.

The Trust's Acquisition and Sale of DOT May Impact the Supply and Demand of DOT, Which May Have a Negative Impact on the Price of the Units.

If the number of DOT acquired by the Trust is large enough relative to global DOT supply and demand, further issuances and redemptions (if any) of Units could have an impact on the supply of and demand for DOT in a manner unrelated to other factors affecting the global market for DOT. Such an impact could affect the DOT Market Price, which would directly affect the price at which Units are quoted on the OTCQX or the price of future Units issued or redeemed (if permitted) by the Trust.

A Possible "Short Squeeze" Due to a Sudden Increase in Demand for the Units that Largely Exceeds Supply May Lead to Price Volatility in the Units.

DOT price speculation may involve long and short exposures. To the extent that aggregate short exposure exceeds the number of Units available for purchase (for example, in the event that large redemption requests by Unitholders dramatically affect Unit liquidity), Unitholders with short exposure may have to pay a premium to repurchase Units for delivery to Unit lenders. Those repurchases may, in turn, dramatically increase the price of the Units until additional Units are issued. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in the Units that are not directly correlated to the price of DOT, which could have an adverse effect on holders of Units.

The Trust's Buying and Selling Activity Associated with the Issuance and Redemption (if any) of Units May Adversely Affect an Investment in the Units.

The Trust's purchase of DOT in connection with Unit issuance orders may cause the price of DOT to increase, which will result in higher prices for the Units. Increases in the DOT prices may also

occur as a result of DOT purchases by other market participants who attempt to benefit from an increase in the market price of DOT when Units are issued. The market price of DOT may therefore decline immediately after Units are issued. Selling activity associated with sales of DOT from the Trust in connection with redemption orders may decrease the DOT prices, which will result in lower prices for the Units. Decreases in DOT prices may also occur as a result of selling activity by other market participants. In addition to the effect that purchases and sales of DOT by the Trust may have on the price of DOT, other exchange-traded products with similar investment objectives could represent a substantial portion of demand for DOT at any given time and the sales and purchases by such investment vehicles may impact the price of DOT. If the price of DOT declines, the trading price of the Units will generally also decline.

Difficulties or Limitations in the Processes of Issuance and Redemption (if any) of Units May Interfere with Opportunities for Arbitrage Transactions Intended to Keep the Price of the Units Closely Linked to the Price of DOT, Which May Adversely Affect an Investment in the Units.

If the processes of issuance and redemption of the Units encounter any unanticipated difficulties, potential market participants who would otherwise be willing to purchase or redeem Units to take advantage of any arbitrage opportunity arising from discrepancies between the price of the Units and the price of the underlying DOT may not take the risk that, as a result of those difficulties, they may not be able to realize the profit they expect. If this is the case, the liquidity of Units may decline and the price of the Units may fluctuate independently of the price of DOT and may fall. In addition, the Sponsor may postpone, suspend or reject purchase or redemption orders, as applicable, for a variety of permitted reasons under certain circumstances. To the extent such orders are postponed, suspended or rejected, the arbitrage mechanism resulting from the process through which investors purchase and redeem Units directly with the Trust may fail to closely link the price of the Units to the value of the underlying DOT, as measured using the DOT Market Price. If this is the case, the liquidity of the Units may decline and the price of the Units may fluctuate independently of the DOT Market Price and may fall.

Risks Related to the Over-the-Counter ("OTC") Market and Digital Asset Exchanges

Fraud and Manipulation in the Markets for DOT May Affect the Value of the Units.

The price of DOT may be influenced by fraud and manipulation for a number of reasons, including but not limited to the following: most DOT spot markets are not regulated or supervised by a government agency; platforms may lack critical system safeguards, including adequate cyber-security and privacy protections for their users; volatile market price swings or flash crashes; cyber risks, such as hacking customer wallets; and/or platforms selling from their own accounts and putting customers at an unfair disadvantage. Any act of fraud or manipulation in the DOT marketplace may adversely affect an investment in the Units.

Disruptions at OTC Trading Desks and Potential Consequences of an OTC Trading Desk's Failure Could Adversely Affect an Investment in the Units.

There are a limited number of OTC trading desks with which the Trust can transact in DOT to effect issuances and redemptions (if any). A disruption at or withdrawal from the market by any

such OTC trading desk may adversely affect the Trust's ability to purchase or sell DOT, which may potentially negatively impact the market price of the Units. A disruption at one or more OTC trading desks could reduce liquidity in the market and may negatively impact the Trust's ability to value its DOT. Because there is currently no publicly disseminated and verifiable feed with respect to the price of DOT in the OTC market, investors must rely on other pricing sources, such as the Kraken Polkadot Price or prices obtained directly from the OTC trading desks or digital asset exchanges, to obtain the price of DOT.

Disruptions at Digital Asset Exchanges and Potential Consequences of a Digital Asset Exchange's Failure Could Adversely Affect an Investment in the Units.

Digital asset exchanges operate websites on which users can trade DOT for U.S. dollars, other government currencies and other digital assets. Trades on digital asset exchanges are unrelated to transfers of DOT between users via the Polkadot Network. DOT trades on exchanges are recorded on the exchange's internal ledger only, and each internal ledger entry for a trade will correspond to an entry for an offsetting trade in U.S. dollars or other government currency. To sell DOT on a digital asset exchange, a user will transfer DOT (using the Polkadot Network) from him or herself to the digital asset exchange. Conversely, to buy DOT on a digital asset exchange, a user will transfer U.S. dollars or other government currency to the digital asset exchange. After completing the transfer of DOT or U.S. dollars, the user will execute his or her trade and withdraw either the DOT (using the Polkadot Network) or the U.S. dollars back to the user. In some cases, the user may maintain their DOT (or U.S. dollars) in an account on the digital asset exchange. Digital asset exchanges are an important part of the Polkadot industry.

Digital asset exchanges have a limited history. Since 2009, several digital asset exchanges have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks, a/k/a "DDoS Attacks." In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their funds, DOT or other cryptocurrencies held at the exchanges. In 2014, the largest digital asset exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 Bitcoin, valued then at over $450 million. Digital asset exchanges are also appealing targets for hackers and malware. In August 2016, Bitfinex, an exchange located in Hong Kong, reported a security breach that resulted in the theft of approximately 120,000 Bitcoins valued at the time at approximately $72 million, a loss which was allocated to all Bitfinex account holders (rather than just specified holders whose wallets were affected directly), regardless of whether the account holder held digital or cash in their account. In February 2017 following a statement by the People's Bank of China, China's three largest exchanges (BTCC, Huobi and OKCoin) suspended withdrawals of users' Bitcoin. Although withdrawals were permitted to resume in late May 2017, Chinese regulators in September 2017 issued a directive to Chinese exchanges to cease operations with respect to Chinese users by September 30, 2017. In July 2017, FinCEN and the U.S. Department of Justice levied a $110 million fine and an indictment against BTC-e, another digital asset exchange and one of its operators for facilitating crimes such as drug sales, computer hacking, identity theft and ransomware attacks. Similar to the outcome of the Bitfinex breach, losses due to assets seized by FinCEN were allocated among exchange users. In addition, it has been reported that digital asset exchange Coincheck lost approximately $500 million to hackers in 2018 and that digital asset exchange Binance lost approximately $40 million to hackers in 2019. The potential

for instability of digital asset exchanges and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers, DDoS or malware or government-mandated regulation may reduce confidence in DOT, which may result in greater volatility in the DOT Market Price.

Despite efforts to ensure accurate pricing, the DOT Market Price and the price of DOT generally remain subject to volatility. Such volatility could adversely affect an investment in the Units.

Momentum Pricing of DOT May Subject the Price of DOT to Greater Volatility and Adversely Affect an Investment in the Units.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. The Sponsor believes that momentum pricing of DOT has resulted, and may continue to result, in speculation regarding future appreciation in the value of DOT, inflating and making more volatile the value of DOT. As a result, DOT may be more likely to fluctuate in value due to changing investor confidence in future appreciation in the DOT price, which could adversely affect an investment in the Units.

Operating Risks of the Trust

As the Sponsor and Its Management Have Little History of Operating the Trust, Their Experience May Be Inadequate or Unsuitable to Manage the Trust.

The Sponsor has only a limited history of past performance in managing the Trust. Similarly, the Sponsor's management has only a limited history of past performance in managing the Trust. The past performances of the Sponsor and management in other positions are no indication of their ability to manage an investment vehicle such as the Trust. If the experience of the Sponsor and its management is inadequate or unsuitable to manage an investment vehicle such as the Trust, the operations of the Trust may be adversely affected.

The Trust Has No Operating or Performance History.

The Trust has no operating history. Therefore, a potential Unitholder has no performance history, aside from the historical price of DOT, to serve as a factor in evaluating an investment in the Trust.

The Units Are New Securities and Their Value Could Decrease if Unanticipated Operational or Trading Problems Arise.

The mechanisms and procedures governing the issuance, redemption (if any) and offering of the Units have been developed specifically for the Trust. Consequently, there may be unanticipated problems or issues with respect to the mechanisms of the operations of the Trust and the trading of the Units. In addition, to the extent that unanticipated operational or trading problems or issues arise, the Trust management's past experience and qualifications may not be suitable for solving these problems or issues. As a result, there is a risk that operational or trading problems could have a material adverse effect on an investment in the Units.

Fees and Expenses Are Charged Regardless of Profitability and May Result in Depletion of Assets.

Unitholders in the Trust will pay fees and expenses in connection with their investment in Units, including the Management Fee of an annualized 2.50 % of the average daily NAV of the Trust for each year, unless waived by the Sponsor. The Sponsor has waived Management Fees until January 1, 2023. The Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the "Assumed Expenses"); provided, however, that the Trust shall be responsible for any non-routine and ordinary expenses, including in addition to the Management Fee, fees and expenses such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees, and expenses related to public trading on OTCQX ("Extraordinary Expenses").

The Security of the Trust's DOT Holdings Cannot Be Assured by the Trust, the Custodian or Any Other Person.

The Trust's DOT holdings will be held by the Custodian subject to security methods and procedures designed to ensure the Trust's control over those holdings and keep those holdings safe from unauthorized use, theft or other misuse. See "Other Parties–Custodian–The Custodian's Role". However, no security measures can provide assurance that the Trust's DOT holdings will not be affected by theft, misuse, cybersecurity breaches or other harms. Moreover, the Trust must use the Custodian's service on an "as is" basis and the Custodian's standard of care is limited to that of "reasonable care". Further, the Custodian is not liable for any loss that is caused, directly or indirectly, by any non-adherence by the Trust to the Custodian's policies and procedures, any action taken to secure the digital assets or accounts of the Trust or other exceptions under the Custodial Services Agreement (the "Custodian Agreement"). In addition, although we may be entitled to indemnification for certain breaches of the Custodian Agreement or the loss or theft of the Trust's assets, securing recovery for any such losses may require us to devote substantial time and resources to the task, with no guarantee of success. While the Trust has taken and will continue to take steps to secure its assets, the Trust's assets are continuously subject to risks of theft, fraud and other security breaches, and some or all of the Trust's assets may be lost or otherwise compromised as a result of such security breaches.

Possibility of Termination of the Trust May Adversely Affect a Unitholder's Portfolio.

The Sponsor may terminate the Trust in its sole discretion upon the occurrence of certain events, and shall terminate the Trust upon the occurrence of certain other events. If this power is so exercised, Unitholders who may wish to continue to invest in DOT through the Trust will have to find another vehicle, and may not be able to find another vehicle that offers the same features as the Trust. Such detrimental developments could cause a Unitholder to liquidate its investments at an inopportune time and upset the overall maturity and timing of its investment portfolio.

Any Errors, Discontinuance or Changes in Determining the Value of the DOT Held by the Trust May Have an Adverse Effect on the Value of the Units.

The Administrator will determine the NAV of the Trust and the NAV per Unit on a daily basis as soon as practicable after 4:00 P.M. New York time on each day the New York Stock Exchange is open for business. The Administrator's determination will be made based on the DOT Market Price To the extent that such NAV or NAV per Unit is incorrectly calculated, there may be no liability for any error, but such misreporting of valuation data could adversely affect an investment in the Units.

Unitholders May Be Adversely Affected by Redemption Orders that Are Subject to Postponement, Suspension, or Rejection under Certain Circumstances.

If redemptions of Units are ever permitted, the Sponsor may nevertheless, in its discretion, suspend the right of redemption or postpone the redemption settlement date if (1) the order is not in proper form as determined by the Trust or Sponsor, (2) during an emergency as a result of which delivery, disposal or evaluation of DOT is not reasonably practicable or (3) for such other period as the Sponsor determines to be necessary for the protection of Unitholders. Any such postponement, suspension or rejection could adversely affect a redeeming investor. For example, the resulting delay may adversely affect the value of the investor's redemption proceeds if the NAV of the Trust declines during the period of delay. The Trust disclaims any liability for any loss or damage that may result from any such suspension or postponement.

As a Unitholder, You Will Not Have the Rights Normally Associated With Ownership of Units of Other Types of Investment Vehicles. For Example, You Will Have No Voting Rights, in Comparison to Those of Securityholders in Traditional Operating Companies.

The Trust is a passive investment vehicle with no active management and no board of directors. Thus, the Units are not entitled to the same rights as shares issued by a corporation operating a business enterprise with management and a board of directors. By acquiring Units, you are not acquiring the right to elect directors, to vote on certain matters regarding the issuer of your Units or to take other actions normally associated with the ownership of shares, such as the right to bring "oppression" or "derivative" actions. You will only have the extremely limited rights described under "Description of the Units."

The Value of the Units Will be Adversely Affected if the Trust Is Required to Indemnify the Sponsor, the Custodian or the Cash Custodian as Contemplated in the Trust Agreement, the Custodian Agreement or the Cash Custody Agreement.

Under the Trust Agreement, each of the Sponsor and the Trustee has a right to be indemnified from the Trust for any liability or expense it incurs without gross negligence, bad faith or willful misconduct on its part. Under the Trust Agreement, the Trust's officers, directors, employees and agents also have a right to be indemnified from the Trust for any liability or expense they incur without gross negligence, bad faith, or willful misconduct on their part. Similarly, the Custodian Agreement and the Cash Custody Agreement each provide for indemnification of the Custodian and the Cash Custodian, respectively, by the Trust under certain circumstances. That means that it

may be necessary to sell assets of the Trust to cover losses or liability suffered by any of the foregoing parties. Any sale of that kind would reduce the NAV of the Trust and the NAV per Unit, to the detriment of holders of the Units.

The Trust's DOT Holdings Could Become Illiquid Which Could Cause Large Losses to Unitholders at Any Time or From Time to Time.

The Trust may not always be able to liquidate its DOT at a desired price, or at all. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on digital asset exchanges and with OTC DOT participants.

A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its commodity production or exports, or in another major export, can also make it difficult to liquidate a position. In the event of a fork of the Polkadot Network, certain digital asset exchanges and/or OTC counterparties may halt deposits and withdrawals of DOT for a set period of time thus reducing liquidity in the markets. Unexpected market illiquidity may cause major losses to Unitholders at any time. The large amount of DOT the Trust may acquire increases the risk of illiquidity by both making its DOT more difficult to liquidate and increasing the losses incurred while trying to do so. To the extent the Trust is unable to purchase or sell DOT at a desired price as a result of illiquidity, the Trust may not be able to effect issuances and redemptions (if permitted) of Units for cash.

Transactions in DOT Are Irreversible and the Trust May Be Unable to Recover Improperly Transferred DOT.

DOT transactions on the Relay Chain are irreversible. An improper transfer, whether accidental or resulting from theft, can only be undone by the receiver of the DOT agreeing to send the DOT back to the original sender in a separate subsequent transaction. To the extent the Trust erroneously transfers, whether accidental or otherwise, DOT in incorrect amounts or to the wrong recipients, the Trust may be unable to recover the DOT, which could adversely affect an investment in the Units.

The Trust's DOT May Be Lost, Stolen or Subject to Other Inaccessibility.

There is a risk that part or all of the Trust's DOT could be lost, stolen or destroyed. Although the Trust will secure the Trust's DOT to seek to minimize the risk of loss, the Trust cannot guarantee that such a loss will be prevented. Access to the Trust's DOT could also be restricted by natural events (such as a hurricane or earthquake pandemic) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the Trust and, consequently, an investment in the Units.

Any Disruptions to the Computer Technology Used by the Trust or its Service Providers Could Adversely Affect the Trust's Ability to Function and an Investment in the Units.

The Trust will monitor its technology and may develop and redesign its technology, including enhancements and alterations that may be implemented from time to time, and it expects its service providers to do the same. In doing so, there is risk that failures may occur and result in service interruptions or other negative consequences. Any technology updates that cause disruptions in the proper functioning of the Trust's or any of its service provider's technology systems may have an adverse impact on the Trust and an investment in the Units.

The Trust may take such steps as the Sponsor determines, in its sole judgment, to be required to maintain and upgrade its technology systems, in order to protect against failure, hacking, malware and general security threats, and it expects its service providers to take their own steps to maintain and upgrade their own technology systems with the same goals in mind. The Trust is not liable to Unitholders for the failure or penetration of technology systems absent gross negligence, willful misconduct or bad faith. To the extent technology systems fail or are penetrated, any loss of the Trust's DOT or loss of confidence in the Trust's ability to safeguard its DOT may adversely affect an investment in the Units.

The Trust's Computer Infrastructure May be Vulnerable to Security Breaches. Any Such Problems Could Cause Interruptions in the Trust's Operations and Adversely Affect an Investment in the Units.

The Trust's computer infrastructure is potentially vulnerable to physical or electronic computer break-ins, viruses and similar disruptive problems and security breaches. Any such problems or security breaches could give rise to a halt in the Trust's operations, and expose the Trust to a risk of financial loss, litigation and other liabilities. In the event of a security breach, the Trust may cease operations, suspend redemptions or suffer a loss of DOT or other assets. Any of these events, particularly if they result in a loss of confidence in the Trust's ability to operate, could have a material adverse effect on an investment in the Units.

Technology System Failures Could Cause Interruptions in the Trust's Ability to Operate.

If the Trust's systems fail to perform, the Trust could experience disruptions in operations and slower response times, which may cause delays in the Trust's ability to buy or sell DOT. Any such failures may also result in the theft, loss or damage of the Trust's DOT. Any such theft, loss or damage of the Trust's DOT would have a negative impact on the value of the Units and adversely affect the Trust's ability to operate. In addition, a loss of confidence in the Trust's ability to secure the Trust's DOT with its technology system may adversely affect the Trust and the value of an investment in the Units.

Staking Risk.

At any given time, a portion of the DOT held by the Trust will be bonded to the Polkadot Network by the Custodian for purposes of securing inflationary network rewards and transaction fees. Staking is a discretionary activity that supports the operation and governance of the Polkadot Network. DOT held by the Trust and staked to the Polkadot Network is subject to a 28 day lock-up, known as "unbonding" and cannot be immediately withdrawn. Staking has a low but inherent risk of permanent loss of DOT held by the Trust which would have a negative impact on the value

of the Units. Loss, known as "slashing", can occur due to a failure by the Custodian (or its affiliated staking provider) to properly manage the staked DOT.

Regulatory Risks

The Trust is Not a Registered Investment Company.

The Trust is not a registered investment company subject to the Investment Company Act of 1940, as amended (the "1940 Act"). Consequently, Unitholders of the Trust do not have the regulatory protections provided to Unitholders in registered investment companies which, for example, the requirement that investment companies have a certain percentage of disinterested directors and requirements as to the relationship between the investment company and certain of its affiliates.

The Trust Could Be, or Could Become, Subject to the Commodity Exchange Act.

Currently, the CFTC takes the position that digital assets such as DOT are commodities, although it has not issued regulations to formalize this position. The Trust is not registered as a commodity pool for purposes of the CEA, and the Sponsor is not registered as a commodity pool operator, a commodity trading advisor or otherwise. While the Trust and the Sponsor will continue to monitor and evaluate whether any such registrations may be or may become required, there can be no assurance that the decision not to seek such registrations will not have an adverse effect on the Trust or the Sponsor.

Trading on Digital Asset Markets Outside the United States Is Not Subject to U.S. Regulation, and May Be Less Reliable than U.S. Markets.

To the extent any of the Trust's trading is conducted on digital asset markets outside the U.S., trading on such markets is not regulated by any U.S. governmental agency and may involve certain risks not applicable to trading in U.S. markets. Certain foreign markets may be more susceptible to disruption than U.S. markets. These factors could adversely affect the performance of the Trust.

Future Regulations May Require the Trust to Become Registered, or May Impose Other Regulatory Burdens, Which Could Harm the Trust or Even Cause the Trust to Liquidate.

Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may affect the manner in which DOT is treated for classification and clearing purposes, and the manner in which the Units, the Trust and the Sponsor are regulated. Currently, the CFTC takes the position that digital assets are commodities and has brought enforcement actions against digital asset operators who have not registered as futures commission merchants or commodity pool operators, although several court challenges to this position are still pending and the CFTC has not yet issued regulations to formalize its position. However, the CFTC has announced that, as part of its 2020-2024 strategic plan, it will work to develop a "holistic framework" of regulation that would promote responsible innovation in digital assets. Although there have been several recent U.S. federal rulings with respect to whether virtual currencies are a form of money or a commodity, these rulings are not definitive and the Sponsor and the Trust cannot be certain as to how future regulatory developments may affect the treatment of DOT under the law. In the face of such

developments, new or additional registration and compliance steps may result in extraordinary expenses to the Trust. If the Sponsor decides to terminate the Trust in response to changed regulatory circumstances, the Trust may be dissolved or liquidated at a time that is disadvantageous to Unitholders.

To the extent that DOT is 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 or the Trust may be required to register as a commodity pool operator or commodity trading advisor 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 nonrecurring expenses. If the Sponsor or the Trust determines not to comply with such additional regulatory requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's DOT at a time that is disadvantageous to Unitholders.

To the extent that DOT is 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 1940 Act and Investment Advisers Act of 1940, as amended (the "Advisers Act"). The Sponsor or the Trust may be required to register as an investment adviser under the Advisers Act. Such additional registration may result in extraordinary, recurring and non-recurring expenses. If the Sponsor or the Trust determines not to comply with such additional regulatory requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's DOT at a time that is disadvantageous to Unitholders.

Banks May Not Provide Banking Services, or May Cut Off Banking Services, to Businesses that Provide DOT-Related Services or that Accept DOT as Payment, Which Could Directly Impact the Trust's Operations, Damage the Public Perception of DOT and the Utility of DOT as a Payment System and Could Decrease the Price of DOT and Adversely Affect an Investment in the Units.

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. This may have an adverse impact on the Trust's operations. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies or companies that accept DOT for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital asset-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of DOT as a form of payment and harming public perception of DOT or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of DOT as a form of payment system and the public perception of DOT could be damaged if banks were to close the accounts of many or of a few key businesses providing digital asset-related services. This could decrease the price of DOT and therefore adversely affect an investment in the Units. However, it is unclear whether the recent decision by the OCC to allow national banks to provide cryptocurrency custody services may change this situation in the future. See "Information About the Polkadot Network and DOT—Regulation of DOT—Certain Historical Developments."

It May Be Illegal, Now or in the Future, to Acquire, Own, Hold, Sell or Use DOT in One or More Countries, and Ownership of, Holding or Trading in Units May Also Be Considered Illegal and Subject to Sanctions.

The United States, China, Russia or other jurisdictions may take additional regulatory actions in the future that further, severely restrict the right to acquire, own, hold, sell or use DOT or to exchange DOT for fiat currency. Such an action may also result in the restriction of ownership, holding or trading in the Units. Such a restriction could subject the Trust or the Sponsor to investigations, civil or criminal fines and penalties, which could harm the reputation of the Trust or its Sponsor, and could result in the termination and liquidation of the Trust at a time that is disadvantageous to Unitholders, or may adversely affect an investment in the Units.

If Regulatory Changes or Interpretations of the Trust's or Sponsor's Activities Require Registration as Money Service Businesses Under the Regulations Promulgated by FinCEN Under the Authority of the U.S. Bank Secrecy Act or as Money Transmitters or Digital Currency Businesses Under State Regimes for the Licensing of Such Businesses, the Trust and/or Sponsor Could Suffer Reputational Harm and Also Extraordinary, Recurring and/or Nonrecurring Expenses, Which Would Adversely Impact an Investment in the Units.

If regulatory changes or interpretations of the Trust's or Sponsor's activities require the registration of the Trust or Sponsor as a money services business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, the Trust or Sponsor may be required to register and comply with such regulations. If regulatory changes or interpretations of the Trust's or Sponsor's activities require the licensing or other registration as a money transmitter or business engaged in digital currency activity (e.g., under the New York BitLicense regime) (or equivalent designation) under state law in any state in which the Trust or Sponsor operates, the Trust or Sponsor may be required to seek licensure or otherwise register and comply with such state law. In the event of any such requirement, to the extent that the Sponsor decides to continue the Trust, the required registrations, licensure and regulatory compliance steps may result in extraordinary, nonrecurring expenses to the Trust. Regulatory compliance would include, among other things, implementing anti-money laundering and consumer protection programs.

To the extent the Trust or 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 its Sponsor, decrease the liquidity of the Units and have a material adverse effect on the price of the Units. If the Sponsor decides to comply with such additional federal or state regulatory obligations and continue the Trust, the required registrations, licensure and regulatory compliance steps may result in extraordinary, nonrecurring expenses to the Trust, possibly affecting an investment in the Units in a material and adverse manner. Furthermore, the Trust and its service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money service businesses' money transmitters and businesses involved in digital currency business activity. If the Sponsor and/or the Trust determines not to comply with such requirements, the Sponsor will act to dissolve and liquidate the Trust. Any such termination could result in the liquidation of the Trust's DOT at a time that is disadvantageous to Unitholders.

Regulatory Tax Aspects of Staking Are Unclear.

Whether staking rewards (such as Staking Rewards) are immediately taxable is not clear due to a lack of guidance from the IRS and other tax authorities. The Trust can provide no assurances in this regard.

Potential Conflicts of Interest

Affiliates of the Sponsor may obtain exposure to DOT through investment in the Units. In addition, affiliates of the Sponsor have substantial direct investments in DOT outside of the Trust. Such affiliates of the Sponsor are permitted to manage such investments, taking into account their own interests, without regard to the interests of the Trust or its Unitholders. To the extent that any substantial investment in DOT is initiated, materially increased or materially reduced, such investment can affect the DOT Market Price. The initiation of, or material increases in, a substantial investment in DOT may result in an increase in the DOT Market Price. A material reduction in a substantial investment may result in a decrease in the DOT Market Price, having a negative impact on the value of the Units.

The Sponsor manages and expects to continue to manage other ventures, some of which may now or in the future have business objectives similar to or competing with those of the Trust. The Sponsor is not obligated to devote any specific amount of time to the affairs of the Trust and is not required to accord exclusivity or priority to the Trust in the event of investment opportunities arising from the application of speculative position limits or other factors. Situations may occur where the Trust could be disadvantaged because of the investment activities conducted by the Sponsor for other investment accounts.

Tax Risks

The Treatment of the Trust for U.S. Federal Income Tax Purposes Is Uncertain.

The Sponsor intends to take the position that the Trust will be treated as a grantor trust for U.S. federal income tax purposes. Assuming that the Trust is a grantor trust, the Trust will not be subject to U.S. federal income tax. Rather, a *pro rata* portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Units.

The Trust Agreement was drafted in a manner intended to clarify the Trust's classification as a grantor trust for U.S. federal income tax purposes. However, due to the absence of direct legal authority addressing the classification of an entity such as the Trust, the IRS or a court might not agree that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes. In particular, there are many unique aspects to a grantor trust holding a virtual currency such as DOT and there is no guidance from the IRS or the courts as to how the grantor trust rules are to be applied to virtual currencies.

If the IRS were successful in asserting that the Trust is not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes. If the Trust

were classified as a partnership for U.S. federal income tax purposes (that is not a publicly traded partnership as discussed below), the tax consequences of owning Units generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to the timing of recognition of gain or loss. In addition, tax information reports provided to Unitholders would be made in a different form. If the Trust were treated as a publicly traded partnership taxable as a corporation for U.S. federal income tax purposes, it would be subject to entity-level U.S. federal income tax (currently at a flat rate of 21%) on its net taxable income and certain distributions made by the Trust to Unitholders could be taxable as dividends to the extent of the Trust's current and accumulated earnings and profits (which, in the case of a Non-U.S. Holder, generally would be subject to U.S. federal withholding tax at a 30% rate (or a lower rate provided by an applicable income tax treaty)).

The Treatment of DOT for U.S. Federal Income Tax Purposes Is Uncertain.

The Trust intends to take the position that each beneficial owner of Units generally will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the DOT held in the Trust. Due to the absence of direct legal authority, many significant aspects of the U.S. federal income tax treatment of DOT are uncertain, and the Sponsor does not intend to request a ruling from the IRS on these issues. On March 25, 2014, the IRS released a notice (the "Notice") discussing certain aspects of the treatment of convertible virtual currencies for U.S. federal income tax purposes. The Sponsor believes DOT should be considered such a convertible virtual currency, though the IRS has not confirmed this belief and therefore no assurances may be provided in this regard. It is assumed for the remainder of this discussion that DOT should be considered such a convertible virtual currency. In the Notice, the IRS stated that, for U.S. federal income tax purposes, virtual currencies are "property" that is not currency and that DOT may be held as a capital asset (if it otherwise qualifies as such). However, the Notice is not binding on the IRS and, accordingly, the IRS might not accept, and a court might not uphold, this treatment. If DOT were treated as currency for U.S. federal income tax purposes, gain recognized on the disposition of DOT would constitute ordinary income, and losses recognized on the disposition of DOT could be subject to special reporting requirements applicable to "reportable transactions," among other tax consequences.

The Notice does not address other significant aspects of the U.S. federal income tax treatment of virtual currencies, including: (i) whether virtual currencies are properly treated as "commodities" for U.S. federal income tax purposes; (ii) whether virtual currencies are properly treated as "collectibles" for U.S. federal income tax purposes; (iii) the proper method of determining a holder's holding period and tax basis for virtual currencies acquired at different times or at varying prices; and (iv) whether and how a holder of virtual currencies acquired at different times or at varying prices may designate, for U.S. federal income tax purposes, which of the virtual currencies is transferred in a subsequent sale, exchange or other disposition.

Prospective investors are urged to consult their tax advisers regarding the substantial uncertainty regarding the tax consequences of an investment in DOT or the Trust.

The Treatment of Staking for U.S. Federal Income Tax Purposes Is Uncertain.

The IRS has not provided any guidance regarding the tax treatment of staking and associated rewards (including Staking Rewards). It is unclear whether newly created reward tokens from staking activities are subject to immediate income taxation, whether they should be taxed only when sold, or some other alternative. The Sponsor can provide no assurances in this regard.

Future Developments in the Tax Treatment of DOT Could Adversely Affect an Investment in the Units.

On December 5, 2014, the New York State Department of Taxation and Finance issued guidance regarding the application of New York State tax law to virtual currencies such as DOT. The agency determined that New York State would follow the Notice with respect to the treatment of virtual currencies such as DOT for state income tax purposes. Furthermore, the agency took the position that virtual currencies such as DOT are a form of "intangible property," with the result that the purchase and sale of DOT for fiat currency is not subject to state sales tax (although transactions of DOT for other goods and services may be subject to sales tax under barter transaction treatment). It is unclear if other states will follow the guidance of the New York State Department of Taxation and Finance with respect to the treatment of virtual currencies such as DOT for income tax and sales tax purposes. If a state adopts a different treatment, such treatment may have negative consequences, including the imposition of a greater tax burden on investors in DOT or the imposition of a greater cost on the acquisition and disposition of DOT generally. Any such treatment may have a negative effect on prices of DOT in the digital asset exchange market and a negative impact on the Units.

The treatment of virtual currencies such as DOT for tax purposes by foreign jurisdictions may differ from the treatment of virtual currencies by the IRS or the New York State Department of Taxation and Finance. If a foreign jurisdiction with a significant share of the market of DOT users imposes onerous tax burdens on DOT users, or imposes sales or value-added tax on purchases and sales of DOT for fiat currency, such actions could result in decreased demand for DOT in such jurisdiction, which could affect the price of DOT and negatively affect an investment in the Units.

Any discussion of U.S. federal income tax matters set forth in this Memorandum or in any appendix hereto was written in connection with the promotion and marketing by the Trust and the Sponsor of the Units. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

For an additional discussion of certain tax matters, see the section entitled "Certain U.S. Federal Income Tax Considerations".

Certain Other Risks

You Should Consult Your Own Legal, Tax and Financial Advisers Regarding the Desirability of an Investment in the Units Because No Independent Advisers Were Appointed to Represent You in Connection with the Formation and Operation of the Trust.

While the Sponsor has consulted with legal, tax and financial advisers regarding the formation and operation of the Trust, no counsel has been appointed to represent you in connection with the offering of the Units. Accordingly, you should consult your own counsel, accountants and other advisers before investing in the Units.

Competing Claims Over Ownership of Intellectual Property Rights Related to the Trust Could Adversely Affect the Trust and an Investment in the Units.

The Sponsor believes that all intellectual property rights needed to operate the Trust have been obtained by the Sponsor. However, third parties may allege or assert ownership of intellectual property rights which may be related to the design, structure and operations of the Trust. The negotiation, litigation or settlement of such claims may result in expenses or damages that could adversely affect the Trust or lead to its termination.

Third parties may assert intellectual property claims relating to the holding and transfer of DOT and the Polkadot Network source code, as well as to the determination of the NAV of the trust or the Units. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in DOT's long-term viability or the ability of end-users to hold and transfer DOT may adversely affect an investment in the Units. Additionally, a meritorious intellectual property claim could prevent the Trust and others from accessing the Relay Chain, holding or transferring DOT, which could force the termination of the Trust and the liquidation of the Trust's DOT (if such liquidation is possible). As a result, an intellectual property claim against the Trust or other large participants within the Polkadot industry could adversely affect an investment in the Units or the ability of the Trust to operate.

THE TRUST

The Trust is a Delaware trust formed on March 25, 2021. It operates pursuant to the Declaration of Trust and Trust Agreement of Osprey Polkadot Trust, dated as of April 20, 2021 (as it may be further amended or restated, the "Trust Agreement"). The Trust's principal place of business is 520 White Plains Avenue, Suite 500, Tarrytown, NY 10591.

As of July 9 2021, there were [ ] Units issued and outstanding with a net asset value ("NAV") of $[ ]. All Units outstanding were sold in an offering exempt from registration under federal and state law.

The Trust takes various steps to help ensure the security of its DOT. Multiple signatures are required to authorize transactions with the Trust's DOT. DOT held by the Trust's Custodian are subject to the Custodian's security procedures. See "Other Parties – The Custodian", below. The Sponsor expects the Trust's auditor to take steps periodically to confirm the existence and amount of the DOT held by the Trust.

No material litigation or proceeding (including any proceeding involving a conviction for any misdemeanor involving a security or any aspect of the securities business, or any felony, or any administrative proceeding or any disciplinary action by self-regulatory organizations) to which the Trust or any of its officers was named a party, has been commenced or resolved within the past ten years.

The fiscal year of the Trust is the period ending December 31st of each year. The Sponsor may select a different fiscal year.

THE SPONSOR

The Trust's Sponsor is Osprey Funds, LLC, a Delaware limited liability company formed on October 31, 2018. The Sponsor's principal place of business is 520 White Plains Avenue, Suite 500, Tarrytown, NY 10591. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, the Sponsors shareholders are not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being members of the Sponsor.

No material litigation or proceeding (including any proceeding involving a conviction for any misdemeanor involving a security or any aspect of the securities business, or any felony, or any administrative proceeding or any disciplinary action by self-regulatory organizations) to which the Sponsor or any of its officers was named a party, has been commenced or resolved within the past ten years.

The Sponsor's Role

The Sponsor arranged for the creation of the Trust. The Sponsor will provide services to the Trust, and unless waived, will be paid a Management Fee equal to an annualized 2.50% of the average daily NAV of the Trust for each year; plus the Staking Rewards, which is a variable amount equal to the periodic staking rewards of the Trust gained from staking DOT. The Sponsor has currently waived all Management Fees until January 1, 2023 and may extend the waiver at its sole discretion.

The Management Fee will accrue daily in DOT and will be payable, at the Sponsor's sole discretion, in DOT or in U.S. dollars at the DOT Market Price in effect at the time of such payment; and the Staking Rewards will accrue in DOT at the time the DOT is issued to the Trust by the applicable staking provider and will be payable, at the Sponsor's sole discretion, in DOT. The Sponsor expects that the Trust will pay the Management Fee in monthly installments in arrears.

The Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the "Assumed Expenses"); provided, however, that the Trust shall be responsible for any non-routine and ordinary expenses, including in addition to the Management Fee, fees and expenses such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees, and expenses related to public trading on OTCQX ("Extraordinary Expenses").

The Sponsor will: (1) select the Trustee, Custodian, Cash Custodian, and any other Trust service providers; (2) negotiate various agreements and fees for the Trust; (3) develop a marketing plan for the Trust on an ongoing basis and prepare marketing materials regarding the Units; (4) maintain the Trust's website; and (5) perform such other services as the Sponsor believes the Trust may require.

The Sponsor will engage the Custodian and the Cash Custodian (the "Service Providers") to assist in implementing the issuance (and redemption) process for the Trust.

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 Management Fee and the Staking Rewards are collectively paid by the Trust to the Sponsor as compensation for services performed under the Trust Agreement and for the Sponsor's agreement to pay the Assumed Expenses.

Sponsor's Organizational Chart

Osprey Funds, LLC (Delaware LLC)
Gregory King, CFA President and CEO
Robert Rokose, Treasurer and CFO
Matt Mascera, Director of Operations

Management of the Sponsor

Under the Trust Agreement, all management functions of the Trust have been delegated to and are conducted by the Sponsor and its agents, including without limitation the Custodian and its agents. Gregory King, President and CEO of the Sponsor, may take certain actions and execute certain agreements and certifications for the Trust, in his capacity as the principal officer of the Sponsor.

Robert Rokose, Treasurer and CFO of the Sponsor, is primarily responsible for managing the financial affairs of the Trust and may also take certain actions and execute certain agreements and certifications for the Trust, in his capacity as an officer of the Sponsor. Matt Mascera, Director of Operations of the Sponsor, is primarily responsible for handling the day-to-day operations of the Trust.

Gregory King has served as President and CEO of the Sponsor since its inception in October 2018. Greg is also the Founder of REX Shares, LLC, originally the parent company to the Sponsor, and has served as CEO of REX Shares since 2015. Greg is the primary author of several financial industry investment innovations, including the first ever exchange-traded note ("ETN") for Barclays in 2006. In 2009, he co-founded VelocityShares, LLC, a provider of alternative ETPs, partnering with Credit Suisse as product issuer. VelocityShares was acquired by Janus Capital in 2014. During his career, Greg has built and launched over 100 exchange traded investment products listed on the NYSE, Nasdaq and CBOE. Greg received a Master's in Business Administration from the University of California, Davis, and is a CFA Charter holder.

Robert Rokose became Treasurer and CFO of the Sponsor in March 2020. He is also CFO of REX Shares, LLC. Bob has 28 years of accounting and financial services experience. His previous roles include CFO of U.S. Funds at JP Morgan Asset Management, Managing Director & CFO for PIMCO/Allianz Funds and Assistant Vice President & Assistant Controller of publicly held Lexington Global Asset Managers. Mr. Rokose has served as a Financial Services Consultant and has acted in that role since November 2016. From May 2014 to October 2016, Mr. Rokose was Chief Financial Officer and Treasurer of AccuShares Investment Management where he led all financial accounting and reporting for the organization. Bob is a Certified Public Accountant, licensed in the state of New York. He has an undergraduate degree from Pace University and a Master's of Business Administration from the University of Connecticut.

Matthew Mascera became Director of Operations of the Sponsor in March 2020. Matt has 23 years of experience in the Financial Services industry. From February 2016 to June 2019, Matt was Director of Operations and Trading at Seacliff Capital, a long/short equity hedge fund. From 2012 to 2015, Matt was a Senior Vice President in equities at FBR & Co. Previous to that, Matt was an Executive Director at UBS Securities where he had been since 2005. Matt holds a Bachelor's degree in Finance from Tulane University.

OTHER PARTIES

TRUSTEE

Delaware Trust Company serves as Delaware trustee of the Trust under the Trust Agreement. The Trustee has its principal office at 251 Little Falls Drive, Wilmington, Delaware 19808. The Trustee is unaffiliated with the Sponsor.

The Trustee's Role

The Trustee is appointed to serve as the trustee of the Trust for the sole purpose of satisfying the requirement of Section 3807(a) of the Delaware Statutory Trust Act ("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 will 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 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 the Unitholders, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, Custodian, Cash 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 Units. The Trustee's liability in connection with the issuance and sale of Units is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement.

The Trustee has not prepared or verified, and will not be responsible or liable for, any information, disclosure or other statement in this Memorandum or in any other document issued or delivered in connection with the sale or transfer of the Units. 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 DOT or other assets of the Trust.

The Trustee is permitted to resign upon at least 60 days' notice to the Trust. The Trustee will be compensated by the Sponsor or the Trust, as applicable, and indemnified by the Sponsor and the Trust, as applicable, 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.

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

ADMINISTRATOR

Theorem Fund Services serves as the Administrator. The Administrator has offices at 141 W. Jackson Blvd Suite 4120, Chicago, IL 60604.

The Administrator's Role

The Administrator is generally responsible for the day-to-day administration of the Trust, including keeping the Trust's operational records. The Administrator's principal responsibilities include: (1) valuing the Trust's DOT and calculating the NAV per Unit; (2) supplying pricing

information to the Sponsor for the Trust's website; (3) receiving and reviewing reports on the custody of and transactions in cash and DOT from the Cash Custodian and Trust, respectively, and taking such other actions in connection with the custody of cash as the Sponsor instructs; and (4) accounting and other fund administrative services.

The Administrator will liaise with the Trust's legal, accounting and other professional service providers as needed.

The Administrator will keep proper books of registration and transfer of Units at its office located in New York or such office as it may subsequently designate. These books and records are open to inspection by any person who establishes to the Sponsor's satisfaction that such person is a Unitholder at all reasonable times during the usual business hours of the Sponsor. The Sponsor will keep a copy of the Trust Agreement on file in its office which will be available for inspection on reasonable advance notice at all reasonable times during its usual business hours by any Unitholder.

TRANSFER AGENT

Continental Stock Transfer & Trust Company serves as the Transfer Agent. The Transfer Agent has offices at 1 State Street, 30th Floor, New York, NY 10004-1561.

The Transfer Agent's Role

The Transfer Agent, among other things, provides transfer agent services with respect to the issuance and redemption (if any) of Units, the payment, if any, of distributions with respect to the Units, the recording of the issuance of the Units and the maintaining of certain records therewith. The Transfer Agent's responsibilities include: (1) receiving and processing orders from investors for the issuance and redemption (if any) of Units; and (2) coordinating the processing of orders from investors, the Cash Custodian, and the Trust.

CUSTODIAN

Coinbase Custody Trust Company, LLC ("Coinbase") serves as the Custodian. Coinbase is a fiduciary and qualified custodian under New York Banking Law and is licensed by the State of New York to custody digital assets. Coinbase is regularly audited and subject to the capital reserve requirements and compliance standards of a traditional financial institution.

The Custodian's Role

The role of the Custodian is to maintain the security of the DOT of the Trust, as more specifically described below and in the description of the Custodian Agreement.

The Custodian holds the Trust's private keys in accordance with the terms and provisions of the Custodian Agreement. The Custodian maintains a secure account (the "Custody Account") for the Trust assets, in which the private keys are placed in cold storage. The Custodian will use certain security methods and procedures, such as algorithms, codes, passwords, encryption, biometrics

and telephone and video call-backs, as well as other undisclosed methodologies (together, the "Security Procedures") to help ensure the safekeeping of the Trust's DOT and private keys.

The term "cold storage" refers to a safeguarding method by which private keys corresponding to DOT stored on a digital wallet are removed from any computers actively connected to the internet. Computers on which the cold storage wallets reside are described as air-gapped, a reference to their isolation from the Internet and other computers. Cold storage of private keys may involve keeping the wallet holding the keys on a non-networked computer or electronic device or storing the public key and private key relating to the digital wallet on a storage device or printed medium and deleting the digital wallet from all computers. A digital wallet may receive deposits of DOT but may not send DOT without use of the wallet's private key. See "Information About the Polkadot Network and DOT—Overview."

The Custodian (directly, or through an affiliate) is also responsible for administering the coordination, execution, and reward management associated with "Staking" services to the Trust. "Staking" means the activity under which DOT held by the Trust is bonded to a staking provider to participate in maintaining a node on the Polkadot Network and otherwise managing the governance of the Polkadot Network as required by staking activity. . The Sponsor will receive the staking rewards earned by the Trust as its "Staking Rewards," which is a variable amount that shall be in the form of DOT rewards earned by the Trust through staking DOT held by the Trust, and that is payable to the Sponsor as accrued.

CASH CUSTODIAN

Signature Bank serves as the Cash Custodian. The Cash Custodian has offices at 565 Fifth Avenue, New York, NY 10017.

The Cash Custodian's Role

The Cash Custodian is responsible for holding the Trust's cash as well as receiving and dispensing cash on behalf of the Trust in connection with issuances and redemptions (if any) of Units.

DESCRIPTION OF THE UNITS

General

Each Unit is a fractional undivided beneficial interest in the Trust and has no par value. The Trust is authorized under the Trust Agreement to create and issue an unlimited number of Units.

Description of Limited Rights under Units

The Units 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 Unitholder will not have the statutory rights normally associated with the ownership of shares of a corporation. Each Unit is transferable, fully paid and non-assessable. But Unitholders will have

no voting rights, and the Trust does not intend to pay regular dividends, although it may pay dividends, at the sole discretion of the Sponsor, upon the sale of DOT resulting from a fork in the Relay Chain. Moreover, the Units do not entitle their holders to any conversion, pre-emptive or redemption rights or any rights to distributions, except as provided below.

No Voting Rights

Under the Trust Agreement, Unitholders will have no voting rights in regard to the management of the Trust or otherwise.

Distributions

Upon liquidation of the Trust, the Sponsor will distribute to the Unitholders any amounts of the cash proceeds of the liquidation remaining after the satisfaction of all outstanding liabilities of the Trust. Unitholders of record on the record date fixed by the Sponsor for a distribution will be entitled to receive their *pro rata* portion of any distribution.

No Redemption of Units

Currently, Units may not be redeemed. In the future, redemptions may be permitted. But there can be no assurance as to whether or when redemptions may be permitted, as determined by the Sponsor in its sole discretion. At such time as the Sponsor decides to allow redemptions, if ever, the Sponsor will amend the Trust Agreement to include Unit redemption procedures.

Book-Entry Form

Individual certificates will not be issued for the Units. Units shall be held in book-entry form by the Transfer Agent. The Sponsor or its delegate shall direct the Transfer Agent (which may be the Sponsor or an Affiliate) to credit or debit the number of Units to the applicable Purchaser. The Transfer Agent shall issue or cancel each Purchaser's Units, as applicable.

DESCRIPTION OF THE ISSUANCE OF UNITS

The Trust issues Units from time to time, but only in connection with an accepted investor subscription. The issuance of Units requires payment to the Trust of the amount of U.S. dollars required for the Units being issued (or, at the sole discretion of the Sponsor, payment of the number of DOT represented by the Units being issued), as adjusted in respect of accrued but unpaid fees and expenses of the Trust. The number of Units to be issued with respect to the amount of cash (or DOT) 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 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 Unit, how many Units 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 Units based on the latest NAV as of that day. Instead, the investor will receive

Units 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 currently expects that it may issue Units weekly, and allow orders to accumulate between issuances. The Sponsor retains discretion to issue Units more frequently if it deems such action advisable.

Fractional Units will not be issued. If an investor pays a subscription amount that is equal to more than a whole number of Units on the day the subscription amount is invested then the investor will be issued such whole number of Units rounded down to the nearest whole share. Any remaining, unused subscription amount will be retained by the Trust (although all or some of such amount may later be invested at the discretion of the Sponsor). No uninvested amount will be refunded to the investor.

Investors do not pay a transaction fee to the Trust in connection with the issuance (or, when permitted, redemption) of Units, but there may be transaction fees associated with the validation of the transfer of DOT by the Polkadot Network.

Unless the minimum is waived by the Sponsor in its sole discretion, the Trust will issue Units to investors in this offering in a minimum amount of at least $10,000.00 per investor.

Payment for Units in cash may be in the form of a check or wire transfer. In-kind payments may be accepted at the sole discretion of the Sponsor. 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 the number of DOT) required to create a Unit may gradually decrease over time due to the transfer of Trust DOT to pay the Management Fee and the transfer or liquidation of Trust DOT to pay any Trust expenses not assumed by the Sponsor.

Suspension or Rejection of Orders

The issuance of Units may be suspended generally, or refused with respect to particular requested issuances, during any period when the transfer books of the Sponsor 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 Packet or if the fulfillment of the order, 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.

Redemptions (if any)

The process of accessing and withdrawing DOT from the Trust for a redemption of Units, if and when redemptions may be permitted, will follow the same general procedure as depositing DOT with the Trust for an issuance of Units, only in reverse.

Tax Responsibility

Investors 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 purchase (or, when permitted, redemption) of Units, regardless of whether such tax or charge is imposed directly on the investor, and each investor agrees to indemnify the Sponsor and the Trust if any such investor is required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

PLAN OF DISTRIBUTION

The Units will be offered by the Trust and the Sponsor and its officers, in reliance upon the exemption from broker registration contained in Rule 3a4-1 of the Securities Exchange Act of 1934. Currently, the Trust does not expect to use underwriters, finders or other intermediaries to offer or sell Units, but it may choose to do so, 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 aggregate amount of offering expenses expected to be incurred, including legal and other charges, is approximately $75,000.

Because Units may be offered, and new Units 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 Units may be offered continuously, the Sponsor may, in its discretion, issue Units only periodically. The Sponsor currently expects that it may issue Units weekly, and allow orders to accumulate between issuances.

The Units 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. The Trust reserves the right, in its sole discretion, to make offers and sales to investors that are not accredited investors, including investors that, either alone or with their advisors or representatives, have, in the Sponsor's sole judgment, such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the prospective investment.

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. 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 Units 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 Memorandum; and (ii) that they are purchasing the securities for investment purposes only and not with a view to resale.

The Units 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.
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. 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 Units 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 Memorandum; and (ii) that they are purchasing the securities for investment purposes only and not with a view to resale.

The Units purchased under this offering will be restricted securities under U.S. federal securities laws. Therefore, upon issuance, they will not be freely tradeable under U.S. federal securities laws. We intend to apply for the Units to be quoted on the OTCQX as soon as reasonably practicable. Nevertheless, there can be no assurance as to when, if ever, the Units will be quoted on any market. Moreover, there can be no assurance that, if quoted, the Units will trade with sufficient liquidity for the quotation to be of practical use to investors. Therefore, investors should be aware that they may be required to bear the financial risks of an investment in the Units for an indefinite period of time.

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.

No adverse order, judgment or decree has been entered in connection with this offering by the regulatory authorities in any state or by any court or the SEC.

VALUATION OF DOT AND DEFINITION OF NET ASSET VALUE

The net asset value ("NAV") of the Trust is used by the Trust in its day-to-day operations to measure the net value of the Trust's assets. The NAV is calculated on each business day and is equal to the aggregate value of the Trust's assets less its liabilities (which include accrued but unpaid fees and expenses, both estimated and finally determined), based on the DOT Market Price. In determining the NAV of the Trust on any business day, the Trust's Administrator will calculate the price of the DOT held by the Trust as of 4:00 P.M. New York time on such day.

The Administrator will also calculate the NAV per Unit of the Trust, which equals the NAV of the Trust divided by the number of outstanding Units (the "NAV per Unit"). The Administrator will

calculate the NAV and NAV per Unit on each business day and these amounts will be published as soon thereafter as practicable on the Trust's website, at www.ospreyfunds.io.

The Administrator will rely on the Kraken Polkadot Price to be used when determining NAV. If no determination of the NAV of the Trust and the NAV per Unit can be made based on the Kraken Polkadot Price, the Administrator will consult publicly available DOT pricing sources, such as exchanges and indexes, to determine such price. To the extent that the NAV of the Trust or NAV per Unit is ever incorrectly calculated, there may be no liability for any error. Nevertheless, such error could adversely affect an investment in the Units.

EXPENSES

Trust Expenses

The Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the "Assumed Expenses"); provided, however, that the Trust shall be responsible for any non-routine and ordinary expenses, including in addition to the Management Fee, fees and expenses such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees, and expenses related to public trading on OTCQX ("Extraordinary Expenses").

Disposition of DOT

Because the Management Fee and the Staking Rewards are each payable in DOT, the Sponsor, its delegates or the Custodian will withdraw DOT as needed from the Digital Asset Custody Account to pay each of the Management Fee and the Staking Rewards. In addition, if the Trust incurs any Trust expenses, the Sponsor, its delegates or the Custodian will withdraw DOT from the Digital Asset Custody Account and sell such DOT in order to pay such Trust expenses. If the Trust incurs Trust expenses in U.S. dollars, DOT will be converted to U.S. dollars at the exchange rate at the time of conversion to pay these Trust expenses. Unitholders do not have the option of choosing to pay their proportionate share of Trust expenses in lieu of having their share of Trust expenses paid by the Trust's sale of DOT. Assuming that the Trust is treated a grantor trust for U.S. federal income tax purposes, the payment of expenses by the Trust will result in a taxable event to Unitholders.

Because the number of the Trust's DOT will decrease as a consequence of the payment of the Management Fee in DOT or the sale of DOT to pay other Trust expenses (and the Trust will incur additional fees associated with converting DOT into U.S. dollars), the number of DOT represented by a Unit will decline at such time and the NAV of the Trust may also decrease. Accordingly, the Unitholders will bear the cost of the Management Fee and any Trust expenses.

The Sponsor will also cause the sale of the Trust's DOT 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 DOT.

BOOKS AND RECORDS, REPORTS

Books and Records

The Sponsor will keep books and records of account of the Trust at its office located in Tarrytown, NY, or at such other office as it may designate. Unitholders wishing to review available books and records of the Trust may contact the Sponsor.

Reports to Unitholders

Starting in 2022, the Sponsor will furnish Unitholders with an annual report of the Trust as soon as reasonably practicable after the end of the Trust's preceding fiscal year, including, but not limited to, annual audited financial statements (including a statement of income and statement of financial condition) prepared in accordance with U.S. generally accepted accounting principles, accompanied by a report of the independent public accounting firm that audited such statements.

PRINCIPAL AGREEMENTS

TRUST AGREEMENT

The Trust Agreement establishes the roles, rights and duties of the Sponsor and the Trustee.

Liability of the Sponsor and Indemnification

The Sponsor and its affiliates (each a "Covered Person") will not be liable to the Trust or any Unitholder for any action taken, or for refraining from taking any action in good faith, having determined that such course of conduct was in the best interests of the Trust. However, the preceding liability exclusion will not protect the Sponsor 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 and held harmless 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, without fraud, gross negligence, bad faith, willful misconduct or a material breach of the Trust Agreement on the part of such indemnified party arising out of or in connection with the performance of its obligations under the Trust Agreement and under each other agreement entered into by the Sponsor in furtherance of the administration of the Trust (including, without limiting the scope of the foregoing, any Subscription Agreement) or any actions taken in accordance with the provisions of the Trust Agreement. Such indemnity shall include payment from the Trust of the costs and expenses incurred by such indemnified party in defending itself against any claim or liability in its capacity as Sponsor. Any amounts payable to an indemnified party may be payable in advance or shall be secured by a lien on the Trust. The Sponsor may, in its discretion, undertake any action that it may deem necessary or desirable in respect of the Trust Agreement and the interests of the Unitholders

and, in such event, the legal expenses and costs of any such actions shall be expenses and costs of the Trust and the Sponsor shall be entitled to be reimbursed therefor by the Trust.

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.

The Trust Agreement provides that, in addition to any other requirements of applicable law, no Unitholder 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 Unitholders who (i) are not affiliates of one another and (ii) collectively hold at least 10% of the outstanding Units join in the bringing or maintaining of such action, suit or other proceeding.

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 own 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 the Unitholders. 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 Extraordinary Expenses. The Sponsor will be entitled to be reimbursed for the Extraordinary Expenses.

Successor Sponsors

If the Sponsor is adjudged bankrupt or insolvent, the Sponsor may terminate and liquidate the Trust and distribute its remaining assets in the Sponsor's capacity as Liquidating Trustee.

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

Possible Repayment of Distributions Received by Unitholders; Indemnification by Unitholders

The Units are limited liability investments. Investors may not lose more than the amount that they invest plus any profits recognized on their investment. Although it is unlikely, the Sponsor may, from time to time, make distributions to the Unitholders. However, Unitholders 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 Unitholders will indemnify the Trust for any harm suffered by it as a result of Unitholders' actions unrelated to the activities of the Trust.

The foregoing repayment of distributions and indemnity provisions (other than the provision for Unitholders 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 shall 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 shall 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.

Holding of Trust Property

The Trust will hold and record the ownership of the Trust's assets in a manner such that it will be owned for the benefit of the Unitholders for the purposes of, and subject to and limited by the terms and conditions set forth in, the Trust Agreement. Other than by issuance of the Units, the Trust has not created, incurred or assumed, and will not create, incur or assume, any indebtedness and it has not borrowed, and will not borrow, money from or loan money to any person. The Trustee may not commingle its 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, attorney 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 Unitholders, shall appoint a successor trustee. The successor Trustee will become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee.

Amendments to the Trust Agreement

The Sponsor may amend the Trust Agreement without the consent of any Unitholder if the amendment does not adversely affect the interests of the Unitholders or affect the allocation of profits and losses among the Unitholders or between the Unitholders and the Sponsor. Any amendment that adversely affects the rights of Unitholders, dissolves the Trust or makes any material change to the Trust's basic investment policies or structure must be approved by the affirmative vote of Unitholders owning at least 50% of the outstanding Units.

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 DOT or seizes, impounds or otherwise restricts access to Trust assets;
- 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, and the Sponsor has made the determination that dissolution of the Trust is advisable;
- the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services business, providers of prepaid or stored value, virtual currency business or similar entities, and the Sponsor has made the determination that dissolution of the Trust is advisable;

- 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 DOT Market Price;
- any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert DOT to U.S. dollars;
- the filing of a certificate of dissolution or revocation of the Sponsor's charter (and the expiration of 90 days after the date of notice to the Sponsor of revocation without a reinstatement of its charter) or upon the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor, or an event of withdrawal (each of the foregoing events an "Event of Withdrawal") unless at the time there is at least one remaining Sponsor; or
- the Custodian resigns or is removed without replacement

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 1940 Act;
- the CFTC determines that the Trust is a commodity pool under the CEA;
- the Trust becomes insolvent or bankrupt;
- all of the Trust's assets are sold;
- the determination of the Sponsor that the aggregate net assets of the Trust in relation to the operating expenses of the Trust make it unreasonable or imprudent to continue the activities of 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 grantor trust under the Code; or
- if the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within 60 days, the Trust will dissolve.

The death, legal disability, bankruptcy, insolvency, dissolution or withdrawal of any Unitholder (as long as such Unitholder is not the sole Unitholder of the Trust) shall not result in the termination of the Trust, and such Unitholder, his estate, custodian or personal representative shall have no right to withdraw or value such Unitholder's Units. Each Unitholder (and any assignee thereof) expressly agrees that in the event of his death, he waives on behalf of himself and his estate, and he directs the legal representative of his 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 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 Units by the Unitholders, Unitholders will receive a distribution in U.S. dollars or DOT or both, at the sole discretion of the Sponsor, after the Sponsor has sold the Trust's DOT and has paid or made provision for the Trust's claims and obligations.

Governing Law; Consent to Jurisdiction

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

accepting Units, each Unitholder consent to the jurisdiction of the courts of the State of New York and any federal courts located in the borough of Manhattan in New York City.

CUSTODIAL SERVICES AGREEMENT

The Custodial Services Agreement (the "Custodian Agreement") establishes the rights and responsibilities of the Custodian.

Access to the DOT Account; Deposits, Withdrawals and Storage

The Custodian has been engaged to keep in safe custody the Trust's digital assets. The Custodial Account will be controlled at all times by or on behalf of the Custodian .

The Custodian will provide the Sponsor with the information that is necessary for investors to make deposits to the Custodial Account. To support the Trust's ordinary course deposits and withdrawals, which involve deposits from and withdrawals to DOT accounts owned by investors, the Custodian's services will allow the Sponsor to receive a Polkadot Network address for deposits by investors, and to initiate withdrawals to Polkadot Network addresses controlled by investors. The Custodian will credit all DOTs properly authorized by the Trust or the Sponsor to the Custodial Account.

The Custodian will only allow withdrawals of DOT from the Custodial Account by authorized representatives of the Sponsor or the Trust and upon receipt of proper instructions. The Custodian may take steps that it determines, in its sole discretion, may be necessary or advisable to inspect and protect the security of the assets in the Trust's accounts, whether digital or otherwise.

Standard of Care; Limitations of Liability

Although the Custodian will act on instructions form the Sponsor in a reasonable and proper manner, the Trust shall use the Custodian's service on an "as is" basis. The Custodian makes no warranties as to its services, and expressly disclaims any warranties unless implied or statutory, including non-infringement, merchantability or fitness for a particular purpose. The Custodian makes no representation or warranty that access to its website, any part of its custodial services, or any of the materials contained therein, will be continuous, uninterrupted, or timely; be compatible or work with any software system or other services; or be secure, complete, free of harmful coed, or error-free. The Custodian is responsible for losses from the Custodian's own error in executing a transaction (e.g., if Sponsor provides the correct destination address for executing a withdrawal instruction, but the Custodian erroneously sends the Trust's DOTs to another destination address..

The Custodian's limitation of liability under the agreement shall be the lesser of: (a) the replacement cost of any assets in the Custodian Account; and (b) the market value of the assets at the time of events giving rise to the liability (as calculated at the average U.S. dollar price at the time of the loss, of the three (3) largest exchanges by trailing thirty day volume which offer the relevant digital asset U.S. dollar trading pair; or $100.000.000.00 (one-hundred million dollars) Further, the Custodian is not liable for any lost profits or any special, incidental, indirect, intangible or consequential damages, whether based in n contract, tort, negligence, strict liability, otherwise

arising out of or in connection with unauthorized use of the Coinbase Custody Site or the Coinbase Custodial Services (as each is defined in the Custodial Services Agreement), whether or not the Custodian had been advised of the possibility of such damages. Pursuant to the Custodial Services Agreement, the Custodian is not responsible for the services provided by the Polkadot Network, such as verifying and confirming transactions that are submitted to the Polkadot Network. Furthermore, the Custodian cannot cancel or reverse a transaction that has been submitted to the Polkadot Network. To the extent the Custodian does not cause or contribute to a loss that the Trust or Sponsor suffers in connection with any DOT transaction initiated pursuant to the Custodian's services, the Custodian will have no liability for such loss.

Through an addendum to the Custodial Services Agreement, the Custodian will be responsible for staking a portion of the Trust's DOT to the Polkadot Network (either directly or through an affiliate). Under the applicable agreements, the staking provider will provide an availability commitment of not less than 99.0%.

Indemnity

Under the Custodial Services Agreement, each of the Trust and the Custodian agree to indemnify the other, and each of its affiliates, or its respective officers, directors, employees and representatives harmless from any third-party claim or third-party demand (including attorneys' fees and any fines, fees or penalties imposed by any regulatory authority) arising out of a party's (1) breach of the Custodial Services Agreement; (2) breach of the confidentiality obligations under or in connection with the Custodial Services Agreement (3) violation of any law, rule or regulation or the rights of any third party; or (4) gross negligence, fraud or willful misconduct.

Modification of Agreement

The Agreement may be modified or amended only upon a written agreement signed by both the Custodian and the Trust.

Governing Law; Consent to Jurisdiction

The Custodian Agreement is governed by New York law.

CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a discussion of certain material U.S. federal income tax consequences of the ownership of Units and applies solely to an investor that is a U.S. beneficial owner acquiring the Units for cash at original issue pursuant to the offering described in this Memorandum. This discussion does not describe all of the tax consequences that may be relevant to a beneficial owner of units in light of the beneficial owner's particular circumstances, including tax consequences applicable to beneficial owners subject to special rules, including, but not limited to:

- financial institutions;
- dealers in securities;

- traders in securities or commodities that have elected to apply a mark-to-market method of tax accounting in respect thereof;
- persons holding Units as part of a hedge, "straddle," integrated transaction or similar transaction;
- persons holding Units acquired by them as part of a Unit purchase or redeeming Units in exchange for the underlying DOT represented by the redeemed Units;
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes;
- S corporations;
- persons receiving Units as compensation;
- a "controlled foreign corporation" or a person who is treated as a "United States shareholder: thereof, a "passive foreign investment company" or a shareholder thereof, or a corporation that accumulates earnings to avoid U.S. federal income tax;
- real estate investment trusts;
- regulated investment companies; and
- tax-exempt entities, including individual retirement accounts.

This discussion applies only to Units 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. This discussion addresses only the U.S. federal income tax law and does not address the non-income tax laws of the United States (such as federal gift or estate tax laws) or any other tax law such as non-U.S. laws or state or local tax laws.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Units, 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 Units and partners in those partnerships are urged to consult their tax advisers about the particular U.S. federal income tax consequences of owning Units.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury regulations as of the date hereof, changes to any of which subsequent to the date hereof (which changes may possibly have retroactive effect) may affect the tax consequences described herein. 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. Changes in U.S. federal income tax law, prospective or retroactive Treasury regulations and future published rulings and administrative procedures of the IRS in response to these changes in U.S. federal income tax laws, could materially affect the tax consequences of an investor's investment in the Units, and the tax treatment of the Trust's investments. While some of these changes may be beneficial, others could negatively affect the after-tax returns of the Trust and its investors. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Trust, or of investments made by the Trust, will not be modified by legislative, judicial, or administrative changes, possibly with retroactive effect, to the detriment of the investors.

Tax Treatment of the Trust

The Sponsor intends to take the position that the Trust will be treated as a grantor trust for U.S. federal income tax purposes. Assuming that the Trust is a grantor trust, the Trust will not be subject to U.S. federal income tax. Rather, a *pro rata* portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Units.

The Trust has been formed as a grantor trust for U.S. federal income tax purposes. However, due to the absence of direct legal authority addressing the classification of an entity such as the Trust, the IRS or a court might not agree that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes.

If the IRS were successful in asserting that the Trust is not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes, although due to the uncertain treatment of DOT for U.S. federal income tax purposes (discussed below), there can be no assurance in this regard. If the Trust were classified as a partnership for U.S. federal income tax purposes, the tax consequences of owning Units generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to timing. In addition, tax information reports provided to Unitholders would be made in a different form. If the Trust were not classified as either a grantor trust or 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 a maximum rate of 21%) on its net taxable income and certain distributions made by the Trust to Unitholders could be taxable as dividends to the extent of the Trust's current and accumulated earnings and profits (which, in the case of Non-U.S. Holders (as defined below), generally would be subject to U.S. federal withholding tax at a 30% rate (or a lower rate provided by an applicable income tax treaty)).

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

Uncertainty Regarding the U.S. Federal Income Tax Treatment of DOT

As discussed below, each beneficial owner of Units generally will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the DOT held in the Trust. Due to the absence of direct legal authority, many significant aspects of the U.S. federal income tax treatment of DOT are uncertain, and the Sponsor does not intend to request a ruling from the IRS on these issues. On March 25, 2014, the IRS released a notice (the "Notice") discussing certain aspects of the treatment of convertible virtual currencies for U.S. federal income tax purposes. The Sponsor believes DOT should be considered such a convertible virtual currency, though the IRS has not confirmed this belief and therefore no assurances may be provided in this regard. It is assumed for the remainder of this discussion that DOT should be considered such a convertible virtual currency. In the Notice, the IRS stated that, for U.S. federal income tax purposes, convertible virtual currencies are "property" that is not currency and that convertible virtual currencies may be held as capital assets if it otherwise qualifies as such. However, the Notice is not binding on the IRS, and accordingly, the IRS might not accept, and a court might not uphold,

this treatment. In 2019, the IRS released a Revenue Ruling 2019-24 and a set of "Frequently Asked Questions" (the "Ruling & FAQs") that provide some additional guidance. However, the Notice and the Ruling & FAQs do not address other significant aspects of the U.S. federal income tax treatment of digital assets. Other tax issues include the income and withholding taxation of incidental rights received through a fork in the blockchain, airdrops offered to and other similar events, including situations where such rights are disclaimed. In any event, there can be no assurance that the IRS will not alter its positions or otherwise provide further guidance, potentially retroactive in effect, with respect to digital assets in the future or that a court would uphold the treatment set forth in the Notice and the Ruling & FAQs or in other guidance. It is also unclear what additional guidance on the treatment of digital assets 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 have an adverse effect on the value of DOT.

In addition, legislation has been introduced that would, if enacted, cause DOT to be treated as currency for U.S. federal income tax purposes. If DOT were properly treated as currency for U.S. federal income tax purposes, gain recognized on the disposition of DOT would constitute ordinary income, and losses recognized on the disposition of DOT could be subject to special reporting requirements applicable to "reportable transactions," among other tax consequences. The remainder of this discussion assumes that DOT is properly treated for U.S. federal income tax purposes as property that is not currency.

The Notice and the Ruling & FAQs does not address other significant aspects of the U.S. federal income tax treatment of DOT, including: (i) whether convertible virtual currencies are properly treated as "commodities" for U.S. federal income tax purposes; (ii) whether convertible virtual currencies are properly treated as "collectibles" for U.S. federal income tax purposes; (iii) the proper method of determining a holder's holding period and tax basis for convertible virtual currencies acquired at different times or at varying prices; and (iv) whether and how a holder of convertible virtual currencies acquired at different times or at varying prices may designate, for U.S. federal income tax purposes, which of the convertible virtual currencies is transferred in a subsequent sale, exchange or other disposition.

The IRS has not provided any guidance regarding the tax treatment of staking and associated rewards (such as Staking Rewards). It is unclear whether newly created reward tokens from staking activities are subject to immediate income taxation, whether they should be taxed only when sold, or some other alternative. The Sponsor can provide no assurance in this regard.

Prospective investors are urged to consult their tax advisers regarding the substantial uncertainty regarding the tax consequences of an investment in DOT.

Tax Consequences to U.S. Holders

As used herein, the term "U.S. Holder" means a beneficial owner of a Unit for U.S. federal income tax purposes that is:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;

- a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof;

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one (1) or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) it has in effect a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

For U.S. federal income tax purposes, each U.S. Holder will be treated as the owner of an undivided interest in the DOT held in the Trust and will be treated as directly realizing its *pro rata* share of the Trust's income, gains, losses and deductions. When a U.S. Holder purchases Units for cash, the U.S. Holder's initial tax basis in its *pro rata* share of the DOT held in the Trust will be equal to the amount paid for the Units.

This discussion assumes that each U.S. Holder will acquire all of its Units for cash on the same date and at the same price per Unit. U.S. Holders that acquire, or contemplate acquiring, multiple lots of Units at different times or prices are urged to consult their tax advisers regarding their tax bases and holding periods in their *pro rata* share of the DOT held in the Trust.

When the Trust transfers DOT (including Staking Rewards) to the Sponsor as payment of the Management Fee (or otherwise), or sells DOT to fund payment of any Extraordinary Expenses, each U.S. Holder will be treated as having sold its *pro rata* share of those DOT for their fair market value at that time (which, in the case of DOT sold by the Trust, generally will be equal to the cash proceeds received by the Trust in respect thereof). It is assumed herein that a U.S. Holder would be treated for tax purposes as the owner of its share of any Staking Rewards generated by the Trust's DOT staking activities, although this conclusion is unclear due to lack of guidance. As a result, each U.S. Holder will recognize gain or loss in an amount equal to the difference between (i) the fair market value of the U.S. Holder's *pro rata* share of the DOT that were transferred and (ii) the U.S. Holder's tax basis for its *pro rata* share of the DOT that were transferred. Assuming that DOT are not treated as currency for U.S. federal income tax purposes, that gain or loss will generally be short-term capital gain or loss if the U.S. Holder has held its Units for one year or less and long-term capital gain or loss if the U.S. Holder has held its Units for more than one year. The deductibility of long-term capital losses may be subject to significant limitations. Although unclear due to lack of guidance, a U.S. Holder's tax basis in its *pro rata* share of any DOT (including Staking Rewards) transferred by the Trust generally will be determined by multiplying the tax basis of the U.S. Holder's *pro rata* share of all of the DOT held in the Trust immediately prior to the transfer by a fraction the numerator of which is the amount of DOT transferred and the denominator of which is the total amount of DOT held in the Trust immediately prior to the transfer. In such case, immediately after the transfer, the U.S. Holder's tax basis in its *pro rata* share of the DOT remaining in the Trust will be equal to the tax basis in its *pro rata* share of the

DOT held in the Trust immediately prior to the transfer, less the portion of that tax basis allocable to its *pro rata* share of the DOT transferred.

Under current U.S. federal income tax law, U.S. Holders may not deduct their *pro rata* shares of the expenses incurred by the Trust.

On a sale or other disposition of Units, an although unclear due to lack of guidance, a U.S. Holder generally will recognize gain or loss in an amount equal to the difference between (i) the amount realized on the sale of the Units and (ii) the portion of the U.S. Holder's tax basis in its *pro rata* share of the DOT held in the Trust that is attributable to the Units disposed of, determined by multiplying the tax basis of the U.S. Holder's *pro rata* share of all of the DOT held by the Trust immediately prior to such sale or other disposition by a fraction the numerator of which is the number of Units disposed of and the denominator of which is the total number of Units held by such U.S. Holder immediately prior to such sale or other disposition. Assuming that DOT are not treated as currency for U.S. federal income tax purposes, that gain or loss will generally be short-term capital gain or loss if the U.S. Holder has held its Units for one year or less and long-term capital gain or loss if the U.S. Holder has held its Units for more than one year. After any sale of fewer than all of a U.S. Holder's Units, the U.S. Holder's tax basis in its *pro rata* share of the DOT held in the Trust immediately after the sale generally will equal the tax basis in its *pro rata* share of the total amount of the DOT held in the Trust immediately prior to the sale, less the portion of that tax basis that is taken into account in determining the amount of gain or loss recognized by the U.S. Holder upon the sale.

Any brokerage or other transaction fee incurred by a U.S. Holder in purchasing Units will be added to the U.S. Holder's tax basis in the underlying assets of the Trust. Similarly, any brokerage fee or other transaction fee incurred by a U.S. Holder in selling Units will reduce the amount realized by the U.S. Holder with respect to the sale.

Upon the Trust's receipt of Staking Rewards and although unclear due to lack of guidance, a U.S. Holder may recognize income attributable to the fair market value of its share of such rewards. In an alternative, taxation of rewards may be appropriate not at time of receipt but at the time of sale or other disposition, considering that rewards are arguably newly created or discovered by the taxpayer, akin to when crops are grown or livestock is born. Such new property under current tax law generally gives rise to taxable income or gain when sold, not when created. Additional alternatives to the foregoing may apply that are not discussed herein. The IRS has not provided guidance on these issues and the Trust does not intend to seek a ruling from the IRS on the appropriate tax treatment of rewards derived from staking, such as Staking Rewards. **Investors in the Trust are strongly encouraged to consult their tax advisors in respect of the same in light of their particular circumstances**.

Tax Consequences to Non-U.S. Holders

As used herein, the term "non-U.S. Holder" means a beneficial owner (other than an entity that is treated as a partnership or other pass-through entity for U.S. federal income tax purposes) of a Unit for U.S. federal income tax purposes that is:

- not a U.S. Holder.

The term "non-U.S. Holder" does not include (i) nonresident alien individuals present in the United States for 183 days or more in a taxable year, (ii) former U.S. citizens and certain expatriated entities or (iii) persons whose Units are effectively connected with the conduct of a trade or business in the United States. Prospective investors described in the preceding sentence should consult their tax advisers regarding the U.S. federal income tax consequences of owning Units.

The Trust does not expect to generate taxable income other than gain (if any) that will be recognized on the transfer of DOT (including Staking Rewards) in payment of the Management Fee or otherwise and the sale of DOT in connection with the payment of any Extraordinary Expenses and, potentially, income or gain attributable to rewards earned from staking activities, such as Staking Rewards.. A non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax with respect to any such gain or with respect to any gain the non-U.S. Holder recognizes upon a sale of Units, subject to compliance with certification as a non-U.S. Holder.

It is currently unclear and there is no IRS guidance as to whether the Trust's staking activities may cause it to be treated as engaged in a trade or business within the United States giving rise to taxable income that is effectively connected with a United States trade or business (referred to here as "ECI"). In such a case non-U.S. Holders may therefore be treated as being engaged in the conduct of a U.S. trade or business. If the Trust is so treated, the Trust (or your broker) would be required to withhold and pay over to the U.S. tax authorities a percentage up to the highest applicable U.S. tax rate (currently 37% for individuals and 21% for corporations) of each Non-U.S. Holder's share of the Trust's ECI, and each Non-U.S. Holder would be required to file U.S. tax returns and pay U.S. tax on its share of the Partnership's ECI. In such a case, all or a portion of the gain on the disposition by a Non-U.S. Holder of its Unit may be taxed as ECI to the extent such gain is attributable to assets of the Trust that generate ECI. In addition, a Non-U.S. Holder that is a non-U.S. corporation may also be subject to an additional branch profits tax of 30% on its share of the Trust's effectively connected earnings and profits, adjusted as provided by law (subject to possible reduction by an applicable tax treaty). Non-U.S. Holders may also be required to file returns with and pay taxes to state or local taxing jurisdictions in the United States in connection with the holding or disposition of Units in the Trust. Each Non-U.S. Holder is advised to consult its tax advisor regarding the tax effects of an investment in the Trust, including information return and reporting requirements, the possible applicability of tax treaties, potential tax liability which may be imposed by the country or other jurisdiction of which such investor is a citizen or in which such person resides or is otherwise located, and other U.S. and non-U.S. tax matters.

A non-U.S. Holder may be subject to 30% withholding tax (which rate is subject to reduction under an applicable income tax treaty) on income or gain earned from the Trust's staking activities (such as Staking Rewards) and additionally may be subject to certain U.S. withholding taxes under the Foreign Account Tax Compliance ("FATCA") regime, which consists of legislation enacted in 2010, as well as accompanying regulations and other guidance from the U.S. Department of Treasury and IRS, various intergovernmental agreements between the United States and other countries concerning the exchange of information required under FATCA.

Reportable Transactions

Under the Treasury regulations, the activities of the Trust may include one (1) or more "reportable transactions" (as defined in Treasury regulations section 1.6011-4(b)), requiring the Trust's investors to file information returns, as described below. In addition, the Sponsor and other "material advisors" to the Trust may each be required to maintain for a specified period of time a list containing certain information regarding the reportable transaction and the investors in the Trust, which information may be inspected, upon request, by the IRS. Each investor treated as participating in a reportable transaction of the Trust is generally required to file an IRS Form 8886 with its tax return. The maximum penalty for failing to disclose (a) a reportable transaction that is a "listed transaction" is $100,000 in the case of a natural person and $200,000 for all others and (b) all other reportable transactions is $10,000 for natural persons and $50,000 for all others. Prospective investors in the Trust should consult with their tax advisors concerning the application of these reporting obligations to their specific situations.

U.S. Information Reporting and Backup Withholding

The Trust or the appropriate broker (which may include the Custodian) will file certain information returns with the IRS and provide holders of Units with information regarding their share of the Trust's annual income (if any) and expenses in accordance with applicable U.S. Treasury regulations.

The Trust expects that all holders of Units will need to provide an IRS Form W-8 or W-9, as applicable, which such forms may be disclosed to an appropriate broker (which may include the Custodian) to facilitate required tax reporting.

A U.S. Holder may be subject to backup withholding in certain circumstances if it fails to provide its taxpayer identification number or to comply with certain certification procedures. In order to avoid the information reporting and backup withholding requirements, a non-U.S. Holder may have to comply with certification procedures to establish that it is not a U.S. person. The amount of any backup withholding will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

Changes in U.S. Federal Income Tax Law

All statements contained in this Memorandum concerning the U.S. federal income tax (or other tax) consequences of an investment in the Trust are based on existing law and interpretations thereof. Recent changes in U.S. federal income tax law could materially affect the tax consequences of an investor's investment in the Trust, and the tax treatment of the Trust's investments. While some of these changes may be beneficial, others could negatively affect the after-tax returns of the Trust and its investors. The effect of certain provisions of the new legislation is uncertain and future administrative guidance may result in additional changes. Accordingly, no assurance can be given that the currently anticipated tax treatment of an investment in the Trust, or of investments made by the Trust, will not be modified by legislative,

judicial, or administrative changes, possibly with retroactive effect, to the detriment of the Trust's investors.

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 Section 3(3) of ERISA and subject to the fiduciary responsibility provisions of Part 4 of Title I of ERISA, or of a "plan" as defined in Section 4975(e)(1) of the Code and subject to the requirements of 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 complete, but only addresses certain questions under ERISA and the Code that are likely to be raised by a Plan Fiduciary's own counsel.

In general, Plans include, but are not limited to, corporate pension and profit sharing plans, Keogh plans for self-employed individuals (including partners), individual retirement accounts ("IRAs") described in Section 408 of the Code and certain 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, that an investment in the Trust complies with the governing 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 and/or Section 4975 of the Code.

EACH PLAN FIDUCIARY CONSIDERING ACQUIRING UNITS SHOULD CONSULT ITS OWN LEGAL AND TAX ADVISERS BEFORE DOING SO REGARDING THE POSSIBILITY OF LIABILITY UNDER ERISA OR THE CODE ARISING FROM SUCH AN ACQUISITION.

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 to include the assets of the Plan for purposes of ERISA and Section 4975 of the Code (i.e., "plan assets"). These rules provide that assets of an entity will not be deemed the assets of a Plan that purchases an interest therein if the investment by all "benefit plan investors" is not "significant" or certain other regulatory exceptions apply. The term "benefit plan investors" includes all employee benefit plans as defined in Section 3(3) of ERISA, whether or not subject to Title I of ERISA including U.S. and non-U.S. plans, plans described in Section 4975(e)(1) of the Code such as IRAs, governmental plans, church plans (which have not made an election under Section 401(d) of the Code to be subject to Title I of ERISA) and pooled investment vehicles 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 excluding 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.

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 less than 25% of the total value of each class of equity interests of the Trust (not including the investments of the Trustee, the Sponsor and 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 new or additional investments by benefit plan investors, and also may require that existing benefit plan investors redeem from the Trust to insure that investment in the Trust by benefit plan investors continues to be insignificant. If rejection of subscriptions or such compulsory redemptions are necessary, as determined by the Sponsor in its sole discretion, to avoid causing the assets of the Trust to be "plan assets", the Sponsor will effect such rejections or redemptions in such manner as the Sponsor, in its sole discretion, determines.

If the assets of the Trust were deemed to be "plan assets", then certain prohibited transaction restrictions on the operation and administration of the Trust and the duties, obligations and liabilities under ERISA could apply to the transactions entered into by the Trust as though such transactions were entered into directly by the benefit plan investors. This could result in a restriction on the types of investments the Trust could undertake in its course of business, particularly with respect to investments involving, among others, service providers to Plans, Plan Fiduciaries, employers whose employees are covered by a Plan or the majority owner of such employer and other persons who are classified as parties in interest or disqualified persons with respect to such Plan. Assets of Plans must comply at all times with the "indicia of ownership" rules set forth in Section 404(b) of ERISA.

A Plan Fiduciary that is considering a purchase of Units with Plan assets should consult with its legal advisors regarding compliance with ERISA and the Code. Such Plan Fiduciary will be required to represent that it has been informed of and understands the Trust's investment objectives, policies and strategies, that the assets of the subject Plan are permitted to be invested in the Trust under the Plan's governing documents and that such investment is consistent with such Plan Fiduciary's responsibilities under ERISA. The Sponsor reserves the right to request from any

investor or potential investor any information as the Sponsor deems necessary to monitor the Trust's investments relating to benefit plan investors. In connection with any transfer of Units permitted by the Sponsor in its sole discretion, each investor will be required to obtain from any potential transferee of its Units the representations set forth in the subscription documents as to the potential transferee's status as a benefit plan investor.

Ineligible Purchasers

In general, Units may not be purchased with the assets of a Plan if the Trustee, the Sponsor, 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) or (ii) 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 THE TRUST THAT THIS INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PLAN FIDUCIARY 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.

CONFIDENTIALITY OF INFORMATION

The prospective investor acknowledges that this Memorandum and information concerning the Trust, its investment plan and the proposed operations included in this Memorandum or otherwise disclosed to the prospective investor in connection with this offering is confidential information ("Confidential Information"). The prospective investor shall consider all information concerning the Company received by the prospective investor to be Confidential Information.

By accepting this Memorandum, the prospective investor agrees to maintain the confidentiality of Confidential Information and agrees promptly to return to us this Memorandum and any other documents or information furnished if the prospective investor does not agree to purchase any of the securities offered hereby. Any reproduction or distribution of this Memorandum, in whole or

in part, or the disclosure of its contents, without our prior written consent, is prohibited. Any person acting contrary to the foregoing restrictions may place himself and us in violation of federal or state securities laws.

The prospective investor hereby confirms that any information provided by, or any discussions held with, the Company prior to the date of this Memorandum shall be subject to the terms set forth in this section of this Memorandum and in the documents in the Subscription Package by which the prospective investor will subscribe to the securities offered hereby.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

In addition to statements of historical fact, this Memorandum contains forward-looking statements. The presentation of future aspects of the Polkadot Network and investment in DOT, the Units and the Trust found in these statements is subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," or "could" or the negative variations thereof or comparable terminology are intended to identify forward-looking statements.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties that may cause the Trust's actual results to be materially different from any future results expressed or implied by the Sponsor in those statements. Important facts that could prevent the Trust from achieving any stated goals include, but are not limited to, the following:

(a) the "Risk Factors" discussed in this Memorandum;

(b) general economic, market and business conditions;

(c) the use of technology by 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;

(d) changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;

(e) other world economic and political developments;

(f) our ability to maintain a positive reputation;

(g) litigation with or legal claims and allegations by outside parties; and

(h) insufficient revenues to cover operating costs, if any.

Consequently, all the forward-looking statements made in this 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 the Units. Should one or more of these risks discussed in "Risk Factors and Potential Conflicts of Interest" 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, neither the Trust, the Sponsor nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against placing undue reliance on forward-looking statements.

The Sponsor does not undertake any obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

INQUIRIES

Inquiries concerning the Trust, the Units and this offering should be directed to:

Investor Relations
Osprey Funds, LLC
520 White Plains Avenue, Suite 500
Tarrytown, NY 10591
(914) 214-4697
IR@ospreyfunds.io

APPENDIX A – TRUST AGREEMENT

[See accompanying document]

Execution Copy

DECLARATION OF TRUST AND TRUST AGREEMENT OF OSPREY POLKADOT TRUST

Dated as of April 20, 2021

By and Among

OSPREY FUNDS, LLC,

DELAWARE TRUST COMPANY

and

THE UNITHOLDERS

from time to time hereunder

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OSPREY POLKADOT TRUST DECLARATION OF TRUST AND TRUST AGREEMENT

This **DECLARATION OF TRUST AND TRUST AGREEMENT ("Trust Agreement")** of **OSPREY POLKADOT TRUST** is made and entered into as of the 20th day of April, 2021, by and among, **OSPREY FUNDS, LLC,** a Delaware limited liability company, **DELAWARE TRUST COMPANY,** a Delaware corporation, as trustee, and the **UNITHOLDERS** from time to time hereunder.

*** * ***

RECITALS

WHEREAS, the Sponsor created the Trust for the purpose of creating and issuing Units (as defined below) representing an interest in DOTs, the native token of the Polkadot Network (defined below);

WHEREAS; the Sponsor, the Trustee and the Unitholders, from time to time, intend to enter into this Trust Agreement to set forth the respective rights and responsibilities of the parties hereunder;

NOW, THEREFORE, in exchange for fair and reasonable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby enter in this Trust Agreement 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 the highest exchange rate and lowest fees the Sponsor can find within a reasonable time frame in order to pay the Management Fee and the Staking Rewards in USD.

"Affiliate" — An "Affiliate" of a Person 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 Update" means the annual report that is prepared pursuant to the Alternative Reporting Standard of the OTCQX U.S. Disclosure Guidelines.

"Assumed Expenses" shall have the meaning set forth in Section 4.8(a).

"Business Day" means each weekday on which banks are open in New York, New York.

"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 the state of Delaware.

"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.

"Custodian" means Coinbase Custody Trust Company LLC or any other Person from time to time engaged to provide custodian services or related services to the Trust pursuant to authority delegated by the Sponsor.

"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.

"DOT Market Price" has the meaning assigned to such term as provided in the currently effective Memorandum.

"Event of Withdrawal" has the meaning set forth in Section 12.1(a) hereof.

"Extraordinary Expenses" has the meaning set forth in Section 4.8(b).

"Fiscal Year" has the meaning set forth in Article IX hereof.

"Indemnified Parties" has the meaning assigned to such term in Section 2.4.

"Internal Revenue Service" or **"IRS"** means the U.S. Internal Revenue Service or any successor thereto.

"Liquidating Trustee" has the meaning assigned thereto in Section 12.2.

"Management Fee" means a fee that accrues at 2.50% of the Trust's NAV, and is payable to the Sponsor monthly in arrears.

"Memorandum" means the Confidential Private Placement Memorandum (or similar offering materials, as applicable), as the same may at any time and from time to time be amended or supplemented.

"Net Asset Value" means the aggregate value, expressed in USD, of the Trust's assets, less its liabilities (which include estimated accrued but unpaid fees and expenses). The Sponsor or its delegate shall calculate and publish the Trust's NAV each business day as of 4:00 p.m., Eastern time, or as soon thereafter as practicable.

In order to calculate the NAV, the Sponsor shall:

1. Determine the DOT Market Price.

2. Multiply the DOT Market Price by the Trust's aggregate number of DOTs owned as of 4:00 p.m., Eastern time on the immediately preceding day.

3. the dollar value of the DOTs receivable under pending Purchases.

4. Add the accrued but unpaid interest, if any and the value of other Trust assets, if any.

5. Subtract Extraordinary Expenses, if any.

6. Subtract other Trust expenses and liabilities, if any.

In the event that the Sponsor determines that the methodology used to determine the Polkadot Market Price is not an appropriate basis for valuation of the Trust's DOTs, the Sponsor shall determine an alternative methodology.

"Net Asset Value Per Unit" means the Net Asset Value divided by the number of Units outstanding on the date of calculation.

"OTCQX" means the OTCQX tier of the OTC Markets Group Inc.

"OTCQX Application" means the application that is required by the OTCQX which, if approved, will then enable the Units to be traded on the OTCQX.

"OTCQX Fees" means the fees outlined by Part 5 of the OTCQX Rules for U.S. Companies, as amended from time to time.

"Percentage Interest" shall be a fraction, the numerator of which is the number of any Unitholder's Units and the denominator of which is the total number of Units of the Trust outstanding as of the date of determination.

"Permitted Investment" means short-term obligations of (or guaranteed by) the United States or any agency or instrumentality thereof and in certificates of deposit or interest-bearing bank accounts of any bank or trust companies having a minimum stated capital and surplus of $50,000,000. All such obligations must mature prior to the next distribution date, and be held to maturity.

"Person" means any natural person, partnership, limited liability company, statutory trust, corporation, association, or other legal entity.

"Polkadot" means a type of a virtual currency based on an open source cryptographic protocol existing on the Polkadot Network, and the assets underlying the Trust's Units and may include "forked" versions of such virtual currency as described in the Memorandum. Individual units of Polkadot may be described as "**DOTs**."

"Polkadot Account" means a hot wallet which is online and connected to the internet. The Polkadot Account is used along with the Trust Storage Account and the Trust Safekeeping Account, as applicable, to receive Unit deposits from Purchasers. Shortly after receipt of the appropriate number of DOTs, the DOTs are then transferred to the Trust Storage Account and/or the Trust Safekeeping Account, as applicable.

"Polkadot Network" means the open source protocol of the peer-to-peer Polkadot computer network upon which Polkadot is based.

"Polkadot Purchase Amount" means the amount of DOTs or cash submitted by a Purchaser to purchase Units.

"Purchase Order" has the meaning assigned thereto in Section 3.2(a)(i).

"Purchase Order Date" has the meaning assigned thereto in Section 3.2(a)(i).

"Purchaser" means a Person that, (i) has entered into a Subscription Agreement with the Sponsor and the Trust.

"Quarterly Update" means the quarterly report that is prepared pursuant to the Alternative Reporting Standard of the OTCQX U.S. Disclosure Guidelines.

"Sponsor" means Osprey Funds, LLC, or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

"Staking" means the activity under which DOT held by the Trust is bonded to a Staking Provider to participate in maintaining the operations of the proof-of-stake ("PoS") for Polkadot or such similar program as provided by the Staking Provider.

"Staking Rewards " means a variable amount that shall be in the form of rewards earned by the Trust through staking DOTs held by the Trust, and that is payable to the Sponsor as accrued, such payment being a "**Staking Rewards Payment."**

"Staking Provider" means the Person from time to time engaged to provide Staking services or related services to the Trust pursuant authority delegated by the Sponsor.

"Subscription Agreement" means an agreement among the Trust, the Sponsor and a Purchaser, substantially in the form of Exhibit B hereto, as it may be amended, modified or supplemented from time to time.

"Transfer Agent" means the Sponsor or any other Person from time to time engaged to provide such services or related services to the Trust pursuant to authority delegated by the Sponsor.

"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 Osprey Polkadot Trust, a Delaware statutory trust formed pursuant to the Certificate of Trust, the business and affairs of which are governed by this Trust Agreement.

"Trust Agreement" means this Declaration of Trust and Trust Agreement, as it may at any time or from time-to-time be amended.

"Trust Storage Account" means a wallet that is not online and not connected to the internet, used for storage of the Trust's DOTs where they are readily accessible and available to pay Trust expenses.

"Trust Safekeeping Account" means a wallet that is not online and not connected to the internet, used for "deep" cold storage of the Trust's DOTs where they are not readily accessible and can only be accessed as provided by the rules of the Custodian.

"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 the all the DOTs on deposit in the Trust's accounts, and all proceeds from the sale of DOTs while such proceeds are held on deposit in the Trust's accounts, as well as any rights of the Trust pursuant to any other agreements to which the Trust is a party.

"Unitholder" means any person or entity who is or becomes an owner of Units of the Trust.

"Units" means the common units of fractional undivided beneficial interest in the profits, losses, distributions, capital and assets of, and ownership of, the Trust. Units may be owned by the Sponsor or a Unitholder.

SECTION 1.2 *Name.* The name of the Trust is "Osprey Polkadot Trust" in which name 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.*

(i) 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 Unitholders. 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.

(ii) 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 Unitholders. Initially, the principal office of the Trust shall be at c/o Osprey Funds, LLC, 520 White Plains Road, Suite 500, Tarrytown, New York, 10591.

SECTION 1.4 *Declaration of Trust.* The Trust Estate shall be held in trust for the Unitholders. 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 grantor trust 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 Unitholders 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.* The purposes of the Trust shall be to accept subscriptions for Units in DOTs in accordance with Article III hereof, to distribute DOTs upon redemptions of Units in accordance with Article VI hereof, if applicable, and to enter into any lawful transaction and engage in any lawful activities in furtherance of or incidental to the foregoing. The Trust shall not engage in any business activity and shall not acquire or own any assets other than DOTs, forked or airdropped cryptocurrency coins from the Polkadot Network or cash from the sale of DOTs, as provided in this Trust Agreement, or take any of the actions set forth in Section 4.4. The Trust shall have all of the powers specified in Section 3.1 hereof as powers which may be exercised by a Sponsor on behalf of the Trust under this Trust Agreement. Nothing in this Trust Agreement shall be construed to give the Trustee or the Sponsor the power to vary the investment of the Unitholders within the meaning of Section 301.7704-4(c) or similar provisions of the Treasury Regulations, nor shall the Trustee or the Sponsor take any action that would vary the investment of the Unitholders.

SECTION 1.6 *Tax Treatment.* Each of the parties hereto, by entering into this Trust Agreement, (i) expresses its intention that, unless the IRS determines otherwise, in a ruling issued to the Trust (provided that the Trust, the Trustee and the Sponsor are under no obligation to seek such ruling) or unless required to do so by a "determination" as defined in Section 1313 of the Code, this Trust shall be treated as a grantor trust for U.S. federal income tax purposes; (ii) the Units will qualify under applicable tax law as interests in a grantor trust which holds the Trust Estate, (iii) agrees that it will file its own U.S. federal, state and local income, franchise and other tax returns in a manner that is consistent with clause (i) of this Section 1.6 and with the classification of the Trust as a grantor trust, and (iv) agrees to use reasonable efforts to notify the Sponsor promptly upon a receipt of any notice from any taxing authority having jurisdiction over such holders of Units with respect to the treatment of the Units as anything other than interests in a grantor trust.

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 where applicable law in any jurisdiction requires any part of the Trust Estate to be vested otherwise, the Sponsor may cause legal title to the Trust Estate or any portion thereof to be held by or in the name of the Sponsor or any other Person (other than a Unitholder) as nominee.

ARTICLE II

THE TRUSTEE

SECTION 2.1 *Term; Resignation.* 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 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 Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the purpose of satisfying the requirement of Section 3807(a) of the Delaware Trust Statute that the Trust 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.

The Trustee is permitted to resign upon at least sixty (60) days' notice to the Sponsor upon which date such resignation shall be effective.

SECTION 2.2 *Powers.* Except to the extent expressly set forth in Section 1.3 and this Article, 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, (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, and (iii) any other duties specifically allocated to the Trustee in this Trust Agreement. 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 Trust or the Sponsor, as applicable, reasonable compensation for its services hereunder as set forth in a separate fee agreement and shall be entitled to be reimbursed by the Trust or the Sponsor, as applicable, 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 and such other agents as the Trustee may employ in connection with the exercise and performance of its rights and duties hereunder. Though it is not intended or expected that the Trustee will ever handle funds, however, to the extent that the Trustee receives Trust funds the Trustee may earn compensation in the form of short-term interest (“float”) on items like uncashed distribution checks (from the date issued until the date cashed), funds that the Trustee is directed not to invest, deposits awaiting investment direction or received too late to be invested overnight in previously directed investments.

SECTION 2.4 *Indemnification.*

(i) The Trust hereby agrees to be primary obligor and shall (i) compensate (to the extent not paid by the Sponsor on the Trust's behalf) the Trustee in accordance with a separate fee agreement with the Trustee, (ii) reimburse the Trustee for all reasonable expenses (including reasonable fees and expenses of counsel and other experts) and (iii) 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 including legal fees and expenses in connection with the 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. To the fullest extent permitted by law and by the requirement for treatment of the Trust as a grantor trust for tax purposes, Expenses to be incurred by an Indemnified Person shall, from time to time, be advanced by, or on behalf of, 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 Agreement.

(ii) 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 other beneficial owner of the Trust. The obligations of the Trust and the Sponsor to indemnify the Indemnified Persons under this Section 2 shall survive the termination of this Trust Agreement and the resignation or removal of the Trustee.

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, 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:

(i) the Trustee shall not be personally liable for any error of judgment made in good faith by the Trustee;

(ii) The Trustee shall have no liability or responsibility for the validity or sufficiency of this Trust Agreement or for the form, character, genuineness, sufficiency, value or validity of the Trust Estate;

(iii) 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 Units;

(iv) The Trustee shall not be responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the DOTs or other assets of the Trust;

(v) The Trustee shall have no duty to, make any investigation as to the accuracy and completeness of any representation or warranty made by the Trust in any agreement entered into by the Trust;

(vi) The Trustee shall not be liable for any actions taken or omitted to be taken by it in accordance with the instructions of the Sponsor or the Liquidating Trustee;

(vii) The Trustee shall not have any liability for the acts or omissions of the Sponsor, the Custodian, their respective delegates or any other Person;

(viii) The Trustee shall have no duty or obligation to supervise the performance of any obligations of the Sponsor, the Custodian, or their respective delegates, any Purchaser or any other Person;

(ix) No provision of this Trust Agreement shall require the Trustee to act or expend or risk its own funds or otherwise incur any financial liability in the performance of any of its rights or powers hereunder;

(x) Under no circumstances shall the Trustee be liable for indebtedness evidenced by or other obligations of the Trust arising under this Trust Agreement or any other agreements to which the Trust is a party;

(xi) 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;

(xii) 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 under the laws of any jurisdiction or any political subdivision thereof in existence as of the date hereof other than the State of Delaware becoming payable by the Trustee 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 transactions by the Trustee, as the case may be, contemplated hereby; and

(xiii) To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust, the Unitholders or to any other Person, the Trustee acting under this Trust Agreement shall not be liable to the Trust, the Unitholders or to any other Person for its good faith reliance on the provisions of this Trust Agreement. 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.

(xiv) The Trustee shall not be liable for punitive, exemplary, consequential, special or similar damages however styled, including without limitation, lost profits, or for any losses due to forces beyond the control of the Trustee, including, without limitation, strikes, work stoppages, acts of war or terrorism, insurrection, revolution, nuclear or natural catastrophes or acts of God and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services provided to the Trustee by third parties.

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 in any such document; provided, however, that the Trustee shall have examined any certificates or opinions so as to reasonably determine compliance of the same 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 the same is in full force and effect. As to any fact or matter the method of the determination of which is not specifically prescribed herein, the Trustee may for all purposes hereof rely on a certificate, signed by the president or any vice president or by the treasurer or 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 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

UNITS; CAPITAL CONTRIBUTIONS; ISSUANCE OF UNITS

SECTION 3.1 *General.* The Sponsor shall have the power and authority, without Unitholder approval, to issue Units from time to time as it deems necessary or desirable. The number of Units authorized shall be unlimited, and the Units so authorized may be represented in part by fractional Units, calculated to one ten-billionth of one DOT. From time to time, the Sponsor may divide or combine the Units into a greater or lesser number without thereby changing the proportionate beneficial interests. The Sponsor may issue Units in exchange for contributions of DOT or cash (or for no consideration if pursuant to a Unit dividend or split-up), all without action or approval of the Unitholders. All Units when so issued on the terms determined by the Sponsor shall be fully paid and non-assessable. Every Unitholder, by virtue of having purchased or otherwise acquired a Unit, shall be deemed to have expressly consented and agreed to be bound by the terms of this Trust Agreement.

SECTION 3.2 *Offer of Units; Procedures for Issuance.*

(a) General. Other than in connection with an offering pursuant to Rule 504 under the Securities Act pursuant to paragraph 3.2(b), the following procedures, as supplemented by the more detailed procedures specified in the Exhibits, annexes, attachments and procedures, as applicable, to the Subscription Agreement, which may be amended from time to time in accordance with the provisions of the Subscription Agreement (and any such amendment will not constitute an amendment of this Trust Agreement), will govern the Trust with respect to the issuance of Units. Subject to the limitations upon and requirements for issuance of Units stated herein and in such procedures, the number of Units which may be issued by the Trust is unlimited.

(i) On any Business Day, a Purchaser may deposit the Polkadot Purchase Amount with the Custodian and submit an order to create Units (a **"Purchase Order")** from the Trust via notification to the Sponsor or its delegate in the manner provided in the Subscription Agreement.

Purchase Orders must be received by 3:00 p.m., Eastern time on a Business Day (the **"Purchase Order Date").** The Sponsor or its delegate will process Purchase Orders only from Purchasers with respect to whom a Subscription Agreement is in full force and effect.

(ii) Any Purchase Order is subject to rejection by the Sponsor or its delegate pursuant to Section 3.2(b).

(iii) After receiving the Polkadot Purchase Amount and accepting a Purchaser's Purchase Order, the Sponsor or its delegate will have the Transfer Agent credit the Units to fill the Purchaser's Purchase Order within one Business Day immediately following the Purchase Order Date.

(iv) Determination of Units Issue. The number of Units to be issued with respect to the Polkadot Purchase amount shall be determined using the most recently available DOT Market Price. Each Unit will be worth $5.00 at inception of the Trust. The Sponsor or its delegate has final determination of all questions as to the determination of the number of Units issuable with respect to a particular Polkadot Purchase Amount.

(v) Delivery of Required Deposits. A Purchaser who places a Purchase Order shall deliver the Polkadot Purchase Amount to the (i) Polkadot Account, the Trust Storage Account, the Trust Safekeeping Account, at the Sponsor's instruction or (ii) a cash denominated account, at the direction of the Sponsor or its delegate, in each case by no later than 6:00 p.m., Eastern time on the Purchase Order Date. he expense and risk of delivery, ownership and safekeeping of DOTs, until such DOTs have been received by the Trust, shall be borne solely by the Purchaser. Upon receipt of the Polkadot Purchase Amount, the Custodian or delegated agent, as the case may be, shall transfer the Polkadot Purchase Amount to the Trust Storage Account, the Trust Safekeeping Account or a cash account, as applicable. The Sponsor or its delegate shall then direct the Transfer Agent to credit the number of Units ordered to the Purchaser's account on the next Business Day after the Purchase Order Date.

(vi) The Custodian may accept delivery of DOTs by such other means as the Sponsor, from time to time, may determine to be acceptable for the Trust.

(vii) The Sponsor, at its discretion, may delay the investment of a cash denominated Purchase Order into DOT, if it deems retaining such Purchase Order Amount in cash to be necessary or appropriate in the interest of the Trust or the Unitholders.

(b) Rule 504 Offerings. Notwithstanding anything to the contrary in this Section 3.2, the Sponsor shall have the authority to issue Units, from time to time, pursuant to Rule 504 under the Securities Act, under such terms and conditions as are disclosed to Purchasers in the relevant offering documents and as the Sponsor deems necessary or advisable to comply with applicable law or regulation.

(c) Rejection. The delivery of the Units against deposit of the Polkadot Purchase Amount may be suspended generally, or refused with respect to particular requested purchase, during any period when the transfer books of the Sponsor or its delegate are closed or if any such action is deemed necessary or advisable by the Sponsor or its delegate or for any reason at any time

or from time to time. None of the Sponsor, its delegates, or the Custodian shall be liable for the rejection or acceptance of any Purchase Order or Polkadot Purchase Amount.

SECTION 3.3 *Book-Entry-Only System.*

(a) Units shall be held in book-entry form by the Transfer Agent. The Sponsor or its delegate shall direct the Transfer Agent (which may be the Sponsor or an Affiliate) to credit or debit the number of Units to the applicable Purchaser. The Transfer Agent shall issue or cancel each Purchaser's Units, as applicable.

(b) Secondary or Successor Custodian. If a successor to the Custodian shall be employed, the Trust and the Sponsor shall establish procedures acceptable to such successor with respect to the matters addressed in this Section.

SECTION 3.4 *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 except as may otherwise be required by applicable tax laws, and shall be so recorded upon the books of account of the Trust.

SECTION 3.5 *Liabilities of the Trust.* The Trust Estate shall be charged with the liabilities of the Trust; and 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 Unitholders.

SECTION 3.6 *Distributions.* Distributions on Units, if any, may be paid with such frequency and amount as the Sponsor may determine in its sole discretion, which may be daily or otherwise, to the Unitholders from the Trust Estate, after providing for actual and accrued liabilities. All distributions on Units thereof shall be distributed pro rata to the Unitholders in proportion to the total outstanding Units held by such Unitholders at the date and time of record established for the payment of such distribution. Such distributions may be made in cash or Units as determined by the Sponsor or pursuant to any program that the Sponsor may have in effect at the time for the election by each Unitholder of the mode of the making of such distribution to that Unitholder. The Units shall represent units of beneficial interest in the Trust Estate. Each Unitholder shall be entitled to receive its pro rata share of distributions in accordance with this Section.

SECTION 3.7 *Voting Rights.* Notwithstanding any other provision hereof, on each matter submitted to a vote of the Unitholders, each Unitholder shall be entitled to a single vote for each Unit held by such Person, or a proportionate fraction thereof if such Unit is fractional, with the number of Units held by such Person determined by the number of Units in its name on the books of the Trust in accordance with Section 3.3.

SECTION 3.8 *Equality.* All Units shall represent an equal proportionate beneficial interest in the assets of the Trust subject to the liabilities of the Trust, and each Unit shall be equal to each other Unit. The Sponsor may from time to time divide or combine the Units into a greater or lesser number of Units without thereby changing the proportionate beneficial interest in the assets of the Trust or in any way affecting the rights of Unitholders.

ARTICLE IV

THE SPONSOR

SECTION 4.1 *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 constructing the provisions of this Trust Agreement, the presumption shall be in favor of a grant of power to the Sponsor. The enumeration of any specific power in this Trust Agreement shall not be construed as limiting the aforesaid power.

SECTION 4.2 *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 and objectives of the Trust, which shall include, without limitation, the following:

(a) To enter into, execute, deliver and maintain, and to cause the Trust to perform its obligations under, contracts, agreements (including but not limited to subscription agreements) and any or all other documents and instruments, and to do and perform all such things as may be in furtherance of Trust purposes or necessary or appropriate for the offer and sale of the Units, including, but not limited to, contracts with third parties various services, 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 which it proposes to engage to perform such services is qualified to do so (considering the prior experience of the Affiliate or the individuals employed thereby); (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, sign checks and/or otherwise draw upon accounts on behalf of the Trust with appropriate banking and savings institutions, and execute and/or accept any instrument or agreement incidental to the Trust's purposes, any such instrument or agreement so 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;

(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 pay or authorize the payment of distributions to the Unitholders and expenses of the Trust;

(f) To act as Transfer Agent and perform functions customarily preferred by a transfer agent;

(g) To prepare, or cause to be prepared, and file, or cause to be filed, an application to enable the Units to be traded on the OTCQX or any other financial market deemed by the Sponsor to be in the interest of Unitholders and to take any other action and execute and deliver any certificate or documents that may be necessary to effectuate such trading;

(h) To bond or otherwise allocate such of the DOT held by the Trust to the Staking Provider (via the Custodian) or other service provider, as applicable, for the purpose of Staking as the Sponsor, in its sole discretion deems appropriate, and to earn as fees, any related rewards earned by the Trust pursuant to such Staking; and

(i) In the sole and absolute discretion of the Sponsor, to admit an additional Sponsor.

SECTION 4.3 *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 business and 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 for the benefit of the Trust and the Unitholders;

(b) Execute, file, record and/or publish all certificates, statements and other documents 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 business 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 Trust's Trustee and any other service provider;

(f) Use its best efforts to maintain the status of the Trust as a grantor trust for U.S. federal income tax purposes under Subpart E, Part I of Subchapter J of the Code;

(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, and the Sponsor will not

employ or permit others to employ the Trust Estate in any manner except for the benefit of the Trust, including, among other things, the utilization of any portion of the Trust Estate as compensating balances for the exclusive benefit of the Sponsor. The Sponsor shall 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;

(i) Receive directly or through its delegates from Purchaser and process properly submitted Purchase Orders, as described in Section 3.2(a);

(j) Invest (except purchasing DOTs pursuant to a Purchase Order) or reinvest any cash held by the Trust (including reserves) in Permitted Investments.

(k) In connection with Purchase Orders, receive directly or through its delegates the number of DOTs in an amount equal to the Polkadot Purchase Amount from Purchasers;

(l) In connection with Purchase Orders, after receiving the Polkadot Purchase Amount and accepting a Purchaser's Purchase Order, the Sponsor or its delegate will direct the Transfer Agent to credit the Units to fill the Purchaser's Purchase Order within one Business Day immediately following the Purchase Order Date;

(m) Receive directly or through its delegates from Purchasers and process properly submitted Redemption Orders, as permitted by Article VI;

(n) In connection with Redemption Orders (if permitted), after receiving the Redemption Order specifying the number of Units that the Unitholder wishes to redeem and confirming the Unitholder's Self-Administered Account information, the Sponsor or its delegates instructs the Custodian to send the Unitholder a number of DOTs equal to the Polkadot Redemption Amount and directs the Transfer Agent to debit the number of Units redeemed from the Unitholder's account on the next business day after the redemption order date;

(o) Interact with the Custodian and any other party as required;

(p) If the OTCQX Application is approved by OTCQX, then the Sponsor, on behalf of the Trust, shall cause the Trust to comply with all rules, orders and regulations of the OTCQX to which the Trust is subject as a result of the approval of the OTCQX Application and the Sponsor will take all such other actions which may reasonably be taken which are necessary for the Units to remain traded on the OTCQX until the Trust is either terminated or if the Units are no longer traded on the OTCQX. In addition, the Sponsor is authorized and shall take, all actions to prepare and, to the extent required by this Agreement or by law, mail to Unitholders any reports, press releases or statements, financial or otherwise, that the Sponsor determines are required to be provided to Unitholders by applicable law or governmental regulation or the requirements of OTCQX, as applicable;

(q) Delegate those of its duties hereunder as it shall determine from time to time to one or more Distributors, add any additional service providers, if needed and as applicable;

(r) Perform such other services as the Sponsor believes that the Trust may from time to time require; and

(s) In general, to do everything necessary, suitable or proper for the accomplishment of any purpose or the attainment of any object 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, objects or powers.

The foregoing clauses shall be construed both as objects and 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 4.4 *General Prohibitions.* The Trust shall not:

(a) Receive any property other than DOT or U.S. Dollars upon the issuance or sale of Units;

(b) Hold any property other than cash, Permitted Investments, DOTs (including any forked version thereof) or airdropped cryptocurrency coins;

(c) Redeem the Units other than as provided pursuant to Article VI or upon the dissolution of the Trust;

(d) Borrow money from or loan money to any Unitholder (including the Sponsor) or other Person;

(e) Except as expressly contemplated by this Agreement, create, incur, assume or suffer to exist any lien, mortgage, pledge conditional sales or other title retention agreement, charge, security interest or encumbrance, except for liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established; provided, however, that for the avoidance of doubt, the Trust may permit its DOT to be used for Staking as contemplated hereunder, the rewards of which shall be used to pay the Staking Rewards to the Sponsor;

(f) Commingle its assets with those of any other Person, except to the extent as permitted under applicable law and the regulation;

(g) 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 prohibition; provided , however, that the foregoing prohibition is not intended to prevent the Trust from permitting the DOTs owned by the Trust to be used for Staking as contemplated by this Agreement or for the Sponsor to earn rewards resulting from such Staking in the form of Staking Rewards Payments;

(h) Invest (except purchasing DOTs pursuant to a Purchase Order) or reinvest any cash held by the Trust (including reserves) in anything other than Permitted Investments;

(i) Enter into any contract with the Sponsor or an Affiliate of the Sponsor (except for selling agreements for the sale of Units) which has a term of more than one year and which does not provide that it may be canceled by the Trust without penalty on one hundred twenty (120) days prior written notice or for the provision of services, except at rates and terms at least as favorable as those which may be obtained from third parties in arm's length negotiations; or

(j) Cause the Trust to elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes.

SECTION 4.5 *Liability of Covered Persons.* A Covered Person shall have no liability to the Trust or to any Unitholder 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 capital or profits of any Unitholder or assignee thereof, it being expressly agreed that any such return of capital or profits 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 delegatee selected by the Sponsor with reasonable care.

SECTION 4.6 *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 Unitholders or to any other Person, the Sponsor acting under this Trust Agreement shall not be liable to the Trust, the Unitholders or to any other Person for its good faith reliance on the provisions of this Trust Agreement subject to the standard of care in Section 4.6 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 and the Unitholder 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 or any Unitholder or any other Person, on the other hand; or

(ii) whenever this Trust Agreement or any other agreement contemplated herein or therein provides that the Sponsor shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust, any Unitholder 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 other 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 Unitholders 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 Unitholder 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 Unitholders or any Affiliate of the Trust or the Unitholders.

(d) To the fullest extent permitted by law and notwithstanding any other provision of this 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 Unitholders 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 4.7 *Indemnification of the Sponsor and Unitholders.*

(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 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 only be recoverable 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 to exist 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 Code by or against the Sponsor.

(b) Notwithstanding the provisions of Section 4.7(a) above, the Sponsor and any Person acting as 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 which 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 Unitholder or the legal action is initiated by a Unitholder 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 4.7.

(e) The term “Sponsor” as used only in this Section 4.7 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 Unitholder's (or assignee's) obligations or liabilities unrelated to Trust business, such Unitholder (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 4.8 *Expenses and Limitations Thereon.*

(a) Management Fee and Staking Rewards Payments.

(i) The Trust shall pay a Management Fee, which accrues daily at an annual rate of 2.50% of the NAV of the Trust and is payable to the Sponsor monthly in arrears. The Sponsor, may, in its sole discretion, waive the Management Fee, in such amount, and for such period, as it deems appropriate. Such waiver shall not preclude the Sponsor from accruing the full Management Fee once such waiver period has ended.

(ii) The Trust shall pay the Sponsor the Staking Rewards Payments, which is a variable amount equal to the awards received by the Trust for the Staking of the Trust’s DOT. The Staking Rewards Payments accrue promptly as earned by the Trust and are payable to the Sponsor as they accrue.

(iii) In order to pay the Management Fee (or the Staking Rewards Payments , as applicable) in USD, the Sponsor may be required to convert the Management Fee (or the Staking Rewards Payments, as applicable), as reflected by the appropriate number of DOTs, into USD. The Sponsor shall use its best efforts within a reasonable time frame in order to seek the Actual Exchange Rate. It is expected that the Management Fee exchange rate (or the Staking Rewards exchange rate, as applicable) and the Actual Exchange Rate may differ.

(iv) At the Sponsor's election, the Sponsor may elect to (i) direct its delegates or the Custodian to withdraw the DOT amount comprising the Management Fee (or, the Staking Rewards Payments), (ii) convert the Management Fee (or the Staking Rewards Payment) to USD and (iii) pay such dollar amount to the Sponsor, who will then pay itself as well as the relevant Assumed Expenses (as defined below). Alternatively, the Sponsor may elect to (i) direct its delegates or the Custodian to withdraw the DOT amount comprising the Management Fee (or, as applicable, the Staking Rewards), (ii) convert the Management Fee (or the Staking Rewards Payments) to USD and (iii) pay certain Assumed Expenses from the Management Fee (or as applicable the Staking Rewards Payments) and the remaining amount, if any, to the Sponsor.

(v) As consideration for receipt of the Management Fee and the Staking Rewards Payments, the Sponsor shall assume and pay routine and ordinary administrative and operating expenses of the Trust (the **"Assumed Expenses"),** however the Trust shall be responsible for any non-routine expenses, which will be paid by the Trust as Extraordinary Expenses (as defined below).

(b) The Trust shall pay expenses in addition to the Management Fee and the Staking Rewards Payments, such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees, and expenses related to public trading on OTCQX (collectively, **"Extraordinary Expenses").**

(c) The Sponsor, its delegates or the Custodian shall withdraw DOTs as needed from the Trust Storage Account to pay the Management Fees and the Staking Reward Fees (as well as the Extraordinary Expenses, if any). The Sponsor or any Affiliate of the Sponsor may only be reimbursed for the actual cost to the Sponsor or such Affiliate of any expenses which it advances on behalf of the Trust for which payment 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 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 4.9 *Business of Unitholders.* Except as otherwise specifically provided herein, any of the Unitholders and any shareholder, officer, director, employee or other person holding a legal or beneficial interest in an entity which is a Unitholder, 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 business of the Trust, shall not be deemed wrongful or improper.

SECTION 4.10 *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 Unitholders and the Trustee. If the withdrawing Sponsor is the last remaining Sponsor, the Trust shall liquidate in accordance with Section 12.1(a)(vi) hereof. In the event of its removal or withdrawal, the Sponsor shall be entitled to a redemption of its Units at the Net Asset Value. If the Sponsor withdraws and a successor Sponsor is named, the withdrawing Sponsor shall pay all expenses as a result of its withdrawal.

SECTION 4.11 *Authorization of Memorandum.* Each Unitholder (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 Unitholders, notwithstanding any other provision of this Trust Agreement, the Delaware Trust Statute or any applicable law, rule or regulation.

SECTION 4.12 *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 Agreement) of the Sponsor.

ARTICLE V

TRANSFER OF UNITS

SECTION 5.1 *General Prohibition.* A Unitholder may not sell, assign, transfer or otherwise dispose of, or pledge, hypothecate or in any manner encumber any or all of his Units or any part of his right, title and interest in the capital or profits in the Trust except as permitted in this *Article* and any act in violation of this Article 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.

SECTION 5.2 *Transfer of Sponsor's Units.*

(a) Upon an Event of Withdrawal (as defined in Section 12.1(a)(vi), the Sponsor's Units shall be purchased by the Trust for a purchase price in cash equal to the Net Asset Value thereof. The Sponsor will 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 full extent permitted by law, and on sixty (60) days' prior written notice to the Unitholders, 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 or the transfer of the Sponsor's Units to an Affiliate of the Sponsor. 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 4.10 or an Event of Withdrawal for purposes of Section 5.2(a).

SECTION 5.3 *Transfer of Units.*

(a) Except for Units originally offered and sold in a transaction pursuant to Rule 504 under the Securities Act and freely transferable under applicable law or regulation, the Units 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 such written consent in the Memorandum.

(b) Units 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 authorized instrument of transfer, and such evidence if the genuineness of each such execution 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 Unitholder of record of the Units shall be deemed to be the Unitholder with respect to such Units for all purposes hereunder and neither the Sponsor nor the Trust, the Transfer Agent nor 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 VI

REDEMPTIONS

SECTION 6.1 *Redemption of Units*. The Units may be redeemable upon receiving regulatory approval from the SEC and or otherwise as determined by the Sponsor in its sole discretion. Prior to accepting such redemptions, the Sponsor shall amend this Trust Agreement to include Unit redemptions procedures consistent with such regulatory approval (if any) pursuant to Section 10.1 hereof. Notwithstanding anything to the contrary, a Unit may be redeemed no earlier than twelve (12) months after its date of issuance.

ARTICLE VII

UNITHOLDERS

SECTION 7.1 *No Management or Control; Limited Liability.* The Unitholders 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 Unitholder shall be bound by, or be personally liable for, the expenses, liabilities or obligations of the Trust in excess of his share of the Trust Estate. Except as provided in Section 7.3 hereof, each Unit owned by a Unitholder shall be fully paid and no assessment shall be made against any Unitholder. No salary shall be paid to any Unitholder in his capacity as a Unitholder, nor shall any Unitholder have a drawing account or earn interest on its share of the Trust Estate. By the purchase and acceptance or other lawful delivery and acceptance of Units, each owner shall be deemed to be a Unitholder and beneficiary of the Trust and vested with beneficial undivided interest in the Trust to the extent of the Units owned beneficially by such Unitholder, subject to the terms and conditions of this Trust Agreement.

SECTION 7.2 *Rights and Duties.* The Unitholders shall have the following rights, powers, privileges, duties and liabilities:

(a) The Unitholders shall have the right to obtain from the Sponsor information on all things affecting the Trust, provided that such is for a purpose reasonably related to the Unitholder's interest as a beneficial owner of the Trust.

(b) The Unitholders 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.

(c) Except for the Unitholders' redemption rights set forth in Article VI hereof, Unitholders shall have the right to demand the return of their capital 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 Unitholder be entitled to demand or receive property other than cash upon the dissolution and winding up of the Trust. No Unitholder shall have priority over any other Unitholder as to distributions. The Unitholder shall not have any right to bring an action for partition against the Trust.

(d) Except as expressly set forth in this Trust Agreement, the Unitholders shall have no voting or other rights with respect to the Trust.

SECTION 7.3 *Limitation of Liability.*

(a) Except as provided in Section 4.7(f) hereof, and as otherwise provided under Delaware law, the Unitholders 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 Unitholder shall be liable for claims against, or debts of the Trust in excess of his share of the Trust Estate, except in the event that the liability is founded upon misstatements or omissions contained in such Unitholder's Agreement delivered in connection with his purchase of

Units. In addition, and subject to the exceptions set forth in the immediately preceding sentence, the Trust shall not make a claim against a Unitholder with respect to amounts distributed to such Unitholder or amounts received by such Unitholder upon redemption unless, under Delaware law, such Unitholder is liable to repay such amount.

(b) The Trust shall indemnify to the full extent permitted by law and the other provisions of this Agreement, and to the extent of the applicable Trust Estate, each Unitholder against any claims of liability asserted against such Unitholder solely because he is a beneficial owner of one or more Units as a Unitholder.

(c) Every written note, bond, contract, instrument, certificate or undertaking made or issued by the Sponsor 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 Unitholders individually but are binding only upon the assets and property of the Trust, and no resort shall be had to the Unitholders' 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 which the Sponsor deems appropriate, but the omission thereof shall not operate to bind the Unitholders 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 3.4 and 3.5 hereof.

SECTION 7.4 *Derivative Actions.*

In addition to any other requirements of applicable law including Section 3816 of the Delaware Trust Statute, no Unitholder 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 Unitholders who (i) are not affiliates of one another and (ii) collectively hold at least 10% of the outstanding Units join in the bringing or maintaining of such action, suit or other proceeding.

ARTICLE VIII

BOOKS OF ACCOUNT AND REPORTS

SECTION 8.1 *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. The books of account shall be kept at the principal office of the Trust and each Unitholder (or any duly constituted designee of a Unitholder) shall have, at all times during normal business hours, free access to and the right to inspect and copy the same for any purpose reasonably related to the Unitholder's interest as a beneficial owner of the Trust. 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 Article X.

SECTION 8.2 *Quarterly Updates, Annual Updates and Account Statements.*

(a) The Sponsor will prepare and publish the Trust's Quarterly Updates and Annual Updates as required by the OTCQX's Alternative Reporting Standards and any other applicable rules and regulations of the OTCQX, in each case as and when applicable.

(b) The Unitholders will have access to the Trust's website, which shall allow Unitholders to view their unaudited account statements, as available.

SECTION 8.3 *Tax Information.* Appropriate tax information (adequate to enable each Unitholder to complete and file its U.S. federal tax return) shall be delivered to each Unitholder as soon as practicable following the end of each Fiscal Year but generally no later than March 15. All such tax returns and information will be filed in a manner consistent with the treatment of the Trust as a grantor trust. The Trust's taxable year shall be the calendar year. The Trust shall comply with all United States federal withholding requirements respecting distributions to, or receipts of amounts on behalf of, Unitholders that the Sponsor reasonably believes are applicable under the Code. The consent of Unitholders shall not be required for such withholding.

SECTION 8.4 *Calculation of Net Asset Value.* Net Asset Value shall be calculated at such times as the Sponsor shall determine from time to time.

SECTION 8.5 *Maintenance of Records.* The Sponsor shall maintain: (a) for a period of at least six Fiscal Years all books of account required by Section 8.1 hereof; a list of the names and last known address of, and number of Units owned by, all Unitholders, a copy of the Certificate of Trust and all certificates of amendment thereto, together with executed copies of any powers of attorney pursuant to which any certificate has been executed; copies of the Trust's U.S. federal, state and local income tax returns and reports, if any; and (b) for a period of at least six Fiscal Years copies of any effective written Trust Agreements, including any amendments thereto, and any financial statements of the Trust. The Sponsor may keep and maintain the books and records of the Trust in paper, magnetic, electronic or other format at the Sponsor may determine in its sole discretion, provided the Sponsor uses reasonable care to prevent the loss or destruction of such records. If there is a conflict between this Section 8.5 and the rules and regulations of the OTCQX with respect to the maintenance of records, the records will be maintained pursuant to the rules and regulations of the OTCQX.

ARTICLE IX

FISCAL YEAR

SECTION 9.1 *Fiscal Year.* The Fiscal Year shall begin on the 1st day of January and end on the 31st day of December of each year. The first Fiscal Year of the Trust commenced on April 20, 2021 and shall end on December 31, 2021. The Fiscal Year in which the Trust shall terminate shall end on the date of such termination.

ARTICLE X

AMENDMENT OF TRUST AGREEMENT; MEETINGS

SECTION 10.1 *Amendments to the Trust Agreement.*

(a) Except as specifically provided in this Section 10.1, the Sponsor may, in its sole discretion, and without the approval of the Unitholders, make such amendments to (including any supplements to or deletions from) this Trust Agreement as the Sponsor deems necessary or appropriate; provided, however, that the Sponsor shall not be permitted to make any such amendment, or otherwise supplement this Trust Agreement, if such amendment or supplement would permit the Sponsor, the Trustee or any other Person to vary the investment of Unitholders (within the meaning of Treasury Regulations Section 301.7701-4(c)) or would otherwise adversely affect the status of the Trust as a grantor trust for U.,S. federal tax purposes.

Any amendments to this Trust Agreement which materially adversely affects the interests of the Unitholders shall occur only upon the vote of the Unitholders holding Units equal to at least a majority (over 50%) of the Units (not including Units held by the Sponsor and its Affiliates). For all purposes of this Section 10.1, a Unitholder shall be deemed to consent to a modification or amendment to this Trust Agreement if the Sponsor has notified such Unitholder in writing of the proposed modification or amendment and the Unitholder has not, within twenty (20) calendar days of such notice, notified the Sponsor in writing that the Unitholder objects to such modification or amendment. Notwithstanding anything to the contrary herein, notice pursuant this Section 10.1 may be given by the Sponsor to the Unitholder by email or other electronic transmission and shall be deemed given upon receipt without requirement of confirmation.

Notwithstanding any provision to the contrary contained in Sections 10.1(a) hereof, the Sponsor may, without the approval of the Unitholders, 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 grantor trust will be respected for U.S. federal income tax purposes.

(b) 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.

(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 the rights, duties or liabilities of the Trustee. 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 and certification 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. The Trustee may, but is not required to enter into any amendment that has an adverse effect on the Trustee.

(d) 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.

SECTION 10.2 *Meetings of the Trust.* Meetings of the Unitholders may be called by the Sponsor and will be called by it upon the written request of Unitholders holding Units equal to at least 30% of the Units. Such call for a meeting shall be deemed to have been made upon the receipt by the Sponsor of a written request from Unitholders representing the requisite percentage of Units. The Sponsor shall deposit in the United States mails, within 15 days after receipt of said request, written notice to all Unitholders thereof of the meeting and the purpose of the meeting, which shall be held on a date, not less than 30 nor more than 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 and an opinion of independent counsel as to the effect of such proposed action on the liability of Unitholders for the debts of the Trust. Unitholders 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 Unitholders 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 Unitholder to any action of the Trust or any Unitholder, as contemplated by this Trust Agreement, is solicited by the Sponsor, the solicitation shall be effected by notice to each Unitholder given in the manner provided in Section 13.5. The vote or consent of each Unitholder 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 Unitholder, unless the Unitholder expresses written objection to the vote or consent by notice given in the manner provided in Section 13.5 below and actually received by the Trust within 20 days after the notice of solicitation is affected. The Covered Persons dealing with the Trust shall be entitled to act in reliance on any vote or consent which is deemed cast or granted pursuant to this Section 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 Unitholders shall not be void or voidable by reason of timely communication made by or on behalf of all or any of such Unitholders in any manner other than as expressly provided in Section 13.5.

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 *Dissolution of the Trust.*

(a) *Events Requiring Dissolution of the Trust.* The Trust shall dissolve at any time upon the happening of any of the following events:

(i) a United States federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its DOTs or seizes, impounds or otherwise restricts access to Trust assets;

(ii) the Trust is determined to be a "money service business" under the regulations promulgated by FinCEN under the authority of the US Bank Secrecy Act and is required to comply with certain FinCEN regulations thereunder, and the Sponsor has made the determination that dissolution of the Trust is advisable;

(iii) the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services business, providers of prepaid or stored value or similar entities, virtual currency business, and the Sponsor has made the determination that dissolution of the Trust is advisable;

(iv) 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 DOT Market Price;

(v) any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert DOTs to USD;

(vi) the filing of a certificate of dissolution or revocation of the Sponsor's charter (and the expiration of 90 days after the date of notice to the Sponsor of revocation without a reinstatement of its charter) or upon the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor, or an event of withdrawal (each of the foregoing events an **"Event of Withdrawal")** unless at the time there is at least one remaining; or

(vii) the Custodian resigns or is removed without replacement.

(b) *Discretionary Dissolution of the Trust.* 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 becomes insolvent or bankrupt;

(iv) all of the Trust's assets are sold;

(v) the determination of the Sponsor that the ongoing management and operation of the Trust is imprudent or impractical and contrary to the interest of Unitholders, or that the aggregate net assets of the Trust in relation to the expenses of the Trust make it unreasonable or imprudent to continue the business of the Trust;

(vi) 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 grantor trust under the Code; and

(vii) if the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within 60 days, the Trust will dissolve.

(c) The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Unitholder (as long as such Unitholder is not the sole Unitholder of the Trust) shall not result in the termination of the Trust, and such Unitholder, his estate, custodian or personal representative shall have no right to withdraw or value such Unitholder's Units. Each Unitholder (and any assignee thereof) expressly agrees that in the event of his death, he waives on behalf of himself and his estate, and he directs the legal representative of his 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 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 (in such capacity, the **"Liquidating Trustee")** shall take full charge of the Trust Estate. The Liquidating Trustee 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 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 Unitholders 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 Unitholders, and (b) to the Sponsor and each Unitholder pro rata in accordance with their respective Percentage Interests.

SECTION 12.3 *Termination; Certificate of Cancellation.* Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and Sponsor or Liquidating Trustee, as the case may be, shall instruct the Trustee 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 that, to the maximum extent permitted by applicable law, there shall not be applicable to the Trust, the Trustee, the Sponsor, the Unitholders or this Trust Agreement any provision of the laws (statutory or common) of the State of Delaware (other than the Delaware Trust Statute) pertaining to trusts which 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 Sections 1.5 and 1.6, the Trust may exercise all powers that are ordinarily exercised by such a statutory trust under Delaware law. Subject to Sections 1.5 and 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 or other applicable U.S. federal or state laws or the rules and regulations of the OTCQX, 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 *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 Units of the Trust to be converted into beneficial interests in another statutory trust (or series thereof); or (iii) the Units of the Trust to be exchanged for units 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 Unitholders, may approve and effect any of the transactions contemplated under (i) — (iii) above without any vote or other action of the Unitholders.

SECTION 13.4 *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 13.5 *Notices.* All notices or communications under this Trust Agreement (other than notices of pledge or encumbrance of Units, and reports and notices by the Sponsor to the Unitholders) shall be in writing and shall be effective upon personal delivery, or if sent by mail, postage prepaid, or if sent electronically, by facsimile 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 Units shall be effective upon timely receipt by the Sponsor in writing.

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, Delaware 19808

All notices that the Trustee is required to provide shall be sent

to: if to the Trust, at

Osprey Polkadot Trust
520 White Plains Road, Suite 500
Tarrytown, NY 10591
Attention: Chief Operating Officer

if to the Sponsor, at

Osprey Funds, LLC
520 White Plains Road, Suite 500
Tarrytown, NY 10591
Attention: Chief Operating Officer

SECTION 13.6 *Counterparts.* This Trust Agreement may be executed in several counterparts, and all so executed shall constitute one agreement, binding on all of the parties hereto, notwithstanding that all the parties are not signatory to the original or the same counterpart.

SECTION 13.7 *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 Unitholders. For purposes of determining the rights of any Unitholder or assignee hereunder, the Trust and the Sponsor may rely upon the Trust records as to who are Unitholders and permitted assignees, and all Unitholders and assignees agree that the Trust and the Sponsor, in determining such rights, shall rely on such records and that Unitholders and assignees shall be bound by such determination.

SECTION 13.8 *No Legal Title to Trust Estate.* Subject to the provisions of Section 1.7 in the case of the Sponsor, the Unitholders shall not have legal title to any part of the Trust Estate.

SECTION 13.9 *Creditors.* No creditors of any Unitholders shall have any right to obtain possession of, or otherwise exercise legal or equitable remedies with respect to the Trust Estate.

SECTION 13.10 *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 13.11 *Goodwill; Use of Name.* No value shall be placed on the name or goodwill of the Trust, which shall belong exclusively to Osprey Funds, LLC.

IN WITNESS WHEREOF, the undersigned have duly executed this Declaration of Trust and Trust Agreement as of the day and year first above written.

DELAWARE TRUST COMPANY, as Trustee

By: _____
Name:
Title:

OSPREY FUNDS, LLC, as Sponsor

By: _____
Name:
Title: