

# OSPREY SOLANA TRUST

A Delaware Trust

*Sponsored by*

Osprey Funds, LLC  
1241 Post Road, 2<sup>nd</sup> Floor  
Fairfield, CT 06824  
Telephone: (914) 214-4697  
www.ospreyfunds.io

Primary Standard Industrial Code: 6221

## QUARTERLY REPORT

**For the period ending September 30, 2023**

(the “Reporting Period”)

Shares Representing Common Shares of Fractional Undivided Beneficial Interest

No Par Value Per Share Unlimited Shares Authorized

252,964 Shares Issued and Outstanding as of September 30, 2023

252,964 Shares Issued and Outstanding as of June 30, 2023

**Osprey Funds, LLC (the “Sponsor”), on behalf of Osprey Solana Trust (the “Trust”), is responsible for the content of this quarterly report for the quarter ended September 30, 2023 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQB marketplace. The information contained in this Quarterly Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.**

All references to “the Trust,” “the Sponsor,” “the Issuer,” “Osprey Solana Trust,” “we,” “us” or “our” refers to the Trust or the Sponsor, as the context indicates. The Trust is a passive entity with no operations, and where the context requires, we provide disclosure with respect to the Sponsor, which administers the Trust.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 (“Securities Act”) and Rule 12b-2 of the Securities Exchange Act of 1934).  
Yes  No

Indicate by check mark whether the company’s shell status has changed since the previous reporting period. Yes  No

Indicate by check mark whether a change in control of the company has occurred over this reporting period. Yes  No

This Quarterly Report reflects financial results through September 30, 2023. It was prepared as of November 3, 2023.

Capitalized terms used herein shall have the meanings ascribed to them in the Amended and Restated Declaration of Trust and Trust Agreement of Osprey Solana Trust, dated as of June 1, 2022 as amended by the Amendment No.1 dated December 1, 2022, and Amendment No. 2 dated March 15, 2023 (“Trust Agreement”) or the Confidential Private Placement Memorandum Offering Shares in Osprey Solana Trust (“PPM”), dated as of June 15, 2022.<sup>1</sup>

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<sup>1</sup> The Current version of the PPM is available from the Sponsor at [www.ospreyfund.io](http://www.ospreyfund.io).

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Exhibit 1: Unaudited financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023.

## Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” with respect to the Trust’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Quarterly Report that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Trust’s operations, the Sponsor’s plans and references to the Trust’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors” in our Annual Report. Whether or not actual results and developments will conform to the Sponsor’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Quarterly Report, including the particular risks associated with Solana and new technologies such as blockchain technology;
- the inability to redeem Shares;
- the economic conditions in the Solana industry and market;
- general economic, market and business conditions;
- the use of technology by us and our vendors, including Coinbase Custody Trust Company, LLC, the Trust’s Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation
- lack of an organized trading market for the Shares and the risk that any organized trading market that seeks to provide liquidity for the sale of Shares in the future will not provide sufficient liquidity for Shareholders seeking to sell their Shares or otherwise does not operate efficiently; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Quarterly Report 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 Shares. Should one or more of the risks discussed under "Risk Factors" in our Annual Report 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 relying on forward-looking statements.

The risk factors included in our Annual Report continue to apply to us, and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. There have not been any material changes from the risk factors previously described in our Annual Report, except for as provided in "Item 7 – Other Information."

**Item 1. The exact name of the issuer and the address of its principal executive offices.**

The name of the Trust is Osprey Solana Trust.

The address of the Sponsor is: Osprey Funds, LLC  
1241 Post Road, 2<sup>nd</sup> Floor  
Fairfield, CT 06824

The Sponsor's telephone number is: (914) 214-4697

The Sponsor's website: The Sponsor maintains a corporate website, [www.ospreyfund.io](http://www.ospreyfund.io), which contains general information about the Trust and the Sponsor. The reference to our website is an interactive textual reference only, and the information contained on our website shall not be deemed incorporated by reference herein.

Investor relations contact: Osprey Funds, LLC  
1241 Post Road, 2nd Floor  
Fairfield, CT 06824  
Telephone: (914) 214-4697  
Email: IR@ospreyfund.io

**Item 2. Shares outstanding.**

The only class of securities outstanding is common shares of fractional undivided beneficial interest ("Shares"), which represent ownership in the Trust. The Trust's trading symbol on the over-the-counter ("OTC") Market of the OTC Markets Group Inc. is "OSOL" and the CUSIP number for its Shares is 68840V201.

During September 2021, the Trust began a continuous offering of an unlimited number of Shares with no par value, pursuant to Rule 506(c) under the Securities Act of 1933. All of the shares issued pursuant to this offering are restricted securities, subject to a minimum holding period of twelve months, unless the Trust becomes the SEC reporting entity, in which case the minimum holding period could be reduced to six months.

During October 2021, the Trust commenced an offering of Shares with no par value, up to \$10,000,000, each Share representing a fractional undivided beneficial interest in the Trust. All the shares were sold to accredited investors in an offering of up to \$10,000,000 of Shares, dated October 11, 2021, registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act of 1933 ("Rule 504 Offering"). The Rule 504 Offering closed on December 23, 2021.

As of September 30, 2023, there were unlimited Shares authorized, 252,964 Shares issued and outstanding. 2,831 of the Shares are restricted securities that may not be resold absent registration or an exemption from registration under the Securities Act, and 250,133 of the Shares are unrestricted securities. As of September 30, 2023, there were 21 shareholders owning at least 100 Shares, and 21 Shareholders of record. This includes Cede & Co. as nominee for DTC for the

Shares traded on OTC Market. Therefore, this number does not include the individual holders who have bought Shares on OTC Market or transferred their eligible Shares to their brokerage accounts. Because most of the Trust's Shares are held by brokers and other institutions on behalf of unitholders, we are unable to estimate the total number of unitholders represented by these record holders.

### **Reverse stock split**

On March 24, 2023 the Sponsor effected a 1-for-20 reverse stock split, where Shareholders received one Share of the Trust for every twenty Shares held as of the conversion date. Shareholders who would have otherwise been entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. The Shares in this this Quarterly Report were adjusted retroactively to reflect the reverse split.

### **Item 3. Interim financial statements.**

The Trust's unaudited interim financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein and therein are not necessarily indicative of financial results to be achieved in future periods. The Trust's unaudited financial statements attached as Exhibit 1 to this Quarterly Report are incorporated herein by reference and are considered as part of this Quarterly Report.

### **Item 4. Management's discussion and analysis.**

*The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our unaudited financial statements and related notes attached as an exhibit to this Quarterly Report, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on assumptions we believe to be reasonable. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those set forth under "Risk Factors" or in other sections of our Annual Report, and under "Cautionary Note Regarding Forward-Looking Statements."*

### **Trust Overview**

The investment objective of the Trust is solely for the Shares to realize long-term capital appreciation by tracking the price of SOL tokens, the native token to the Solana Network, as defined below ("SOL") on each business day, less liabilities and expenses of the Trust. The Shares are designed as a convenient and cost-effective method for investors to gain investment exposure to SOL without making a direct investment in SOL.

The Trust will not be actively managed. It will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the market prices of SOL.

Proceeds received by the Trust from the issuance and sale of Shares will be used to acquire SOL. The Trust may accrue staked, forked or airdropped cryptocurrency coins from the Solana Network, or their respective U.S. dollar cash equivalents. Such SOL will in all cases be (1) owned by the Trust and held by the Custodian (other than Staked Rewards payable to the Sponsor; see "Staking

Rewards” below), (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 Shares (“Shareholders”) in connection with the redemption of Shares, if and when redemptions of Shares are ever permitted, (4) distributed (after conversion to U.S. dollars, as applicable), to Shareholders as dividends, if and when dividends are ever paid and/or (5) liquidated in the event that the Trust is terminated or as otherwise required by law or regulation.

At this time, the Trust is not operating a redemption program for Shares and therefore Shares are not redeemable by the Trust. In addition, the Trust may halt issuances of Shares for extended periods of time. As a result, the value of the Shares of the Trust may not approximate, and when traded on any secondary market, the Shares may trade at a substantial premium over, or discount to, the value of the SOL held by the Trust, less the Trust’s expenses and other liabilities.

### **Trust Expenses**

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.

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 Shareholders, indemnification expenses, fees, and expenses related to public trading on OTC Markets, as defined below (“Extraordinary Expenses”).

### **Staking Rewards**

The Sponsor is committed to supporting the Solana community and ecosystem. To this end, the Sponsor will ensure that a portion of SOL held by the Trust will be staked by the Custodian to the Solana Network (“staked”) for purposes of receiving rewards and participating in community governance programs, should they be available. SOL staked to the Solana Network receives distributions in the form of SOL. 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 SOL.

### **Review of Financial Results**

Unaudited financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023 are attached.

### **Item 5. Legal proceedings.**

There are no current, past, pending or, to the Trust’s knowledge, threatened legal proceedings or administrative actions either by or against the Trust or the Sponsor that could have a material effect



on the Trust's or the Sponsor's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

**Item 6. Defaults upon senior securities.**

None.

**Item 7. Other information.**

*The risk factors included in our Annual Report continue to apply to us and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. In addition to such risk factors, investors should consider carefully the risks described below before making an investment decision.*

**Item 8. Exhibits.**

Exhibit 1: Unaudited financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023.

**Item 9. Issuer's certifications.**

**Certification**

I, Gregory D. King, certify that:

1. I have reviewed this quarterly disclosure statement, exhibits, and all notes thereto of Osprey Solana Trust;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: November 3, 2023

/s/ Gregory D. King

By: Gregory D. King

Title: Chief Executive Officer of  
Osprey Funds, LLC

### Certification

I, Robert J. Rokose, certify that:

1. I have reviewed this quarterly disclosure statement, exhibits, and all notes thereto of Osprey Solana Trust;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: November 3, 2023

/s/ Robert J. Rokose

By: Robert J. Rokose

Title: Chief Financial Officer of  
Osprey Funds, LLC

## Exhibit 1

Unaudited financial statements as of September 30, 2023 and for the three and nine months ended September 30, 2023.



**Osprey Solana Trust**  
**Financial Statements**

**September 30, 2023**

# Osprey Solana Trust

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**Osprey Solana Trust**  
**Statements of Assets and Liabilities**  
**September 30, 2023 (unaudited) and December 31, 2022**

(Amounts in U.S. dollars, except shares issued and outstanding)

	September 30, 2023 (Unaudited)	December 31, 2022
<b>Assets</b>		
Investment in SOL, at fair value (cost \$18,964,290 and \$20,098,947, respectively), including \$2,507,125 and \$1,281,064 staked SOL, respectively	\$ 2,507,125	\$ 1,281,064
Cash	177	250
Other assets	13,552	-
Total assets	<u>2,520,854</u>	<u>1,281,314</u>
<b>Liabilities</b>		
Staking rewards payable to Sponsor	13,334	7,992
Management Fee payable	5,150	-
Due to Sponsor	180	18,506
Other payable	-	2,835
Total liabilities	<u>18,664</u>	<u>29,333</u>
<b>Net assets</b>	<u>\$ 2,502,190</u>	<u>\$ 1,251,981</u>
<b>Net assets</b>		
Paid-in capital	\$ 20,088,530	\$ 20,088,530
Redemptions	(237)	-
Accumulated net investment loss	(114,545)	(20,964)
Accumulated net realized loss on investment in SOL	(1,013,470)	-
Accumulated net change in unrealized depreciation on investment in SOL	(16,458,088)	(18,815,585)
	<u>\$ 2,502,190</u>	<u>\$ 1,251,981</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>252,964</u>	<u>252,986</u> <sup>(1)</sup>
Net asset value per Share	<u>\$ 9.89</u>	<u>\$ 4.95</u> <sup>(1)</sup>

<sup>(1)</sup> Shares and net asset value per share have been adjusted retroactively to reflect the 1:20 reverse stock split effective March 24, 2023. See Note 2.

The accompanying notes are an integral part of these financial statements.

**Osprey Solana Trust**  
**Schedules of Investment**  
**September 30, 2023 (unaudited) and December 31, 2022**

(Amounts in U.S. dollars, except units)

**September 30, 2023 (Unaudited)**

	<u>Units</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
Investment in SOL * (cost \$18,964,290)	<u>123,869.80</u>	<u>\$ 2,507,125</u>	<u>100 %</u>
Liabilities, less cash and other assets		<u>(4,935)</u>	<u>(0) %</u>
Net assets		<u>\$ 2,502,190</u>	<u>100 %</u>

\* amount includes \$2,507,125 of staked SOL as discussed in Notes 2 and 3.

**December 31, 2022**

	<u>Units</u>	<u>Fair Value</u>	<u>Percentage of Net Assets</u>
Investment in SOL* (cost \$20,098,947)	<u>129,925.40</u>	<u>\$ 1,281,064</u>	<u>102 %</u>
Liabilities, less cash		<u>(29,083)</u>	<u>(2) %</u>
Net assets		<u>\$ 1,251,981</u>	<u>100 %</u>

\* amount includes \$1,281,064 of staked SOL as discussed in Notes 2 and 3.

The accompanying notes are an integral part of these financial statements.



**Osprey Solana Trust**  
**Statements of Operations (unaudited)**  
**For the three and nine months ended September 30, 2023 and 2022**

(Amounts in U.S. dollars)

	Three months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2022 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Nine months ended September 30, 2022 (Unaudited)
<b>Investment income</b>				
<b>Income</b>				
Staking rewards revenue	\$ 42,642	\$ 53,639	\$ 122,525	\$ 302,832
Total income	42,642	53,639	122,525	302,832
<b>Expenses</b>				
Staking rewards owed to the Sponsor	42,642	53,639	122,525	302,832
Management fee	17,008	29,287	49,097	148,480
Professional fees and other	5,405	-	44,484	-
Total expenses	65,055	82,926	216,106	451,312
Management fee waived by the Sponsor	-	(29,287)	-	(148,480)
<b>Net expenses</b>	65,055	53,639	216,106	302,832
<b>Net investment loss</b>	(22,413)	-	(93,581)	-
<b>Net realized loss and net change in unrealized appreciation (depreciation) on investment in SOL</b>				
Net realized loss on investment in SOL	(126,163)	-	(1,013,470)	-
Net change in unrealized appreciation (depreciation) on investment in SOL	269,642	224,660	2,357,497	(14,076,952)
<b>Total net realized loss and net change in unrealized appreciation (depreciation) on investment in SOL</b>	143,479	224,660	1,344,027	(14,076,952)
<b>Net (decrease) increase in net assets resulting from operations</b>	\$ 121,066	\$ 224,660	\$ 1,250,446	\$ (14,076,952)

The accompanying notes are an integral part of these financial statements.

# Osprey Solana Trust

## Statements of Changes in Net Assets (unaudited)

### For the three and nine months ended September 30, 2023 and 2022

(Amounts in U.S. dollars, except shares issued and outstanding)

	Three months ended September 30, 2023 (Unaudited)	Three months ended September 30, 2022 (Unaudited)	Nine months ended September 30, 2023 (Unaudited)	Nine months ended September 30, 2022 (Unaudited)
<b>Increase (decrease) in net assets from operations</b>				
Net investment loss	\$ (22,413)	\$ -	\$ (93,581)	\$ -
Net realized loss on investment in SOL	(126,163)	-	(1,013,470)	-
Net change in unrealized appreciation (depreciation) on investment in SOL	269,642	224,660	2,357,497	(14,076,952)
Net (decrease) increase in net assets resulting from operations	<u>121,066</u>	<u>224,660</u>	<u>1,250,446</u>	<u>(14,076,952)</u>
<b>Increase (decrease) in net assets from capital transactions</b>				
Subscriptions	-	-	-	3,000,000
Redemptions	-	-	(237)	-
Net (decrease) increase in net assets resulting from capital transactions	<u>-</u>	<u>-</u>	<u>(237)</u>	<u>3,000,000</u>
Net (decrease) increase in net assets	<u>121,066</u>	<u>224,660</u>	<u>1,250,209</u>	<u>(11,076,952)</u>
Net assets at the beginning of the period	2,381,124	4,129,092	1,251,981	15,430,704
Net assets at the end of the period	<u>\$ 2,502,190</u>	<u>\$ 4,353,752</u>	<u>\$ 2,502,190</u>	<u>\$ 4,353,752</u>
<b>Change in shares issued and outstanding</b>				
Shares issued and outstanding at the beginning of the period	252,964	252,986 <sup>(1)</sup>	252,986 <sup>(1)</sup>	179,545 <sup>(1)</sup>
Subscriptions	-	-	-	73,441 <sup>(1)</sup>
Redemptions	-	-	(22) <sup>(2)</sup>	-
Shares issued and outstanding at the end of the period	<u>252,964</u>	<u>252,986 <sup>(1)</sup></u>	<u>252,964</u>	<u>252,986 <sup>(1)</sup></u>

<sup>(1)</sup> Shares have been adjusted retroactively to reflect the 1:20 reverse stock split effective March 24, 2023. See Note 2.

<sup>(2)</sup> Partial shares redemptions in connection with reverse split. See Note 2.

The accompanying notes are an integral part of these financial statements.

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

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#### 1. Organization

Osprey Solana Trust (the “Trust” or “Fund”) is a Delaware Statutory Trust that was formed on June 8, 2021 and commenced operations on September 8, 2021 and is governed by the Amended and Restated Declaration of Trust and Trust Agreement dated June 1, 2022, as amended by the Amendment No. 1 dated December 1, 2022, and Amendment No. 2 dated March 15, 2023 (the “Trust Agreement”). In general, the Trust holds SOL and, from time to time, issues common shares of fractional undivided beneficial interest (“Shares”) in exchange for SOL. The investment objective of the Trust is solely for the Shares to realize long-term capital appreciation by tracking the price of SOL tokens, the native token to the Solana Network, less liabilities and expenses of the Trust. The Shares are designed as a method for investors to gain investment exposure to SOL, similar to a direct investment in SOL.

Osprey Funds, LLC (the “Sponsor”) acts as the sponsor of the Trust. Other funds under the Osprey name are also managed by the Sponsor. The Sponsor is responsible for the day-to-day administration of the Trust pursuant to the provisions of the Trust Agreement. The Sponsor is responsible for preparing and providing annual reports on behalf of the Trust to investors and is also responsible for selecting and monitoring the Trust’s service providers. As partial consideration for the Sponsor’s services, the Trust assigns staking rewards to the Sponsor and expects to pay the Sponsor a management fee (collectively, “Sponsor’s Fee”) as discussed in Notes 2 and 5.

Coinbase Custody Trust Company, LLC, the custodian of the Trust (the “Custodian”) is responsible for safeguarding the SOL held by the Trust. 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. Delaware Trust Company serves as the trustee (the “Trustee”) of the Trust.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company.

#### 2. Summary of Significant Accounting Policies

##### Basis of Presentation

The financial statements are expressed in U.S. dollars and have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Topic 946, Financial Services – Investment Companies*. The Trust is not registered with the U.S. Securities and Exchange Commission (“SEC”) under the Investment Company Act of 1940.

##### Use of Estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The most significant estimate in the financial statements is the fair value of investments.

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

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Actual results could differ from those estimates and these differences could be material.

#### Cash

Cash is received by the Trust and held for investment in SOL. At times, bank deposits may be in excess of federally insured limits. Pursuant to the Statement of Cash Flows Topic of the Codification, the Trust qualifies for an exemption from the requirement to provide a statement of cash flows and has elected not to provide a statement of cash flows.

#### Subscriptions and Redemptions of Shares

Proceeds received by the Trust from the issuance and sale of Shares consist of SOL deposits, or their respective U.S. dollar cash equivalents. Such SOL (or cash equivalent) will only be (1) owned by the Trust and held by the Custodian (or, if cash, used by the Sponsor to purchase SOL to be held by the Custodian), (2) disbursed (or converted to U.S. dollars, if necessary) to pay the Trust's expenses, (3) distributed to Shareholders, or (4) liquidated in the event that the Trust terminates or as otherwise required by law or regulation.

During September 2021, the Trust began a continuous offering of an unlimited number of Shares with no par value, pursuant to Rule 506(c) under the Securities Act of 1933. All of the shares issued pursuant to this offering are "restricted securities", subject to a minimum holding period of twelve months, unless the Trust becomes an SEC reporting entity, in which case the minimum holding period could be reduced to six months. 159,510 Shares were sold pursuant to this offering.

During October 2021, the Trust commenced an offering of Shares with no par value, up to \$10,000,000, each Share representing a fractional undivided beneficial interest in the Trust. 93,476 shares were sold to accredited investors in an offering of up to \$10,000,000 of Shares, dated October 11, 2021, registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act of 1933 ("Rule 504 Offering"). The Rule 504 Offering closed on December 23, 2021.

On June 15, 2022, the Trust's Shares began trading on the OTCQB Market, operated by OTC Markets Group, Inc., under the ticker symbol "OSOL".

On March 24, 2023 the Sponsor effected a 1-for-20 reverse stock split, where Shareholders received one Share of the Trust for every twenty Shares held as of the conversion date. Shareholders who would have otherwise been entitled to fractional shares as a result of the reverse stock split received a cash payment in lieu of receiving fractional shares. Fractional shares redemptions amounted to 22 Shares with a value of \$237. The Shares that were issued in the Rule 506 Offering and the Rule 504 Offering were adjusted retroactively to reflect the reverse split.

As of September 30, 2023, there were 252,964 Shares issued and outstanding. 2,831 of the Shares are restricted securities that may not be resold and 250,133 of the Shares are unrestricted securities.

The Trust conducts its transactions in SOL, including receiving SOL for the creation of Shares, and delivering SOL in connection with the redemption of Shares (if a redemption program were to be

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

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established), and for the payment of the Sponsor's Fee. The Trust does not buy or sell SOL for the purpose of seeking trading profits. The Trust is currently not redeeming Shares.

Any references to Units or Unitholders refer to Shares or Shareholders, respectively; the former were used in the period prior to the issuance of the revised private placement memorandum of June 15, 2022.

#### Investment Transactions and Revenue Recognition

The Trust identifies SOL as an "other investment" in accordance with ASC 946. The Trust records investment transactions on a trade date basis and changes in fair value are reflected as the net change in unrealized appreciation or depreciation on investment. Realized gains and losses are calculated using a specific identification method. Realized gains and losses are recognized in connection with transactions, including settling obligations for the Sponsor's Fee in SOL.

#### Management Fees

In consideration for the management services provided to the Trust, the Sponsor receives from the Trust a management fee (the "Management Fee") payable monthly in arrears in an amount equal to 1/12<sup>th</sup> of 2.5% (2.5% per annum) of the Trust assets.

#### Staked SOL and Staking Rewards

The Sponsor is committed to supporting the Solana community and ecosystem. To this end, the Sponsor will ensure that substantially all of SOL held by the Trust will be bonded by the Custodian to the Solana Network ("staked") for purposes of running a node or multiple nodes on the network. SOL staked to the Solana Network receives network inflation and transaction fees in the form of SOL ("Staking 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.

Under current Solana network protocols, staked SOL is subject to a "cooldown" period that generally lasts between 2 and 8 days, and an additional 2-day lock-up period, known as "unbonding" and, therefore, cannot be immediately withdrawn.

Staking rewards are earned by the Trust in SOL, which is non-cash consideration, as the validator with whom the Trust has staked its SOL validates transactions on the Solana Network. The Trust has concluded that the validator is the principal to the validation activities giving rise to the staking rewards and, therefore, the Trust recognizes only the net amount (i.e., net of the staking rewards retained by the validator) of SOL to which it is entitled for staking its SOL with the validator. SOL staking rewards are measured at fair value on the date received, which does not materially differ from the fair value at contract inception. The SOL is concurrently recognized as an expense equal to the amount of revenue recorded and a payable to the Sponsor. The liability is paid to the Sponsor on a date determined by the Sponsor at its discretion.

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

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#### Trust Expenses

In accordance with its Trust Agreement, 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 extraordinary expenses, including, in addition to the Sponsor’s Fee, fees and expenses such as, but not limited to, taxes and governmental charges, 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 Shareholders, indemnification expenses, fees, and expenses related to public trading on OTC Markets (“Extraordinary Expenses”).

#### Fair Value Measurements

The Trust's investment in SOL is stated at fair value in accordance with ASC 820-10 “*Fair Value Measurements*”, which outlines the application of fair value accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. ASC 820-10 requires the Trust to assume that SOL is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. A principal market is the market with the greatest volume and level of activity for SOL, and the most advantageous market is defined as the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs. The principal market is generally selected based on the most liquid and reliable exchange (including consideration of the ability for the Trust to access the specific market, either directly or through an intermediary, at the end of each period).

GAAP utilizes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall

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fair value measurement.

The availability of valuation techniques and observable inputs can vary by investment. To the extent valuations are based on sources that are less observable or unobservable in the market, the determination of fair value requires more judgment. Fair value estimates do not necessarily represent the amounts that may be ultimately realized by the Trust.

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. 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 SOL market price. In calculating the value of the SOL held by the Trust on any business day, the Trust will use the market price as of 4:00 P.M. New York time. The Trust will also calculate the NAV per Share of the Trust daily, which equals the NAV of the Trust divided by the number of outstanding Shares (the “NAV per Share”).

**3. Fair Value of SOL**

The investment measured at fair value on a recurring basis and categorized using the three levels of fair value hierarchy consisted of the following as of September 30, 2023 and December 31, 2022:

<u>September 30, 2023</u>	<u>Number of SOL</u>	<u>Per SOL Fair Value</u>	<u>Amount at Fair Value</u>	<u>Fair Value Measurement Category</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment in SOL</b>	123,869.80	\$ 20.24	\$ 2,507,125	\$ -	\$ 2,507,125	\$ -

  

<u>December 31, 2022</u>	<u>Number of SOL</u>	<u>Per SOL Fair Value</u>	<u>Amount at Fair Value</u>	<u>Fair Value Measurement Category</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Investment in SOL</b>	129,925.40	\$ 9.86	\$ 1,281,064	\$ -	\$ 1,281,064	\$ -

The Trust determined the fair value per SOL using the price provided at 4:00 p.m., New York time, by the principal market.

As of September 30, 2023 and December 31, 2022, approximately 123,870 SOL, and 129,925 SOL was staked and valued at \$2,507,125, and \$1,281,064, respectively.

Staking rewards and Management fee payable are recorded in SOL and converted into U.S. dollars using the fair value of SOL as of the reporting date. The fluctuations arising from the effect of changes in liability denominated in SOL are included with the net realized or unrealized appreciation or depreciation on investment in SOL in the statements of operations.

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The following represents the changes in quantity and the respective fair value of SOL for the period from January 1, 2023 to September 30, 2023:

	<u>SOL</u>	<u>Fair Value</u>
<b>Balance at January 1, 2023</b>	129,925.40	\$ 1,281,064
SOL received for Staking Rewards	5,908.39	122,525
SOL distributed for Staking Rewards, related party	(6,060.19)	(123,419)
SOL distributed for Management fee, related party	(2,095.02)	(43,925)
SOL distributed for other fees	(3,797.16)	(79,123)
SOL distributed for redemptions	(11.62)	(237)
Net realized loss on investment in SOL	-	(1,010,478)
Net change in unrealized appreciation on investment in SOL	-	2,360,718
<b>Balance at September 30, 2023</b>	<u>123,869.80</u>	<u>\$ 2,507,125</u>

Net realized loss on the transfer of SOL to pay expenses for the nine months ended September 30, 2023, was \$1,013,470, which includes \$1,010,478 net realized loss on investment in SOL, and \$2,992 net realized loss resulted from the changes in liabilities denominated in SOL. Net change in unrealized appreciation on investment in SOL for the nine months ended September 30, 2023, was \$2,357,497, which includes net change in unrealized appreciation on investment in SOL of \$2,360,718, and \$3,221 net unrealized depreciation due to changes in value of liabilities denominated in SOL.

The following represents the changes in quantity and the respective fair value of SOL for the year ended December 31, 2022:

	<u>SOL</u>	<u>Fair Value</u>
<b>Balance at January 1, 2022</b>	92,043.28	\$ 15,486,282
SOL purchases - Subscriptions	37,401.82	3,000,000
SOL received for Staking Rewards	6,526.90	347,388
SOL distributed for Staking Rewards, related party	(6,046.60)	(329,937)
Net realized loss on investment in SOL	-	(68,572)
Net change in unrealized depreciation on investment in SOL	-	(17,154,097)
<b>Balance at December 31, 2022</b>	<u>129,925.40</u>	<u>\$ 1,281,064</u>

Net realized loss on the transfer of SOL to pay expenses for the year ended December 31, 2022, was \$0, which includes \$68,572 net realized loss on investment in SOL, and \$68,572 net realized gain resulted from the changes in liabilities denominated in SOL. Net change in unrealized depreciation on investment in SOL for the year ended December 31, 2022, was \$17,157,632, which includes net change in unrealized depreciation on investment in SOL of \$17,154,097, and \$3,535 net unrealized depreciation due to changes in value of liabilities denominated in SOL.

#### **4. Income Taxes**

The Trust is a grantor trust for U.S. federal income tax purposes. Accordingly, the Trust will not be subject to U.S. federal income tax. Rather, each beneficial owner of Shares will be treated as directly owning its pro rata share of the Trust's assets and a pro rata portion of the Trust's income, gain, losses,



# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

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and deductions will “flow through” to each beneficial owner of Shares.

In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of tax return positions in the financial statements as “more-likely-than-not” to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the “more-likely-than-not” threshold, based on the largest benefit that is more than 50% likely to be realized. As of September 30, 2023 and December 31, 2022, the Trust did not have a liability for any unrecognized tax amounts for uncertain tax positions related to federal, state, and local income taxes.

However, the conclusions concerning the determination of “more-likely-than-not” tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations, and interpretations thereof.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state, and local income taxes existed as of September 30, 2023 or December 31, 2022. The tax years 2022 and 2021 are subject to examination by taxing authorities.

#### 5. Related Parties

The Sponsor pays certain expenses on behalf of, and is reimbursed by, the Trust. For the three months ended September 30, 2023, and 2022 the Trust reimbursed the Sponsor the expenses in the amount of \$0. For the nine months ended September 30, 2023, and 2022 the Trust reimbursed the Sponsor the expenses in the amount of \$79,123 and \$0 respectively. As of September 30, 2023 and December 31, 2022, \$180 and \$18,506 of expenses remain payable to the Sponsor, respectively, which are recorded as due to the Sponsor in the accompanying statements of assets and liabilities.

For the three months ended September 30, 2023, and 2022, the Trust incurred Management Fees of \$17,008 and \$29,287, respectively, of which \$0 and \$29,287 was waived by the Sponsor, respectively. For the nine months ended September 30, 2023, and 2022, the Trust incurred Management Fees of \$49,097 and \$148,480, respectively, of which \$0 and \$148,480 was waived by the Sponsor, respectively. As of September 30, 2023 and December 31, 2022, there were unpaid Management Fees of \$5,150 and \$0, respectively, which are recorded as management fee payable in the accompanying statements of assets and liabilities.

For the three months ended September 30, 2023, and 2022 the Trust received Staking Rewards in the amount of 1,978 SOL, and 1,459 SOL, respectively; and distributed 1,963 SOL and 1,987 SOL to the Sponsor, respectively. For the nine months ended September 30, 2023, and 2022 the Trust received Staking Rewards in the amount of 5,908 SOL, and 4,350 SOL, respectively; and distributed 6,060 SOL and 4,164 SOL to the Sponsor, respectively. As of September 30, 2023 and December 31, 2022, 659 SOL and 811 SOL remains payable, respectively, and is valued at \$13,334 and \$7,992 in the statement of assets and liabilities, respectively.

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

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Certain shareholders are related parties of the Trust. The aggregate number of Shares owned by related parties is 67, valued at \$663, and 67, valued at \$333 at September 30, 2023 and December 31, 2022, respectively.

#### 6. Risks and Uncertainties

##### *Investment in SOL*

The Trust is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in a single asset, SOL. Investing in SOL is currently unregulated, highly speculative, and volatile.

The net asset value of the Trust relates primarily to the value of SOL held by the Trust and fluctuations in the price of SOL could materially and adversely affect an investment in the Shares of the Trust. The price of SOL has a limited history. During such history, SOL prices have been volatile and subject to influence by many factors including the levels of liquidity.

If SOL exchanges continue to experience significant price fluctuations, the Trust may experience losses. Several factors may affect the price of SOL, including, but not limited to, global SOL supply and demand, theft of SOL from global exchanges or vaults, and competition from other forms of digital currency or payment services.

At any given time, substantially all of the SOL held by the Trust will be staked. Staking is a discretionary activity that supports the operation and governance of the Solana Network. Staking has a low but inherent risk of permanent loss of SOL held by the Trust which would have a negative impact on the value of the Shares. Loss, known as “slashing”, can occur due to a failure by the Custodian (or its affiliated staking provider) to properly manage the staked SOL.

The Custodian has agreed to fully compensate the Trust for the amount of slashing of the Trust’s SOL bonded to the Solana Network by the Custodian or the Custodian’s affiliated staking provider by providing, at the Custodian’s discretion, the Trust with the equivalent number of slashed digital assets or the fair market value of such slashed assets.

The SOL held by the Trust are commingled and the Trust’s Shareholders have no specific rights to any specific SOL. In the event of the insolvency of the Trust, its assets may be inadequate to satisfy a claim by its Shareholders.

There is currently no clearing house for SOL, nor is there a central or major depository for the custody of SOL. There is a risk that some or all of the Trust’s SOL could be lost or stolen. The

Trust does not have insurance protection on its SOL which exposes the Trust and its Shareholders to the risk of loss of the Trust’s SOL. Further, SOL transactions are irrevocable.

Stolen or incorrectly transferred SOL may be irretrievable. As a result, any incorrectly executed SOL

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

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transactions could adversely affect an investment in the Trust.

To the extent private keys for SOL addresses are lost, destroyed, or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the SOL held in the associated addresses and the private keys will not be capable of being restored. The processes by which SOL transactions are settled are dependent on the SOL peer-to-peer network, and as such, the Trust is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of SOL.

As digital assets like SOL have grown in popularity and market size, various countries and jurisdictions have begun to develop regulations governing the digital assets industry. Regulators are concerned such a large unregulated person-to-person global economy could potentially enable individuals to evade taxes or launder money. To the extent future regulatory actions or policies limit the ability to exchange SOL or utilize SOL for payments, the demand for SOL could be reduced.

Furthermore, regulatory actions may limit the ability of end-users to convert SOL into fiat currency or use SOL to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the underlying unit price of SOL. The effect of any future regulatory change on the Trust or SOL in general is not possible to predict, but such change could be substantial and adverse to the Trust and the value of the Trust's investments in SOL.

#### *The Custodian*

The digital assets owned by the Trust are controlled by the Custodian and secured in a segregated custody account. The segregated custody account allows for the transfer of ownership or control of the Trust's Digital assets, on the Trust's behalf, including the withdrawal of digital assets to pay the Trust's expenses. All digital asset private keys are stored in offline storage, or "cold" storage. "Cold" storage is a safeguarding method by which the private keys corresponding to digital assets are disconnected and/or deleted entirely from the internet. As a result of digital assets being stored in "cold" storage, any withdrawal and subsequent transaction request to the Custodian by the Trust requires up to twenty-four (24) hour notice to process. Such time delay between the withdrawal request and processing of the withdrawal may negatively impact the price of the digital asset upon sale. The Custodian provides the Trust with monthly account statements. The Custodian is independent from the Sponsor.

#### **7. Indemnifications**

In the normal course of business, the Trust enters into contracts with service providers that contain a variety of representations and warranties and which provide general indemnifications. It is not possible to determine the maximum potential exposure or amount under these agreements due to the Trust having no prior claims. Based on experience, the Trust would expect the risk of loss to be remote.

# Osprey Solana Trust

## Notes to the Financial Statements (unaudited)

### As of September 30, 2023

## 8. Financial Highlights

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022
<b>Per Share Performance</b>				
(for a share outstanding throughout the period) <sup>(1)</sup>				
Net asset value per share at beginning of period	\$ 9.41	\$ 16.32	\$ 4.95	\$ 85.94
<i>Net (decrease) increase in net assets resulting from operations</i>				
Net investment loss	(0.09)	-	(0.37)	-
Net change in realized and unrealized appreciation (depreciation) on investment in SOL	0.57	0.89	5.31	(68.73)
Net increase (decrease) in net assets resulting from operations	0.48	0.89	4.94	(68.73)
Net asset value per share at end of period	\$ 9.89	\$ 17.21	\$ 9.89	\$ 17.21
Total return <sup>(2)</sup>	5.10 %	4.88 %	99.80 %	(80.00) %
Ratios to average net asset value				
Expenses <sup>(3)</sup>	10.12 %	4.76 % <sup>(4)</sup>	11.26 %	4.57 % <sup>(4)</sup>
Net investment loss <sup>(3)</sup>	(3.49) %	- %	(4.87) %	- %

<sup>(1)</sup> Net asset value per share have been adjusted to reflect the 1:20 reverse stock split effective March 24, 2023. See Note 2.

<sup>(2)</sup> Not annualized.

<sup>(3)</sup> Annualized.

<sup>(4)</sup> Such percentage is after management fee waiver.

An individual Shareholder's return, ratios, and per Share performance may vary from those presented above based on the timing of Share transactions.

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period and assuming redemption on the last day of the period.

## 9. Subsequent Events

There are no other events that have occurred through November 3, 2023, the date the financial statements were available to be issued, that require disclosure other than that which has already been disclosed in these notes to the financial statements.