

In addition, the deductibility of a non-corporate taxpayer's "purchase interest expense" is generally limited to the amount of that taxpayer's "net purchase income." Purchase interest expense includes: interest on indebtedness properly allocable to property held for purchase; (ii) interest expense attributed to portfolio income; and (iii) the portion of interest expense incurred to purchase or carry an interest in a passive activity to the extent attributable to portfolio income. The computation of a member's purchase interest expense will take into account interest on any margin account borrowing or other loan incurred to purchase or carry a Class A DIGITAL ASSET.

Net purchase income includes gross income from property held for purchase and amounts treated as portfolio income under the passive loss rules, less deductible expenses, other than interest, directly connected with the production of purchase income, but generally does not include gains attributable to the disposition of property held for purchase or (if applicable) qualified dividend income.

Prospective purchasers should consult their tax advisors regarding the potential impact of the purchase interest expense limitation on an investment in EDGE196™'s digital assets.

#### Limited Deductions for Activities Not Engaged in for Profit

The ability to take deductions for activities not engaged in for profit is limited. The law presumes that an activity is engaged in for profit if the gross income from the activity exceeds the deductions from the activity in at least three out of five consecutive years, ending with the tax year at issue.

EDGE196™ intends to operate for the purpose of providing an economic profit and anticipate that EDGE196™ will have sufficient income to entitle it to the benefit of the presumption that EDGE196™ operates for profit.

If the IRS were to treat EDGE196™'s activities as not being engaged in for profit, any deductions of EDGE196™ in excess of income might be permanently disallowed.

#### Itemized Deductions

The Tax Cuts and Jobs Act suspends the deduction for miscellaneous itemized expenses and an overall limit on itemized deductions for taxable years beginning January 1, 2018 through December 31, 2025. During these taxable years, non-corporate taxpayers will not be permitted to deduct miscellaneous itemized deductions, including their share of certain expenses incurred by EDGE196™. Provided the suspension is not extended, for taxable years beginning on or after January 1, 2026, such miscellaneous items will be deductible only to the extent they exceed 2% of the taxpayer's adjusted gross income (as they were prior to the enactment of the Tax Cuts and Jobs Act).

The Tax Cuts and Jobs Act also suspends the overall limitation on itemized deductions for taxable years beginning January 1, 2018 through December 31, 2025. Provided the suspension is not extended, for taxable years beginning on or after January 1, 2026, such overall limitation on