

# BITCOIN INVESTMENT TRUST

A Delaware Trust

*Sponsored by*

Grayscale Investments, LLC  
636 Avenue of the Americas  
New York, New York 10011  
Telephone: (212) 668-6682  
Facsimile: (917) 677-8691

Primary Standard Industrial Code: 6221

## 2015 ANNUAL REPORT

Shares Representing Common Units of Fractional Undivided Beneficial Interest  
No Par Value Per Share  
Unlimited Shares Authorized  
1,476,500 Shares Issued and Outstanding as of December 31, 2015

**OTCQX: GBTC**

**Grayscale Investments, LLC (the “Sponsor”), on behalf of Bitcoin Investment Trust (the “Trust”), is responsible for the content of this annual report for the year ended December 31, 2015 (the “Annual Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. Premier marketplace. The information contained in this Annual 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,” “Bitcoin Investment 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.

Dated as of March 16, 2016

## TABLE OF CONTENTS

<b><u>PART A. GENERAL COMPANY INFORMATION</u></b>	9
Item 1. The Exact Name of the Issuer and its Predecessor (if any)	9
Item 2. The Address of the Issuer’s Principal Executive Offices	9
Item 3. The Jurisdiction and Date of the Issuer’s Incorporation or Organization	9
<b><u>PART B. SHARE STRUCTURE</u></b>	10
Item 4. The Exact Title and Class of Securities Outstanding	10
Item 5. Par or Stated Value and Description of the Security	10
Item 6. The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized	12
Item 7. The Name and Address of the Transfer Agent	12
<b><u>PART C. BUSINESS INFORMATION</u></b>	13
Item 8. Nature of the Issuer’s Business	13
Item 9. Nature of Products and Services Offered	76
Item 10. The Nature and Extent of the Issuer’s Facilities	77
<b><u>PART D. MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION</u></b>	78
Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons	78
Item 12. Financial Information for the Issuer’s Most Recent Fiscal Period	79
Item 13. Similar financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or its Predecessor has been in existence	79
Item 14. Beneficial Owners	79
Item 15. The Names, Address, Telephone Number, and Email Address of Each of the Following Outside Providers that Advise the Issuer on Matters Relating to Operations, Business Development and Disclosure	79
Item 16. Management’s Discussion and Analysis	81
<b><u>PART E. ISSUANCE HISTORY</u></b>	86
Item 17. List of the Securities Offerings and Shares Issued for Services in the Past Two Years	86
<b><u>PART F. EXHIBITS</u></b>	86
Item 18. Material Contracts	86
Item 19. Articles of Incorporation and Bylaws	95
Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers	95
Item 21. Issuer’s Certifications	96
Exhibit 1	Audited Financial Statements for the years ended December 31, 2015 and December 31, 2014
Exhibit 2	Third Amended and Restated Declaration of Trust and Trust Agreement of Bitcoin Investment Trust dated as of January 1, 2016

## **Cautionary Note Regarding Forward-Looking Statements**

This Annual Report includes “forward-looking statements” which generally relate to future events or future performance. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or the negative of these terms or other comparable terminology. All statements (other than statements of historical fact) included in this Annual Report that address activities, events or developments that will or may occur in the future, including such matters as changes in currency prices and market conditions (for the bitcoins and the Shares (as defined below)), 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. These statements are based upon certain assumptions and analyses the Sponsor made, based on its perceptions of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. 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 special considerations discussed in this Annual Report, general economic, market and business conditions, changes in laws and regulations, including those concerning taxes, made by governmental authorities and regulatory bodies and other world economic and political developments. See “Risk Factors.” Consequently, all forward-looking statements made in this Annual Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments that 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. Moreover, neither the Sponsor nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements. Neither the Trust nor the Sponsor is under a duty to update any of the forward-looking statements to conform such statements to actual results or to reflect a change in the Sponsor’s expectations or predictions.

## Glossary

In this Annual Report, each of the following terms has the meaning assigned to it here:

“Actual Exchange Rate” — The highest exchange rate and lowest fees the Sponsor can find within a reasonable time frame in order to pay any Extraordinary Fees in USD.

“Annual Report” — This Annual Report for the year ended December 31, 2015.

“Assumed Fee” — The Marketing Fee, the Custodian Fee, the Transfer Agent fee, Trustee fee, OTCQX Fees and expenses related to public trading on OTCQX in an amount up to \$600,000 annually (including legal and audit fees and expenses), any other legal and accounting fees, regulatory fees, printing and mailing costs attributable to the Trust, and applicable license fees with regard to the Trust.

“Authorized Participant” — Certain eligible financial institutions that have entered into an agreement with the Trust and the Sponsor concerning the creation and redemption of Shares. Each Authorized Participant (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Sponsor and the Trust, and (iii) has access to an Authorized Participant Self-Administered Account.

“Authorized Participant Self-Administered Account” — a bitcoin wallet address previously known to the Custodian as belonging to the Authorized Participant.

“Basket” — A block of 100 Shares.

“Basket Bitcoin Amount” — The number of bitcoins that will be required for each Creation Basket or Redemption Basket, as determined from time to time by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust and multiplying the quotient obtained by 100.

“Bitcoin” — A type of a virtual currency based on an open source cryptographic protocol existing on the Bitcoin Network, facilitating units of bitcoins which comprise the assets underlying the Trust’s Shares.

“Bitcoin Account” — is a hot wallet which is online and connected to the internet. The Bitcoin Account is used to receive Creation Basket deposits from Authorized Participants. A Bitcoin Account includes a Custodian wallet account and vault account (together with any associated subaccounts).

“Bitcoin Benchmark Exchange” — As defined in the “Description of the Trust– Bitcoin Market Price.”

“Bitcoin Exchange” — An electronic marketplace where exchange participants may trade, buy and sell bitcoins based on bid-ask trading. The largest Bitcoin Exchanges are online and typically trade on a 24-hour basis, publishing transaction price and volume data.

“Bitcoin Exchange Market” — The global bitcoin exchange market for the trading of bitcoins, which consists of transactions on electronic Bitcoin Exchanges.

“Bitcoin Foundation” — The Bitcoin Foundation is a group that works to organize the bitcoin community and to standardize, protect and protect bitcoins.

“Bitcoin Market Price” — As defined in the “Description of the Trust– Bitcoin Market Price.”

“Bitcoin Network”— The online, end-user-to-end-user network hosting the public transaction ledger, known as the Blockchain, and the source code comprising the basis for the cryptographic and algorithmic protocols governing the Bitcoin Network.

“Blockchain” — The public transaction ledger of the Bitcoin Network on which miners or mining pools solve algorithmic equations allowing them to add records of recent transactions (called “blocks”) to the chain of transactions in exchange for an award of bitcoins from the Bitcoin Network and the payment of transaction fees, if any, from users whose transactions are recorded in the block being added.

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

“CFPB” — Consumer Financial Protection Bureau.

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

“Combined Fee” — Accrues daily at an annual rate of 2% of the NAV of the Trust and is payable to the Sponsor by the Trust at such times as determined in the Sponsor’s sole discretion, and generally expected to occur monthly in arrears. Calculated in USD but paid in the equivalent number of bitcoins.

“Covered Person” — As defined in the section “Material Contracts — Trust Agreement — Fiduciary and Regulatory Duties of the Sponsor.”

“Creation Basket” — Basket of Shares issued by the Trust in exchange for deposits of the Creation Basket Bitcoin Amount.

“Creation Basket Bitcoin Amount” — The number of bitcoins that will be required for each Creation Basket, as determined from time to time by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust, and multiplying the quotient obtained by 100.

“Custodian” — Xapo Inc.

“Custodian Agreement” — The agreement between the Sponsor and the Custodian which sets forth the obligations and responsibilities of the Custodian in respect of the safekeeping of the Trust’s bitcoins.

“Custodian Fee” — Fee paid by the Sponsor to the Custodian from the Combined Fee.

“DDoS Attack” — Distributed denial of service attacks are coordinated hacking attempts to disrupt websites, web servers or computer networks in which an attacker bombards an online target with

a large quantity of external requests, thus precluding the target from processing requests from genuine users.

“Distributor” — Genesis Global Trading, Inc. (f/k/a SecondMarket, Inc.).

“Distribution and Marketing Agent Agreement” — The agreement among the Sponsor, Distributor and Marketer which sets forth the obligations and responsibilities of the Distributor and Marketer.

“DTC” — As defined in “Par or Stated Value and Description of the Security—Common or Preferred Stock—Book-Entry Form.”

“DTC Participant” — As defined in “Par or Stated Value and Description of the Security—Common or Preferred Stock—Book-Entry Form.”

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

“Extraordinary Fee” — Extraordinary non-recurring expenses of the Trust, the payment of which is not assumed by the Sponsor in exchange for the Combined Fees, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other Service Provider) on behalf of the Trust, indemnification expenses, fees and expenses related to public trading on OTCQX in excess of \$600,000 annually, and extraordinary legal fees and expenses.

“FDIC” — The Federal Deposit Insurance Corporation.

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

“FINRA” — Financial Industry Regulatory Authority.

“GAAP” — United States Generally Accepted Accounting Principles

“Independent Auditor” — Friedman LLP.

“Index”— The TradeBlock XBX Index.

“Index Provider” — Schvey, Inc. DBA TradeBlock, a Delaware corporation that publishes the Index.

“Indirect Participants” — As defined in “Par or Stated Value and Description of the Security—Common or Preferred Stock—Book-Entry Form.”

“Initial Purchaser” — Genesis Global Trading, Inc.

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

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

“IRS” — The Internal Revenue Service.

“Marketer” — Genesis Global Trading, Inc.

“Marketing Fee” — Fee paid by the Sponsor to the Marketer from the Combined Fee.

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

“NAV” — The net asset value of the Trust as calculated by the Sponsor for certain purposes other than financial reporting as described in more detail in the section entitled “Description of the Trust–Net Asset Value.”

“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 Shares 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.

“Participant Agreement” — An agreement entered into by each Authorized Participant with the Sponsor and the Trust that states the procedures for the creation and redemption of Baskets and for the delivery of bitcoins from the Authorized Participant required for Creation Baskets and the distribution of bitcoins from the Trust for Redemption Baskets.

“Redemption Basket” — Baskets of Shares redeemed in exchange for bitcoins in an amount equal to the Redemption Basket Bitcoin Amount.

“Redemption Basket Bitcoin Amount” — The number of bitcoins that will be required for each Redemption Basket, as determined from time to time by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust, and multiplying the quotient obtained by 100.

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

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

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

“Service Providers” — Collectively, Grayscale Investments, LLC, Continental Stock Transfer Corporation, Genesis Global Trading, Inc., TradeBlock, Xapo, Inc. and DCG Holdco, Inc. (f/k/a SecondMarket Holdings, Inc.).

“Shareholder” — Any beneficial owner of a Share.

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

“SIPC” — The Securities Investor Protection Corporation.

“Sponsor” — Grayscale Investments, LLC.

“Transfer Agent” — Continental Stock Transfer Corporation.

“Trust” — Bitcoin Investment Trust.

“Trust Agreement” — The Third Amended and Restated Declaration of Trust and Trust Agreement between the Trustee and the Sponsor establishing and governing the operations of the Trust, as the same may be amended from time to time.

“Trustee” — Delaware Trust Company (f/k/a CSC Trust Company of Delaware).

“USD” or “\$” — United States Dollar or Dollars.



## **PART A. GENERAL COMPANY INFORMATION**

### **Item 1. The exact name of the issuer and its predecessor (if any).**

The name of the trust is the Bitcoin Investment Trust.

### **Item 2. The address of the issuer's principal executive offices.**

The address of the Sponsor is: Grayscale Investments, LLC, 636 Avenue of the Americas, New York, New York 10011. The Sponsor's telephone number is (212) 668-6682 and its facsimile number is (917) 677-8691. The Sponsor maintains a corporate website, [www.grayscale.co](http://www.grayscale.co), 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: Terrence Dempsey  
Operations Manager  
Grayscale Investments, LLC  
636 Avenue of the Americas  
New York, New York 10011  
Telephone: (212) 668-6682  
Facsimile: (917) 677-8691  
Email: [info@grayscale.co](mailto:info@grayscale.co)

### **Item 3. The jurisdiction(s) and date of the issuer's incorporation or organization.**

The Trust was formed as a statutory trust in the State of Delaware on September 13, 2013.

## **PART B. SHARE STRUCTURE**

### **Item 4 . The exact title and class of securities outstanding.**

The only class of securities outstanding is common units of fractional undivided beneficial interest (“**Shares**”) which represent ownership in the Trust. The Trust’s trading symbol on the OTCQX U.S. Premier Marketplace of the OTC Markets Group Inc. is “GBTC” and the CUSIP number for its Shares is 09173T108.

### **Item 5 . Par or stated value and description of the security.**

#### **A. Par or Stated Value**

The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value.

#### **B. Common or Preferred Stock**

The Trust is authorized to issue an unlimited number of Shares. The Trust issues Shares only in Baskets (a Basket being a block of 100 Shares) and only upon the order of an Authorized Participant. The Shares represent common units of fractional undivided beneficial interest in, and ownership of, the Trust and have no par value.

The Shares may be purchased from the Trust or redeemed on a continuous basis, but only upon the order of Authorized Participants and only in blocks of 100 Shares, or Baskets. The Trust creates and redeems the Shares on a continuous basis, but only in Baskets. Initially, each Share represented 1/10<sup>th</sup> of a bitcoin. Shareholders that are not Authorized Participants may not purchase from the Trust or redeem Shares or Baskets.

#### *Management; Voting by Shareholders*

The Shareholders take no part in the management or control of the Trust, and have no voice in the operation of the business of the Trust. Shareholders, may, however, remove and replace the Sponsor by the affirmative vote of a 75% of the outstanding Shares. The owners of 75% of the outstanding Shares may also compel dissolution of the Trust. In addition, any amendment that adversely affects the rights of Shareholders, appoints a new Sponsor, 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 Shareholders owning at least 50% of the outstanding Shares.

#### *Redemption of Shares*

The Shares may be redeemed only by or through an Authorized Participant and only in Baskets. See “Description of the Trust—Creation and Redemption of Shares” for details on the redemption of Shares. On September 23, 2014, the Distributor received a letter from the staff of the SEC’s Office of Compliance Inspections and Examinations summarizing the staff’s findings from an onsite review of the Distributor’s broker-dealer activities conducted in June 2014. In its exit report, the staff stated that it had concluded that the Trust’s redemption program, in which Shareholders were permitted to request the redemption of their Shares through the Distributor, appeared to

violate Regulation M under the Securities Exchange Act because redemptions of Shares took place at the same time the Trust was in the process of creating Shares. The Distributor and the Trust are in discussions with the staff of the SEC in order to resolve the staff's concerns. However, the Trust cannot at this time predict whether it will be permitted to reinstate the Share redemption program for the benefit of Shareholders or the impact such a resolution may have on its activities. See "Risk Factors – An affiliate of the Trust is currently in discussions with the staff of the SEC concerning the operation of the Trust's former redemption program. Failure to resolve this matter in a manner satisfactory to the Trust could result in the continued suspension of the Trust's redemption program, which could have a material adverse effect on an investment in the Shares."

### *Transfer Restrictions*

Shares may be purchased and sold on the OTCQX U.S. Premier marketplace. The Shares may not otherwise be resold except in transactions exempt from registration under the Securities Act of 1933, as amended (the "**Securities Act**") and state securities laws and any such transaction must be approved by the Sponsor. Any attempt to sell Shares, other than on the OTCQX U.S. Premier marketplace, without the approval of the Sponsor in its sole discretion will be void *ab initio*.

### *Book-Entry Form*

Upon the settlement date of any creation, transfer or redemption of Shares, the Transfer Agent credits or debits, on its book-entry registration and transfer system, the number of the Shares so created, transferred or redeemed to the accounts of the appropriate parties.

Ownership of Shares is shown on, and the transfer of ownership is affected only through, a register of Shareholders maintained by the Transfer Agent. Shareholders will receive a written confirmation that their ownership has been reflected in the register of Shareholders.

Individual certificates will not be issued for the Shares. Instead, one or more global certificates will be deposited by the Trustee with The Depository Trust Company ("**DTC**") and registered in the name of Cede & Co., as nominee for DTC. The global certificates will evidence all of the Shares outstanding at any time. Under the Trust Agreement, Shareholders are limited to (1) participants in DTC such as banks, brokers, dealers and trust companies ("**DTC Participants**"), (2) those who maintain, either directly or indirectly, a custodial relationship with a DTC Participant ("**Indirect Participants**"), and (3) those banks, brokers, dealers, trust companies and others who hold interests in the Shares through DTC Participants or Indirect Participants. The Shares are only transferable through the book-entry system of DTC. Shareholders who are not DTC Participants may transfer their Shares through DTC by instructing the DTC Participant holding their Shares (or by instructing the Indirect Participant or other entity through which their Shares are held) to transfer the Shares. Transfers will be made in accordance with standard securities industry practice.

### *Distributions*

Although the Trust may make distributions at the discretion of the Sponsor, the Sponsor does not expect to make any distributions.

**Item 6 . The number of shares or total amount of the securities outstanding for each class of securities authorized.**

As of December 31, 2015, the Trust had unlimited Shares authorized. As of December 31, 2015, there were 1,476,500 Shares issued and outstanding.

The following table shows the number of the Shares outstanding:

	<b>As of Year Ended December 31, 2015</b>	<b>As of Year Ended December 31, 2014</b>
<b>(i) Number of shares authorized .....</b>	Unlimited	Unlimited
<b>(ii) Number of shares outstanding .....</b>	1,476,500	1,382,400
<b>(iii) Number of shares freely tradable (public float) ....</b>	917,345	0
<b>(iv) Number of unaffiliated beneficial holders of freely tradable shares.....</b>	70	0
<b>(v) Number of holders of record .....</b>	97	184

**Item 7 . The name and address of the transfer agent.**

The Trust's transfer agent is Continental Stock Transfer & Trust Company (the "Transfer Agent"). The Transfer Agent's address is 17 Battery Place, 8<sup>th</sup> Floor, New York, New York 10004, and its telephone number is (212) 509-4000. Continental Stock Transfer & Trust Company is registered under the Securities Exchange Act and is regulated by the SEC.

## **PART C. BUSINESS INFORMATION**

### **Item 8 . The nature of the issuer’s business.**

#### **A. Business Development**

The Trust was formed as a Delaware statutory trust on September 13, 2013. The Trust holds bitcoins and, from time to time, issues Creation Baskets in exchange for deposits of bitcoins and distributes bitcoins in connection with Redemption Baskets. The investment objective of the Trust is for the Shares to reflect the performance of the value of a bitcoin as represented by the Index, less the Trust’s liabilities and expenses.

The Shares represent common units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust is not managed like a business corporation or an active investment vehicle. In accordance with the Trust Agreement, during the life of the Trust, proceeds from the creation of Shares in Baskets will only be (1) owned by the Trust and held by the Custodian, (2) disbursed (or converted to USD, if necessary) to pay the Trust’s expenses, (3) distributed to Authorized Participants upon receipt of Redemption Baskets, (4) liquidated in the event that the Trust terminates, or (5) liquidated as otherwise required by law or regulation. The payment of expenses by the Trust will result in a taxable event to Shareholders. See “Certain United States Federal Tax Considerations—Taxation of U.S. Shareholders.”

The Trust is not regulated as an investment company under the Investment Company Act.

#### **1. The form of organization of the issuer.**

The Trust is a Delaware statutory trust.

#### **2. The year that the issuer (or any predecessor) was organized.**

The Trust was formed on September 13, 2013.

#### **3. The issuer’s fiscal year end date.**

The Trust’s fiscal year end date is December 31.

#### **4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.**

The Trust has not been in, and is not in the process of, any bankruptcy, receivership or any similar proceeding within the last three years.

#### **5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.**

The Trust has not undergone any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets within the last three years.

**6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments;**

The Trust has not experienced any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Trust to make payments within the last three years.

**7. Any change of control.**

The Trust has not experienced any change of control within the last three years.

**8. Any increase of 10% or more of the same class of outstanding equity securities.**

The Trust has experienced increases of more than 10% of the same class of outstanding equity securities within the last three years. The Trust is an investment trust that has no limit on the number of shares that can be issued. The Trust publishes the total number of shares outstanding as of the end of each month in a fact sheet provided on the Sponsor's website at [www.grayscale.co](http://www.grayscale.co).

**9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.**

There are no past or pending stock splits, stock dividends, recapitalizations, mergers, acquisitions, spin-offs, or reorganizations within the last three years.

**10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.**

There has not been any delisting of the Trust's securities by any securities exchange or deletion from the OTC Bulletin Board.

**11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.**

There are no current, past, pending or 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.

## **B. Business of Issuer.**

Bitcoin is a decentralized digital currency that enables instant transfers to anyone, anywhere in the world. Managing transactions in bitcoins occurs via an open source, cryptographic protocol platform known as the Bitcoin Network, which uses peer-to-peer technology to operate with no central authority. The Bitcoin Network is an online, end-user-to-end-user network that hosts the public transaction ledger, known as the Blockchain, and the source code that comprises the basis for the cryptographic and algorithmic protocols governing the Bitcoin Network. No single entity owns or operates the Bitcoin Network, the infrastructure of which is collectively maintained by a decentralized user base. As the Bitcoin Network is decentralized, it does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of bitcoins. Rather, the value of bitcoins is determined by the supply of and demand for bitcoins in the Bitcoin Exchange Market, the prices set in transfers by mutual agreement or barter as well as the number of merchants that accept bitcoins. Because bitcoins are digital files that can be transferred without the involvement of intermediaries or third parties, there are little or no transaction costs in direct end-user-to-end-user transactions. Bitcoins can be used to pay for goods and services or can be converted to fiat currencies, such as the USD, at rates determined by the Bitcoin Exchanges. Additionally, third party service providers such as Bitcoin Exchanges are also used for transfers but they may charge significant fees for processing transactions.

On November 1, 2008 an individual (or possibly a group of individuals) published a research paper under the name of Satoshi Nakamoto describing the design for a new virtual currency called bitcoin. Shortly thereafter, on January 3, 2009, Mr. Nakamoto mined the first 50 bitcoins, known as the genesis block, and with this, he set off a new era of digital currency. While Mr. Nakamoto is considered to be the creator of bitcoins and the Bitcoin Network, no individual with that name has been reliably identified as the Bitcoin Network's creator. Satoshi Nakamoto is apparently a pseudonym for the inventor or the group of inventors responsible for the creation of bitcoins. After the creation of the genesis block, the Bitcoin Network was initially formed mostly by a small group of early adopters. It started to gain traction approximately a year later and was quickly adopted by a vast peer-to-peer network. Mr. Nakamoto, or the individual or group which used the pseudonym, disappeared shortly after the creation of the Bitcoin Network, however, despite his anonymity and eventual disappearance from the web, the use of the Bitcoin Network among early adopters continued to grow, highlighting the strengths of the Bitcoin Network he created – a decentralized network with no single representative body. Today the Bitcoin Network is sustained by a significant number of miners, programmers, bitcoin account holders and service providers that collectively provide the Bitcoin Network with more computer processing strength than the most powerful supercomputer in the world. The Bitcoin Network is now, and for a while has been, under active, unofficial development by a group of engineers known as core developers. As an open source project, bitcoin is not represented by an official organization or authority, although groups including MIT's Media Lab and the Bitcoin Foundation work to organize the Bitcoin community and to develop and protect the Bitcoin Network's code.

## *The Bitcoin Network's Operations*

In order to own, transfer or use bitcoins, a person generally must have Internet access to connect to the Bitcoin Network. Bitcoin transactions between parties occur very rapidly (within several seconds) and may be made directly between end-users without the need for a third-party intermediary, although there are entities that provide third-party intermediary services. To prevent the possibility of double-spending a single bitcoin, each transaction is recorded, time stamped and publicly displayed in a “block” in the publicly available Blockchain. Thus, the Bitcoin Network provides confirmation against double-spending by memorializing every transaction in the Blockchain, which is publicly accessible and downloaded in part or in whole by all users’ Bitcoin Network software programs (described below). This memorialization and verification against double-spending is accomplished through the bitcoin mining process, which adds “blocks” of data, including recent transaction information, to the Blockchain.

### *Bitcoin Transfers*

Prior to engaging in bitcoin transactions, a user must first obtain a digital bitcoin “wallet” (analogous to a bitcoin account) in which to store bitcoins. A “wallet” is an open-source software program that generates bitcoin addresses and enables users to engage in the transfer of bitcoins with other users. A user may install a bitcoin software program on its computer or mobile device that will generate a bitcoin wallet or, alternatively, a user may retain a third party to create a digital wallet to be used for the same purpose. There is no limit on the number of digital wallets a user can have, and each such wallet includes one or more unique addresses and a verification system for each address consisting of a “public key” and a “private key,” which are mathematically related.

In a typical bitcoin transaction, the bitcoin recipient creates a new bitcoin address and directs the payor to send the payment to the address by providing the address, or public key, which encodes the payment and serves as an address for the digital wallet, to the payor who will initiate the transfer. This activity is analogous to a recipient providing an address in wire instructions to the payor so that cash may be wired to the recipient’s account. The payor approves the transfer to the address provided by the recipient by “signing” the transaction request from the recipient with the private key of the address from where the payor is transferring the bitcoins. The recipient does not make public its related private key or provide it to the payor, because the private key authorizes access to, and transfer of, the funds from the recipient’s digital wallet to other users. The process of signing the transaction is typically automated by the software that runs the payor and recipients digital wallet. The transfer is made from the payor to the recipient’s wallet and this transaction is validated by the Bitcoin Network.

“Off-Blockchain transactions” involve the transfer of control over or ownership of a specific digital wallet holding bitcoins or of the reallocation of ownership of certain bitcoins in a pooled-ownership digital wallet, such as a digital wallet owned by a Bitcoin Exchange. Information and data regarding Off-Blockchain transactions is generally not publicly available in contrast to true bitcoin transactions, which are publicly recorded on the Blockchain. Off-Blockchain transactions are not truly bitcoin transactions in that they do not involve the transfer of transaction data on the Bitcoin Network and do not reflect a movement of bitcoins between addresses recorded in the Blockchain. Off-Blockchain transactions are subject to risks as any such transfer of bitcoin



ownership is not protected by the protocol behind the Bitcoin Network or recorded in and validated through the Blockchain mechanism.

## **Cryptographic Security Used in the Bitcoin Network**

### *Public and Private Keys*

All transactions on the Bitcoin Network are secured using public-key cryptography, a technique which underpins many online transactions. Public-key cryptography works by generating two mathematically related keys (one a public key and the other a private key) in such a way that the encrypting key cannot be used to decrypt a message and vice versa. One of these, the private key, is retained in the individual's wallet and the other key is made public and serves as the address to which a bitcoin can be transferred and from which money can be transferred by the owner of the bitcoin wallet. In the case of bitcoin transactions the public key generates an address (a string of letters and numbers) that is used to encode payments, which can then only be retrieved with the associated private key that is used to authorize the transaction. In other words, the payer, uses his private key to approve any transfers to a recipient's account. Users on the Bitcoin Network can confirm that the user signed the transaction with the appropriate private key, but cannot reverse engineer the private key from the signature.

### *Double-Spending and the Bitcoin Network Confirmation System*

To ensure the integrity of bitcoin transactions from the recipient's side (i.e., to prevent double-spending by a payor), every bitcoin transaction is broadcast to the Bitcoin Network and recorded in the Blockchain through the "mining" process (defined below), which time-stamps the transaction and memorializes the change in the ownership of the bitcoin(s) transferred. Adding a block to the Blockchain requires bitcoin "miners" (defined below) to exert significant computational effort to verify it is a valid transaction. Requiring this computational effort, or "proof of work," prevents a malicious actor from either adding fraudulent blocks to generate bitcoins (i.e., counterfeit bitcoins) or overwriting existing valid blocks to reverse its prior transactions.

A transaction in bitcoins between two parties is recorded in the Blockchain in a block only if that block is accepted as valid by a majority of the nodes on the Bitcoin Network. Validation of a block is achieved by confirming the cryptographic hash value included in the block's solution and by the block's addition to the longest confirmed Blockchain on the Bitcoin Network. For a transaction, inclusion in a block on the Blockchain constitutes a "confirmation" of the bitcoin transaction. As each block contains a reference to the immediately preceding block, additional blocks appended to and incorporated into the Blockchain constitute additional confirmations of the transactions in such prior blocks, and a transaction included in a block for the first time is confirmed once against double-spending. The layered confirmation process makes changing historical blocks (and reversing transactions) exponentially more difficult the further back one goes in the Blockchain. Bitcoin Exchanges and users can set their own threshold as to how many confirmations are required until funds from the transferor are considered valid. However, statistically speaking, a transaction is virtually final after six confirmations as it would be extremely difficult to challenge the validity of the transaction at that point.

At this point in the evolution of the Bitcoin Network, bitcoin transactions are considered irreversible. Once a transaction appears in the Blockchain, no one has the authority to reverse it. If someone were to attempt to undo a past transaction in a block recorded on the Blockchain, such individual would have to exert tremendous processing power in a series of complicated transactions that may not be achieved at this point in the Bitcoin Network's development.

## **Bitcoin Mining – Creation of New Bitcoins**

### *Mining Process*

The process by which bitcoins are created and bitcoin transactions are verified is called mining. To begin mining, a user, or “miner,” can download and run a mining client, which, like regular Bitcoin Network software programs, turns the user's computer into a “node” on the Bitcoin Network that validates blocks. Each bitcoin transaction results in new blocks being added to the Blockchain and new bitcoins being issued to the miners. Miners, through the use of the bitcoin software program, engage in a set of prescribed complex mathematical calculations in order to add a block to the Blockchain and thereby confirm bitcoin transactions included in that block's data.

Most bitcoin transactions are recorded in blocks added to the Blockchain. Each block contains the details of some or all of the most recent transactions that are not memorialized in prior blocks, as well as a record of the award of bitcoins to the miner who added the new block. In order to add blocks to the Blockchain, a miner must map an input data set (i.e., the Blockchain, plus a block of the most recent Bitcoin Network transactions and an arbitrary number called a “nonce”) to a desired output data set of a predetermined length (the “hash value”) using the SHA-256 cryptographic hash algorithm. Each unique block can only be solved and added to the Blockchain by one miner; therefore, all individual miners and mining pools on the Bitcoin Network are engaged in a competitive process of constantly increasing their computing power to improve their likelihood of solving for new blocks. As more miners join the Bitcoin Network and its processing power increases, the Bitcoin Network adjusts the complexity of the block-solving equation to maintained a predetermined pace of adding a new block to the Blockchain approximately every ten minutes.

A miner's proposed block is added to the Blockchain once a majority of the nodes on the Bitcoin Network confirms the miner's work. Miners that are successful in adding a block to the Blockchain are automatically awarded a fixed number of bitcoins for their effort plus any transaction fees paid by transferors whose transactions are recorded in the block. This reward system is the method by which new bitcoins enter into circulation to the public.

### *Incentives for Mining*

As noted above, miners that are successful in adding a block to the Blockchain are automatically awarded bitcoins for their effort. Given the increasing difficulty of the target established by the Bitcoin Network, current miners are required to invest in expensive mining devices with adequate processing power to hash at a competitive rate. The first wave of mining devices used central processing units (CPUs) used in standard home computers. Miners soon discovered that graphic processing units (GPUs) provided them with more processing power and the second wave of miners entered the Bitcoin Network. Today, the Bitcoin Network is well into a third wave of

mining devices which consist of mining computers that are designed solely for mining purposes. Such devices include ASIC (application-specific integrated circuit) machines built specifically for bitcoin mining by specialized companies like Bitman Technologies and KnC Miner. These new computers are significantly more expensive than standard home computers. Miners also incur substantial electricity costs in order to continuously power and cool their devices while solving for a new block.

The Bitcoin Network is designed in such a way that the reward for adding new blocks to the Blockchain decreases over time and the production (and reward) of bitcoins will eventually cease. Once such incentive mechanism ceases to be profitable, miners will only have transaction fees to incentivize them and as a result, it is expected that miners will need to be better compensated with higher transaction fees to ensure that there is adequate incentive for them to continue mining.

### *Mining Pools*

The significant increase in the number of miners and the increasing in mining capacity have radically increased the difficulty of finding a valid hash since the first block was mined. In some respects, hashing is akin to a mathematical lottery, and miners that have devices with greater processing power (i.e., the ability to make more hash calculations per second) are more likely to be successful miners. Currently, the likelihood that an individual acting alone will be able to be awarded a bitcoin is extremely low. As a result, mining “pools” have developed in which multiple miners act cohesively and combine their processing power to solve blocks. When a pool solves a new block, the pool operator receives the bitcoin and, after taking a nominal fee, splits the resulting reward among the pool participants based on the processing power they each contributed to solve for such block. Mining pools provide participants with access to smaller, but steadier and more frequent, bitcoin payouts. According to blockchain.info, as of March 8, 2016, the largest three identifiable mining pools were AntPool, F2Pool and BTCC Pool, which, when aggregated, represented approximately 69% of the processing power on the Bitcoin Network (as calculated by determining the percentage of blocks mined by each such pool over the prior four days). Also according to blockchain.info, on such date, the eight largest identifiable pools (AntPool, F2Pool, BTCC Pool, BW.COM, BitFury, KnCMiner, BitClub Network and Kano CKPool) accounted for 97% of the mining processing power on the Bitcoin Network.

### **Mathematically Controlled Supply**

The supply of new bitcoins is mathematically controlled in a manner so that the number of bitcoins grows at a limited rate pursuant to a pre-set schedule. The number of bitcoins awarded for solving a new block is automatically halved after every 210,000 blocks are added to the Blockchain. Currently, the fixed reward for solving a new block is 25 bitcoins per block and this is expected to decrease by half to become 12.5 bitcoins after the next 210,000 blocks have entered the Bitcoin Network, which is expected to be mid-July 2016. This deliberately controlled rate of bitcoin creation means that the number of bitcoins in existence will increase at a controlled rate until the number of bitcoins in existence reaches the pre-determined 21 million bitcoins. As of March 8, 2016, nearly 15.30 million bitcoins have been mined and estimates of when the 21 million bitcoin limitation will be reached range from at or near the year 2140.

## **Modifications to the Bitcoin Protocol**

Bitcoin is an open source project (i.e., a product whose source code is freely available to the public and that utilizes crowdsourcing to identify possible issues, problems and defects) with no official developer or group of developers that controls the Bitcoin Network. However, the Bitcoin Network's development is overseen by a core group of developers (the “**Core Developers**”). The Core Developers are able to access and can alter the Bitcoin Network source code and, as a result, they are responsible for quasi-official releases of updates and other changes to the Bitcoin Network's source code. The release of updates to the Bitcoin Network's source code does not guarantee that the updated will be automatically adopted. Users and miners must accept any changes made to the bitcoin source code by downloading the proposed modification of the Bitcoin Network's source code. A modification of the Bitcoin Network's source code is only effective with respect to the bitcoin users and miners that download it. If a modification is accepted only by a percentage of users and miners, a division in the Bitcoin Network will occur such that one network will run the pre-modification source code and the other network will run the modified source code; such a division is known as a “fork” in the Bitcoin Network. See “Risk Factors.” Consequently, as a practical matter, a modification to the source code (e.g., a proposal to increase the 21 million total limit on bitcoins or to reduce the average confirmation time target from 10 minutes per block) only becomes part of the Bitcoin Network if accepted by participants collectively having a majority of the processing power on the Bitcoin Network.

Core Development of the Bitcoin source code has increasingly focused on modifications of the Bitcoin protocol to allow non-financial and next generation uses (sometimes referred to as Bitcoin 2.0 projects). These uses include smart contracts and distributed registers built into, built atop or pegged alongside the Blockchain. For example, the white paper for Blockstream, a program of which Core Developers Pieter Wuille and Gregory Maxwell are a part, calls for the use of “pegged sidechains” to develop programming environments that are built within block chain ledgers that can interact with and rely on the security of the Bitcoin Network and Blockchain, while remaining independent thereof. The Trust's activities will not directly relate to Bitcoin 2.0 projects, though Bitcoin 2.0 projects may utilize bitcoins as tokens for the facilitation of their non-financial uses, thereby potentially increasing demand for bitcoins and the utility of the Bitcoin Network as a whole. Conversely, Bitcoin 2.0 projects that operate and are built within the Blockchain may increase the data flow on the Bitcoin Network and could either “bloat” the size of the Blockchain or slow confirmation times. At this time, Bitcoin 2.0 projects remain in early stages and have not been materially integrated into the Blockchain or Bitcoin Network.

## **Bitcoin Value**

Bitcoins are not a fiat currency (i.e., a currency that is backed by a central bank or a national, supra-national or quasi-national organization) and are not backed by hard assets or other credit. As a result, the value of bitcoins is currently determined by the value that various market participants place on bitcoins through their transactions.

## *Exchange Valuation*

Due to the peer-to-peer framework of the Bitcoin Network and the protocols thereunder, transferors and recipients of bitcoins are able to determine the value of the bitcoins transferred by mutual agreement or barter with respect to their transactions. As a result, the most common means of determining the value of a bitcoin is by surveying one or more Bitcoin Exchanges where bitcoins are bought, sold and traded. On each Bitcoin Exchange, bitcoins are traded with publicly disclosed valuations for each transaction, measured by one or more fiat currencies such as the USD or the Chinese Yuan. Bitcoin price indexes have also been developed by a number of service providers in the bitcoin space. For example, Coindesk, a digital currency content provider and wholly owned subsidiary of Digital Currency group, Inc., launched a proprietary bitcoin price index in September 2013 and bitcoinaverage.com provides an average of all bitcoin prices on several Bitcoin Exchanges. The Sponsor uses the Index calculated by Schvey, Inc. DBA TradeBlock (the “Index Provider”) to determine the Bitcoin Market Price, as described under “Description of the Trust–Bitcoin Market Price.” Additionally, the XBT designation as bitcoin’s ISO 4217 currency code is already accepted by some providers for data feeds and a number of data feeds and other trading platforms are contemplating adopting XBT for their trading platforms. As the bitcoin price discovery and the adoption of XBT become main stream, the valuation of bitcoins will be more akin to the valuation of a fiat currency.

## **Forms of Attack Against the Bitcoin Network**

### *Exploitation of Flaws in the Bitcoin Network’s Source Code*

As with any other computer code, flaws in the Bitcoin Network source code have been exposed by certain malicious actors. Several errors and defects have been found and corrected, including those that disabled some functionality for users, exposed users’ information, or allowed users to create multiple views of the Bitcoin Network. Discovery of flaws in or exploitations of the source code that allow malicious actors to take or create money in contravention of known Bitcoin Network rules have been relatively rare. For example, in 2010, a hacker or group of hackers exploited a flaw in the Bitcoin Network source code that allowed them to generate 184 billion bitcoins in a transaction and send them to two digital wallet addresses. However, the bitcoin community and developers identified and reversed the manipulated transactions within approximately three hours, and the flaw was corrected with an updated version of the bitcoin protocol.

The Core Developers, in conjunction with other developers and miners, work continuously in an attempt to ensure that flaws are quickly fixed or removed. Because open source codes rely on transparency to promote community-sourced identification and solution of problems within the code, such flaws have been discovered and quickly corrected by the Core Developers or the bitcoin community.

### *Greater than Fifty Percent of Network Computational Power*

A malicious actor can structure an attack after such actor gains control of more than half of the Bitcoin Network’s processing power or “hashrate.” During May and June 2014, mining pool GHash.io’s hashing power approached 50% of the processing power on the Bitcoin Network.

During a brief period in early June, the mining pool may have controlled in excess of one-half of the Bitcoin Network's processing power. Although no malicious activity or abnormal transaction recording was observed, the incident establishes that it is possible that a substantial mining pool may accumulate close to or more than a majority of the processing power on the Bitcoin Network.

If a malicious actor acquired sufficient computational power necessary to control the Bitcoin Network, among other things, it would be able to reverse transactions and possibly engage in double-spending, or prevent some or all transactions from being confirmed, and prevent some or all other miners from mining any valid new blocks. A number of computer scientists and cryptographers believe that the immense collective processing power of the Bitcoin Network makes it impracticable for an actor to gain control of computers representing a majority of the processing power on the Bitcoin Network.

### *Cancer Nodes*

Cancer nodes are fake bitcoin nodes, which a malicious actor sets up to either place connecting users on a separate network or disconnect them from all networks. This form of attack involves a malicious actor propagating "cancer nodes" to isolate certain users from the legitimate Bitcoin Network. A target user who is surrounded by such cancer nodes would be placed on a separate "network," allowing the malicious actor to relay only blocks created by the separate network and thus opening the target user to double-spending attacks. By using cancer nodes, a malicious actor can also disconnect the target user from the bitcoin economy entirely by refusing to relay any blocks or transactions. Bitcoin software programs make these attacks more difficult by limiting the number of outbound connections through which users are connected to the Bitcoin Network.

### *Double Spending Risks*

A malicious actor may attempt to double-spend bitcoins by manipulating the formation of the Blockchain rather than through control of the Bitcoin Network. Variations of this form of attack include the "Finney attack," "race attack," and "vector76 attack." In this type of attack, a miner creates a valid new block containing a double-spend transaction and schedules the release of such attack block so that it is added to the Blockchain before a target user's legitimate transaction can be included in a block. All double-spend attacks require that the miner sequence and execute the steps of its attack with sufficient speed and accuracy. Typically, transactions that allow for a zero-confirmation acceptance tend to be prone to these types of attacks. Users and merchants can reduce the risk of a double-spend attack by waiting for multiple confirmations from the Bitcoin Network before settling a transaction. These attacks require extensive coordination and are very expensive. Accordingly, traders and merchants may still execute instantaneous, low-value transactions without confirmation, because it is generally agreed that a malicious miner would be unwilling to carry out a double-spend attack for low-value transactions. Users and merchants can take additional precautions by adjusting their Bitcoin Network software programs to connect only to other well-connected nodes and to disable incoming connections. These precautions reduce the risk of double-spend attacks involving manipulation of a target's connectivity to the Bitcoin Network (as is the case with vector76 and race attacks).

## Uses of Bitcoins

### *Global Bitcoin Market*

Global trade in bitcoins consists of individual end-user-to-end-user transactions, together with facilitated exchange-based bitcoin trading. A limited market currently exists for bitcoin-based derivatives.

There is currently no reliable data on the total number or demographic composition of users or miners on the Bitcoin Network.

### *Bitcoin Exchange Market*

Online Bitcoin Exchanges represent a substantial percentage of bitcoin buying and selling activity and provide the most data with respect to prevailing valuations of bitcoins. Currently, there are several Bitcoin Exchanges operating worldwide. These exchanges include established exchanges such as Bitstamp, Coinbase, and Bitfinex, which provide a number of options for buying and selling bitcoins. The below table reflects the trading volume (in bitcoins) and market share of the U.S. Dollar-BTC trading pair of each of the Bitcoin Exchanges eligible for inclusion in Index for the six-month period ended December 31, 2015, using data taken from Bitcoinity.org:

<b>Exchange</b>	<b>Volume (BTC)</b>	<b>Market Share</b>
Bitfinex .....	5,189,277	36.59%
BitStamp .....	3,407,953	24.03%
Coinbase.....	1,699,823	11.99%
ItBit.....	1,199,761	8.46%
OKCoin.....	2,683,628	18.92%
<b>Total U.S. Dollar-BTC trading pair .....</b>	<b>14,180,442</b>	<b>100.00%</b>

Among the pooled-account Bitcoin Exchanges eligible for inclusion in the Index, domicile, regulation and legal compliance varies. Information regarding each Bitcoin Exchange may be found, where available, on the websites for such Bitcoin Exchanges, among other places.

In addition to open online Bitcoin Exchanges, there are “dark pools,” which are bitcoin trading platforms that do not publicly report bitcoin trade data. Market participants have the ability to execute large block trades on a dark pool without revealing those trades and the related price data to the public Bitcoin Exchange Market, although any withdrawal from or deposit to a dark pool platform may be recorded on the Blockchain. Tradehill is an example of one such institutional dark pool, although it halted operations in August 2013 to allow for regulatory compliance upgrades. Genesis Global Trading, Inc. also operates a form of dark pool through a trading desk that buys and sells large blocks of bitcoins without publically reporting trade data. Informal dark pools are currently believed to exist, particularly among wholesale buyers of bitcoin and bitcoin mining groups that obtain large supplies of bitcoin through mining. Such informal dark pools function as a result of the peer-to-peer nature of the Bitcoin Network, which allows direct transactions between any seller and buyer. As the Bitcoin Exchange Market and bitcoin dark pools have a limited history, it is difficult to estimate the impact of dark pools on the Bitcoin Exchange Market.

### *Goods and Services*

Bitcoins increasingly can be used to purchase goods and services, either online or at physical locations. While reliable data is not readily available on the retail and commercial market penetration of the Bitcoin Network, there are numerous indications of its increasing acceptance. For example, the bitcoin payment processors Bitpay and Coinbase publicly represent that over 100,000 businesses and organizations are now using those processors' services to accept bitcoin payments. Additionally, PayPal announced that it would allow merchants that use its payment processing services to accept bitcoin. A wide range of industries now accept bitcoins as a form of payment, from newspapers such as The Chicago Sun-Times to national sports franchises such as the Sacramento Kings. Additionally, for-profit internet-based companies such as Microsoft, WordPress, Reddit, Zynga, Expedia, Dell, TigerDirect.com and Overstock.com, as well as non-profit institutions such as Khan Academy and charitable organizations such as the Red Cross have received attention for accepting donations in bitcoins.

### *End-User-to-End-User*

The bitcoin end-user-to-end-user ecosystem operates on a continuous, 24-hour per day basis. This is accomplished through decentralized peer-to-peer transactions between parties on a principal-to-principal basis. All risks and issues of credit are between the parties directly involved in the transaction. Liquidity can change from time to time during the course of a 24-hour trading day. The Bitcoin Network rules that require transaction fees are generally not enforced, therefore transaction costs, if any, are negotiable between the parties and may vary widely, although, where transaction fees are included, they are paid by the sending party in a bitcoin transaction. These transactions occur remotely through the internet, in-person through forums such as localbitcoins.com (which offers both online and in-person opportunities to buy and sell bitcoins). There are currently no official designated market makers for bitcoins and hence no standard transaction sizes, bid-offer spreads or typical known cost per transaction. Marketplaces like localbitcoins.com are intended to create a market by bringing together counterparties trading in bitcoins but they do not provide any clearing or intermediary function.

### *Anonymity and Illicit Use*

Bitcoins have a reputation for providing privacy to its users, but the Bitcoin Network was not designed to ensure the anonymity of users. While the Blockchain records the unique addresses of individual bitcoin "wallets," it does not contain anything about the people using them. However, an analysis of the public log of all bitcoin transactions suggests that it may be easy for a law enforcement agency to identify a number of bitcoin users. (Off-Blockchain transactions occurring off the Bitcoin Network are not recorded and do not represent actual bitcoin transactions or the transfer of bitcoins from one digital wallet address to another, though information regarding participants in an Off-Blockchain transaction may be recorded by the parties facilitating such Off-Blockchain transactions). Nevertheless, users determined to maintain anonymity may take certain precautions to enhance the likelihood that they and their transactions remain anonymous. For instance, a user may send its bitcoins to different addresses multiple times to make tracking the



bitcoins through the Blockchain more difficult or, more simply, engage a so-called “mixing” service to switch its bitcoins with those of other users.

As with any other asset or medium of exchange, bitcoins can be used to purchase illegal goods, fund illicit activities or to launder money. Bitcoins have been used for illicit gambling and making purchases of illegal goods. For example, Silk Road, an anonymous online marketplace that sold illegal substances prior to its seizure and the arrest of its founder and operator in October 2013, accepted only bitcoins. In November 2014, a number of U.S. and foreign law enforcement agencies seized Silk Road 2.0, Hydra and Cloud 9, among others, which were allegedly similar online marketplaces, although other similar websites remain operational. Additionally, Charlie Shrem, the founder of Bitinstant and a former vice chairman of the Bitcoin Foundation, was charged with money laundering and operating an unlicensed money transmitting business, and pleaded guilty in September 2014 to aiding and abetting an unlicensed money transmitting business. The use of bitcoins for illicit purposes, however, is not promoted by the Bitcoin Network or the user community as a whole.

### *Competition*

Bitcoins are not the only type of digital currencies founded on cryptography, although as of the date of this Annual Report it is considered the most prominent. Other cryptographic digital currencies have developed since the Bitcoin Network’s inception: Litecoin, Ripple, Ethereum and Dash are just a few examples of bitcoin alternatives. The Bitcoin Network, however, possesses the “first-to-market” advantage and has captured the majority of the industry’s market share.

### **Government Oversight**

Digital currencies, such as bitcoin, are a recent technological innovation and the regulatory schemes to which bitcoins and the Bitcoin Network may be subject have not been fully explored or developed.

On March 25, 2014, the IRS released a notice discussing certain aspects of the treatment of virtual currencies, such as bitcoins, for U.S. federal income tax purposes. The notice was the first guidance from a U.S. government agency to provide asset classification of bitcoins, classifying them as “property” for U.S. federal income tax purposes. The notice clarified that bitcoins may be held as capital assets. The asset classification of bitcoins by the IRS is not controlling on other government agencies for purposes other than those relating to U.S. federal income tax.

In the March 2013 guidance, FinCEN took the position that any administrator or exchanger convertible virtual currencies, including bitcoins, must register with FinCEN as a money transmitter and must comply with the anti-money laundering regulations applicable to money transmitters. FinCEN subsequently issued several interpretive letters clarifying which entities would be considered administrators or exchangers and which would be considered mere “users” not subject to registration. The requirement that bitcoin exchangers that do business in the U.S. register with FinCEN and comply with anti-money laundering regulations may increase the cost of buying and selling bitcoins and therefore may adversely affect their price.

To date, the SEC has not asserted regulatory authority over the Bitcoin Network or bitcoin trading or ownership and has not expressed the view that bitcoin should be classified or treated as securities for purposes of U.S. federal securities laws. However, the SEC has indicated that the subject of bitcoin's regulatory status is under review. In addition, it has commented on bitcoin and bitcoin-related market developments and has taken action against investment schemes involving bitcoin. If the SEC were to determine that bitcoin is a security, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under U.S. federal securities laws, including the Investment Company Act and, with respect to the Sponsor, the Investment Advisers Act.

The CFTC has indicated that it considers bitcoin to be a "commodity" under the CEA, which makes it possible for futures, swaps, and other CFTC-regulated derivatives based on bitcoin to be offered and traded in the United States. The CFTC has not, to date, taken the view that bitcoin is a "commodity interest," which is defined under the CEA to include futures, swaps, and other derivatives based on commodities. Commodity interests are subject to CFTC regulation and thus, if bitcoin were to be deemed a commodity interest by the CFTC, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under the CEA and CFTC regulations.

On June 3, 2015, NYDFS issued its comprehensive regulatory scheme for digital currency businesses, called the "BitLicense." The BitLicense scheme requires most businesses involved in digital currency transactions in or involving New York, excluding merchants and consumers, to apply for a license from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. Other states have considered similar regimes (for example, a bill in California would have imposed a similar regime, although the bill was shelved), or have required virtual currency businesses to register with their states as money transmitters, which results in virtual currency businesses being subject to requirements similar to those of NYDFS's BitLicense regime. Certain state regulators, such as the Texas Department of Banking and Kansas Office of the State Bank Commissioner, have found that bitcoins do not constitute money, and that mere transmission of bitcoin does not constitute money transmission requiring licensure. The North Carolina Commissioner of Banks has issued guidance providing that North Carolina's money transmission regulations only apply to the transmission of virtual currency (including bitcoins) and not its use. On June 28, 2014, the Governor of the State of California signed into law a bill that removed state-level prohibitions on the use of alternative forms of currency or value (including bitcoins). The bill indirectly authorizes the use of bitcoins as an alternative form of money in the state. The inconsistency in applying money transmitting licensure requirements to certain bitcoin businesses may make it more difficult for bitcoin businesses to provide services, which may affect consumer adoption of bitcoin and its price.

The U.S. Dollar is currently one of the dominant currencies that are traded for bitcoins. Thus, the U.S. Federal, State and local government regulations may have the most significant impact on the development of the Bitcoin Network. In addition, various foreign jurisdictions may adopt laws, regulations or directives that affect bitcoin. In Germany, for example, the Ministry of Finance has declared bitcoins to be "Rechnungseinheiten" (a form of private money that is recognized as a unit of account, but not recognized in the same manner as fiat currency). However, most regulatory bodies have not yet issued official statements regarding their intention to regulate or guidance on the regulation of bitcoin, bitcoin users and the Bitcoin Network. In March 2015, Her Majesty's

Treasury proposed applying the United Kingdom's anti-money laundering regulations to bitcoins. In October 2015, the European Court of Justice ruled that bitcoin transactions throughout the European Union should be treated as a traditional currency transactions and not be subject to value-added tax. In China, a recent government notice classified bitcoins as legal and "virtual commodities;" however, the same notice restricted the banking and payment industries from using bitcoin, creating uncertainty and limiting the ability of bitcoin exchanges to operate in the then-second-largest bitcoin market. The Australian Senate has recently launched an inquiry into the country's tax treatment and regulation of bitcoins, and the government of Israel and the Israel Tax Authority are reportedly looking into taxing the profits from bitcoin trading. Conversely, regulatory bodies in some countries such as India and Switzerland have declined to exercise regulatory authority when afforded the opportunity. In March 2014, after the collapse of Mt. Gox, Japan confirmed that under its laws bitcoin is not considered a currency and therefore not subject to regulation; however, in December 2015, regulation was proposed by a Financial System Council working group that would place capital and auditing along with know-your-customer and anti-money laundering requirements on virtual currency exchanges. At the other extreme, Russia's Ministry of Finance has issued a draft bill that was submitted to Russia's legislature in December 2015, which would ban bitcoin and other "money surrogates" and impose monetary penalties for its use or even the advocacy of its use. In July 2014, Ecuador banned the use of bitcoin and other digital currencies and announced a plan to create a state digital currency backed by assets of the Ecuadorian central bank. In May 2014, the Central Bank of Bolivia banned the use of digital currencies including bitcoins.

### **Not a Regulated Commodity Pool**

The Trust is authorized solely to take immediate delivery of actual bitcoins. The Trust will not trade, buy, sell or hold bitcoin derivatives, including bitcoin futures contracts, bitcoin swaps, or other bitcoin transactions that could be "commodity interests" under the CEA and CFTC regulations. Because the Trust does not invest in or trade commodity interests, the Sponsor believes the Trust is not a commodity pool and, thus, neither it nor the Trust are subject to regulation by the CFTC under the CEA. Accordingly, the Trust will not be operated by a CFTC-regulated commodity pool operator. Investors in the Trust will not receive the regulatory protections afforded to investors in regulated commodity pools. In addition, investors in the Trust will not benefit from the protections afforded to investors in bitcoin futures contracts on regulated futures exchanges.

## BITCOIN INVESTMENT TRUST

### Description of the Trust

The Trust was formed as a Delaware statutory trust on September 13, 2013. The Trust holds bitcoins and, from time to time, issues Creation Baskets in exchange for deposits of bitcoins and distributes bitcoins in connection with Redemption Baskets. The investment objective of the Trust is for the NAV per Share to track the Bitcoin Market Price per Share, less the Trust's liabilities (including estimated accrued expenses).

The Shares represent common units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust is not managed like a business corporation or an active investment vehicle. In accordance with the Trust Agreement, during the life of the Trust, proceeds from the creation of Shares in Baskets will only be (1) owned by the Trust and held by the Custodian, (2) disbursed (or converted to USD, if necessary) to pay the Trust's expenses, (3) distributed to Authorized Participants upon receipt of Redemption Baskets, (4) liquidated in the event that the Trust terminates, or (5) liquidated as otherwise required by law or regulation. The payment of expenses by the Trust will result in a taxable event to Shareholders. See "Certain United States Federal Tax Considerations — Taxation of U.S. Shareholders."

The Trust is not regulated as an investment company under the Investment Company Act.

#### *Net Asset Value*

The net asset value ("NAV") of the Trust is 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 calculates and publishes the Trust's NAV each business day as of 4:00 PM, New York time, or as soon thereafter as practicable. While this NAV is used for operational creation and redemption purposes, these metrics should be considered supplemental operating information and are not meant to substitute the net asset value reported in the financial statements hereto, as calculated in accordance with GAAP.

In order to calculate the NAV, the Sponsor:

1. Determines the Bitcoin Market Price.
2. Multiplies the Bitcoin Market Price by the Trust's aggregate number of bitcoins owned as of 4:00 PM, New York time on the immediately preceding day.
3. Adds the dollar value of the bitcoins receivable under pending Creation Baskets.
4. Adds the accrued but unpaid interest, if any and the value of other Trust assets, if any.
5. Subtracts the accrued but unpaid Combined Fee (and Extraordinary Fee, if any).
6. Subtracts the dollar value of the bitcoins payable under pending Redemption Baskets.
7. Subtracts other Trust expenses and liabilities, if any.

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

The Sponsor will publish the Bitcoin Market Price, the NAV and the NAV per Share on the Trust's website as soon as practicable after its determination by the Sponsor. To the extent the NAV and NAV per Share have been calculated using a price per bitcoin other than the Index spot price for such Evaluation Day, the publication on the Trust's website will note the valuation methodology and the price per bitcoin resulting from such calculation.

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

### *Bitcoin Market Price*

The Trust values its bitcoins for operational purposes by reference to the Bitcoin Market Price. The Bitcoin Market Price is the value of a bitcoin as represented by the Index, calculated at 4:00 PM, New York time on each business day. The Index Provider develops, calculates and publishes the Index on a continuous basis using the volume-weighted price at trading venues, as selected by the Index Provider.

In the ordinary course of business, the Trust values its bitcoins by looking to the Index. However, subject to the next sentence, if the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Index Provider in order to obtain the Bitcoin Market Price. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will use the following cascading set of rules to calculate the Bitcoin Market Price. For the avoidance of doubt, the Sponsor will employ the below rules sequentially and in the order as presented below, should one or more specific rule(s) fail:

1. Bitcoin Market Price = The price set by the Index as of 4:00 PM, New York time, on the valuation date. The Index is a U.S. Dollar-denominated composite reference rate for the price of bitcoin based on the volume weighted price at trading venues selected by the Index Provider. Trading venues used to calculate the Index may include Bitcoin Exchanges, over-the-counter markets, or derivative platforms. The Index Provider includes trading venues on the Index using standardized eligibility criteria such as depth of liquidity, compliance with applicable legal and regulatory requirements, data availability, domicile in the United States and acceptance of U.S. Dollar deposits. The Index Provider conducts a quarterly review of these criteria. To calculate the reference rate, trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalous or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set of data for the relevant trading venue, as well as

recent and long-term trading volume at each venue relative to the observable set for the relevant trading venues. The Index Provider formally reevaluates the weighting algorithm quarterly, but maintains discretion to change it in extreme circumstances which could necessitate immediate updates to the algorithm or included exchanges. To calculate the Bitcoin Market Price, the weighting algorithm is applied to the price and volume of all inputs for the immediately preceding 24-hour period at 4:00 PM New York time on the valuation date. To measure volume data and trading halts, The Index Provider monitors trading activity and regards as eligible those Bitcoin Exchanges that it determines represent a substantial portion of USD-denominated trading over a sustained period on a platform without a significant history of trading disruptions. The Index Provider maintains a monitoring system that tests for these criteria on an ongoing basis.

The description of the Index is based on information publicly available at the Index Provider's website, <https://tradeblock.com/markets/index/>. The Index Provider publishes the Index spot price continuously on its website noted above.

None of the information on the Index Provider's websites is incorporated by reference into this Annual Report. The Index Provider may change the trading venues that are used to calculate the Index or otherwise change the way in which the Index is calculated based on its periodic review and expert discretion described above.

Subject to the next sentence, if the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the Bitcoin Market Price directly from the Index Provider. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will employ the next rule to determine the Bitcoin Market Price.

See "Risk Factors" for a discussion of the relationships between the Index Provider, the Sponsor, management of the Sponsor, and Genesis Global Trading, Inc. that may create a conflict of interest.

2. Bitcoin Market Price = The volume weighted average bitcoin price for the immediately preceding 24-hour period at 4:00 PM, New York time on the valuation date as published by an alternative third party's public data feed that is reasonably reliable, subject to the requirement that such data is calculated based upon a volume weighted average bitcoin price obtained from the major Bitcoin Exchanges ("**Second Source**"). Subject to the next sentence, if the Second Source becomes unavailable (e.g., data sources from the Second Source for bitcoin prices become unavailable, unwieldy or otherwise impractical for use), or if the Sponsor determines in good faith that the Second Source does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Second Source in an attempt to obtain the relevant data. If after such contact the Second Source remains unavailable or the Sponsor continues to believe in good faith that the Second Source does not reflect an accurate bitcoin price, then the Sponsor will employ the next rule to determine the Bitcoin Market Price.

3. Bitcoin Market Price = The 24-hour volume weighted average bitcoin price as calculated by dividing the sum of the total volume of bitcoin transactions in USD by the total volume of transactions in bitcoins, in each case for the 24 hour period from 4:00 PM, New York time (or as soon as practicable thereafter) on the business day prior to the valuation date to 4:00 PM, New York time (or as soon as practicable thereafter) on the valuation date as published by a third party's public data feed that is reasonably reliable as determined by the Sponsor, subject to the requirement that such data is calculated based upon a volume weighted average bitcoin price obtained from the major Bitcoin Exchanges (“**Third Source**”). Subject to the next sentence, if the Third Source becomes unavailable (e.g., data sources from the Third Source become unavailable, unwieldy or otherwise impractical for use), or if the Sponsor determines in good faith that the Third Source does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Third Source in an attempt to obtain the relevant data. If after such contact the Third Source remains unavailable or the Sponsor continues to believe in good faith that the Third Source does not reflect an accurate bitcoin price then the Sponsor will employ the next rule to determine the Bitcoin Market Price.
  
4. Bitcoin Market Price = The 24-hour volume weighted average bitcoin price as calculated by dividing the sum of the total volume of bitcoin transactions in USD by the total volume of transactions in bitcoins, in each case for the 24 hour period from 4:00 PM, New York time (or as soon as practicable thereafter) on the business day prior to the valuation date to 4:00 PM, New York time (or as soon as practicable thereafter) on the valuation date on the Bitcoin Benchmark Exchanges. A “**Bitcoin Benchmark Exchange**” is a Bitcoin Exchange that represents at least 25% of the aggregate USD-denominated trading volume of the bitcoin market during the last 30 consecutive calendar days and that to the knowledge of the Sponsor is in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures, of such Bitcoin Exchange's applicable jurisdiction; provided that if there are fewer than three such Bitcoin Exchanges, then the Bitcoin Benchmark Exchanges will include such Bitcoin Exchange or Bitcoin Exchanges that meet the above-described requirements as well as one or more additional Bitcoin Exchanges, selected by the Sponsor, that have had monthly trading volume of at least 50,000 bitcoins in during the last 30 consecutive calendar days and that to the knowledge of the Sponsor is in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures, of such Bitcoin Exchange's applicable jurisdiction.

The Sponsor will review the composition of the exchanges that comprise the Bitcoin Benchmark Exchanges at the beginning of each month, or more frequently if necessary, in order to ensure the accuracy of such composition.

Subject to the next sentence, if one or more of the Bitcoin Benchmark Exchanges become unavailable (e.g., data sources from the Bitcoin Benchmark Exchanges of bitcoin prices become unavailable, unwieldy or otherwise impractical for use), or if the Sponsor determines in good faith that the Bitcoin Benchmark Exchange does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Bitcoin Benchmark Exchange that is experiencing the service outages in an attempt to obtain the relevant data.

If after such contact one or more of the Bitcoin Benchmark Exchanges remain unavailable or the Sponsor continues to believe in good faith that the Bitcoin Benchmark Exchange does not reflect an accurate bitcoin price, then the Sponsor will employ the next rule to determine the Bitcoin Market Price.

5. Bitcoin Market Price = The Sponsor will use its best judgment to determine a good faith estimate of the Bitcoin Market Price.

Data used for the above calculation of the Bitcoin Market Price is gathered by the Sponsor or its delegate who calculates the Bitcoin Market Price each business day as of 4:00 PM, New York time, or as soon thereafter as practicable. The Sponsor or its delegate will disseminate the Bitcoin Market Price on each business day.

The Index Provider may change the trading venues that are used to calculate the Index, or otherwise change the way in which the Index is calculated at any time. The Index Provider does not have any obligation to take the needs of the Sponsor, the Trust, the shareholders, or anyone else into consideration in connection with such changes. The Index Provider is not required to publicize or explain the changes, or to alert the Sponsor to such changes.

The Index Provider and the Sponsor have entered into an index license agreement governing the Sponsor's use of the Index for calculation of the Bitcoin Market Price. The Index Provider may adjust the calculation methodology for the Index without notice to or consent of the Trust or its Shareholders. The Sponsor pays a monthly fee and a fee based on the NAV of the Trust to the Index Provider in consideration of its license to the Sponsor of Index-related intellectual property.

The Index Provider has licensed on a fee basis its over-the-counter market platform software to Genesis Global Trading, Inc., which serves as the Distributor, Marketer, and sole Authorized Participant of the Trust. Genesis Global Trading, Inc. uses the software to operate its bitcoin trading desk, which Genesis Global Trading, Inc. relies upon to act as the Authorized Participant. Under the Platform License Agreement, Genesis Global Trading, Inc., has agreed to provide its bitcoin trade data to the Index Provider. Consequently, the Index Provider may or may not decide to include Genesis Global Trading, Inc.'s over-the-counter trading desk as a trading venue that is included in the Index. Under this agreement, the Index Provider also provides the Index to Genesis Global Trading, Inc.

#### *Creation and Redemption of Shares*

The Trust creates and redeems the Shares on a continuous basis, but only upon the order of Authorized Participants and only in Baskets. A Basket is a block of 100 Shares. Initially, each Share represented 1/10<sup>th</sup> of a bitcoin.

The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the number of bitcoins represented by the Baskets being created or redeemed. The number of bitcoins that will be required ("**Basket Bitcoin Amount**") for each creation basket ("**Creation Basket**") or redemption basket ("**Redemption Basket**") will be determined from time to time by dividing the number of bitcoins owned by the Trust at such time by the number of Shares



outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust, and multiplying the quotient obtained by 100. The Basket Bitcoin Amount may gradually decrease over time if the Trust's bitcoins are used to pay the Trust's expenses.

Authorized Participants are the only persons that may place orders to create and redeem Baskets. Each Authorized Participant (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Sponsor and the Trust, and (iii) has access to an Authorized Participant Self-Administered Account (as defined herein). The Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of bitcoins required for creations and redemptions. A list of the current Authorized Participants can be obtained from the Sponsor. The Participant Agreements may be amended by the Sponsor and the relevant Authorized Participant.

Authorized Participants who make deposits of bitcoins with the Trust in exchange for Creation Baskets receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to affect any sale or resale of Shares. Authorized Participants may realize significant profits buying, selling, creating and redeeming Shares as a result of changes in the value of Shares or bitcoins. In particular, an Authorized Participant may profit from the "spread" (or difference) between the prices at which it purchases and sells Shares and bitcoins (or obtains Shares or bitcoins through the creation and redemption of Baskets). For example, when creating Shares, an Authorized Participant may deposit bitcoins with the Trust that it has acquired at a price that is lower than the current Bitcoin Market Price and thus receive Shares with a value greater than the Authorized Participant's cost of acquiring the deposited bitcoins. Similarly, an Authorized Participant may sell Shares to a customer from its inventory at a price higher than the Authorized Participant's cost in acquiring such Shares. As another example, when redeeming Shares, an Authorized Participant may receive bitcoins and then hold them for later resale at a profit if the price of bitcoins increases. The frequent and significant fluctuations in the price of bitcoins increases the extent to which an Authorized Participant may profit from its transactions in Shares and bitcoins. As of the date of this Annual Report, the only Authorized Participant is Genesis Global Trading, Inc., an affiliate of the Sponsor.

Each Authorized Participant will be registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, and will be regulated by the Financial Industry Regulatory Authority, Inc., or, and will be qualified to act as a broker or dealer in the states or other jurisdictions where the nature of its business so requires. Certain Authorized Participants may be regulated under federal and state banking laws and regulations. Each Authorized Participant will have its own set of rules and procedures, internal controls and information barriers as it determines to be appropriate in light of its own regulatory regime.

Authorized Participants may act for their own accounts or as agents for customers. As of the date of this Annual Report, Genesis Global Trading, Inc. has signed a Participant Agreement with the Sponsor and the Trust and may create and redeem Baskets.

The following description of the procedures for the creation and redemption of Baskets is only a summary.

#### *Creation Procedures*

In order to create a Basket, the Authorized Participant deposits the Basket Bitcoin Amount with the Custodian and orders Creation Baskets from the Trust via notification to the Sponsor. Following receipt of the Creation Basket Bitcoin Amount, the Transfer Agent credits Creation Baskets to the Authorized Participant. The Authorized Participant will then be able to sell Shares to its customers directly.

#### *Determination of required deposits*

The Creation Basket Bitcoin Amount required for a Creation Basket will be determined by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust, and multiplying the quotient obtained by 100 and the number of Creation Baskets.

The Sponsor has final determination of all questions as to the composition of the Creation Basket Bitcoin Amount.

#### *Delivery of required deposits*

An Authorized Participant who places a creation order is responsible for delivering the Creation Basket Bitcoin Amount to the Bitcoin Account. The Authorized Participant will initiate delivery of the Creation Basket Bitcoin Amount from a bitcoin wallet address previously known to the Custodian as belonging to the Authorized Participant (“**Authorized Participant Self-Administered Account**”) to the Bitcoin Account. Deposits other than those received from an Authorized Participant Self-Administered Account will be rejected. The expense and risk of delivery, ownership and safekeeping of bitcoins, until such bitcoins have been received by the Trust, shall be borne solely by the Authorized Participant. Upon confirmation from the Custodian of the deposit and the validation of the transaction by the Bitcoin Network, the Sponsor will then direct the Transfer Agent to credit the number of Creation Baskets ordered to the Authorized Participant’s account on the next business day after the creation order date.

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

#### *Rejection of creation orders*

The delivery of the Shares against deposit of the Creation Basket Bitcoin Amount may be suspended generally, or refused with respect to particular requested creations, during any period when the transfer books of the Sponsor are closed or if any such action is deemed necessary or advisable by the Sponsor for any reason at any time or from time to time. None of the Sponsor or the Custodian will be liable for the rejection or acceptance of any creation order or Creation Basket Bitcoin Amount.

#### *Redemption Procedures*

**At this time, the Sponsor is not accepting redemption requests from holders of Shares.**

In order to redeem Shares, an Authorized Participant must send the Sponsor a redemption order specifying the number of Redemption Baskets that the Authorized Participant wishes to redeem and confirming the Authorized Participant Self-Administered Account information. The Sponsor or its delegates instructs the Custodian to send the Authorized Participant a number of bitcoins equal to the Redemption Basket Bitcoin Amount and directs the Transfer Agent to debit the

number of Redemption Baskets redeemed from the Authorized Participant's account on the next business day after the redemption order date.

#### *Determination of redemption distribution*

The Redemption Basket Bitcoin Amount required for a Redemption Basket will be determined by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one bitcoin), as adjusted for the number of whole and fractional bitcoins constituting accrued but unpaid fees and expenses of the Trust, and multiplying the quotient obtained by 100 and the number of Redemption Baskets.

The Sponsor has final determination of all questions as to the composition of the Redemption Basket Bitcoin Amount.

#### *Delivery of redemption distribution*

The Redemption Basket Bitcoin Amount due from the Trust is delivered to the Authorized Participant as directed in the Authorized Participant's Participant Agreement.

The Redemption Basket Bitcoin Amount from the Trust is transferred by the Custodian from the Bitcoin Account to the Authorized Participant Self-Administered Account, after giving effect to all estimated accrued but unpaid interest and expenses. The Authorized Participant and the Trust are each at risk in respect of bitcoins credited to their respective accounts in the event of the Custodian's insolvency. The Redemption Basket Bitcoin Amount is subject to the deduction of any applicable tax or other governmental charges that may be due.

The Sponsor has final determination of all questions as to the composition of the Redemption Basket Bitcoin Amount.

#### *Suspension or rejection of redemption orders*

The Sponsor will reject a redemption order if the order is not in proper form as described in the Participant Agreement or if the fulfillment of the order, in the opinion of its counsel, might be unlawful. The Sponsor may suspend redemption orders if it determines, in its sole discretion, that a suspension is necessary or desirable. Suspension of redemption orders at any time and for any reason may have adverse effects on the market for, the market price and the NAV of the Shares.

#### *Tax Responsibility*

Authorized Participants are responsible for any transfer tax, sales or use tax, recording tax, value added tax or similar tax or governmental charge applicable to the creation of Creation Baskets or redemption of Redemption Baskets, regardless of whether or not such tax or charge is imposed directly on the Authorized Participant, and agree to indemnify the Sponsor, the Custodian and the Trust if they are required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

#### *Trust Expenses*

The Trust's only ordinary recurring charge is expected to be the remuneration due to the Sponsor (the "**Combined Fee**"). The Combined fee equals an annual rate of 2% of the daily NAV of the

Trust and will accrue daily in bitcoins, and will be payable in bitcoins at the Sponsor's sole discretion, which is expected to occur monthly in arrears.

To pay the Combined Fee, the Trust will (i) withdraw from the Bitcoin Account a number of bitcoins equal to accrued but unpaid expenses and (ii) transfer such bitcoins to an account maintained by the Custodian for the Sponsor. The Sponsor, from time to time, may waive all or a portion of the Combined Fee at its discretion for stated periods of time. The Sponsor is under no obligation to extend a waiver after the end of any such stated period, and, if such waiver is not continued, the Combined Fee will be paid in full for subsequent periods. Presently, the Sponsor does not intend to waive any of the Combined Fee. The Sponsor will, from time to time, instruct the Custodian to deliver bitcoins to the Sponsor in payment of the Combined Fee.

As consideration for its receipt of the Combined Fee, the Sponsor is obligated under the Trust Agreement to assume and pay the following fees and expenses of the Trust: the Marketing Fee, the Custodian Fee, the Transfer Agent fee, the Trustee fee, OTCQX Fees and expenses related to public trading on OTCQX in an amount up to \$600,000 annually (including legal and audit fees and expenses), any other legal and accounting fees, regulatory fees, printing and mailing costs attributable to the Trust (other than Extraordinary Fees), and applicable license fees with respect to the Trust (the "**Assumed Fees**").

The Sponsor is not required to assume extraordinary, non-recurring expenses, but the Trust may incur certain extraordinary, non-recurring expenses and indemnification expenses (collectively, "Extraordinary Fees") that are not contractually assumed by the Sponsor. In such circumstances, the Sponsor may cause the Custodian to sell bitcoins for, or transfer bitcoins to, the Sponsor for conversion into bitcoins to U.S. Dollars or other fiat currencies in such quantity as may be necessary to permit payment of such Extraordinary Fees. If Extraordinary Fees are incurred, the Trust will be required to pay these Extraordinary Fees by selling bitcoins and, as a result, both the NAV of the Trust and the number of bitcoins represented by a Share will decline at such time. If the Trust were to incur Extraordinary Fees in USD, bitcoins will need to be converted to USD at the Actual Exchange Rate at the time of conversion to pay these Extraordinary Fees. Although the Sponsor cannot definitively state the frequency or magnitude of the Extraordinary Fees, the Sponsor expects that they may occur infrequently, if at all.

The number of bitcoins to be delivered to the Sponsor in payment of the Combined Fee and sold to permit payment of Extraordinary Fees will vary from time to time depending on the level of the Trust's expenses and the value of bitcoins.

Because the Combined Fee is payable in bitcoins each month, the Sponsor, its delegates or the Custodian will withdraw bitcoins as needed from the Bitcoin Account to pay the Combined Fee. In addition, if the Trust incurs any Extraordinary Fees, the Sponsor, its delegates or the Custodian will withdraw bitcoins from the Bitcoin Account and sell such bitcoins in order to pay the Extraordinary Fees. If the Trust incurs Extraordinary Fees in U.S. Dollars, bitcoins will be converted to U.S. Dollars at the Actual Exchange Rate at the time of conversion to pay these Extraordinary Fees. Shareholders do not have the option of choosing to pay their proportionate shares of Extraordinary Fees in lieu of having their shares of Extraordinary Fees paid by the Trust's sale of bitcoins. 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 Shareholders. See “Certain United States Federal Tax Considerations — Taxation of U.S. Shareholders.”

The Trust will dissolve upon the occurrence of certain dissolution events listed in the Trust Agreement. See “Description of the Trust Agreement — Termination Events.”

## RISK FACTORS

*You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this Annual Report. See “Glossary” for a description of certain terms used in this Annual Report.*

### Risks Related to Our Business

#### Regulatory Risks

**Regulatory changes or actions may alter the nature of an investment in the Shares or restrict the use of bitcoins or the operation of the Bitcoin Network or the Bitcoin Exchange Market in a manner that adversely affects an investment in the Shares.**

As bitcoins have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, the SEC, the CFTC, FINRA, the CFPB, the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the IRS, and state financial institution regulators) have begun to examine the operations of the Bitcoin Network, bitcoin users and the Bitcoin Exchange Market, with particular focus (i) on the extent to which bitcoins can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises, (ii) the safety and soundness of exchanges or other service-providers that hold bitcoins for users and (iii) other risks to investors and consumers who hold and use bitcoins. On-going and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate.

Among other things, the IRS has stated, in a March 2014 notice, that virtual currency should be treated as “property” for U.S. federal tax purposes. In March 2013 guidance, FinCEN took the position that any administrator or exchanger of convertible virtual currencies, including bitcoins, must register with FinCEN as a money transmitter (a form of money services business) and must comply with the anti-money laundering regulations applicable to money transmitters. FinCEN has also taken the position that mere “users” of bitcoin, as defined in its guidance, would not have to register as money transmitters. The requirement that bitcoin exchangers that do business in the U.S. register with FinCEN and comply with anti-money laundering regulations may increase the cost of buying and selling bitcoins and therefore may adversely affect their price.

On January 30, 2014, FinCEN published two interpretive letters elaborating on the original guidance. One addresses bitcoin mining operations and confirms, among other things, that “so long as the user is undertaking the transaction solely for the user’s own purposes and not as a business service performed for the benefit of another,” the miner is not engaged in money transmission services through the sale of its own mined bitcoins and dividend of profits to investors. The other interpretation addresses certain bitcoin investment activities and provides that the investment in bitcoin for the benefit of the investor itself is not, under the circumstances described in the interpretation, money transmission for purposes of the FinCEN regulations. However, the interpretation also notes that the provision of investment-related or brokerage services in connection with such investment activity would require additional analysis. The interpretation further provides that the provision of software for bitcoin services is not considered money transmission under the circumstances described in the interpretation. On October 27, 2014,

FinCEN published two more interpretive letters further elaborating on its March 2013 guidance. One letter indicated that a virtual currency exchange, even where it buys from customers for the exchange's inventory and sells to customers out of its own inventory, acting as a dealer rather than a broker, is nevertheless engaged in money transmission, under the circumstances described in the interpretation. The other letter indicated that a company that provides payment processing services by taking legal tender payments from customers of merchants and providing those merchants with payments in bitcoin is engaged in money transmission, under the circumstances described in the interpretation.

Similarly, local state regulators such as the California Department of Financial Institutions and the New York State Department of Financial Services have also initiated examinations of bitcoins and the Bitcoin Network. A number of states, such as California, Idaho, New York, Virginia and Washington, are actively requiring bitcoin businesses to register on a state-level as money transmitters or money service businesses. However, certain other state regulators, such as the Texas Department of Banking and Kansas Office of the State Bank Commissioner, have found that bitcoins do not constitute money, and that transmission of bitcoin does not constitute money transmission requiring licensure. The inconsistency in applying money transmitting licensure requirements to certain bitcoin businesses may make it more difficult for bitcoin businesses to provide services, which may affect consumer adoption of bitcoin and its price. On June 28, 2014, the Governor of the State of California signed into law a bill that removed state-level prohibitions on the use of alternative forms of currency or value (including bitcoins).

In June 2015, the NYDFS adopted a comprehensive regulatory scheme for virtual currency businesses, called the "BitLicense." Prompted by concerns about the use of virtual currency in money laundering, consumer fraud and other criminal activity, the regulation represents one of the first attempts to comprehensively regulate bitcoin and other virtual currency activities. Under the regulation, most businesses involved in virtual currency transactions in or involving New York, excluding merchants (as well as consumers), would be required to apply for licenses from the NYDFS. The regulation also has anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others and its impact of the regulation is still unknown. However, the regulation may have a profound impact the virtual currency industry, for example by creating significant compliance costs and high barriers to entry for new bitcoin and virtual currency businesses. Other states and countries are likely to look to the BitLicense regime when determining whether and how to regulate bitcoin-related activities.

A number of Federal Courts have ruled under various circumstances that bitcoins are forms of money. In August 2013, a ruling from a federal magistrate judge of the U.S. District Court for the Eastern District of Texas ruled that "Bitcoin is a form of currency or form of money," to support a finding that interests sold in a ponzi scheme in return for bitcoins were "securities." Similarly, two federal judges for the U.S. District Court for the Southern District of New York have found that bitcoins constitute money for purposes of federal criminal anti-money laundering laws. There is no indication yet that courts or regulators will reach a consensus on whether bitcoin is money, especially under differing regulations and statutes that have different underlying purposes.

As of February 2014, committees in the U.S. Senate, a coordinating group of the Conference of State Bank Supervisors ("CSBS"), and the New York State Department of Financial Services in particular have initiated formal inquiries into cryptocurrencies, including bitcoins, and possible

regulation thereof. On November 18 and 19, 2013, the U.S. Senate Committees on Homeland Security and Government Oversight and Banking, Housing, and Urban Affairs held respective hearings featuring regulators including the director of FinCEN and representatives from the Department of Justice and Secret Service, as well as members of the private sector. During the hearings, members of the Senate and panelists emphasized the importance of tax guidance and asset classification in the U.S. regulatory landscape for bitcoin. On February 20, 2014, the CSBS announced the formation of a Task Force to study the changing landscape of payment systems and the regulation thereof, including virtual currencies. In April 2014, the CSBS, together with the North American Securities Administrators Association released model consumer and investor guidance on virtual currencies (“**Model Guidance**”) that cautions consumer and investors about risks associated with acquiring, holding and using virtual currencies such as bitcoin, including volatility, risk of loss or theft, potential for criminal activities and the investigation of criminal activities to disrupt access to accounts, lack of regulation of certain participants in the market, and potential tax consequences. The warnings or others like them have been issued by a number of states, including Washington, Wisconsin, North Carolina, Nevada, Massachusetts, Michigan, New Hampshire, Alabama, Maryland, Maine, New Mexico, California, Florida and Hawaii.

To date, the SEC has not asserted regulatory authority over the Bitcoin Network or bitcoin trading or ownership and has not expressed the view that bitcoin should be classified or treated as securities for purposes of U.S. federal securities laws. However, the SEC has indicated that the subject of bitcoin’s regulatory status is under review. In addition, it has commented on bitcoin and bitcoin-related market developments and has taken action against investment schemes involving bitcoin. If the SEC were to determine that bitcoin is a security, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under U.S. federal securities laws, including the Investment Company Act and, with respect to the Sponsor, the Investment Advisers Act.

The CFTC has indicated that it considers bitcoin to be a “commodity” under the CEA, which makes it possible for futures, swaps, and other CFTC-regulated derivatives based on bitcoin to be offered and traded in the United States. The CFTC has not, to date, taken the view that bitcoin is a “commodity interest,” which is defined under the CEA to include futures, swaps, and other derivatives based on commodities. Commodity interests are subject to CFTC regulation and thus, if bitcoin were to be deemed a commodity interest by the CFTC, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under the CEA and CFTC regulations. As of the date of this Annual Report, the Sponsor is not aware of any rules that have been proposed to regulate bitcoins as a commodity interest or a security. To the extent that bitcoins are determined to be a security, commodity or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts regulatory authority over the Bitcoin Network, the Bitcoin Exchange Market or bitcoin trading and ownership, trading or ownership in bitcoins or the Shares may be adversely affected.

FINRA issued an Investor Alert in March 2014 with respect to the speculative, regulatory and fraud related risks associated with bitcoins and virtual currencies.

In a report released publicly on June 26, 2014, the U.S. Government Accountability Office released a Report to the Committee on Homeland Security and Government Affairs. The report summarized regulatory, law enforcement and consumer protection assessments regarding the bitcoin economy and bitcoin in general. The report recommended that the CFPB participate in



inter-agency working groups on bitcoin to assess how the agency might address bitcoin-related consumer protection issues. The report echoed, in part, the SEC investor alert mentioned above. In August 2014, the CFPB issued a consumer advisory regarding the risks posed by virtual currencies, including bitcoin. On November 13, 2014, the CFPB issued a proposed rule to regulate certain prepaid products, including certain mobile wallets and other emerging electronic payment technologies. In the preamble to the proposed rule, the CFPB stated that “the proposed rule may have potential application to virtual currency,” but that the CFPB’s analysis of the applicability of existing regulations and the proposed rule to virtual currencies and related products and services is “ongoing,” and that the proposal is not intended to resolve those issues. To the extent that the CFPB determines that bitcoins or elements of the Bitcoin Network are subject to either existing regulations or this proposed rule, the expense of transacting in bitcoins likely would increase, which could negatively affect the value of the Shares.

To the extent that future regulatory actions or policies limit the ability to exchange bitcoins or utilize them for payments, the demand for bitcoins will be reduced and Authorized Participants may not seek to redeem Redemption Baskets in exchange for redemption proceeds in bitcoins. Furthermore, regulatory actions may limit the ability of end-users to convert bitcoins into fiat currency (e.g., USD) or use bitcoins to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, the Bitcoin Market Price and the price of the Shares.

Bitcoins currently face an uncertain regulatory landscape not only in the United States but also in many foreign jurisdictions such as the European Union, China, Japan and Russia. While certain governments such as Germany – where the Ministry of Finance has declared bitcoins to be “Rechnungseinheiten” (a form of private money that is recognized as a unit of account, but not recognized in the same manner as fiat currency) – have issued guidance as to how to treat bitcoins, most regulatory bodies have not yet issued official statements regarding their intention to regulate or determinations on regulation of bitcoin, bitcoin users and the Bitcoin Network. Among those for which preliminary guidance has been issued in some form, Canada, Taiwan and Spain have labeled bitcoin as a digital or virtual currency, distinct from fiat currency, while Sweden and Norway are among those to categorize bitcoin as a form of virtual asset or commodity. In October 2015, the European Court of Justice issued an opinion providing that bitcoin transactions are exempt from value-added tax treatment under the provisions related to legal tender throughout the EU. In China, a recent government notice classified bitcoins as legal and “virtual commodities;” however, the same notice restricted the banking and payment industries from using bitcoin, creating uncertainty and limiting the ability of bitcoin exchanges to operate in the then-second-largest bitcoin market. The Australian Taxation Office released guidance stating that bitcoin transactions will be “treated like barter transactions with similar taxation consequences” and that “[i]ndividuals who use bitcoin as an investment may be subject to capital gains tax rules when they dispose of it, as they would for shares of similar assets,” while the Australian Senate has also recently launched an inquiry into the country’s tax treatment and regulation of bitcoins. The government of Israel and the Israel Tax Authority are reportedly looking into taxing the profits from bitcoin trading. Conversely, regulatory bodies in some countries such as India and Switzerland have declined to exercise regulatory authority when afforded the opportunity. In March 2014, after the collapse of Mt. Gox, Japan confirmed that under its laws bitcoin is not considered a currency and therefore not subject to regulation. At the other extreme, Russia’s Ministry of Finance has issued a draft bill that would ban bitcoin and other “money surrogates”

and impose monetary penalties for its use or even the advocacy of its use. In July 2014, Ecuador banned the use of bitcoin and other digital currencies and created a state digital currency backed by assets of the Ecuadorian central bank in February 2015. In May 2014, the Central Bank of Bolivia banned the use as currency of digital assets including bitcoins.

Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the Bitcoin Network, the Bitcoin Exchange Market, and their users, particularly Bitcoin 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 bitcoins by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the bitcoin economy in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of bitcoins.

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

**Countries, including the United States, may in the future curtail or outlaw, the acquisition, use or redemption of bitcoins. Ownership of, holding or trading in Shares may then be considered illegal and subject to sanction.**

Countries may in the future take, regulatory actions that prohibit or severely restrict the right to acquire, own, hold, sell, use or trade bitcoins or to exchange bitcoins for fiat currency. By extension, similar actions by other countries, including the United States, may result in the restriction of the acquisition, ownership, holding, selling, use or trading in the Shares. Such a restriction could result in the termination and liquidation of the Trust at a time that is disadvantageous to Shareholders, or may adversely affect an investment in the Shares.

**If regulatory changes or interpretations of an Authorized Participant's activities require the regulation of an Authorized Participant as a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or as a money transmitter or virtual currency business under state regimes for the licensing of such businesses, an Authorized Participant may be required to register and comply with such regulations, which could result in extraordinary, recurring and/or nonrecurring expenses to the Authorized Participant or increased commissions for the Authorized Participant's clients, thereby reducing the liquidity of the Trust.**

To the extent that the activities of an Authorized Participant cause it to be deemed a "money services business" under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, an Authorized Participant may be required to comply with FinCEN regulations, including those that would mandate the Authorized Participant to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records. Similarly, the activities of an Authorized Participant may require it to be licensed as a money transmitter or as a virtual currency business, such as under NYDFS's BitLicense scheme.

Such additional regulatory obligations may cause the Authorized Participant to incur extraordinary expenses, possibly increasing the levels of the commissions that the Authorized Participant charges its clients in a material and adverse manner. If the Authorized Participant determines not to comply

with such additional regulatory and registration requirements, the Authorized Participant will terminate its role as an Authorized Participant of the Trust. Such a termination may decrease the liquidity of the Trust.

Genesis Global Trading, Inc., an Authorized Participant and affiliate of the Trust, applied for a license under the “BitLicense” scheme by the August 2015 deadline but has not yet had its application approved or denied by the NYDFS. If its license application is rejected or if the NYDFS attaches onerous conditions to the approval of the license, Genesis Global Trading, Inc. may not be able to continue to act as the Authorized Participant or may cause the Authorized Participant to incur extraordinary expenses, possibly increasing the levels of the commissions that the Authorized Participant charges its clients in a material and adverse manner.

**If regulatory changes require the regulation of bitcoins under the CEA by the CFTC and/or under the Securities Act and the Investment Company Act by the SEC, the Trust and the Sponsor may be required to register and comply with such regulations. To the extent that the Sponsor decides to continue the Trust, the required registrations and regulatory compliance steps may result in extraordinary, recurring, and/or non-recurring expenses to the Trust. The Sponsor may also decide to terminate the Trust. Termination of the Trust in response to the changed regulatory circumstances may be at a time that is disadvantageous to investors.**

Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which bitcoins are treated for classification and clearing purposes. In particular, bitcoins may not be excluded from the definition of “commodity interest” for CFTC purposes or bitcoins may become a “security” for future SEC purposes. As of the date of this Annual Report, the Sponsor is not aware of any rules that have been proposed to regulate bitcoins as a commodity or a security. Although several United States federal district courts have recently held for certain purposes that bitcoins are currency or a form of money, these rulings are not necessarily indicative of the characterization of bitcoins for other purposes and the Sponsor and the Trust cannot be certain as to how future regulatory developments will impact the treatment of bitcoins under the law.

To the extent that bitcoins are deemed to fall within the definition of a “commodity interest” for CFTC purposes, the Trust and the Sponsor may be required to register and comply with additional regulation under the CEA. Moreover, the Sponsor may be required to register as a commodity pool operator and to list the Trust as a pool with the CFTC through the National Futures Association. Such additional compliance 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 bitcoins at a time that is disadvantageous to an investor in the Shares.

To the extent that bitcoins are deemed to fall within the definition of a security for SEC purposes, the Trust and the Sponsor may be required to register and comply with additional regulation under the Investment Company Act of 1940. Moreover, the Sponsor may be required to register as an investment adviser under the Investment Adviser Act of 1940 and register the Trust as an investment company. Such additional registrations 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 bitcoins at a time that is disadvantageous to an investor in the Shares.

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

The Investment Company Act is designed to protect investors by preventing insiders from managing investment companies to their benefit and to the detriment of public investors, such as: the issuance of securities having inequitable or discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies without the consent of investors; and investment companies from engaging in excessive leveraging. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

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

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

**An affiliate of the Trust is currently in discussions with the staff of the SEC concerning the operation of the Trust's former redemption program. Failure to resolve this matter in a manner satisfactory to the Trust could result in the continued suspension of the Trust's redemption program, which could have a material adverse effect on an investment in the Shares.**

On April 1, 2014, a program was launched pursuant to which Shareholders could request redemptions from Genesis Global Trading, Inc. (formerly known as SecondMarket, Inc.) ("Genesis"), an Authorized Participant and an affiliate of the Trust. On September 23, 2014, Genesis received a letter from the staff of the SEC's Office of Compliance Inspections and Examinations summarizing the staff's findings from an onsite review of Genesis's broker-dealer activities conducted in June 2014. In its exit report, the staff stated that it had concluded that the Trust's redemption program, in which Shareholders were permitted to request the redemption of their Shares through Genesis, appeared to violate Regulation M under the Exchange Act because such redemptions of Shares took place at the same time the Trust was in the process of creating Shares. Genesis and the Trust are currently in discussions with the staff of the SEC in order to resolve the staff's concerns. However, the Trust cannot at this time predict whether it will be

permitted to reinstate the Share redemption program for the benefit of Shareholders or the impact such a resolution may have on its activities. Until such time as the Trust is able to obtain authorization from the SEC to reinitiate the Share redemption program for the benefit of Shareholders, Shareholders may be unable to (or could be significantly impeded in attempting to) sell or otherwise liquidate their investment in the Shares if a secondary market is not maintained, which could have a material adverse impact on an investment in the Shares.

**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 Shares.

Recent amendments to the Trust Agreement were 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 U.S. Internal Revenue Service (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. The Trust intends to seek a ruling from the IRS that the Trust is a grantor trust for U.S. federal income tax purposes, but there can be no assurance that the Trust will be successful in obtaining such a ruling.

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 bitcoins for U.S. federal income tax purposes (as discussed below in “U.S. Federal Income Tax Consequences—Uncertainty Regarding the U.S. Federal Income Tax Treatment of Bitcoins”), 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 Shares 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 Shareholders 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 and would be subject to entity-level U.S. federal income tax (currently at a maximum marginal rate of 35%) on its net taxable income and certain distributions made by the Trust to Shareholders 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 bitcoins for U.S. federal income tax purposes is uncertain.**

As discussed in the section entitled “U.S. Federal Income Tax Consequences—Uncertainty Regarding the U.S. Federal Income Tax Treatment of Bitcoins” below, the Trust intends to take the position that each beneficial owner of Shares generally will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the bitcoins held in the Trust. Due to the absence of direct legal authority, many significant aspects of the U.S. federal income tax treatment of bitcoins 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 (such as bitcoins) for U.S. federal income tax purposes. In the Notice, the IRS stated that, for U.S. federal income tax purposes, bitcoins are “property” that is not currency and that bitcoins may be held as capital assets. 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 addition, legislation has been introduced that would, if enacted, cause bitcoins to be treated as currency for U.S. federal income tax purposes. If bitcoins were properly treated as currency for U.S. federal income tax purposes, gain recognized on the disposition of bitcoins would constitute ordinary income, and losses recognized on the disposition of bitcoins could be subject to special reporting requirements applicable to “reportable transactions.”

The Notice does not address other significant aspects of the U.S. federal income tax treatment of bitcoins, including: (i) whether bitcoins are properly treated as “commodities” for U.S. federal income tax purposes; (ii) whether bitcoins 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 bitcoins acquired at different times or at varying prices; and (iv) whether and how a holder of bitcoins acquired at different times or at varying prices may designate, for U.S. federal income tax purposes, which of the bitcoins 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 bitcoins.

### **Future developments in the tax treatment of bitcoins could adversely affect an investment in the Shares.**

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 bitcoins. The agency determined that New York State would follow the Notice with respect to the treatment of virtual currencies such as bitcoins for state income tax purposes. Furthermore, the agency took the position that virtual currencies such as bitcoin are a form of “intangible property,” with the result that the purchase and sale of bitcoins for fiat currency is not subject to state sales tax (although transactions of bitcoin 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 bitcoins 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 bitcoin or the imposition of a greater cost on the acquisition and disposition of bitcoins generally. Any such treatment may have a negative effect on prices in the Bitcoin Exchange Market and a negative impact on the Shares.

The treatment of virtual currencies such as bitcoins 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 bitcoin users imposes onerous tax burdens on bitcoin users, or imposes sales or value-added tax on purchases and sales of bitcoins for fiat currency, such actions could result in decreased demand for bitcoins in such jurisdiction, which could affect the price of bitcoins and negatively affect an investment in the Shares.

## Valuation Risks

**The value of the Shares relates directly to the value of the bitcoins held by the Trust and fluctuations in the price of bitcoins could materially and adversely affect an investment in the Shares.**

The Shares are designed to mirror as closely as possible the performance of the price of bitcoins, as measured by the Index, and the value of the Shares relates directly to the value of the bitcoins held by the Trust, less the Trust's liabilities (including estimated accrued but unpaid fees and expenses). Using a composite reference rate of volume-weighted trading data, the Index is derived from the transaction prices on electronic market places where exchange participants may first use fiat currency to trade, buy and sell bitcoins based on bid-ask trading (a "Bitcoin Exchange"). The Index uses U.S. Dollar-denominated trading data from qualified Bitcoin Exchanges as determined by the standardized eligibility criteria in the Index governance principles. The price of bitcoins has fluctuated widely over the past four years and may continue to experience significant price fluctuations. Several factors may affect the Bitcoin Market Price, including, but not limited to:

- Total bitcoins in existence (estimated at approximately 15.30 million as of March 8, 2016 according to [www.blockchain.info](http://www.blockchain.info));
- Global bitcoin demand, which is influenced by the growth of retail merchants' and commercial businesses' acceptance of bitcoins as payment for goods and services, the security of online Bitcoin Exchanges and digital wallets that hold bitcoins, the perception that the use and holding of bitcoins is safe and secure, the lack of regulatory restrictions on their use and the reputation of bitcoins for illicit use;
- Global bitcoin supply, which is influenced by similar factors as global bitcoin demand, in addition to fiat currency needs by miners (for example, to invest in equipment or pay electricity bills) and taxpayers who may liquidate bitcoin holdings around tax deadlines to meet tax obligations;
- Investors' expectations with respect to the rate of inflation of fiat currencies;
- Investors' expectations with respect to the rate of deflation of bitcoin;
- Interest rates;
- Currency exchange rates, including the rates at which bitcoins may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of Bitcoin Exchanges and liquidity of such Bitcoin Exchanges;
- Interruptions in service from or failures of major Bitcoin Exchanges;
- Cyber theft of bitcoins from online bitcoin wallet providers, or news of such theft from such providers, or from individuals' bitcoin wallets;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in bitcoins;

- Monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- Regulatory measures, if any, that restrict the use of bitcoins as a form of payment or the purchase of bitcoins on the Bitcoin Market;
- The availability and popularity of businesses that provide bitcoin-related services;
- The maintenance and development of the open-source software protocol of the Bitcoin Network;
- Increased competition from other forms of cryptocurrency or payments services;
- Global or regional political, economic or financial events and situations;
- Expectations among Bitcoin economy participants that the value of bitcoins will soon change; and
- Fees associated with processing a bitcoin transaction.

If bitcoin markets continue to be subject to sharp fluctuations, you may experience losses if you need to sell your Shares at a time when the price of bitcoins is lower than it was when you made your prior investment. Even if you are able to hold Shares for the long-term, your Shares may never generate a profit, since bitcoin markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

In addition, investors should be aware that there is no assurance that bitcoins will maintain their long-term value in terms of future purchasing power or that the acceptance of bitcoin payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of bitcoins declines, the Sponsor expects the value of an investment in the Shares to decline proportionately.

The market value of the Shares may diverge from NAV if the Trust is required to suspend redemptions. See “– Risks Related to Our Business – Regulatory Risks – The Trust may be required to suspend its redemption program, which could have a material adverse effect on trading prices for the Shares.”

**The value of bitcoins as represented by the Bitcoin Market Price may be subject to momentum pricing whereby the current Bitcoin Market Price may account for speculation regarding future appreciation in value. Momentum pricing of bitcoins may subject the Bitcoin Market Price to greater volatility and adversely affect an investment in the Shares.**



Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. The Bitcoin Market Price is determined primarily using data from various Bitcoin Exchanges, over-the-counter markets, and derivative platforms. The Sponsor believes that momentum pricing of bitcoins has resulted, and may continue to result, in speculation regarding future appreciation in the value of bitcoins, inflating and making more volatile the Bitcoin Market Price. As a result, bitcoins may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in the Bitcoin Market Price, which could adversely affect an investment in the Shares.

**Due to the unregulated nature and lack of transparency surrounding the operations of Bitcoin Exchanges, the marketplace may lose confidence in Bitcoin Exchanges, upon which the Trust is dependent.**

The Bitcoin Exchanges on which the bitcoins trade are relatively new and, in most cases, largely unregulated. Furthermore, many Bitcoin Exchanges (including several of the most prominent U.S. Dollar denominated Bitcoin 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 Bitcoin Exchanges, including prominent exchanges that handle a significant volume of bitcoin trading.

The NAV of the Shares is determined using the Bitcoin Market Price as represented by the Index as of 4:00 p.m., New York time on the valuation date. The Index utilizes data from Bitcoin Exchanges selected by the Index Provider to determine the weighted average price for bitcoins. For a further discussion of the Bitcoin Exchange Market and the selection of Bitcoin Exchanges for inclusion in the Index’s calculation of bitcoin prices, see “Overview of the Bitcoin Industry and Market—Bitcoin Value” and “—Uses of Bitcoins.”

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

A lack of stability in the Bitcoin Exchange Market and the closure or temporary shutdown of Bitcoin Exchanges due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the Bitcoin Network and result in greater volatility in the Bitcoin Market Price. Furthermore, the closure or temporary shutdown of a Bitcoin Exchange used in calculating the Bitcoin Market Price may result in a loss of confidence in the Trust’s ability to

determine NAV and/or NAV on a daily basis. These potential consequences of a Bitcoin Exchange's failure could adversely affect an investment in the Shares.

**The TradeBlock XBX Index is a new index. TradeBlock retains substantial discretion to change the Bitcoin trading venues (exchanges, over-the-counter markets, or derivative platforms) that are used to calculate the Index and the methodology that is used to calculate the Index. The Index could be calculated in a way that adversely affects the Bitcoin Market Price, and therefore an investment in the Shares.**

The Index has a limited history. There is no guarantee that the methodology currently used by the Index will appropriately allow the Index to track the price of bitcoins in the future. Additionally, TradeBlock has discretion at any time to change the methodology used to calculate the Index, guidelines used to select trading venues from which bitcoin trading data is sourced for inclusion in the Index, and trading venues themselves. TradeBlock does not have any obligation to take the needs of the Sponsor, the Trust, the shareholders, or anyone else into consideration in connection with such changes. The Index is based on various inputs which may include spot currency exchange rates, over-the-counter trade data, derivative instrument pricing, or data from other related financial products. TradeBlock does not guarantee the validity of any of these inputs, which may be subject to technological error, manipulative activity, or fraudulent reporting from their initial source. TradeBlock is not required to publicize or explain the changes, nor to alert the Sponsor to such changes. The Sponsor may not be aware of what inputs TradeBlock uses to calculate the Index, when TradeBlock changes the inputs, or when TradeBlock changes the methodology to calculate the Index, even when material to the calculation of the Index. Furthermore, the Sponsor cannot influence the Index methodology. Since the Bitcoin Market Price will be set to the value of the Index (unless the other rules for calculating the Bitcoin Market Price apply), the Index could be calculated now or in the future in a way that adversely affects an investment in the Shares.

**The Sponsor and its affiliates have relationships with TradeBlock that could lead the Sponsor to favor the use of Index to calculate the Bitcoin Market Price. This may adversely affect the Bitcoin Market Price and therefore an investment in the Shares.**

The Sponsor and its affiliates rely on services provided by TradeBlock (aside from the calculation of the Index) or are otherwise interested in the success of TradeBlock. These relationships include:

- Genesis Global Trading, Inc. licenses and uses a trading software platform provided by TradeBlock to operate its bitcoin trading desk. This platform also facilitates Genesis Global Trading, Inc.'s acting as the Authorized Participant.
- Barry E. Silbert, the founder of Digital Currency Group, Inc. and an officer of the Sponsor, acts as an advisor to TradeBlock and owns less than 1.0% of TradeBlock's voting equity.
- Digital Currency Group, Inc., the sole member and parent company of the Sponsor owns approximately 1.2% of TradeBlock's voting equity and owns warrants representing approximately 1.0% of TradeBlock's voting equity.

Under the rules governing the calculation of the Bitcoin Market Price, if the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will employ an alternative method to determine the Bitcoin Market Price. Because such a determination could

reflect negatively upon TradeBlock, lead to a decrease in TradeBlock's revenue or otherwise adversely affect TradeBlock, and because of the relationships listed above the Sponsor has a conflict of interest with respect to TradeBlock.

**The methodology for determining the Bitcoin Market Price is new and untested. Such methodology may now or in the future contain inherent flaws that may adversely affect the Sponsor's ability to determine the Bitcoin Market Price and may, in turn, adversely affect the price of the Shares.**

The methodology for determining the Bitcoin Market Price established by the Sponsor is new and untested. Such methodology is based on a flexible set of rules that were designed by the Sponsor specifically for the operations of the Trust. Certain assumptions included in the methodology may be flawed and may adversely impact the Trust's ability to accurately determine the Bitcoin Market Price. The failure of one or more of the assumptions built into the Bitcoin Market Price methodology could have an adverse effect on the Trust and on the value of the Shares.

**The Custodian will withdraw bitcoins from the Trust to pay ordinary and extraordinary expenses, thereby reducing the number of bitcoins represented by each Share and potentially resulting in adverse tax consequences for Shareholders.**

Each outstanding Share represents a common unit of fractional undivided beneficial interest in the bitcoins held by the Trust. Investors should be aware that a gradual decline in the number of bitcoins represented by the Shares may occur regardless of whether the trading price of the Shares rises or falls in response to changes in the price of bitcoins. The Custodian will withdraw bitcoins from the Trust to pay expenses, including extraordinary expenses, reducing the number of bitcoins represented by each Share. The estimated ordinary operating expenses of the Trust, which accrue daily, are described in "Bitcoin Investment Trust — Trust Expenses." The payment of expenses by the Trust will result in a taxable event to Shareholders. See "Certain United States Federal Tax Considerations — Taxation of U.S. Shareholders" for more information.

**The Trust is a passive investment vehicle. This means that the value of the Shares may be adversely affected by Trust losses that, if the Trust had been actively managed, it might have been possible to avoid.**

The Sponsor will not actively manage the bitcoins held by the Trust. This means that the Sponsor will not sell bitcoins at times when its price is high, or acquire bitcoins at low prices in the expectation of future price increases, or take any other action that may be available to bitcoin investors to attempt to reduce the risk of losses resulting from bitcoin price decreases. Any losses sustained by the Trust will adversely affect the value of the Shares.

**The Trust is subject to risks due to its concentration in a single asset: bitcoins. Any losses suffered as a result of a decrease in the value of individual bitcoins, the Bitcoin Market Price or the Bitcoin Exchange Market generally, can be expected to reduce the value of the Shares and will not be offset by other gains if the Trust were to invest in other assets.**

Unlike certain funds that may invest in diversified assets, the Trust's investment strategy is concentrated in a single asset: bitcoins. This concentration maximizes the degree of the Trust's exposure to a variety of market risks associated with bitcoins and the Bitcoin Market. By

concentrating its investment strategy solely in bitcoins, any losses suffered as a result of a decrease in the value of individual bitcoins, the Bitcoin Market Price or the Bitcoin Exchange Market generally, can be expected to reduce the value of the Shares and will not be offset by other gains if the Trust were to invest in underlying assets that were diversified.

**If the Trust incurs expenses in USD, the Trust would be required to sell bitcoins to pay these expenses. The sale of the Trust's bitcoins to pay expenses in USD at a time of low bitcoin prices could adversely affect the value of the Shares.**

The Sponsor will sell bitcoins held by the Trust to pay Trust expenses, if any, incurred in USD, irrespective of then-current bitcoin prices. The Trust is not actively managed and no attempt will be made to buy or sell bitcoins to protect against or to take advantage of fluctuations in the price of bitcoins. Consequently, if the Trust incurs expenses in USD, the Trust's bitcoins may be sold at a time when the bitcoin price is low, resulting in a negative effect on the value of the Shares.

**The bitcoins held by the Trust are commingled and Authorized Participants have no specific rights to any specific bitcoin. In the event of the Custodian's insolvency, its assets may be inadequate to satisfy a claim by the Trust or an Authorized Participant.**

Bitcoins deposited in the Bitcoin Account are commingled with bitcoins deposited by other Authorized Participants and are held by the Custodian in the Bitcoin Account.

In the event the Custodian becomes insolvent, the Custodian's assets might not be adequate to satisfy a claim by the Trust or any Authorized Participant for the number of bitcoins deposited by the Trust or the Authorized Participant and, in such event, the Trust and any Authorized Participant will generally have no right in or to assets other than those of the Custodian.

In the case of insolvency of the Custodian, a liquidator may seek to freeze access to the bitcoins held in all accounts by the Custodian, including the Bitcoin Account. The Trust and the Authorized Participants could incur expenses and delays in connection with asserting their claims. These problems would be exacerbated by the fact that the wallets holding the bitcoins may be physically held in various jurisdictions and thus would be subject to inconsistent insolvency laws and that there is a lack of precedents for the treatment of bitcoins in bankruptcy.

## **Risks Related to the Sponsor**

**The Shareholders' limited rights of legal recourse against the Trust, the Trustee and the Sponsor and the Trust's lack of insurance protection expose the Trust and its Shareholders to the risk of loss of the Trust's bitcoins for which no person is liable.**

The Trust will not insure its bitcoins. Further, Shareholders' recourse against the Trust, the Trustee and the Sponsor is limited. Consequently, a loss may be suffered with respect to the Trust's bitcoins that is not covered by insurance and for which no entity or person is liable in damages.

**The Trust may not have adequate sources of recovery if its bitcoins are lost, stolen or destroyed.**

If the Trust's bitcoins are lost, stolen or destroyed under circumstances rendering a party liable to the Trust, the responsible party may not have the financial resources sufficient to satisfy the Trust's claim.

**The Bitcoin Exchanges and other trading venues on which bitcoins trade are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for securities, derivatives and other currencies. To the extent that the Bitcoin Exchanges or other bitcoin trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in the Bitcoin Market Price and adversely affect an investment in the Shares.**

The Bitcoin Market Price is dependent, directly or indirectly, on the prices set for bitcoins on Bitcoin Exchanges and other bitcoin trading venues, which are new and, in most cases, largely unregulated.

During the past three years, a number of Bitcoin Exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed Bitcoin Exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Bitcoin Exchanges.

While smaller Bitcoin Exchanges are less likely to have the infrastructure and capitalization that provide larger Bitcoin Exchanges with additional stability, larger Bitcoin Exchanges may be 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) and may be more likely to be targets of regulatory enforcement action. For example, in early January 2015, Bitstamp announced that approximately 19,000 bitcoin had been stolen from its operational or "hot" wallets. Further, the collapse of Mt. Gox, which filed for bankruptcy protection in Japan in late February 2014, indicated that even the largest Bitcoin Exchanges could be subject to abrupt failure with consequences for both users of a Bitcoin Exchange and the bitcoin industry as a whole.

**A risk exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of bitcoins.**

Instability in the Bitcoin Exchange market and the closure or temporary shutdown of Bitcoin Exchanges due to fraud, business failure, hackers, malware, or government-mandated regulation may reduce confidence in the Bitcoin Exchange Market and result in greater volatility in the Bitcoin Market Price. Furthermore, the closure or temporary shutdown of a constituent Bitcoin Exchange used in calculating the Bitcoin Market Price may result in a loss of confidence in the Trust's ability to determine a reasonably accurate NAV on a daily basis. These potential consequences of one or more Bitcoin Exchange's failure could adversely affect an investment in the Shares.

All of these risks and vulnerabilities that apply to Bitcoin Exchanges also apply to over-the-counter markets and derivative platforms that may be included, at the discretion of TradeBlock, in the calculation of the Index. When the Index is used to calculate the Bitcoin Market Price, the failures, closure, or manipulation of over-the-counter markets or derivative platforms could adversely affect an investment in the Shares.

**Shareholders do not have the rights enjoyed by investors in certain other financial instruments.**

As interests in a Delaware statutory trust, the Shares have none of the statutory rights normally associated with the ownership of shares of a business corporation. Apart from the rights afforded to them by federal and state securities laws, Shareholders have only those rights relative to the Trust, the Trust property and the Shares that are set forth in the Trust Agreement. In this connection, the Shareholders have limited voting and distribution rights. They do not have the right to elect directors. See "Description of the Shares" for a description of the limited rights of the Shareholders.

**Banks may not provide banking services, or may cut off banking services, to businesses that provide bitcoin-related services or that accept bitcoin as payment, which could damage the public perception of bitcoin and the utility of bitcoin as a payment system and could decrease the price of bitcoins and adversely affect an investment in the Shares.**

A number of companies that provide bitcoin-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. 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 bitcoin-related companies or companies that accept bitcoin for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide bitcoin-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 bitcoin as a payment system and harming public perception of bitcoin or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of bitcoin as a payment system and the public perception of bitcoin could be damaged if banks were to close the accounts of many or of a few key businesses providing bitcoin-related services. This could decrease the price of bitcoins and therefore adversely affect an investment in the Shares.

**The impact of geopolitical events on the supply and demand for bitcoins is uncertain.**

As an alternative to fiat currencies that are backed by central governments, digital assets such as bitcoins, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of bitcoins either globally or locally. Large-scale sales of bitcoins would result in a reduction in the Bitcoin Market Price and adversely affect an investment in the shares.

**The further development and acceptance of the cryptographic and algorithmic protocols governing the issuance of and transactions in bitcoins, which represents a new and rapidly changing industry, is subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of these protocols may adversely affect an investment in the Shares.**

The use of bitcoins to, among other things, buy and sell goods and services, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. The growth of this industry in general, and the use of bitcoins in particular, is subject to a high degree of uncertainty. The factors affecting the further development of the industry, include, but are not limited to:

- Continued worldwide growth in the adoption and use of bitcoins;
- Governmental and quasi-governmental regulation of bitcoins and other digital assets and their use, or restrictions on or regulation of access to and operation of the Bitcoin Network or similar digital asset systems;
- Changes in consumer demographics and public tastes and preferences;
- The maintenance and development of the open-source software protocol of the Bitcoin Network;
- The availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- General economic conditions and the regulatory environment relating to digital assets; and
- Negative consumer sentiment and perception of bitcoins specifically and cryptocurrencies generally.

The Trust is not actively managed and will not have any strategy relating to the development of the Bitcoin Network. Furthermore, the Sponsor cannot be certain as to the impact of the creation of the Trust and the expansion of its bitcoin holdings on the digital asset industry and the Bitcoin Network. A decline in the popularity or acceptance of the Bitcoin Network would have an adverse impact on the Bitcoin Market Price, and in turn, the price of the Shares.

**Currently, there is relatively small use of bitcoins in the retail and commercial marketplace in comparison to relatively large use by speculators, thus contributing to price volatility that could adversely affect an investment in the Shares.**

As relatively new products and technologies, bitcoins and the Bitcoin Network have not been widely adopted as a means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of bitcoin demand is generated by speculators and investors seeking to profit from the short-term or long-term holding of bitcoins. The relative lack of acceptance of bitcoins in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with bitcoins. A lack of expansion by bitcoins into retail and commercial markets, or a contraction of such use, may result in increased volatility or a reduction in the Bitcoin Market Price, either of which could adversely impact an investment in the Shares.

**Purchasing activity in the bitcoin market by market participants and those associated with the delivery of bitcoins to the Trust in exchange for Creation Baskets may cause a temporary increase in the price of bitcoins. This increase may adversely affect an investment in the Shares.**

Purchasing activity associated with acquiring bitcoins that are transferred into the Trust in connection with Creation Baskets may temporarily increase the market price of bitcoins, which may result in higher prices for the Shares. Temporary increases in the market price of bitcoins may also occur as a result of the purchasing activity of other market participants. Other market participants may attempt to benefit from the temporary increase in the market price of bitcoins that may result from increased purchasing activity of bitcoins connected with the issuance Creation Baskets. Consequently, the market price of bitcoins may decline immediately after Shares are created. If the price of bitcoins declines, the net asset value of the Shares will also decline.

**An investment in the Shares may be adversely affected by competition from other methods of investing in bitcoins.**

The Trust competes with direct investments in bitcoins and other potential financial vehicles, possibly including securities backed by or linked to bitcoins through entities similar to the Trust. Market and financial conditions, and other conditions beyond the Sponsor's control, may make it more attractive to invest in other financial vehicles or to invest in bitcoins directly, which could limit the market for the Shares and reduce the liquidity of the Shares.

**The Custodian owes no fiduciary duties to the Trust or the Shareholders, is not required to act in their best interest and could resign or be removed by the Sponsor, which would trigger early termination of the Trust.**

The Custodian is not a trustee for, and owes no fiduciary duties to, the Trust or the Shareholders. In addition, the Custodian has no duty to continue to act as the custodian of the Trust. The Custodian can terminate its role as custodian for any reason whatsoever upon the notice period as provided under the Custodian Agreement. If directed by the Sponsor, the Custodian may be terminated. In the event that the Custodian was to resign or be removed, the Trust will be terminated.

**The Trust may be required to dissolve and liquidate at a time that is disadvantageous to Shareholders.**

If the Trust is required to terminate and liquidate, such dissolution and liquidation could occur at a time which is disadvantageous to Shareholders, such as when bitcoin prices are lower than the



bitcoin prices at the time when Shareholders purchased their Shares. In such a case, when the Trust's bitcoins are sold as part of the Trust's liquidation, the resulting proceeds distributed to Shareholders will be less than if the bitcoins' prices were higher at the time of sale.

**Redemption of Shares is currently prohibited.**

At this time, Shareholders are not permitted to redeem their shares. If the Trust reintroduces a redemption program, redemptions will occur only upon the order of Authorized Participants and only in Baskets.

The Sponsor will reject a redemption order if the order is not in proper form as described in the Participant Agreement or if the fulfillment of the order might be unlawful. Any such rejection could adversely affect a Shareholder seeking to redeem shares through the Authorized Participant. For example, the resulting delay could adversely affect the value of the Shareholder's redemption distribution if the NAV were to decline during the delay. See "Creation and Redemption of Shares — Redemption Procedures." The Sponsor disclaims any liability for any loss or damage that may result from any such rejection.

**The liquidity of the Shares may be affected by the withdrawal of Authorized Participants.**

In the event that one or more Authorized Participants which has substantial interests in the Shares withdraws from participation in the Trust, the liquidity of the Shares will likely decrease, which could adversely affect the market price of the Shares.

**Bitcoins held by the Trust are not subject to FDIC or SIPC protections.**

The Trust is not a banking institution or otherwise a member of the FDIC or SIPC and, therefore, deposits held with or assets held by the Trust are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. The undivided interests in the Trust's bitcoins represented by Shares in the Trust are not insured.

**The Trust's bitcoins may be subject to loss, theft or restriction on access.**

There is a risk that some or all of the Trust's bitcoins held by the Custodian on behalf of the Trust could be lost or stolen. Access to the Trust's bitcoins could also be restricted by cybercrime (such as a DDoS Attack) against a service at which the Custodian maintains a hosted online bitcoin wallet. Any of these events may adversely affect the operations of the Trust and, consequently, an investment in the Shares.

**The Trust may not have adequate sources of recovery if its bitcoins are lost, stolen or destroyed.**

If the Trust's bitcoins are lost, stolen or destroyed under circumstances rendering a party liable to the Trust, the responsible party may not have the financial resources sufficient to satisfy the Trust's

claim. For example, as to a particular event of loss, the only source of recovery for the Trust might be limited to the Trustee or, to the extent identifiable, other responsible third parties (e.g., a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of the Trust.

**The loss or destruction of a private key required to access bitcoins may be irreversible. The Trust's loss of access to its private keys or its experience of a data loss relating to the Trust's bitcoins could adversely affect an investment in the Shares.**

Bitcoins are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which the bitcoins are held, which wallet's public key or address is reflected in the Bitcoin Network's public Blockchain. The Trust will publish the public key relating to digital wallets in use by the Trust when it verifies the receipt of bitcoin transfers and disseminates such information into the Bitcoin Network, but it will need to safeguard the private keys relating to such digital wallets. To the extent such private keys are lost, destroyed or otherwise compromised, the Trust will be unable to access its bitcoins and such private keys will not be capable of being restored by the Bitcoin Network. Any loss of private keys relating to digital wallets used to store the Trust's bitcoins could adversely affect an investment in the Shares.

**Bitcoin transactions are irrevocable and stolen or incorrectly transferred bitcoins may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect an investment in the Shares.**

Bitcoin transactions are not, from an administrative perspective, reversible without the consent and active participation of the recipient of the transaction. (In theory, bitcoin transactions may be reversible with the control or consent of a majority of processing power on the Bitcoin Network, which is practically impossible for the Trust). Once a transaction has been verified and recorded in a Block that is added to the Blockchain, an incorrect transfer of bitcoins or a theft of bitcoins generally will not be reversible and the Trust may not be capable of seeking compensation for any such transfer or theft. Although the Trust's transfers of bitcoins will regularly be made to or from the Bitcoin Account, it is possible that, through computer or human error, or through theft or criminal action, the Trust's bitcoins could be transferred in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

For example, in September 2014, the Chinese bitcoin exchange Huobi announced that it had sent approximately 900 bitcoins and 8000 litecoins (worth approximately \$400,000 at the prevailing market prices at the time) to the wrong customers, although it claimed that many customers returned the bitcoins and litecoins. To the extent that the Trust is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Trust's bitcoins through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred Trust bitcoins. The Trust will also be unable to convert or recover Trust bitcoins transferred to uncontrolled accounts. To the extent that the Trust is unable to seek redress for such error or theft, such loss could adversely affect an investment in the Shares.

**The Core Developers or other programmers could propose amendments to the Bitcoin Network's protocols and software that, if accepted and authorized by the Bitcoin Network community, could adversely affect an investment in the Shares.**

The Bitcoin Network uses a cryptographic protocol to govern the peer-to-peer interactions between computers connected to the Bitcoin Network. The code that sets forth the protocol is informally managed by a development team known as the Core Developers that was initially appointed informally by the Bitcoin Network's purported creator, Satoshi Nakamoto. The members of the Core Developers evolve over time, largely based on self-determined participation in the resource section dedicated to Bitcoin on Github.com. The Core Developers can propose amendments to the Bitcoin Network's source code through software upgrades that alter the protocols and software of the Bitcoin Network and the properties of bitcoins, including the irreversibility of transactions and limitations on the mining of new bitcoins. Proposals for upgrades and related discussions take place on online forums including GitHub.com and Bitcointalk.org. To the extent that a significant majority of the users and miners on the Bitcoin Network install such software upgrade(s), the Bitcoin Network would be subject to new protocols and software that may adversely affect an investment in the Shares.

**The open-source structure of the Bitcoin Network protocol means that the Core Developers and other contributors to the protocol are generally not directly compensated for their contributions in maintaining and developing the protocol. A failure to properly monitor and upgrade the protocol could damage the Bitcoin Network and an investment in the Shares.**

The Bitcoin Network operates based on an open-source protocol maintained by the Core Developers and other contributors, largely on the GitHub resource section dedicated to bitcoin development. As the Bitcoin Network protocol is not sold and its use does not generate revenues for its development team, the Core Developers are generally not compensated for maintaining and updating the Bitcoin Network protocol. Consequently, there is a lack of financial incentive for developers to maintain or develop the Bitcoin Network and the Core Developers may lack the resources to adequately address emerging issues with the Bitcoin Network protocol. Although the Bitcoin Network is currently supported by the Core Developers, there can be no guarantee that such support will continue or be sufficient in the future. To the extent that material issues arise with the Bitcoin Network protocol, and the Core Developers and open-source contributor community are unable to address the issues adequately or in a timely manner, the Bitcoin Network and an investment in the Shares may be adversely affected.

**If a malicious actor or botnet obtains control in excess of 50 percent of the processing power active on the Bitcoin Network, such actor or botnet could manipulate the source code of the Bitcoin Network or the Blockchain in a manner that adversely affects an investment in the Shares or the ability of the Trust to operate.**

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on the Bitcoin Network, it may be able to alter the Blockchain on which the Bitcoin Network and most bitcoin transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new bitcoins or transactions using such control. The malicious actor could "double-spend" its own bitcoins (i.e., spend the same bitcoins in more than one transaction) and prevent the confirmation of other users' transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Bitcoin Network or the

bitcoin community did not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible.

Although there are no known reports of malicious activity or control of the block chain achieved through controlling over 50% of the processing power on the network, it is believed that certain mining pools may have exceeded the 50% threshold. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of bitcoin transactions. To the extent that the bitcoin ecosystem, including the Core Developers and the administrators of mining pools, do not act to ensure greater decentralization of bitcoin mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Bitcoin Network will increase, which may adversely affect an investment in the Shares.

**As the number of bitcoins awarded for solving a block in the Blockchain decreases, the incentive for miners to continue to contribute processing power to the Bitcoin Network will transition from a set reward to transaction fees. Either the requirement from miners of higher transaction fees in exchange for recording transactions in the Blockchain or a software upgrade that automatically charges fees for all transactions may decrease demand for bitcoins and prevent the expansion of the Bitcoin Network to retail merchants and commercial businesses, resulting in a reduction in the price of bitcoins that could adversely impact an investment in the Shares.**

In order to incentivize miners to continue to contribute processing power to the Bitcoin Network, the Bitcoin Network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. This transition could be accomplished either by miners independently electing to record on the blocks they solve only those transactions that include payment of a transaction fee or by the Bitcoin Network adopting software upgrades that require the payment of a minimum transaction fee for all transactions. If transaction fees paid for the recording of transactions in the Blockchain become too high, the marketplace may be reluctant to accept bitcoins as a means of payment and existing users may be motivated to switch from bitcoins to another digital asset or back to fiat currency. Decreased use and demand for bitcoins may adversely affect their value and result in a reduction in the Bitcoin Market Price.

**If the award of bitcoins for solving blocks and transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed temporarily. A reduction in the processing power expended by miners on the Bitcoin Network could increase the likelihood of a malicious actor or botnet obtaining control in excess of 50 percent of the processing power active on the Bitcoin Network or the Blockchain, potentially permitting such actor or botnet to manipulate the Blockchain in a manner that adversely affects an investment in the Shares or the ability of the Trust to operate.**

If the award of bitcoins for solving blocks and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining and may cease their mining operations. Miners ceasing operations would reduce the collective processing power on the Bitcoin Network, which would adversely affect the confirmation process for transactions (i.e., decreasing the speed at which blocks are added to the Blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Bitcoin Network more vulnerable to a malicious actor or botnet

obtaining control in excess of 50 percent of the processing power on the Bitcoin Network. Any reduction in confidence in the confirmation process or processing power of the Bitcoin Network may adversely impact an investment in the Shares.

**To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the Blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the Bitcoin Network, which could adversely impact an investment in the Shares.**

To the extent that any miners cease to record transactions in solved blocks, such transactions will not be recorded on the Blockchain. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks; however, to the extent that any such incentives arise (e.g., a collective movement among miners or one or more mining pools forcing Bitcoin users to pay transaction fees as a substitute for or in addition to the award of new bitcoins upon the solving of a block), actions of miners solving a significant number of blocks could delay the recording and confirmation of transactions on the Blockchain. Any systemic delays in the recording and confirmation of transactions on the Blockchain could result in greater exposure to double-spending transactions and a loss of confidence in the Bitcoin Network, which could adversely impact an investment in the Shares.

**The acceptance of Bitcoin Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Bitcoin Network could result in a “fork” in the Blockchain, resulting in the operation of two separate networks until such time as the forked Blockchains are merged. The temporary or permanent existence of forked Blockchains could adversely impact an investment in the Shares.**

Bitcoin is an open source project and, although there is an influential group of leaders in the Bitcoin Network community including developers, there is no official developer or group of developers that formally controls the Bitcoin Network. Any individual can download the Bitcoin Network software and make any desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades, which are typically posted to the bitcoin development forum on GitHub.com. A substantial majority of miners and bitcoin users must consent to those software modifications by downloading the altered software or upgrade that implements the changes; otherwise, the changes do not become a part of the Bitcoin Network. Since the Bitcoin Network’s inception, changes to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent economic system. However, a developer or group of developers could potentially propose a modification to the Bitcoin Network that is not accepted by a vast majority of miners and users, but that is nonetheless accepted by a substantial population of participants in the Bitcoin Network. In such a case, and if the modification is material and/or not backwards compatible with the prior version of Bitcoin Network software, a fork in the Blockchain could develop and two separate Bitcoin Networks could result, one running the pre-modification software program and the other running the modified version (i.e., a second “bitcoin” network). Such a fork in the Blockchain typically would be addressed by community-led efforts to merge the forked Blockchains, and several prior forks have been so merged. This type of split in the Bitcoin Network could materially and adversely affect the Bitcoin Market Price (and thus the value of the Shares) and, in the worst case

scenario, harm the sustainability of the Bitcoin Network's economy.

**Intellectual property rights claims may adversely affect the operation of the Bitcoin Network and could cause termination of the Trust.**

Third parties may assert intellectual property claims relating to the operation of virtual currencies and their source code relating to the holding and transfer of such assets. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the Bitcoin Network's long-term viability or the ability of end-users to hold and transfer bitcoins may adversely affect an investment in the Shares. Additionally, a meritorious intellectual property claim could prevent the Trust and other end-users from accessing the Bitcoin Network or holding or transferring their bitcoins, which could force the Sponsor to terminate the Trust and liquidate the Trust's bitcoins (if such liquidation of the Trust's bitcoins is possible).

**The price of bitcoins may be affected by the sale of bitcoins by other vehicles investing in bitcoins or tracking bitcoin markets.**

To the extent that other vehicles investing in bitcoins or tracking bitcoin markets form and come to represent a significant proportion of the demand for bitcoins, large redemptions of the securities of those vehicles and the subsequent sale of bitcoins by such vehicles could negatively affect bitcoin prices and the price and NAV of the Shares.

**The liability of the Sponsor and the Trustee under the Trust Agreement is limited and, except as set forth in the Trust Agreement, they are not obligated to prosecute any action, suit or other proceeding in respect of any Trust property.**

The Trust Agreement provides that neither the Sponsor nor the Trustee assumes any obligation or is subject to any liability under the Trust Agreement to any Shareholder, except that they each agree to perform their respective obligations specifically set forth in the Trust Agreement without fraud, gross negligence, bad faith or willful misconduct. Additionally, the Sponsor is not obligated to, although it may in its discretion, prosecute any action, suit or other proceeding in respect of any Trust property. The Trust Agreement does not confer upon the Trustee or Shareholders the right to prosecute any such action, suit or other proceeding.

**As the Sponsor and its management have no meaningful history of operating an investment vehicle like the Trust, their experience may be inadequate or unsuitable to manage the Trust.**

The Sponsor was formed to be the Sponsor of the Trust and has no meaningful history of past performance in managing investment vehicles like the Trust. The past performances of the Sponsor's management in other investment vehicles, including their experiences in the bitcoin industry, 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 value of the Shares could decrease if unanticipated operational problems arise.**

The mechanisms and procedures governing the creation, redemption and offering of the Shares and storage of the bitcoins have been developed specifically for this product. There may be unanticipated problems or issues with respect to the mechanics of the Trust's operations that could have an adverse effect on an investment in the Shares. In addition, although the Trust is not actively "managed" by traditional methods, to the extent that unanticipated operational problems or issues arise, the Sponsor's past experience and qualifications may not be suitable for solving these problems or issues.

**Potential conflicts of interest may arise among the Sponsor and/or its affiliates and the Trust, which may be detrimental to the Trust and its Shareholders.**

The Sponsor will manage the business and affairs of the Trust. We refer to the Distributor and the Marketer collectively as the "**Affiliated Service Provider.**"

Because the Sponsor and the Affiliated Service Provider are affiliates of each other, a number of conflicts of interest may arise among the Sponsor and the Affiliated Service Provider, on the one hand, and the Trust and its Shareholders, on the other hand. As a result of these conflicts, the Sponsor and the Affiliated Service Provider may favor their own interests over the interests of the Trust and its Shareholders. These potential conflicts include, among others, the following:

- The Sponsor has a disincentive to replace the Affiliated Service Provider because of the affiliation with the Sponsor; and
- The Sponsor and the Affiliated Service Provider may, from time-to-time, have conflicting demands in respect of their obligations to the Trust and, in the future, to other clients.

Please review the section "Conflicts of Interest" for additional information regarding the conflicts of interest, including the conflict of interest between the Sponsor and TradeBlock.

**The Trust Agreement includes a provision that restricts the right of a beneficial owner of a statutory trust from bringing a derivative action.**

Under Delaware law, the right of a beneficial owner of a statutory trust (such as a Shareholder of the Trust) to bring a derivative action (i.e., to initiate a lawsuit in the name of a the statutory trust in order to assert a claim belonging to the statutory trust against a fiduciary of the statutory trust or against a third-party when the statutory trust's management has refused to do so) may be restricted by the terms of the governing instrument of the statutory trust. The Trust Agreement of the Trust provides that in addition to any other requirements of applicable law, no Shareholder shall have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not affiliates of one another and (ii) collectively hold at least 10% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding. Therefore, the terms of the Trust Agreement decreases the likelihood that a beneficial owner of the Trust will successfully assert a derivative action.

## **Risks Related to the Shares**

### **An active public market for the Shares may not develop or be sustained, and the Shares may have a volatile public trading price.**

The Shares have been qualified for public trading on the OTCQX U.S. Premier marketplace. While the Sponsor hopes to establish an active public market for the Shares, such a market may not develop or be sustained. As a result, investors may not be able to sell their Shares quickly or at the market price if trading in the Shares is not active. If a public market does develop, the number of Shares available for sale is, at least initially, anticipated to be limited. Therefore, the price of the Shares may be volatile.

### **The Sponsor will incur significant costs as a result of the Trust's qualification on the OTCQX U.S. Premier marketplace, and those costs will increase proportionately higher if the Trust becomes a fully reporting issuer under the Securities Exchange Act, and the Sponsor's management will be required to devote substantial time to compliance requirements.**

As the sponsor of a trust quoted on the OTCQX U.S. Premier marketplace, the Sponsor will incur significant legal, accounting and other expenses that it did not incur previously. In addition, the OTCQX Alternative Reporting Standards impose various requirements on issuers that require the Sponsor's management and other personnel to devote a substantial amount of time to compliance initiatives. These costs will further increase if, as and when the Trust becomes a fully reporting issuer under the Securities Exchange Act. The Sponsor intends to pay a maximum of \$600,000 towards the annual costs associated with public trading of the Shares on the OTCQX U.S. Premier marketplace. Any costs in excess of \$600,000 will be deemed Extraordinary Costs that may be payable by the Trust.

### **Restrictions on transfer and restrictions on redemption may result in losses on an investment in the Shares.**

The Shares may not be resold except in transactions exempt from registration under the Securities Act and state securities laws and any such transaction, other than a sale of Shares on the OTCQX U.S. Premier marketplace, must be approved in advance by the Sponsor. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void ab initio.

Furthermore, at this time, the Sponsor is not accepting redemption requests from Shareholders. As such, until an active secondary market develops, and a holder has held its Shares for at least one year, or the Trust is permitted to, and does, reinstate a Share redemption program, investors will be unable to (or could be significantly impeded in attempting to) sell or otherwise liquidate investments in the Shares, which could have a material adverse impact on an investment in the Shares.

Investors should consider an investment in the Shares to be an illiquid investment and should invest only if prepared to hold the Shares indefinitely.



## TRADEBLOCK XBX INDEX

In the ordinary course of business, the Trust primarily values its bitcoins by looking to the proprietary TradeBlock XBX Index (the “**Index**”), which takes into account prices set for bitcoins on certain bitcoin trading venues. Subject to the next sentence, if the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will, on a best efforts basis, contact the Index Provider in order to obtain the Bitcoin Market Price. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will employ one of the other rules available to determine the Bitcoin Market Price, as discussed above under “Description of the Trust — Bitcoin Market Price”.

### *Description of the Index*

The Index is a U.S. Dollar-denominated composite reference rate for the price of bitcoin based on the volume weighted price at trading venues selected by TradeBlock. Trading venues used to calculate the Index may include Bitcoin Exchanges, over-the-counter markets, or derivative platforms. TradeBlock uses standardized eligibility criteria to select trading venues that will be included in the Index based on guidelines such as depth of liquidity, compliance with applicable legal and regulatory requirements, data availability, domicile in the United States and acceptance of U.S. Dollar deposits. TradeBlock conducts quarterly reviews of these guidelines. To calculate the reference rate, trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalous or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set of data for the relevant trading venue, as well as recent and long-term trading volume at each venue relative to the observable set for the relevant trading venues. TradeBlock formally reevaluates this weighting algorithm quarterly, but maintains discretion in extreme circumstances which could necessitate immediate update to the algorithm or included exchanges. To calculate volume weighted price, the weighting algorithm is applied to the price and volume of all inputs for the immediately preceding 24-hour period at 4:00:00 PM, New York time on the valuation date.

The description of the Index is based on information publicly available at the Index Provider’s website at <https://tradeblock.com/markets/index/>. The Index Provider publishes the Index spot price continuously on its website noted above.

None of the information on TradeBlock’s websites is incorporated by reference into this Annual Report.

### *Changes to the Index*

TradeBlock may change the trading venues that are used to calculate the Index, or otherwise change the way in which the Index is calculated based on the periodic review schedule and expert discretion described above. TradeBlock does not have any obligation to take the needs of the Sponsor, the Trust, the shareholders, or anyone else into consideration in connection with such changes. TradeBlock is not required to publicize or explain the changes, nor to alert the Sponsor to such changes.

The TradeBlock XBX Index has a limited history. There is no guarantee that the methodology currently used by the Index will appropriately allow the Index to track the price of bitcoins in the future. Additionally, TradeBlock has discretion at any time to change the methodology, the criteria used to select trading venues from which bitcoin trading data is sourced for inclusion in the Index, and the trading venues themselves. The Index is based on various inputs which may include spot currency exchange rates, over-the-counter trade data, derivative instrument pricing, or data from other related financial products. TradeBlock does not guarantee the validity of any of these inputs, which may be subject to technological error, manipulative activity, or fraudulent reporting from their initial source. Since the Bitcoin Market Price will be set to the value of the Index (unless the other rules for calculating the Bitcoin Market Price apply), the Index could be calculated now or in the future in a way that adversely affects an investment in the Shares.

### *Certain Relationships*

TradeBlock and the Sponsor have entered into an index license agreement governing the Sponsor's use of the Index for calculation of the Bitcoin Market Price. TradeBlock may adjust the calculation methodology for the Index without notice to or consent of the Trust or its Shareholders. The Sponsor pays a monthly fee and a fee based on the NAV of the Trust to TradeBlock in consideration of its license to the Sponsor of Index-related intellectual property.

TradeBlock has licensed on a fee basis its over-the-counter market platform software to Genesis Global Trading, Inc., which serves as the Distributor, Marketer, Initial Purchaser, and sole Authorized Participant of the Trust. Genesis Global Trading, Inc., uses the software to operate its bitcoin trading desk, which Genesis Global Trading, Inc., relies upon to act as the Authorized Participant. Under this platform license agreement, Genesis Global Trading, Inc., has agreed to provide its bitcoin trade data to TradeBlock. Consequently, TradeBlock may or may not decide to include Genesis Global Trading, Inc.'s over-the-counter trading desk as a trading venue that is included in the TradeBlock XBX Index. Under this agreement, TradeBlock also provides the Index to Genesis Global Trading, Inc.

Barry E. Silbert, the founder of Digital Currency Group, Inc. and an officer of the Sponsor, acts as an advisor to TradeBlock and owns less than 1.0% of TradeBlock's voting equity.

Digital Currency Group, Inc., the sole member and parent company of the Sponsor owns approximately 1.2% of TradeBlock's voting equity and owns warrants representing approximately 1.0% of TradeBlock's voting equity.

### **Certain United States Federal Tax Considerations**

The following is a discussion of certain U.S. federal income tax considerations that generally apply to the purchase, ownership and disposition of Shares by a U.S. Shareholder (as defined below), and certain U.S. federal income that may apply to an investment in Shares by a Non-U.S. Shareholder (as defined below). The discussion below is based on the Internal Revenue Code, Treasury Regulations promulgated under the Internal Revenue Code and judicial and administrative interpretations of the Internal Revenue Code, all as in effect on the date of this

Annual Report and all of which are subject to change either prospectively or retroactively. The tax treatment of Shareholders may vary depending upon their own particular circumstances. Certain Shareholders (including broker-dealers, traders, banks and other financial institutions, insurance companies, real estate investment trusts, tax-exempt entities, Shareholders whose functional currency is not the USD or other investors with special circumstances) may be subject to special rules not discussed below. In addition, the following discussion applies only to investors who will hold Shares as “capital assets” within the meaning of Internal Revenue Code section 1221 and not as part of a straddle, hedging transaction or a conversion or constructive sale transaction. Moreover, the discussion below does not address the effect of any state, local or foreign tax law on an owner of Shares. Purchasers of Shares are urged to consult their own tax advisors with respect to all federal, state, local and foreign tax law considerations potentially applicable to their investment in Shares.

For purposes of this discussion, a “U.S. Shareholder” is a Shareholder that is:

- An individual who is treated as 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 any political subdivision thereof;
- An estate, the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source; or
- A trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (within the meaning of Internal Revenue Code section 7701(a)(30)) have the authority to control all substantial decisions of the trust, or if the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

For purposes of this discussion, a “Non-U.S. Shareholder” is a Shareholder that is not a U.S. Shareholder as defined above and that is classified for U.S. federal income tax purposes as being neither a partnership nor a “disregarded entity.” For U.S. federal income tax purposes, the treatment of any beneficial owner of an interest in an entity classified as a partnership for U.S. federal income tax purposes will generally depend upon the status of the partner and upon the activities of the partnership. Partnerships and partners in partnerships should consult their tax advisors about the U.S. federal income tax consequences of purchasing, owning and disposing of Shares. For U.S. federal income tax purposes, the assets held by any entity that is classified as a “disregarded entity” and that has a single member are generally deemed to be held directly by such member.

### **Taxation 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 Shares.

Recent amendments to the Trust Agreement were 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 of the Trust is properly treated as a grantor trust for U.S. federal income tax purposes. The Trust intends to seek a ruling from the IRS that the Trust is a grantor trust for U.S. federal income tax purposes, but there can be no assurance that the Trust will be successful in obtaining such a ruling.

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 bitcoins 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 Shares 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 Shareholders 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 35%) on its net taxable income and certain distributions made by the Trust to Shareholders 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.

### **Taxation of U.S. Shareholders**

*Characterization of Bitcoin.* The IRS recently issued Notice 2014-21 containing guidance and frequently asked questions relating to virtual currencies such as bitcoins. Under this Notice, a bitcoin will be treated as property (which may qualify for treatment as a capital asset) and not as "currency." The Notice also provides that general tax principles applicable to property transactions will apply to transactions using bitcoins.

*Basis of Shares.* In the case of Shares acquired for cash, the Shareholder's initial tax basis in its proportionate share of the Trust's assets will be equal to the cost of acquiring the Shares and the Shareholder's holding period in such assets will begin on the day following purchase. The acquisition of Shares for cash should not be a taxable event for the Shareholder. For purposes of this discussion, it is assumed that all of a Shareholder's shares are acquired on the same date and at the same price. Shareholders that acquire shares at different times and at different price are encouraged to consult their tax advisers concerning their bases and holding periods in the Trust's underlying assets.

*Sale of Bitcoins by the Trust.* When the Trust sells bitcoins, including the sale of bitcoins to pay the Trust's expenses, a Shareholder will recognize gain or loss in an amount equal to the difference between (a) the Shareholder's proportionate share of the amount realized by the Trust from the sale and (b) the Shareholder's tax basis for its proportionate share of the bitcoins sold, which gain

or loss will generally be long-term or short-term capital gain or loss. In general, a Shareholder's tax basis in bitcoins sold by the Trust will equal (a) the Shareholder's basis in all of the bitcoins held by the Trust immediately prior to the sale multiplied by (b) a fraction the numerator of which is the number of bitcoins sold and the denominator of which is the total number of the bitcoins held by the Trust immediately prior to the sale. After any sale, a Shareholder's tax basis in its pro-rata share of the bitcoins remaining in the Trust will equal (a) the Shareholder's tax basis in the bitcoins held by the Trust immediately prior to the sale, less (b) the portion of the Shareholder's basis allocable to the bitcoins sold. The Trust does not anticipate that it will make cash or in-kind distributions and, thus, Shareholders should have alternative means to pay taxes on the gain from the sale of bitcoins by the Trust.

*Sale of Shares.* Upon the sale of a Share, a Shareholder will be deemed to sell the portion of the Trust's bitcoins attributable to the Share. Accordingly, the Shareholder generally will recognize gain or loss on the sale in an amount equal to the difference between (a) the amount realized from the sale of the Share, and (b) the Shareholder's tax basis in the portion of the Trust's bitcoins attributable to the Share, determined in the manner described above. After a sale of less than all of a Shareholder's Shares, the Shareholder's tax basis in its share of the bitcoins held by the Trust will be equal to (a) the Shareholder's tax basis in its pro-rata share of the Trust's bitcoins immediately prior to the sale, less (b) the portion of the Shareholder's basis attributable to the bitcoins sold.

*Tax on Net Investment Income.* A 3.8% tax will be imposed on some or all of the net investment income of certain individuals with modified adjusted gross income of over \$200,000 (\$250,000 in the case of joint filers) and the undistributed net investment income of certain estates and trusts. For these purposes, it is expected that all or a substantial portion of a U.S. Shareholder's share of Trust income will be net investment income. In addition, certain Trust expenses may not be deducted in calculating a U.S. Shareholder's net investment income. Furthermore, because of certain netting rules, the tax on net investment income may be imposed on an amount of income that exceeds a U.S. Shareholder's economic income from its investment in the Trust.

*Brokerage Fees.* Any brokerage or other transaction fee incurred by a Shareholder in purchasing Shares will be treated as part of the Shareholder's tax basis in the underlying assets of the Trust. Similarly, any brokerage fee incurred by a Shareholder in selling Shares will reduce the amount realized by the Shareholder with respect to the sale.

*Nondeductible Expenses.* U.S. Shareholders who are individuals, estates or trusts may be required to treat some or all of the expenses of the Trust as miscellaneous itemized deductions. Individuals may deduct certain miscellaneous itemized deductions only to the extent they exceed 2% of adjusted gross income. In addition, such deductions may be subject to phase-outs and other limitations under applicable provisions of the Internal Revenue Code. Consequently, in the case of bitcoins sold to pay expenses, an individual Shareholder may have to include income from the sale without having the benefit of an offsetting deduction.

**Legislation has been introduced that would change the tax considerations of an investment in bitcoins and in the Shares. Based on this pending legislation, a bitcoin may be treated as currency for U.S. federal income tax purposes, which may produce less favorable U.S. federal income tax consequences than the consequences described above. Accordingly, each**

**Shareholder is urged to consult its tax advisor in determining the tax consequences of investing in Shares in its particular circumstances.**

### **Taxation of Non-U.S. Shareholders**

The Trust does not expect to generate taxable income except for gain (if any) upon the sale of bitcoins. A Non-U.S. Shareholder generally will not be subject to U.S. federal income tax with respect to gain recognized upon the sale or other disposition of Shares, or upon the sale of bitcoins by the Trust, unless: (1) the Non-U.S. Shareholder is an individual and is physically present in the United States for: (x) 31 days during the taxable year of the sale or other disposition, and (y) 183 days or more during the three-year period that includes the taxable year of the sale or other disposition and the two years before, calculated as follows: all of the days such shareholder was present in the taxable year of the sale or other disposition, and one-third of the such shareholder was present in the first year before the taxable year of the sale or other disposition, and one-sixth of the days such shareholder was present in the second year before the taxable year of the sale or other disposition, and (z) the gain is treated as being from United States sources; or (2) the gain is effectively connected with the conduct by the Non-U.S. Shareholder of a trade or business in the United States.

### **United States Information Reporting and Backup Withholding**

A U.S. Shareholder may be subject to United States backup withholding tax in certain circumstances unless it provides its taxpayer identification number and complies with certain certification procedures. Non-U.S. Shareholders may have to comply with certification procedures to establish that they are not a United States person in order to avoid the information reporting and backup withholding tax requirements. Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against a Shareholder's U.S. federal income tax liability and may entitle such a Shareholder to a refund, provided that the required information is furnished to the IRS.

### **1. The issuer's primary and secondary SIC Codes.**

The Trust's primary SIC Code is 6221. The Trust's secondary SIC code is 6199.

### **2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.**

The Sponsor is currently conducting operations on behalf of the Trust as described in "Description of the Trust."

### **3. Whether the issuer has at any time been a "shell company."**

The Trust has not at any time been a "shell company."

### **4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this Annual Report.**

The Sponsor of the Trust is Grayscale Investments, LLC. Xapo, Inc. is the Custodian of the Trust. Genesis Global Trading, Inc., a wholly owned subsidiary of Digital Currency Group, Inc. and a registered broker dealer, is the Marketer, and Distributor of the Trust. Genesis Global Trading, Inc. was also the Initial Purchaser and an Authorized Participant. The financial results of these entities are not included in the Trust's financial statements.

## **The Sponsor**

Grayscale Investments, LLC (formerly known as Alternative Currency Asset Management, LLC), the Sponsor, is organized as a Delaware limited liability company and established the Trust.

The Sponsor was formed on May 29, 2013 and is wholly-owned by its sole member, Digital Currency Group, Inc. (a majority-owned subsidiary of DCG Holdco, Inc.). The Sponsor is not registered with either the Securities and Exchange Commission or the Commodity Futures Trading Commission in any capacity. The Sponsor's principal place of business is 636 Avenue of the Americas, New York, New York 10011, and telephone number: 212.668.5920.

As wholly-owned by its sole member, Digital Currency Group, Inc., the Sponsor is also an affiliate of Genesis Global Trading, Inc. The Sponsor monitors the overall performance of the Trust. The Sponsor is responsible for preparing and providing periodic reports on behalf of the Trust to investors. The Sponsor is responsible for selecting and monitoring the Trust's Service Providers and may from time to time engage additional, successor or replacement Service Providers. The Sponsor or its delegate calculates and publishes the Trust's and each Share's NAV each business day as of 4:00 PM, New York time, or as soon thereafter as practicable. At the request of the Sponsor, the Custodian will withdraw bitcoins as needed to pay Trust expenses. The Sponsor will process orders for Creation and Redemption Baskets.

The Sponsor maintains a public website, [www.grayscale.co](http://www.grayscale.co), which contains information about the Trust and the Shares, and provides certain Shareholder services, such as a call center.

The Sponsor may transfer all or substantially all of its assets to an entity which 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 then be relieved of all further liability under the Trust Agreement.

The Combined Fee is 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 Fees. See "Bitcoin Investment Trust — Trust Expenses."

### **The Custodian**

Xapo, Inc., a Delaware corporation, is Custodian of the Trust and in that capacity, has entered into a Custodial Agreement with the Trust and the Sponsor. Under the Custodial Agreement, the Custodian is responsible for keeping the private key or keys that provide access to the Trust's digital wallets and vaults secure. Pursuant to a request from the Sponsor or the Trust, the Custodian has established and maintains an account with one or more wallets (the "Wallet Account") and one or more cold-storage vault accounts (the "Vault Account" and, together with the Wallet Account and any subaccounts associated therewith, the "Bitcoin Account") in the name of the Sponsor and the Trust. The Custodian deposits and withdraws bitcoins to and from the Bitcoin Account at the instruction of the Sponsor. The Custodian is responsible for administering the Bitcoin Account.

The Custodian withdraws from the Wallet Account the number of bitcoins necessary to pay the Trust expenses provided for in the Trust Agreement and any otherwise unpaid expenses thereunder. In the event that the Combined Fee and the Extraordinary Fee, if any, plus other Trust expenses, if any, exceed the bitcoin balance of the Wallet Account, the Custodian will withdraw additional bitcoins from the Vault Account to pay the excess.

Under the Custodial Agreement, the Custodian must indemnify the Trust and Sponsor for damages arising out of or caused by the Custodian and the Sponsor and Trust's reasonable reliance on the Custodian's untrue representations and warranties. The Custodian must also indemnify the Sponsor and Trust from any loss or damage caused by any employee, agent, representative or independent contractor engaged by the Custodian, whether or not such act or omission occurred within the scope of his employment or engagement.

The Custodian will be paid a fee by the Sponsor as described in the section "Bitcoin Investment Trust — Trust Expenses."

### **The Initial Purchaser and Authorized Participant**

Genesis Global Trading, Inc., a Delaware corporation, was the Initial Purchaser and the Authorized Participant. The Initial Purchaser and the Authorized Participant entered into the Initial Purchaser Agreement and a Participant Agreement, respectively.

Authorized Participants who make deposits of bitcoins with the Trust in exchange for Creation Baskets receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. No Authorized Participant has any obligation or responsibility



to the Sponsor or the Trust to effect any sale or resale of Shares. Authorized Participants may realize significant profits buying, selling, creating and redeeming Shares as a result of changes in the value of Shares or bitcoins. In particular, an Authorized Participant may profit from the “spread” (or difference) between the prices at which it purchases and sells Shares and bitcoins (or obtains Shares or bitcoins through the creation and redemption of Baskets). For example, when creating Shares, an Authorized Participant may deposit bitcoins with the Trust that it has acquired at a price that is lower than the current Bitcoin Market Price and thus receive Shares with a value greater than the Authorized Participant’s cost of acquiring the deposited bitcoins. Similarly, an Authorized Participant may sell Shares to a customer from its inventory at a price higher than the Authorized Participant’s cost in acquiring such Shares. As another example, when redeeming Shares, an Authorized Participant may receive bitcoins and then hold them for later resale at a profit if the price of bitcoins increases. The frequent and significant fluctuations in the price of bitcoins increases the extent to which an Authorized Participant may profit from its transactions in Shares and bitcoins. As of the date of this Annual Report, the only Authorized Participant is Genesis Global Trading, Inc., an affiliate of the Sponsor.

### **The Distributor and Marketer**

Genesis Global Trading, Inc., a Delaware corporation, is the Distributor and the Marketer for both distribution transactions and secondary market transactions in the Shares.

The Distributor and Marketer is a registered broker-dealer with the SEC and is a member of the Financial Industry Regulatory Authority, Inc.

The Distributor and Marketer assists the Sponsor in developing an ongoing marketing plan for the Trust, preparing marketing materials regarding the Shares, including the content on the Sponsor’s website, [www.grayscale.co](http://www.grayscale.co), executing the marketing plan for the Trust, and providing strategic and tactical research on the global bitcoin market. The Distributor and Marketer and the Sponsor are affiliates of one another. For more information about the distribution of the Shares, see “Plan of Distribution.”

The Sponsor has entered into a Distribution and Marketing Agreement with the Distributor and Marketer.

The Sponsor may determine to engage additional or successor Distributors and Marketers.

### **Conflicts of Interest**

#### *General*

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

Prospective investors should be aware that the Sponsor presently intends to assert that Shareholders have, by subscribing for Shares of the Trust, consented to the following conflicts of

interest in the event of any proceeding alleging that such conflicts violated any duty owed by the Sponsor to investors.

### *The Sponsor*

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

### *Relationship of the Sponsor to the Distributor and Marketer.*

We refer to the Distributor and Marketer collectively as the “**Affiliated Service Provider.**”

The Sponsor and the Affiliated Service Provider are affiliates of each other.

The Sponsor has a disincentive to replace the Affiliated Service Provider because of the affiliation with the Sponsor. In connection with this conflict of interest, Shareholders should understand that the Affiliated Service Provider receives fees for providing services to the Trust. Clients of the Affiliated Service Provider may pay commissions at negotiated rates which are greater or less than the rate paid by the Trust.

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

There is an absence of arm’s length negotiation with respect to some of the terms of this offering, and, where applicable, there has been no independent due diligence conducted with respect to this offering. The Sponsor will, however, not retain any Affiliated Service Provider for the Trust which the Sponsor has reason to believe would knowingly or deliberately favor any other client over the Trust.

### *Affiliated Authorized Participant*

As of the date of this Annual Report, the only Authorized Participant is Genesis Global Trading, Inc., an affiliate of the Sponsor and the Affiliated Service Provider. As a result of this affiliation, the Sponsor has an incentive to resolve questions between an affiliated Authorized Participant, on the one hand, and the Trust and Shareholders, on the other hand, in favor of the affiliated

Authorized Participant (including, but not limited to, questions as to the composition of the Creation Basket Bitcoin Amount and the Redemption Basket Bitcoin Amount).

#### *Proprietary Trading/Other Clients*

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

#### *Relationships of TradeBlock, which calculates the Index, with the Sponsor, Distributor, Marketer, Initial Purchaser, Authorized Participant, and management of the Sponsor*

The Sponsor and its affiliates rely on services provided by TradeBlock (aside from the calculation of the Index) or are otherwise interested in the success of TradeBlock. These relationships include:

- Barry E. Silbert, the founder of Digital Currency Group, Inc. and an officer of the Sponsor, acts as an advisor to TradeBlock and owns less than 1.0% of TradeBlock's voting equity.
- Digital Currency Group, Inc., the sole member and parent company of the Sponsor owns approximately 1.2% of TradeBlock's voting equity and warrants representing approximately 1.0% of TradeBlock's voting equity.
- Genesis Global Trading, Inc. licenses and uses a trading software platform provided by TradeBlock to operate its bitcoin trading desk. This platform also facilitates Genesis Global Trading, Inc.'s acting as the Authorized Participant.

Under the rules governing the calculation of the Bitcoin Market Price, if the Sponsor determines in good faith that the Index does not reflect an accurate bitcoin price, then the Sponsor will employ an alternative method to determine the Bitcoin Market Price. Because such a determination could reflect negatively upon TradeBlock, lead to a decrease in TradeBlock's revenue or otherwise adversely affect TradeBlock, and because of the relationships listed above the Sponsor has a conflict of interest with respect to TradeBlock.

#### **5. The effect of existing or probable governmental regulations on the business.**

Please refer to the section entitled "Risk Factors – Risks relating to Our Business – Regulatory Risks" for a discussion of the effect of existing or probable governmental regulations on the Trust's business.

#### **6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.**

Not applicable.

**7. Costs and effects of compliance with environmental laws (federal, state and local).**

Not applicable.

**8. The number of total employees and number of full-time employees.**

The Trust has no employees. The Sponsor has four employees.

**Item 9. The nature of products and services offered.**

**A. Principal products or services, and their markets.**

Not applicable.

**B. Distribution methods of the products or services.**

Not applicable.

**C. Status of any publicly announced new product or service.**

Not applicable.

**D. Competitive business conditions, the issuer's competitive position in the industries, and methods of competition.**

Not applicable.

**E. Sources and availability of raw materials and the names of principal suppliers.**

Not applicable.

**F. Dependence on one or a few major customers.**

Not applicable.

**G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.**

Not applicable.

**H. The need for any government approval of principal products or services and the status of any requested government approvals.**

See the discussion set forth under the heading "The effect of existing or probable governmental regulations on the business" above.

**Item 10. The nature and extent of the issuer's facilities.**

The principal office of the Sponsor is located at 636 Avenue of the Americas, New York, New York 10011. The Sponsor utilizes a portion of approximately 6,105 square feet leased by DCG Holdco, Inc. The lease expires on June 30, 2022.

## **PART D. MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION**

**Item 11. The name of the chief executive officer, members of the board of directors, as well as control persons.**

### **Management of the Sponsor**

The following individuals are the officers of the Sponsor responsible for overseeing the business and operations of the Trust:

#### ***Barry E. Silbert, Chief Executive Officer***

Barry Silbert is the Chief Executive Officer of the Sponsor and the founder of Digital Currency Group, Inc. (“DCG”) which builds and supports bitcoin and blockchain companies through its insights, network and access to capital. In addition, Mr. Silbert is the CEO of Grayscale Investments, LLC and the creator of the Bitcoin Investment Trust. Starting in 2012, Barry became one of the first and most active investors in the bitcoin space, providing seed funding for Coinbase, Ripple, BitPay and a number of other companies who have gone on to define the industry.

Prior to DCG, Mr. Silbert founded SecondMarket, which was acquired by NASDAQ in 2015. Before becoming an entrepreneur, Mr. Silbert was an investment banker at Houlihan Lokey and graduated with honors from the Goizueta Business School of Emory University. Barry has received several honors including being named Entrepreneur of the Year by Ernst & Young and Crain’s and being selected to Fortune’s prestigious “40 under 40” list.

#### ***Simcha Wurtzel, VP, Finance and Controller***

Simcha Wurtzel is Vice President, Finance and Controller of the Sponsor and the Vice President of Finance and Controller of the Digital Currency Group, Inc. and its wholly owned subsidiary, Grayscale Investments, LLC. From 2007 to 2015, Mr. Wurtzel served as the Financial and Operations Principal for SecondMarket Holdings, Inc. Prior to working at SecondMarket Holdings, Inc., Mr. Wurtzel was a Senior Accountant at Liberty Media’s Starz! Entertainment division where he held specific responsibilities for studios producing series television and theatrical feature films. Mr. Wurtzel holds a B.S. degree in accounting from Touro College, New York.

### **Executive Compensation**

The Trust has no employees or directors and is managed by the Sponsor. None of the officers or members of the Sponsor receive compensation from the Trust. The Sponsor receives a Combined Fee, which accrues daily at an annual rate of 2% of the NAV of the Trust, at such times as determined in the Sponsor’s sole discretion and is generally expected to occur monthly in arrears. For the years ended December 31, 2015 and 2014, the Sponsor earned \$741,575 and 1,044,505, respectively in management fees from the Trust.

### **Compensation of Directors**

Not applicable.

### **Business Address**

The business address for each of the Sponsor's officers is c/o Grayscale Investments, LLC, 636 Avenue of the Americas, New York, New York 10011.

**B. Legal/Disciplinary History**

None.

**C. Disclosure of Family Relationships**

None.

**D. Disclosure of Related Party Transactions**

See the discussion set forth under the heading "Conflicts of Interest" above.

**Item 12. Financial information for the issuer's most recent fiscal period.**

The Trust's audited financial statements as of and for the periods ended December 31, 2015 and December 31, 2014 are attached as exhibits to this Annual Report. The historical results presented herein are not necessarily indicative of financial results to be achieved in future periods. The Trust's audited financial statements attached as exhibits to this Annual Report are incorporated herein by reference and are considered as part of this Annual Report.

**Item 13. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

See the discussion set forth under "Financial information for the issuer's most recent fiscal period" above.

**Item 14. Beneficial Owners.**

Not applicable.

**Item 15. The name, address, telephone number, and email address of each of the following outside providers that provide services to the issuer on matters relating to operations, business development and disclosure.**

**1. Counsel**

Andrew D. Thorpe, Esq.  
Orrick, Herrington & Sutcliffe LLP  
The Orrick Building  
405 Howard Street  
San Francisco, California 94105  
Telephone: (415) 773-5970  
Facsimile: (415) 773-5759  
Email: athorpe@orrick.com

## **2. Independent Auditor**

Friedman LLP  
100 Eagle Rock Ave. Suite 200  
East Hanover, NJ 07936  
Telephone: 973-929-3500

**3. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this Annual Report - the information shall include the telephone number and email address of each advisor.**

Not applicable.

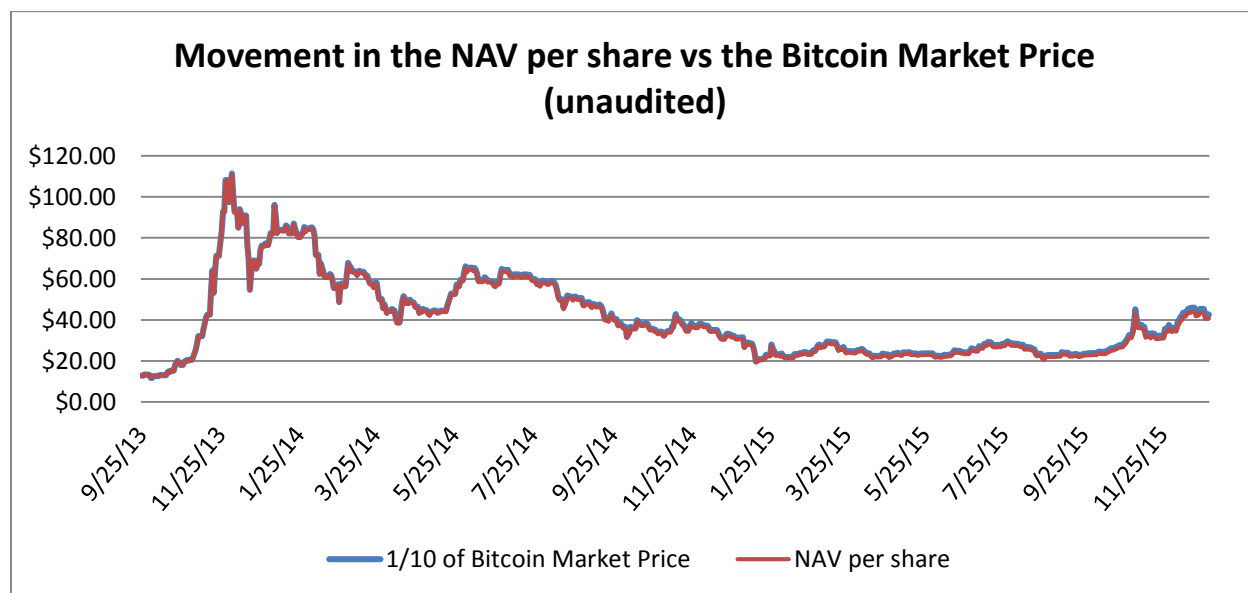


**Item 16. Management’s Discussion and Analysis.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and related notes included elsewhere in this Annual Report. The discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” or in other sections of this Annual Report.*

The Trust is a Delaware statutory trust that was formed on September 13, 2013. The Trust is a passive entity that does not have any officers, directors, or employees, and is managed and administered by the Sponsor. The Trust holds bitcoins and, from time to time, issues Creation Baskets in exchange for deposits of bitcoins and distributes bitcoins in connection with Redemption Baskets. As a passive investment vehicle, the investment objective of the Trust is for the Shares to reflect the performance of the price of bitcoins, less the liabilities of the Trust, including estimated accrued expenses. The Shares are designed to provide investors with a cost effective and convenient way to invest in bitcoin. The Trust is not managed like a business corporation or an active investment vehicle.

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following table illustrates the movement in the NAV of the Shares since September 25, 2013 through December 31, 2015:



For more information about how we determine the NAV of the Shares, see “Description of the Trust — Net Asset Value” above.

## Critical Accounting Policies

### *Valuation of Bitcoin*

Bitcoins are held by the Custodian on behalf of the Trust and are carried, for financial statement purposes, at fair value, as required by GAAP. The Trust determines the fair value of bitcoins based on the price provided by the bitcoin exchange the Trust considers its primary market at the close of business at 4:00 PM, New York time. The cost basis of the investment in bitcoin recorded by the Trust is the fair value of bitcoin at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. In day-to-day operations however, a non-GAAP procedure is used to determine NAV and Bitcoin Market Price, which are calculated using a weighted average calculated across multiple bitcoin exchanges.

### *Investment Company Considerations*

The Trust is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 946. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Review of Financial Results

### *Financial Highlights*

(All amounts in the following table and the subsequent paragraphs, except per share, are in 000s of US\$)

	<u>For the year ended December 31, 2015</u>	<u>For the year ended December 31, 2014</u>
Net realized and change in unrealized gains (loss) ...	15,761	(40,795)
Net increase/(decrease) in net assets resulting from operations .....	15,019	(41,840)
Net assets.....	60,939	42,796

Net realized gain and change in unrealized appreciation for the year ended December 31, 2015 was \$15,761, which includes a realized loss of \$414 on the sale of bitcoins to pay expenses. Net assets increased to \$60,939 at December 31, 2015, a 42.39% increase for the period. The increase in net assets resulted primarily from bitcoin price appreciation.

Net realized loss and change in unrealized depreciation for the year ended December 31, 2014 was \$40,795, which includes a realized gain of \$522 on the sale of bitcoins to pay expenses and bitcoins distributed on the redemption of Shares. Net assets decreased to \$42,796 at December 31, 2014, a

16.16% decrease for the period. The decrease in net assets resulted primarily from bitcoin price decline.

#### *Off-Balance Sheet Arrangements*

The Trust is not a party to any off-balance sheet arrangements.

#### *Cash Resources and Liquidity*

The Trust has not had a cash balance at any time since inception. When selling bitcoins to pay expenses, the Sponsor endeavors to sell the exact number of bitcoins needed to pay expenses in order to minimize the Trust's holdings of assets other than bitcoin. As a consequence, we expect that the Trust will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period.

In exchange for a fee, the Sponsor has agreed to assume most of the expenses incurred by the Trust. As a result, the only ordinary expense of the Trust during the periods covered by this Annual Report was the Sponsor's fee. The Trust's only source of liquidity is its sales of bitcoins. The Trust is not aware of any trends, demands, conditions or events that are reasonably likely to result in material changes to its liquidity needs.

#### **Quantitative and Qualitative Disclosures about Market Risk**

The Trust Agreement does not authorize the Trustee to borrow for payment of the Trust's ordinary expenses. The Trust does not engage in transactions in foreign currencies which could expose the Trust or holders of Shares to any foreign currency related market risk. The Trust invests in no derivative financial instruments and has no foreign operations or long-term debt instruments.

## Selected Supplemental Data

(All bitcoin balances are rounded to the nearest whole bitcoin)	For the year ended December 31, 2015	For the year ended December 31, 2014
<b>Bitcoins:</b>		
Opening balance.....	134,777	69,735
Creations .....	9,040	75,942
Redemptions.....	0	(8,840)
Expense Payouts.....	(2,716)	(2,060)
Closing balance .....	<u>141,101</u>	<u>134,777</u>
Bitcoin Market Price .....	<u>\$425.32</u>	<u>\$312.58</u>
NAV (a) .....	<u>\$60,013,166</u>	<u>\$42,128,728</u>
<b>Number of Shares:</b>		
Opening balance.....	1,382,400	701,100
Creations .....	94,100	770,900
Redemptions.....	0	(89,600)
Closing balance .....	<u>1,476,500</u>	<u>1,382,400</u>

(a) The NAV used in our day-to-day operations is calculated using the Bitcoin Market Price, which is calculated using a non-GAAP methodology where the volume-weighted average price is derived from multiple bitcoin exchanges. The net asset value presented in the consolidated financial statements hereto was \$60,938,790 and \$42,795,876 as of December 31, 2015 and 2014, respectively, as calculated using the fair value of bitcoins based on the price provided by the bitcoin exchange the Trust considers its primary market as of 4:00 p.m., New York time on the valuation date.

In the year ended December 31, 2015, an additional 94,100 Shares (941 Baskets), were created in exchange for 9,040 bitcoins, 0 Shares (0 Baskets) were redeemed in exchange for 0 bitcoins, and 2,716 bitcoins were deducted from the Trust's holdings and used by the Sponsor to settle expenses. In the year ended December 31, 2014, 770,900 Shares (7,709 Baskets) were created in exchange for 75,942 bitcoins, 89,600 Shares (896 Baskets) were redeemed in exchange for 8,840 bitcoins and 2,060 bitcoins were deducted from the Trust's holdings and used by the Sponsor to settle expenses. For accounting purposes the Trust reflects creations and the bitcoin receivable with respect to such creations on the date of receipt of a notification of a creation, but does not issue Shares until the requisite number of bitcoins is received. In connection with Share redemptions, the Trust delivers bitcoins upon receipt of Shares.

As of December 31, 2015, the Trust owned 141,101 bitcoins, with a market value of approximately \$60,013,166, based on the Bitcoin Market Price of \$425.32 on December 31, 2015.

## Historical Bitcoin Prices

As movements in the price of bitcoins are expected to directly affect the price of the Shares, investors should understand recent movements in the price of bitcoin. Investors, however, should also be aware that past movements in the bitcoin price are not indicators of future movements.

The following chart provides historical background on the price of bitcoins. The chart illustrates movements in the price of bitcoin over the period from January 1, 2013 to December 31, 2015, and is based on the price reported by Bitstamp (or as reported by Bitfinex for the time period of January 5, 2015 through January 31, 2015 as Bitstamp suffered an operational interruption in its service) as of 4:00 pm ET on the applicable date.

During the period between inception and December 31, 2015, the bitcoin price, based on the price reported by Bitstamp (or as reported by Bitfinex for the time period of January 5, 2015 through January 31, 2015 as Bitstamp suffered an operational interruption in its service) as of 4:00 pm ET, traded between \$110.83 per bitcoin (10/2/2013) and \$1,138.29 (11/30/2013) and the average was \$403.58.

The quarterly and annual average, high, low and end-of-period bitcoin prices for the three years ended December 31, 2015, 2014 and 2013, and for the period from the inception of the Trust until December 31, 2015, based on the price reported by Bitstamp (or as reported by Bitfinex for the time period of January 5, 2015 through January 31, 2015 as Bitstamp suffered an operational interruption in its service) as of 4:00 pm ET on the applicable date were:

Period	Average	High	Date	Low	Date	End of period	Last business day
Three months to March 31, 2013 .....	\$33.38	\$94.50	3/28/2013	\$12.83	1/1/2013	\$94.08	\$90.22
Three months to June 30, 2013 .....	\$115.67	\$229.50	4/9/2013	\$60.01	4/11/2013	\$89.00	\$89.97
Three months to September 30, 2013.....	\$104.48	\$131.24	8/31/2013	\$65.65	7/6/2013	\$126.24	\$126.24
Three months to December 31, 2013 .....	\$493.45	\$1,138.29	11/30/2013	\$110.83	10/2/2013	\$733.98	\$733.98
Three months to March 31, 2014 .....	\$692.83	\$932.82	1/6/2014	\$452.74	3/30/2014	\$454.00	\$454.00
Three months to June 30, 2014 .....	\$520.41	\$666.10	6/3/2014	\$393.30	4/10/2014	\$643.41	\$643.41
Three months to September 30, 2014.....	\$534.81	\$653.90	7/1/2014	\$374.83	9/29/2014	\$392.73	\$392.73
Three months to December 31, 2014 .....	\$357.63	\$424.94	11/12/2014	\$310.00	12/30/2014	\$317.53	\$317.53
Three months to March 31, 2015 .....	\$251.70	\$316.65	1/2/2015	\$184.84	1/14/2015	\$242.92	\$242.92
Three months to June 30, 2015 .....	\$236.34	\$261.78	6/30/2015	\$216.97	4/14/2015	\$261.78	\$261.78
Three months to September 30, 2015.....	\$255.77	\$308.93	7/12/2015	\$216.24	8/24/2015	\$237.33	\$237.33
Three months to December 31, 2015 .....	\$346.07	\$469.00	11/4/2015	\$237.68	10/2/2015	\$431.88	\$431.88
Twelve months ended December 31, 2013 .....	\$187.78	\$1,138.29	11/30/2013	\$12.83	1/1/2013	\$733.98	\$733.98
Twelve months ended December 31, 2014 .....	\$525.53	\$932.82	1/6/2014	\$310.00	12/30/2014	\$317.53	\$317.53
Twelve months ended December 31, 2015 .....	\$272.68	\$469.00	11/4/2015	\$184.84	1/14/2015	\$431.88	\$431.88

---

September 13, 2013 (the inception of the Trust) to December 31, 2015 .....	\$403.58	\$1,138.29	11/30/2013	\$110.83	10/2/2013	\$431.88	\$431.88
--	----------	------------	------------	----------	-----------	----------	----------

## **PART E. ISSUANCE HISTORY**

### **Item 17. List of securities offerings and shares issued for services in the past two years.**

Information regarding securities offerings and shares issued for services in the past two years can be located on the Sponsor’s website at [www.grayscale.co](http://www.grayscale.co).

## **PART F. EXHIBITS**

### **Item 18. Material Contracts.**

#### **Custodial Agreement**

The Agreement between Sponsor, Trust and Custodian, governed by the laws of New York, establishes the Bitcoin Account and the rights and responsibilities for Sponsor, Trust, Custodian and Authorized Participants with respect to the Custodial Coins in the Bitcoin Account as well as the facilitation of transactions associated with the Custodial Coins. The Custodian, as instructed by the Authorized Participant, is authorized to accept bitcoin deposits for and make bitcoin distributions from the Bitcoin Account. The Custodian is not a trustee for Trust or the Shareholders. The Custodian is obligated to return the bitcoins to Trust on demand and in accordance with the terms and conditions of the Agreement.

Under the terms of the Agreement the Custodian will use its best efforts to keep in safe custody on behalf of Sponsor and Trust all bitcoins held in the Bitcoin Account (“**Custodial Coins**”). Pursuant to the Agreement the Bitcoin Account will be controlled at all times by or on behalf of the Custodian or on behalf of Custodian by an affiliate of Custodian. The Agreement provides that all Custodial Coins credited to the Bitcoin Account must be appropriately identified as being held for Sponsor and / or Trust, be held in a Bitcoin Account on a non-fungible basis, cannot be commingled with other bitcoins held by Custodian and cannot be deposited or held with any third-party depository, custodian, clearance system or wallet without prior written consent of Sponsor and / or Trust.

Under the Agreement, for any Bitcoin Account maintained by Custodian on behalf of Sponsor or Trust, Custodian will use best efforts to keep the private key or keys secure, and will not disclose such keys to Sponsor, Trust, or any other individual or entity except to the extent that any keys or keys are disclosed consistent with a standard of best efforts and as part of a multiple signature solution.

Trust will be able to withdraw bitcoins from the Bitcoin Account to another bitcoin account that is not maintained or controlled by Custodian; provided, however, that Trust will be able to withdraw bitcoins stored in the vault within the Vault Withdrawal Timeframes as defined in the Agreement. Except for certain prohibited activities of Trust or Sponsor as set forth in the Agreement (e.g., attempts to gain unauthorized access to Custodian’s services or bypass security features; illegal, abusive or disruptive activity or unauthorized copying, selling or reselling

Custodian's services) Custodian will not suspend Trust or Sponsor access to the Bitcoin Account, and any suspension of Trust or Sponsor access to the Bitcoin Account will constitute a breach of the Agreement. However, Custodian may restrict access or use of the Bitcoin Account by any Authorized Person, as that term is defined in the Agreement, if, in Custodian's good faith belief, such restriction is reasonably necessary to comply with Custodian's anti-money laundering programs and policies or any requirements under applicable law, and would, except with respect to Trust or Sponsor's actions that caused or contributed to such restriction, constitute a Loss as defined in the Agreement.

As provided in the Agreement, Custodian will provide to Sponsor such information as is necessary for Authorized Persons to make deposits to the Account. To support Trust's ordinary course deposits and withdrawals, which involve deposits from and withdrawals to bitcoin accounts owned by Authorized Participants, Custodian's services will allow Sponsor to receive a bitcoin address for deposits by Authorized Participants, and to initiate withdrawals to bitcoin addresses controlled by Authorized Participants. Custodian will use best efforts to design and put in place via its services a secure procedure to allow Sponsor to receive such addresses, and to facilitate such withdrawals.

The Agreement provides that Trust, Sponsor and Authorized Persons will be able to access the Bitcoin Account via Custodian's services at all times, in order to check information about the Bitcoin Account, add bitcoins to the Bitcoin Account, withdraw bitcoins from the wallet and initiate withdrawal of bitcoins from the vault, and otherwise use Custodian's services.

Under the Agreement Custodian will credit to the Bitcoin Account all bitcoins properly sent to Custodian via its services by Authorized Persons for the Bitcoin Account. Custodian will notify Trust or Sponsor and the relevant Authorized Person(s) of such receipt of Custodial Coins and of such credit to the Bitcoin Account. Such credit will be made on the same business day as the transaction is finalized by the Bitcoin Network, except that transactions finalized after 5 p.m. Eastern Time may be processed on the next business day.

The Agreement states Custodian will not allow withdrawals of any bitcoins from the Bitcoin Account except those withdrawals made by Authorized Persons. Custodian will debit from the Bitcoin Account all bitcoins withdrawn by Authorized Persons from the Bitcoin Account. Custodian will, via its services, notify Sponsor or Trust and the relevant Authorized Person(s) of such withdrawal and of such debit from the Bitcoin Account. Such debit will be made on the same business day as the transaction is finalized by the Bitcoin Network, except that transactions finalized after 5 p.m. Eastern Time may be processed on the next business day; and, provided, however, that Trust will be able to withdraw bitcoins stored in the vault within the Vault Withdrawal Timeframes as defined in the Agreement.

Trust, Sponsor and Custodian will comply with any application Security Procedures with respect to the delivery or authentication of Instructions, as those terms are defined in the Agreement, and will ensure through exercise of best efforts that any codes, passwords or similar devices are reasonably safeguarded. Under the Agreement Custodian will exercise best efforts in all Bitcoin Network transactions executed in connection with its services as contemplated by the Agreement.

Pursuant to the Agreement, Custodian cannot and does not guarantee the value of bitcoins. Custodian does not control the Bitcoin Network and therefore is not responsible for the services provided by the Bitcoin Network – in particular, verifying and confirming transactions that are submitted to the Bitcoin Network. Furthermore, Custodian cannot cancel or reverse a transaction that has been submitted to the Bitcoin Network. Once a transaction request has been submitted to the Bitcoin Network via Custodian’s services, Trust or Sponsor will subsequently not be able to cancel or otherwise modify the transaction request. Trust and Sponsor acknowledge and agree that, to the extent Custodian did not cause or contribute to a loss Trust or Sponsor suffers in connection with any bitcoin transaction initiated via Custodian’s services, Custodian will have no liability for such loss. Custodian has no control over the Bitcoin Network and therefore does not ensure that any transaction request Account Holder submits to the Bitcoin Network via Custodian’s services will be completed. Trust and Sponsor acknowledge and agree that the transaction request submitted via Custodian’s services for completion on the Bitcoin Network may not be completed, or may be substantially delayed, by the Bitcoin Network and Custodian is not responsible for any delay or any failure of completion caused by the Bitcoin Network. When Trust or Sponsor completes a transaction request via Custodian’s services, Trust or Sponsor authorizes Custodian to submit the transaction request to the Bitcoin Network in accordance with the instructions provided via Custodian’s services.

Custodian will keep appropriate records regarding its services and all records maintained pursuant to the Agreement will be retained by Custodian for such period as required by applicable law, but in no event for less than seven years. The Agreement also provides Custodian will permit to the extent it may legally do so, Trust or Sponsor auditors or third-party accountants, upon reasonable notice, to inspect, take extracts from and audit the records maintained pursuant to the Agreement. Custodian will, as soon as reasonably practicable after receipt of any audit report prepared by its internal or independent auditors provide Trust or Sponsor a copy of such report.

### *Indemnity*

Custodian and the Sponsor and Trust agree to indemnify and hold harmless each other party from and against any and all damages arising out of or caused by (whether directly or indirectly) a third-party claim relating to the nonperformance or misperformance of any Custodian, Sponsor and / or Trust of its duties and obligations under the Custodial Agreements as well as either party’s reasonable reliance on any representations or warranties made by Custodian and / or the Sponsor or Trust under the Custodial Agreement that were or become in fact untrue. Custodian further agrees to indemnify and hold harmless the Sponsor and Trust from the holding of the Custodial Coins by Custodian, including any loss or damage caused by any act or omission of any employee of Custodian or any agent, representative or independent contractor engaged by Custodian, whether or not such act or omission occurred within the scope of his employment or engagement.

### *Limitations of Liability*

Sponsor, Trust or Custodian’s total liability under the Agreement will never exceed the greater of the fair market value of the amount of Custodial Coins either at the time in which events giving rise to the liability occurred or at the time Custodian notifies Sponsor or Trust in writing or Sponsor or Trust otherwise has actual knowledge of the events causing the liability. The Custodian, Sponsor



and Trust will not be liable to each other for any indirect, incidental, special or consequential damages whether or not these losses were foreseeable.

Custodian will be entitled to rely on, and may act upon the advice of, legal counsel and accountants (who may also be advisors to Sponsor and / or Trust), in each case nationally recognized and with expertise in the relevant area, in relation to matters of law, regulation or market practice, and will not be liable to Sponsor or Trust for any action taken or omitted pursuant to such advice.

#### *Excuse of Performance*

Pursuant to the Agreement, Custodian will not be responsible or liable to Sponsor or Trust for failure or inability to perform under the Agreement or for any loss of Custodial Coins to the extent Custodian did not cause or contribute to such loss and such failure, inability or loss is attributable to circumstances beyond Custodian's reasonable control when exercising best efforts, including acts of God, terrorist activities, war, rebellion, or military or usurped power or confiscation.

Custodian will not be liable for activities it believes in good faith to be reasonably necessary to comply with requirements under applicable law, including requirements under any applicable anti-money laundering laws and regulations, except with respect to activities that are not caused or contributed to by the Sponsor or Trust's actions. The Agreement provides the Custodian will not be responsible or liable to Trust or Sponsor for failure or inability to perform if such failure is attributable to the negligence of or a material breach of the Agreement by Trust, Sponsor or any Authorized Person. Custodian is further excluded from liability for the Sponsor's, Trust's or any Authorized Person's failure to protect the confidentiality or security of any Bitcoin Account login credentials or private keys associated with Custodial Coins and an unauthorized party's access to any computer or device used by Authorized Persons to access the Account.

#### *Insurance*

Custodian must maintain third-party insurance coverage with respect to the Custodial Coins although no assurance can be given that any insurance may or may not fully or even partially cover a particular loss. This insurance will cover the risk and be in the same amount as each respective Custodian holds for its own account or for the accounts of its other customers, whichever coverage is more comprehensive. Upon request Custodian must furnish the Sponsor and / or Trust with complete copies of all its insurance policies and to the extent they exist, surety bonds and / or fidelity bonds relating to that Custodian's services.

#### *Termination*

The Agreement provides for annual, automatically renewable terms. Generally, the Custodian or the Sponsor and / or Trust may terminate the Agreement for any reason whatsoever upon 60 days written prior notice. In certain other situations, including a material breach or failure to perform obligations of the Agreement the Custodian, Sponsor and / or Trust may terminate the custodial relationship immediately after providing written notice. Upon termination the Custodian must promptly deliver or cause to be delivered when ordered by Sponsor or Trust all Custodial Coins held or controlled by Custodian to Trust as of the effective date of termination, together with such copies of the records maintained pursuant to the Agreement and as the Sponsor and / or Trust requests.

## **Trust Agreement**

The following summary describes in brief certain aspects of the operation of the Trust and the respective responsibilities of the Trustee and the Sponsor concerning the Trust and the material terms of the Trust Agreement. Please see the above section “Description of the Shares” regarding the Shares. Prospective investors should carefully review the Trust Agreement and consult with their own advisers concerning the implications to such prospective subscribers of investing in a Delaware statutory trust. Capitalized terms used in this section and not otherwise defined shall have such meanings assigned to them under the Trust Agreement.

### *Principal Office*

The Trust is organized as a statutory trust under the Delaware Statutory Trust Act. The Trust is managed by the Sponsor, whose office is located at 636 Avenue of the Americas, New York, New York 10011, and telephone number: (212) 668-5920.

### *The Trustee*

Delaware Trust Company (formerly known as CSC Trust Company of Delaware), a Delaware corporation, is the sole Trustee of the Trust. The Trustee’s principal offices are located at 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The Trustee is unaffiliated with the Sponsor. The Trustee’s duties and liabilities with respect to the offering of the Shares and the management of the Trust are limited to its express obligations under the Trust Agreement.

The rights and duties of the Trustee, the Sponsor and the Shareholders are governed by the provisions of the Delaware Statutory Trust Act and by the Trust Agreement.

The Trustee serves as the sole trustee of the Trust in the State of Delaware. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. The Trustee does not owe any other express duties to the Trust, the Sponsor or the Shareholders. The Trustee is permitted to resign upon at least one hundred eighty (180) days’ notice to the Sponsor. The Trust Agreement provides that the Trustee is indemnified by the Trust against certain expenses subject to such losses not being caused by the Trustee’s willful misconduct, bad faith or gross negligence. The Sponsor has the discretion to replace the Trustee.

The Trustee’s liability in connection with the issuance and sale of the Shares and with respect to its role as Trustee is limited solely to the express obligations of the Trustee set forth in the Trust Agreement. The Trustee is both indemnified and exculpated as provided in the Trust Agreement.

Under the Trust Agreement, the Sponsor has the exclusive management, authority and control of all aspects of the business 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 Shareholders have no voice in the day-to-day management of the business and operations of the Trust, other than certain limited voting rights as set forth in the Trust Agreement. In the course of its management of the business and affairs of the Trust, the Sponsor may, in its

sole and absolute discretion, delegate its duties under the Trust Agreement to an affiliate or affiliates of the Sponsor and retain such persons, including affiliates of the Sponsor, as it deems necessary for the efficient operation of the Trust.

The existence of a trustee should not be taken as an indication of any additional level of management or supervision over the Trust. The Trustee's only duties are to satisfy the requirements of the Delaware Statutory Trust Act that a Delaware statutory trust have at least one trustee with its principal place of business in Delaware. The Trust Agreement provides that the management authority with respect to the Trust is vested directly in the Sponsor.

The Trustee has not prepared or verified, and shall not be responsible or liable for, any information, disclosure or other statement in this Annual Report or in any other document issued or delivered in connection with the sale or transfer of the Shares. The Trust Agreement will provide that the Trustee shall not be responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the bitcoins or other assets of the Trust.

The Sponsor is obligated under the Trust Agreement to assume and pay the Trustee's fee.

#### *Fiduciary and Regulatory Duties of the Sponsor*

An investor should be aware that the Sponsor has a fiduciary responsibility to the Shareholders to exercise good faith and fairness in all dealings affecting the Trust.

As Sponsor of the Trust, the Sponsor effectively is subject to the duties and restrictions imposed on "fiduciaries" under both statutory and common law. The general fiduciary duties which would otherwise be imposed on the Sponsor (which would make the operation of the Trust as described herein impracticable due to the strict prohibition imposed by such duties on, for example, conflicts of interest on behalf of a fiduciary in its dealings with its beneficiaries), are defined and limited in scope by the disclosure of the business terms of the Trust, as set forth herein and in the Trust Agreement (to which terms all Shareholders, by subscribing to the Shares, are deemed to consent).

The Trust Agreement provides that the Sponsor and its affiliates ("**Covered Person**"), will have no liability to the Trust or to any Shareholder for any loss suffered by the Trust arising out of any action or inaction of the Covered Person if the Covered Person, in good faith, determined that such course of conduct was in the best interests of the Trust and such course of conduct did not constitute fraud, gross negligence, bad faith or willful misconduct by the Covered Person. The Trust has agreed to indemnify the Covered Person against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with the Covered Person's activities for the Trust, provided that the Covered Person was acting on behalf of or performing services for the Trust and has determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct, or a material breach of the Trust Agreement on the part of the Sponsor and any such indemnification will only be recoverable from the Trust estate.

Under Delaware law, the right of a beneficial owner of a statutory trust (such as a Shareholder of the Trust) to bring a derivative action (i.e., to initiate a lawsuit in the name of a the statutory trust in order to assert a claim belonging to the statutory trust against a fiduciary of the statutory trust or against a third-party when the statutory trust's management has refused to do so) may be

restricted by the terms of the governing instrument of the statutory trust. The Trust Agreement of the Trust provides that in addition to any other requirements of applicable law, no Shareholder shall have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not affiliates of one another and (ii) collectively hold at least 10% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding.

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 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.

There are substantial and inherent conflicts of interest in the structure of the Trust which are, on their face, inconsistent with the Sponsor's fiduciary duties. One of the purposes underlying the disclosures set forth in this Annual Report is to disclose to all prospective Shareholders these conflicts of interest so that the Sponsor may have the opportunity to obtain investors' informed consent to such conflicts. Prospective investors who are not willing to consent to the various conflicts of interest described under the section "Conflicts of Interest" and elsewhere should not invest in the Trust. The Sponsor currently intends to raise such disclosures and consent as a defense in any proceeding brought seeking relief based on the existence of such conflicts of interest.

The foregoing summary describing in general terms the remedies available to Shareholders under applicable law is based on statutes, rules and decisions as of the date of this Annual Report. This is a rapidly developing and changing area of the law. Therefore, Shareholders who believe that they may have a legal cause of action against any of the foregoing parties should consult their own counsel as to their evaluation of the status of the applicable law at such time.

#### *Recognition of the Trust in Certain States*

A number of states do not have "statutory trust" statutes such as that under which the Trust has been formed in the State of Delaware. It is possible, although unlikely, that a court in such a state could hold that, due to the absence of any statutory provision to the contrary in such jurisdiction, the Shareholders, although entitled under Delaware law to similar limitations on personal liability as stockholders in a private corporation for profit organized under the laws of the State of Delaware, are not so entitled in such state. To protect Shareholders against any loss of limited liability, the Trust Agreement provides that no written obligation may be undertaken by the Trust unless such obligation is explicitly limited so as not to be enforceable against any Shareholder personally. Furthermore, the Trust indemnifies all its Shareholders against any liability that such Shareholders might incur in addition to that of a beneficial owner.

#### *Possible Repayment of Distributions Received by Shareholders; Indemnification by Shareholders*

The Shares 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 Shareholders. However, Shareholders could be required, as a matter of bankruptcy law, to return to the estate of the Trust any distribution they received at a time when the Trust was in fact insolvent or in violation of its Trust Agreement. In addition, Shareholders agree in the Trust Agreement that they will indemnify the Trust for any harm suffered by it as a result of:

- Shareholders' actions unrelated to the business of the Trust, or
- taxes imposed on the Shares by any state, local or foreign taxing authority in which such Shareholders reside.

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

#### *Reports to Shareholders*

The Sponsor will furnish Shareholders with an annual report of the Trust within 180 calendar days after the Trust's fiscal year (or as soon as reasonably practicable thereafter) including, but not limited to, annual audited financial statements (including a statement of income and statement of financial condition), prepared in accordance with United States generally accepted accounting principles (“GAAP”) and accompanied by a report of the Independent Auditor that audited such statements.

#### *Payment of Expenses*

See “Bitcoin Investment Trust — Trust Expenses” for information regarding the payment of the Trust's monthly expenses.

#### *Actions taken to Protect the Trust*

The Sponsor may, in its own discretion, undertake any action that it considers necessary or desirable to protect the Trust or the interests of the Shareholders. The expenses incurred by the Sponsor in connection therewith (including the fees and disbursements of legal counsel) will be expenses of the Trust and are deemed to be Extraordinary Fees. The Sponsor will be entitled to be reimbursed for the Extraordinary Fees.

#### *Termination Events*

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

- a United States federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its bitcoins 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 Bitcoin Market Price;
- any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust’s reasonable efforts to convert bitcoins to USD;
- 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 unless (i) at the time there is at least one remaining Sponsor and that remaining Sponsor carries on the business of the Trust or (ii) within 90 days of such event of withdrawal all the remaining Shareholders agree in writing to continue the business of the Trust and to select, effective as of the date of such event, one or more successor Sponsors;
- Shareholders holding at least 75% of the outstanding Shares notify the Sponsor that they elect to dissolve the Trust, notice of which is sent to the Sponsor not less than ninety (90) business days prior to the effective date of dissolution; 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 Investment Company Act of 1940;
- 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 business of the Trust; or

- 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 Internal Revenue Code.

If the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within 180 days, the Trust will dissolve.

Upon dissolution of the Trust and surrender of Shares by the Shareholders, Shareholders will receive a distribution in USD or in bitcoins, at the sole discretion of the Sponsor, after the Sponsor has sold the Trust's bitcoins and has paid or made provision for the Trust's claims and obligations.

**Item 19. Articles of Incorporation and Bylaws.**

Attached as an exhibit hereto is a copy of the Third Amended and Restated Declaration of Trust and Trust Agreement of Bitcoin Investment Trust dated as of January 1, 2016.

**Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.**

Information regarding purchases of equity securities by the Trust and affiliated purchasers can be located on the Sponsor's website at [www.grayscale.co](http://www.grayscale.co).

**Item 21. Issuer's Certifications.**

**Certification**

I, Barry E. Silbert, certify that:

1. I have reviewed the Annual Report, exhibits, and all notes thereto of Bitcoin Investment Trust;
2. Based on my knowledge, this Annual Report 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 Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, 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 Annual Report.

Dated March 16, 2016

/s/ Barry E. Silbert \_\_\_\_\_

By: Barry E. Silbert

Title: Chief Executive Officer of  
Grayscale Investments, LLC



## Certification

I, Simcha Wurtzel, certify that:

1. I have reviewed the Annual Report, exhibits, and all notes thereto of Bitcoin Investment Trust;
2. Based on my knowledge, this Annual Report 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 Annual Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, 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 Annual Report.

Dated: March 16, 2016

/s/ Simcha Wurtzel

By: Simcha Wurtzel

Title: Vice President, Finance (Principal Financial Officer) of  
Grayscale Investments, LLC

Exhibit 1

Audited Financial Statements for the years ended December 31, 2015 and December 31, 2014

**FINANCIAL STATEMENTS**

**Bitcoin Investment Trust**  
**For the Years Ended December 31, 2015 and 2014**  
**With Report of Independent Registered Public Accounting Firm**

Bitcoin Investment Trust™

Bitcoin Investment Trust  
Index to Financial Statements

Report of Independent Registered Public Accounting Firm .....	F-2
Statements of Assets and Liabilities .....	F-3
Schedules of Investment .....	F-4
Statements of Operations .....	F-5
Statements of Changes in Net Assets.....	F-6
Notes to Financial Statements.....	F-7

# FRIEDMAN LLP<sup>®</sup>

ACCOUNTANTS AND ADVISORS

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sponsor of  
Bitcoin Investment Trust

We have audited the accompanying statements of assets and liabilities, including the schedules of investment, of the Bitcoin Investment Trust (the "Trust") as of December 31, 2015 and 2014, and the related statements of operations, and changes in net assets for each of the years in the two-year period ended December 31, 2015. These financial statements are the responsibility of the management of the Trust's Sponsor. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2015 and 2014, and the results of its operations for each of the years in the two-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

In forming our opinion we have considered the adequacy of the disclosures included in Note 7 to the financial statements concerning among other things the risks and uncertainties related to the Trust's investment in bitcoin. The risks and rewards to be recognized by the Trust associated with its investment in bitcoin will be dependent on many factors outside of the Trust's control. The currently unregulated and immature nature of the bitcoin market including clearing, settlement, custody and trading mechanisms, the dependency on information technology to sustain bitcoin continuity, as well as valuation and volume volatility all subject bitcoin to unique risks of theft, loss, or other misappropriation. Furthermore, these factors also contribute to the significant uncertainty with respect to the future viability and value of bitcoin. Our opinion is not qualified in respect to this matter.



East Hanover, New Jersey  
March 16, 2016

**Bitcoin Investment Trust**  
**Statements of Assets and Liabilities**

	December 31, 2015	December 31, 2014
(Amounts in U.S. Dollars, except share amounts)		
<b>Assets:</b>		
Investments in bitcoin, at fair value (cost \$59,742,218 and \$57,774,772 as of December 31, 2015, and December 31, 2014 respectively)	\$60,938,790	\$42,795,876
<b>Total assets</b>	<u>\$60,938,790</u>	<u>\$42,795,876</u>
<b>Liabilities:</b>		
Fees payable	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>\$60,938,790</u>	<u>\$42,795,876</u>
<b>Net Assets Consists of:</b>		
Paid-in-Capital	61,363,288	58,239,831
Accumulated net investment loss	(1,932,600)	(1,191,025)
Accumulated net realized gain/(loss) on investments	311,529	725,966
Accumulated net change in unrealized appreciation/(depreciation) on investments	1,196,573	(14,978,896)
	<u>\$60,938,790</u>	<u>\$42,795,876</u>
Shares issued and outstanding, no par value (unlimited shares authorized)	1,476,500	1,382,400
Net asset value per share	<u>\$41.27</u>	<u>\$30.96</u>

*See accompanying notes to financial statements.*

**Bitcoin Investment Trust**  
**Schedules of Investment**

December 31, 2015

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in bitcoin	141,101.20906271	\$59,742,218	\$60,938,790	100%
Total investments		<u>\$59,742,218</u>	<u>\$60,938,790</u>	<u>100%</u>

December 31, 2014

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in bitcoin	134,777.42574934	\$57,774,772	\$42,795,876	100%
Total investments		<u>\$57,774,772</u>	<u>\$42,795,876</u>	<u>100%</u>

*See accompanying notes to financial statements.*

**Bitcoin Investment Trust**  
**Statements of Operations**

	Year ended December 31, 2015	Year ended December 31, 2014
(Amounts in U.S. Dollars)		
<b>Investment income:</b>		
Investment income	\$ -	\$ -
<b>Expenses:</b>		
Management fees	741,575	1,044,505
<b>Net investment loss</b>	<u>(741,575)</u>	<u>(1,044,505)</u>
<b>Net realized gain/(loss) and change in unrealized appreciation /(depreciation) on investments:</b>		
Net realized gain/(loss) on investments	(414,437)	521,669
Net change in unrealized appreciation/(depreciation) on investments	16,175,469	(41,316,689)
<b>Net realized gain/(loss) and change in unrealized appreciation/(depreciation) on investments:</b>	<u>15,761,032</u>	<u>(40,795,020)</u>
<b>Net increase/(decrease) in net assets resulting from operations</b>	<u>\$15,019,457</u>	<u>(\$41,839,525)</u>

*See accompanying notes to financial statements.*



**Bitcoin Investment Trust**  
**Statements of Changes in Net Assets**

	Year ended December 31, 2015	Year ended December 31, 2014
(Amounts in U.S. Dollars, except change in shares outstanding)		
<b>Increase/Decrease in net assets from operations:</b>		
Net investment loss	\$ (741,575)	\$ (1,044,505)
Net realized gain/(loss) on investments	(414,437)	521,669
Net change in unrealized appreciation/(depreciation) on investments	<u>16,175,469</u>	<u>(41,316,689)</u>
Net increase/decrease in net assets resulting from operations	<u>15,019,457</u>	<u>(41,839,525)</u>
<b>Increase in net assets from capital share transactions:</b>		
Shares issued	3,123,457	37,893,930
Shares redeemed	-	<u>(4,304,392)</u>
Net increase in net assets resulting from capital share transactions	<u>3,123,457</u>	<u>33,589,538</u>
Net increase/decrease in net assets from operations and capital share transactions	18,142,914	(8,249,987)
<b>Net assets:</b>		
Beginning of year	<u>42,795,876</u>	<u>51,045,863</u>
End of year	<u><u>\$ 60,938,790</u></u>	<u><u>\$ 42,795,876</u></u>
<b>Change in shares outstanding</b>		
Shares outstanding at beginning of year	1,382,400	701,100
Shares issued	94,100	770,900
Shares redeemed	-	<u>(89,600)</u>
Net increase in shares	<u>94,100</u>	<u>681,300</u>
Shares outstanding at end of year	<u><u>1,476,500</u></u>	<u><u>1,382,400</u></u>

*See accompanying notes to financial statements.*

Bitcoin Investment Trust  
Notes to Financial Statements

## 1. Organization

The Bitcoin Investment Trust (the “Trust”), a Delaware Trust that commenced operations on September 25, 2013, is an investment trust that is invested exclusively in bitcoin. The Trust holds bitcoin and, from time to time, issues shares (“Shares”) (in minimum denominations of 100, referred to as “Baskets”) in exchange for deposits of bitcoin and distributes bitcoin in connection with redemptions of Baskets. Shares of the Trust represent common units of fractional undivided beneficial interests in the Trust. The investment objective of the Trust is for the Shares to reflect the performance of the market price of bitcoin, less the Trust’s expenses.

Grayscale Investments LLC (“Grayscale” or the “Sponsor”) (formerly known as Alternative Currency Asset Management, LLC) acts as the sponsor of the Trust and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Sponsor monitors the overall performance of the Trust. Grayscale is responsible for preparing and providing quarterly reports on behalf of the Trust to investors. Grayscale is also responsible for selecting and monitoring the Trust’s service providers. As payment for its services, Grayscale charges the Trust a management fee as discussed in Note 6.

Authorized Participants of the Trust are the only entities who may place orders to create or redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or the “Authorized Participant”) (formerly known as SecondMarket, Inc.), a registered broker dealer and wholly owned subsidiary of DCG, serves as the Trust’s sole Authorized Participant and is party to a participant agreement with the Sponsor and the Trust. The participant agreement provides the procedures for the creation and redemption of Baskets and for the delivery of bitcoins required for creation or redemption.

The custodian of the Trust (the “Custodian”) is responsible for safeguarding the bitcoin held by the Trust. The Custodian through August 8, 2015 was DCG Holdco, Inc. (“DCG Holdco”) (formerly known as SecondMarket Holdings, Inc.) On August 9, 2015, Xapo, Inc. (“Xapo”) became the Custodian. DCG Holdco was also the administrator of the Trust through December 2, 2014. The responsibilities of the administrator included facilitating the creations and redemptions of Baskets as well as other responsibilities. As of December 2, 2014, the role of the administrator of the Trust was terminated. The Sponsor assumed all responsibilities previously performed by the administrator.

The transfer agent for the Trust is Continental Stock Transfer Corporation. The responsibilities of the transfer agent are to maintain creations, redemptions, and transfers of the Trust’s shares in book form.

On March 25, 2015 the Trust received notice that its shares have been qualified for public trading on the OTCQX U.S. Premier Marketplace of the OTC Markets Group Inc. (“OTCQX”). The Trust’s trading symbol on OTCQX is “GBTC” and the CUSIP number for its shares is 09173T108.

## Bitcoin Investment Trust Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Trust:

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board Accounting Standards Codification Topic 946. The Trust is not registered under the Investment Company Act of 1940. U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Trust conducts its transactions in bitcoin, including receiving bitcoin for the creation of shares, payment of bitcoin for the redemption of shares, as well as paying its management fees. Since its inception, the Trust has not held cash or cash equivalents.

#### **Investment Transactions and Revenue Recognition**

The Trust considers its investment transactions to be the receipt of bitcoin for share creations and the payment of bitcoin for share redemptions or payment of expenses in bitcoin. The Trust records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized gains or losses on investments. Realized gains and losses are calculated using an average cost method. Realized gains and losses are recognized in connection with transactions including settling obligations for management fees in bitcoin and share redemptions.

#### **Fair Value Measurement**

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.

U.S. 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:

Bitcoin Investment Trust  
Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that 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 fair value measurement.

The availability of valuation techniques and observable inputs can vary by investment. To the extent that 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.

**December 31, 2015**

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<b><u>Balance as of December 31, 2015</u></b>
<b>Assets</b>				
Investment in bitcoin	\$ -	\$60,938,790	\$ -	\$60,938,790

**December 31, 2014**

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<b><u>Balance as of December 31, 2015</u></b>
<b>Assets</b>				
Investment in bitcoin	\$ -	\$42,795,876	\$ -	\$42,795,876

Bitcoin Investment Trust  
Notes to Financial Statements (continued)

**3. Fair Value of Bitcoin**

Bitcoin is held by the Custodian on behalf of the Trust and is carried at fair value. As of December 31, 2015, and December 31, 2014 the Trust held 141,101.20906271 and 134,777.42574934 bitcoin respectively. The Trust determined the fair value per bitcoin to be \$431.88 on December 31, 2015, and \$317.53 on December 31, 2014, using the price provided at 4:00 PM in New York by the bitcoin market considered to be the Trust's primary market for bitcoin. The trust regularly evaluates the available bitcoin markets, and considers its principal (or most advantageous) market to be the primary market. In the event that the primary market suffers an operational interruption and is unavailable, the trust considers the next principal (or most advantageous) market to be the primary market for such time.

For the years ended December 31, 2015 and December 31, 2014 the trust considered Bitstamp to be its primary market, with an exception for the period of January 5, 2015 through January 31, 2015 when the trust relied on pricing from Bitfinex. On January 5<sup>th</sup> Bitstamp suffered a disruption of operations, and in accordance with the Trust's procedures for determining its primary market, Bitfinex was relied upon until January 31, 2015 when the trust determined that Bitstamp was again able to be relied upon as the primary market.

The following represents the changes in quantity of bitcoin and the respective fair value

	Year ended		Year ended	
	December 31, 2015		December 31, 2014	
	Bitcoin	Fair Value	Bitcoin	Fair Value
Beginning balance	134,777.42574934	\$42,795,876	69,734.78569231	\$51,045,863
Bitcoin contributed	9,039.84724021	3,123,457	75,942.13739511	37,893,930
Bitcoin distributed for redemptions	-	-	(8,839.76661331)	(4,304,392)
Bitcoin distributed for expenses	(2,716.06392684)	(741,575)	(2,059.73072477)	(1,044,505)
Net change in unrealized appreciation/(depreciation) on investment in bitcoin	-	16,175,469	-	(41,316,689)
Net realized gain/(loss) on investment in bitcoin	-	(414,437)	-	521,669
Ending balance	<u>141,101.20906271</u>	<u>\$60,938,790</u>	<u>134,777.42574934</u>	<u>\$42,795,876</u>

## Bitcoin Investment Trust

### Notes to Financial Statements (continued)

#### **4. Creations and Redemptions of Shares**

At December 31, 2015 and December 31, 2014, there was an unlimited number of Shares authorized by the Trust. The Trust creates and redeems Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of bitcoin to the Trust or the distribution of bitcoin by the Trust. The number of bitcoins required for each creation basket or redemption basket is determined by dividing the number of bitcoins owned by the Trust at such time by the number of Shares outstanding at such time and multiplying the quotient obtained by 100.

The cost basis of investments in bitcoin recorded by the Trust is the fair value of bitcoin, as determined by the Trust, at 4:00 PM New York time on the date of transfer to the Trust by the Authorized Participant. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of each Share to investors. The Authorized Participant may realize significant profits buying, selling, creating and redeeming Shares as a result of changes in the value of Shares or bitcoins.

Effective October 28, 2014 the Trust suspended its redemption program, in which Shareholders were permitted to request the redemption of their Shares through the Authorized Participant out of concern that the redemption program was in violation of Regulation M under the Securities Exchange Act. The Authorized Participant and the Trust's sponsor are in discussions with the staff of the SEC in order to resolve the concern, although the Distributor and the Trust cannot at this time predict whether the Trust will be permitted to reinstate the Share redemption program for the benefit of Shareholders or the impact such a resolution may have on their respective activities.

#### **5. Income Taxes**

The Trust is treated as a grantor trust and the shareholders will be treated as owning proportionate interests in the Trust for U.S. Federal income tax purposes. The Trust, therefore, will not be subject to U.S. Federal income tax. Instead, each shareholder will be deemed to acquire and hold a proportionate interest in the Trust's assets and will be required to report its proportionate share of the Trust's gains, income, losses and expenses on its U.S. Federal income tax returns in accordance with the shareholder's method of accounting. However, there can be no assurance that the IRS will agree with this conclusion and it is possible that the IRS could assert a position to the contrary to one or all of those conclusions and that a court could sustain that contrary conclusion. As of January 1, 2016, an amendment to the Trust Agreement was made regarding certain tax provisions. The Trust is seeking a private letter ruling from the IRS regarding certainty for its tax position. The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that

## Bitcoin Investment Trust

### Notes to Financial Statements (continued)

require financial statement recognition and has determined that no reserves for uncertain tax positions are required as of December 31, 2015 or December 31, 2014.

#### **6. Related Parties**

The Trust considers the following entities and their directors to be related parties of the Trust: DCG, DCG Holdco, Genesis and Grayscale. As of December 31, 2015 and December 31, 2014, 191,741 and 202,210 shares of the Trust were held by related parties of the Trust. Following certain transactions, the number of shares held by Related Parties as of the close of business on March 15, 2016 are 207,314.

In accordance with the trust agreement, the Trust pays a management fee to the Sponsor, calculated as 2% of the net asset value, expressed in U.S. Dollars, as calculated and published by the Sponsor or its delegates (the “Combined Fee”). The Combined Fee equals an annual rate of 2% of the daily NAV of the Trust and will accrue daily in bitcoin and will be payable in bitcoins at the Sponsor’s sole discretion, which is expected to occur monthly in arrears. As consideration for its receipt of the Combined Fee, the Sponsor is obligated under the trust agreement to assume and pay the following fees and expenses of the Trust: marketing fees, custodian fees, administrator fees and sponsor fees (the “Constituent Fees”), the shareholder communications hub fee, transfer agent fee, trustee fee, expenses related to public trading on OTCQX in an amount up to \$600,000 annually (including legal and audit fees and expenses), any other legal and accounting fees, regulatory fees, printing and mailing costs, and applicable license fees (along with the Constituent Fees, the “Assumed Fees”).

The Trust may pay expenses in addition to the Combined Fee and the Assumed Fees, such as, but not limited to, taxes and governmental charges, expenses and costs of any services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders, indemnification expenses, fees and expenses related to public trading on OTCQX in excess of \$600,000 annually, and legal fees and expenses (collectively, “Extraordinary Fees”).

For the years ended December 31, 2015 and December 31, 2014, the Trust incurred management fees of \$741,575 and \$1,044,505 respectively which were paid in bitcoin. As of December 31, 2015 and December 31, 2014 there were no accrued or unpaid management fees. As of December 31, 2015, no Extraordinary Fees have been incurred by the Trust since its inception.

#### **7. Risk Factors**

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

## Bitcoin Investment Trust

### Notes to Financial Statements (continued)

The net asset value of the Trust relates directly to the value of the bitcoin held by the Trust, and fluctuations in the price of bitcoin could materially and adversely affect an investment in the shares of the Trust. The price of bitcoin has a limited history. During such history, bitcoin prices have been volatile and subject to influence by many factors including the levels of liquidity. If bitcoin markets continue to experience significant price fluctuations, the Trust may experience losses. Several factors may affect the price of bitcoin, including, but not limited to, global bitcoin supply and demand, and competition from other forms of digital currency or payments services.

The bitcoin held by the Trust are commingled and the Trust's shareholders have no specific rights to any specific bitcoin. 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 bitcoin, nor is there a central or major depository for the custody of bitcoin. There is a risk that some or all of the Trust's bitcoins could be lost or stolen. The Trust does not have insurance protection on its bitcoin which exposes the Trust and its shareholders to the risk of loss of the Trust's bitcoin. Further, bitcoin transactions are irrevocable. Stolen or incorrectly transferred bitcoin may be irretrievable. As a result, any incorrectly executed bitcoin transactions could adversely affect an investment in the Trust. As of August 9, 2015, the Trust and Sponsor have transitioned the role of the Custodian to Xapo to fulfill all custodial obligations of the Trust, which were formerly the responsibility of DCG Holdco.

To the extent private keys for bitcoin addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the bitcoin held in the associated address and the private key will not be capable of being restored by the bitcoin network. The processes by which bitcoin transactions are settled are dependent on the bitcoin 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 bitcoin.

DCG Holdco no longer serves as a custodian of the Trust in any capacity. The Sponsor's parent, an affiliate of the Trust, holds a minority interest in Xapo that represents less than 1% of Xapo's ownership.

As of the close of business on March 15, 2016 the fair value of bitcoin determined in accordance with the Trust's accounting policy was \$415.98 per bitcoin.



Bitcoin Investment Trust  
Notes to Financial Statements (continued)

**8. Financial Highlights Per Share Performance**

	Year ended December 31, 2015	Year ended December 31, 2014
<b>Per Share Data:</b>		
Net asset value, beginning of year	\$30.96	\$72.81
Net increase (decrease) in net assets from investment operations		
Net investment loss	(0.53)	(0.97)
Net realized and unrealized appreciation (depreciation)	10.84	(40.88)
Net increase (decrease) in net assets resulting from operations	10.31	(41.85)
Net asset value, end of year	\$41.27	\$30.96
Total return	33.30%	-57.48%
<i>Ratios to average net assets:</i>		
Net investment loss	-1.96%	-2.03%
Expenses	-1.96%	-2.03%

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 redemption on the last day of the year.

Bitcoin Investment Trust  
Notes to Financial Statements (continued)

**9. Indemnifications**

In the normal course of business, the Trust enters into certain contracts that provide a variety of indemnities, including contracts with the Sponsor and affiliates of the Sponsor, DCG Holdco and its officers, directors, employees, subsidiaries and affiliates, and Xapo beginning August 9, 2015 (see Footnote 7 regarding the change in Custodian), as well as others relating to services provided to the Trust.

The Trust's maximum exposure under these and its other indemnities is unknown. However, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Sponsor does not consider it necessary to record a liability in this regard.

**10. Subsequent Events**

The sponsor has evaluated events through the issuance of the financial statements and determined that no other events have occurred that require disclosure. As detailed in Footnote 5, as of January 1, 2016, an amendment to the Trust Agreement was made regarding certain tax provisions. There are no known events that have occurred that require disclosure other than that which has already been disclosed in these notes to the financial statements.

Exhibit 2

Third Amended and Restated Declaration of Trust and Trust Agreement of Bitcoin Investment  
Trust dated as of January 1, 2016

**THIRD AMENDED AND RESTATED  
DECLARATION OF TRUST  
AND  
TRUST AGREEMENT  
OF  
BITCOIN INVESTMENT TRUST**

**Dated as of January 1, 2016**

**By and Among**

**GRAYSCALE INVESTMENTS, LLC**  
(formerly known as Alternative Currency Asset Management, LLC)

**DELAWARE TRUST COMPANY**  
(formerly known as CSC Trust Company of Delaware)

**and**

**THE UNITHOLDERS**

from time to time hereunder

TABLE OF CONTENTS

Page

**ARTICLE I**

**DEFINITIONS; THE TRUST**

SECTION 1.1	<i>Definitions</i> .....	1
SECTION 1.2	<i>Name</i> .....	7
SECTION 1.3	<i>Delaware Trustee; Offices</i> .....	7
SECTION 1.4	<i>Declaration of Trust</i> .....	7
SECTION 1.5	<i>Purposes and Powers</i> .....	8
SECTION 1.6	<i>Tax Treatment</i> .....	8
SECTION 1.7	<i>Legal Title</i> .....	8

**ARTICLE II**

**THE TRUSTEE**

SECTION 2.1	<i>Term; Resignation</i> .....	8
SECTION 2.2	<i>Powers</i> .....	9
SECTION 2.3	<i>Compensation and Expenses of the Trustee</i> .....	9
SECTION 2.4	<i>Indemnification</i> .....	9
SECTION 2.5	<i>Successor Trustee</i> .....	10
SECTION 2.6	<i>Liability of Trustee</i> .....	10
SECTION 2.7	<i>Reliance; Advice of Counsel</i> .....	11
SECTION 2.8	<i>Payments to the Trustee</i> .....	12

**ARTICLE III**

**UNITS; CAPITAL CONTRIBUTIONS; CREATIONS AND ISSUANCE OF CREATION BASKETS**

SECTION 3.1	<i>General</i> .....	12
SECTION 3.2	<i>Offer of Units; Procedures for Creation and Issuance of Creation Baskets</i> .....	12
SECTION 3.3	<i>Book-Entry-Only System</i> .....	14
SECTION 3.4	<i>Assets of the Trust</i> .....	14
SECTION 3.5	<i>Liabilities of the Trust</i> .....	14
SECTION 3.6	<i>Distributions</i> .....	14
SECTION 3.7	<i>Voting Rights</i> .....	15
SECTION 3.8	<i>Equality</i> .....	15

**ARTICLE IV**

**THE SPONSOR**

SECTION 4.1	<i>Management of the Trust</i> .....	15
SECTION 4.2	<i>Authority of Sponsor</i> .....	15
SECTION 4.3	<i>Obligations of the Sponsor</i> .....	16

SECTION 4.4	<i>General Prohibitions.</i>	18
SECTION 4.5	<i>Liability of Covered Persons.</i>	19
SECTION 4.6	<i>Fiduciary Duty.</i>	19
SECTION 4.7	<i>Indemnification of the Sponsor.</i>	21
SECTION 4.8	<i>Expenses and Limitations Thereon.</i>	22
SECTION 4.9	<i>Business of Unitholders.</i>	23
SECTION 4.10	<i>Voluntary Withdrawal of the Sponsor.</i>	23
SECTION 4.11	<i>Authorization of Memorandum.</i>	23
SECTION 4.12	<i>Litigation.</i>	23

## ARTICLE V

### TRANSFERS OF UNITS

SECTION 5.1	<i>General Prohibition.</i>	24
SECTION 5.2	<i>Transfer of Sponsor's Units.</i>	24
SECTION 5.3	<i>Transfer of Units.</i>	24

## ARTICLE VI

### REDEMPTIONS

SECTION 6.1	<i>Redemption of Redemption Baskets.</i>	25
SECTION 6.2	<i>Other Redemption Procedures.</i>	26

## ARTICLE VII

### THE LIMITED OWNERS

SECTION 7.1	<i>No Management or Control; Limited Liability; Exercise of Rights through a Participant.</i>	26
SECTION 7.2	<i>Rights and Duties.</i>	26
SECTION 7.3	<i>Limitation of Liability.</i>	27
SECTION 7.4	<i>Derivative Actions.</i>	28

## ARTICLE VIII

### BOOKS OF ACCOUNT AND REPORTS

SECTION 8.1	<i>Books of Account.</i>	28
SECTION 8.2	<i>Quarterly Updates, Annual Updates and Account Statements.</i>	28
SECTION 8.3	<i>Tax Information.</i>	29
SECTION 8.4	<i>Calculation of Net Asset Value.</i>	29
SECTION 8.5	<i>Maintenance of Records.</i>	29

## ARTICLE IX

### FISCAL YEAR

SECTION 9.1	<i>Fiscal Year.</i>	29
-------------	---------------------	----

**ARTICLE X**

**AMENDMENT OF TRUST AGREEMENT; MEETINGS**

SECTION 10.1 *Amendments to the Trust Agreement*..... 29  
SECTION 10.2 *Meetings of the Trust*..... 31  
SECTION 10.3 *Action Without a Meeting*..... 31

**ARTICLE XI**

**TERM**

SECTION 11.1 *Term*..... 31

**ARTICLE XII**

**TERMINATION**

SECTION 12.1 *Events Requiring Dissolution of the Trust*..... 32  
SECTION 12.2 *Distributions on Dissolution*..... 33  
SECTION 12.3 *Termination; Certificate of Cancellation*..... 34

**ARTICLE XIII**

**MISCELLANEOUS**

SECTION 13.1 *Governing Law*..... 34  
SECTION 13.2 *Provisions In Conflict With Law or Regulations*..... 35  
SECTION 13.3 *Merger and Consolidation*..... 35  
SECTION 13.4 *Construction*..... 35  
SECTION 13.5 *Notices*..... 35  
SECTION 13.6 *Counterparts*..... 36  
SECTION 13.7 *Binding Nature of Trust Agreement*..... 36  
SECTION 13.8 *No Legal Title to Trust Estate*..... 36  
SECTION 13.9 *Creditors*..... 36  
SECTION 13.10 *Integration*..... 36  
SECTION 13.11 *Goodwill; Use of Name*..... 37

**EXHIBIT A**

Form of Certificate of Trust of Bitcoin Investment Trust ..... A-1

**EXHIBIT B**

Form of Participant Agreement..... B-1

**BITCOIN INVESTMENT TRUST**  
**THIRD AMENDED AND RESTATED**  
**DECLARATION OF TRUST**  
**AND TRUST AGREEMENT**

This **THIRD AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT** of **BITCOIN INVESTMENT TRUST** is made and entered into as of the 1<sup>st</sup> day of January, 2016, by and among **GRAYSCALE INVESTMENTS, LLC** (formerly known as Alternative Currency Asset Management, LLC), a Delaware limited liability company, **DELAWARE TRUST COMPANY** (formerly known as CSC Trust Company of Delaware), a Delaware corporation, as trustee, and the **UNITHOLDERS** from time to time hereunder.

\* \* \*

**RECITALS**

**WHEREAS**, the Sponsor and the Trustee entered into the Second Amended and Restated Declaration of Trust and Trust Agreement dated as of December 26, 2014 (the “**Existing Agreement**”);

**WHEREAS**, the Sponsor and the Trustee wish to amend the Existing Agreement pursuant to Section 10.1 thereof, with such amendment to be effective immediately after the close of the 2015 calendar year.

**NOW, THEREFORE**, pursuant to Section 10.1 of the Existing Agreement, the Trustee and the Sponsor hereby amend and restate the Existing Agreement in its entirety as set forth below.

**ARTICLE I**

**DEFINITIONS; THE TRUST**

**SECTION 1.1** *Definitions.* As used in this Trust Agreement, the following terms shall have the following meanings unless the context otherwise requires:

“**Actual Exchange Rate**” means the highest exchange rate and lowest fees the Sponsor can find within a reasonable time frame in order to pay the Combined Fee 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 Fee**” means the Constituent Fees, the Shareholder Communications Hub fee, Transfer Agent fee, Trustee fee, OTCQX Fees and expenses related to public trading on OTCQX in an amount up to \$600,000 annually (including legal and audit fees and expenses), any other legal and accounting fees, regulatory fees, printing and mailing costs, and applicable license fees.

“**Basket**” means a block of 100 Units.

“**Basket Bitcoin Amount**” means the number of Bitcoins that will be required for each Creation Basket or Redemption Basket, as determined from time to time by dividing the number of Bitcoins owned by the Trust at such time by the number of Units outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying the quotient obtained by 100.

“**Bitcoin**”— means a type of a virtual currency based on an open source cryptographic protocol existing on the Bitcoin Network, and the assets underlying the Trust’s Units.

“**Bitcoin Account**” means a hot wallet which is online and connected to the internet. The Bitcoin Account is used along with the Trust Storage Account and the Trust Safekeeping Account, as applicable, to receive Creation Basket deposits from Participants. Shortly after receipt of the appropriate number of Bitcoins, the Bitcoins are then transferred to the Trust Storage Account and/or the Trust Safekeeping Account, as applicable.

“**Bitcoin Benchmark Exchanges**” shall have the meaning assigned to such term as provided in the currently effective Memorandum.

“**Bitcoin Market Price**” shall have the meaning assigned to such term as provided in the currently effective Memorandum.

“**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 Delaware pursuant to Section 3810 of the Delaware Trust Statute.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Combined Fee**” means a fee that accrues daily at an annual rate of 2% of the NAV of the Trust and is payable to the Sponsor by the Trust monthly in arrears. Calculated in USD but paid in the equivalent number of Bitcoins.

“**Combined Fee Exchange Rate**” means the exchange rate that will be used to convert the Combined Fee from USD to the appropriate number of Bitcoins. It is calculated based upon

the Bitcoin Market Price at 4:00 p.m., Eastern time in the case of daily accruals and as of the last day of each month for withdrawal and payment in arrears. The Combined Fee Exchange Rate does not include fees and expenses for converting USD into Bitcoins.

“**Constituent Fee**” means the Marketing Fee, Custodian Fee and the Sponsor Fee which collectively constitute the Combined Fee.

“**Continuous Offering**” means the continuous offering during which additional Units may be sold in Baskets pursuant to this Trust Agreement.

“**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 2711 Centerville Road, Suite 400, Wilmington, DE 19808.

“**Covered Person**” means the Sponsor and its Affiliates and their respective members, managers, directors, officers employees, agents and controlling persons.

“**Creation Basket**” means Baskets issued by the Trust in exchange for deposits of the Creation Basket Bitcoin Amount.

“**Creation Basket Bitcoin Amount**” means the number of Bitcoins that will be required for each Creation Basket, as determined from time to time by dividing the number of Bitcoins owned by the Trust at such time by the number of Units outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying the quotient obtained by 100.

“**Creation Order**” shall have the meaning assigned thereto in Section 3.2(a)(i).

“**Creation Order Date**” shall have the meaning assigned thereto in Section 3.2(a)(i).

“**Custodian**” means DCG Holdco, 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.

“**Custodian Fee**” means the paid by the Sponsor to the Custodian from the Constituent Fee.

“**DCG Holdco**” means DCG Holdco, Inc. (formerly known as SecondMarket Holdings, Inc.), a Delaware corporation.

“**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.

“**Distributor**” means SecondMarket, Inc. or any other Person from time to time engaged to provide distribution services or related services to the Trust pursuant to authority delegated by the Sponsor.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended.

“**Event of Withdrawal**” shall have the meaning set forth in Section 12.1(f) hereof.

“**Extraordinary Fee**” means, in certain extraordinary circumstances, the expenses paid by the Trust in addition to the Combined Fee and the Assumed Fees, such as, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other Service Provider) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, and extraordinary legal fees and expenses.

“**Fiscal Year**” shall have the meaning set forth in Article IX hereof.

“**Indemnified Parties**” shall have 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.

“**Limited Owner**” means any person or entity who is or becomes an owner of Units of the Trust.

“**Liquidating Trustee**” shall have the meaning assigned thereto in Section 12.2.

“**Marketer**” means SecondMarket, Inc. or any other Person from time to time engaged to provide marketing services or related services to the Trust pursuant to authority delegated by the Sponsor.

“**Marketing Fee**” means a fee paid by the Sponsor to the Marketer from the Constituent Fee.

“**Memorandum**” means the Confidential Private Placement Memorandum, 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 Bitcoin Market Price.
2. Multiply the Bitcoin Market Price by the Trust’s aggregate number of Bitcoins owned as of 4:00 p.m., Eastern time on the immediately preceding day.
3. Add the dollar value of the Bitcoins receivable under pending Creation Baskets.
4. Add the accrued but unpaid interest, if any and the value of other Trust assets, if any.
5. Subtract the accrued but unpaid Combined Fee (and Extraordinary Fee, if any).

6. Subtract the dollar value of the Bitcoins payable under pending Redemption Baskets.

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

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

**“Net Asset Value Per Basket”** means the product obtained by multiplying the Net Asset Value Per Unit by the number of Units comprising a Basket at such time.

**“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.

**“Participant”** means a Person that (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Sponsor and the Trust, and (iii) has access to an Participant Self-Administered Account.

**“Participant Agreement”** means an agreement among the Trust, the Sponsor and a Participant, substantially in the form of Exhibit B hereto, as it may be amended or supplemented from time to time in accordance with its terms.

**“Participant Self-Administered Account”** means a Bitcoin wallet address previously known to the Custodian as belonging to the Participant.

**“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.

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

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

**“Redemption Basket”** means Baskets of Units redeemed in exchange for Bitcoins in an amount equal to the Redemption Basket Bitcoin Amount.

**“Redemption Basket Bitcoin Amount”** means the number of Bitcoins that will be required for each Redemption Basket, as determined from time to time by dividing the number of Bitcoins owned by the Trust at such time by the number of Units outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying the quotient obtained by 100.

**“Redemption Order”** shall have the meaning assigned thereto in Section 6.1(a).

**“Redemption Order Date”** shall have the meaning assigned thereto in Section 6.1(a).

**“Shareholder Communications Hub”** means SM Systems, Inc. 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.

**“Sponsor”** means Grayscale Investments, LLC (formerly known as Alternative Currency Asset Management, LLC), or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

**“Sponsor Fee”** means the remaining amount, if any, paid to the Sponsor after the Constituent Fees and/or Assumed Fees from the Combined Fee have been paid first.

**“Transfer Agent”** means Continental Stock Transfer Corporation 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 Bitcoin Investment 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 Third Amended and Restated 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 Bitcoins where they are readily accessible and available to pay Redemption Baskets and 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 Bitcoins where they are not readily accessible and can only be accessed as provided by the rules of the Custodian.

**“Trustee”** means Delaware Trust Company (formerly known as CSC Trust Company of Delaware), 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 Bitcoins on deposit in the Trust’s accounts, and all proceeds from the sale of Bitcoin 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.

“**Unitholders**” means the Sponsor and all Limited Owners, as holders of Units, where no distinction is required by the context in which the term is used.

“**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 Limited Owner.

#### SECTION 1.2 *Name.*

(a) The name of the Trust is “Bitcoin Investment Trust” in which name the Trustee and the Sponsor cause the Trust to carry out its purposes as set forth in Section 1.5, make and execute contracts and other instruments in the name and on behalf of the Trust and sue and be sued in the name and on behalf of the Trust.

#### SECTION 1.3 *Delaware Trustee; Offices.*

(a) The sole Trustee of the Trust is Delaware Trust Company, which is located at the Corporate Trust Office or at such other address in the State of Delaware as the Trustee may designate in writing to the 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.

(b) The principal office of the Trust, and such additional offices as the Sponsor may establish, shall be located at such place or places inside or outside the State of Delaware as the Sponsor may designate from time to time in writing to the Trustee and the Unitholders. Initially, the principal office of the Trust shall be at c/o Grayscale Investments, LLC, 636 Avenue of the Americas, 6<sup>th</sup> Floor, New York, New York 10011.

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 Bitcoin in accordance with Article III hereof, to distribute Bitcoin upon redemptions of Units in accordance with Article VI hereof, 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 Bitcoin or cash from the sale of Bitcoin, 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 private letter ruling issued to the Trust or to the Sponsor on behalf of the Trust, this amendment of the Trust Agreement shall be treated for U.S. federal income tax purposes, and for all applicable state and local tax purposes, as the creation of a new trust through a contribution by the prior trust of all of its assets to the new trust and the assumption by the new trust of all of the prior trust's liabilities, followed by a distribution by the prior trust of interests in the new trust in complete liquidation of the prior trust; (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.*

(a) Delaware Trust Company has been appointed and hereby agrees to serve as the Trustee of the Trust. The Trust shall have only one Trustee unless otherwise determined by the Sponsor. The Trustee shall serve until such time as the Trust is terminated or if the Sponsor removes the Trustee or the Trustee resigns. The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware 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.

(b) The Trustee is permitted to resign upon at least one hundred eighty (180) 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 Sponsor reasonable compensation for its services hereunder as set forth in a separate fee agreement and shall be entitled to be reimbursed by the Trust for reasonable out-of-pocket expenses incurred by it in the performance of its duties hereunder, including without limitation, the reasonable compensation, out-of-pocket expenses and disbursements of counsel and such other agents as the Trustee may employ in connection with the exercise and performance of its rights and duties hereunder.

**SECTION 2.4 Indemnification.**

(a) The Trust hereby agrees to be primary obligor and shall (i) compensate 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), taxes and penalties of any kind and nature whatsoever (collectively, "**Expenses**"), to the extent that such Expenses arise out of or are imposed upon or asserted at any time against such Indemnified Persons with respect to the performance of this Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated hereby; provided, however, that the Trust shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of an Indemnified Person. If the Trust shall have insufficient assets or improperly refuses to pay an Indemnified Person within 60 days of a request for payment owed hereunder, DCG Holdco shall, as secondary obligor, compensate or reimburse the Trustee or indemnify, defend and hold harmless an Indemnified Person as if it were the primary obligor



hereunder; provided, however, that DCG Holdco 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, DCG Holdco prior to the final disposition of any matter upon receipt by DCG Holdco 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.

(b) As security for any amounts owing to the Trustee hereunder, the Trustee shall have a lien against the Trust property, which lien shall be prior to the rights of the Sponsor, DCG Holdco or any other beneficial owner of the Trust. The obligations of DCG Holdco and the Trust to indemnify the Indemnified Persons under this Section 3 shall survive the termination of this Trust Agreement.

SECTION 2.5 *Successor Trustee.* Upon the resignation or removal of the Trustee, the Sponsor shall appoint a successor Trustee by delivering a written instrument to the outgoing Trustee. Any successor Trustee must satisfy the requirements of Section 3807 of the Delaware Trust Statute. The successor Trustee shall become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee under this Trust Agreement, with like effect as if originally named as Trustee, and the outgoing Trustee shall be discharged of its duties and obligations under this Trust Agreement. Any business entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, to the fullest extent permitted by law without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 2.6 *Liability of Trustee.* Except as otherwise provided in this Article, in accepting the trust created hereby, Delaware Trust Company acts solely as Trustee hereunder and not in its individual capacity, and all Persons having any claim against Delaware Trust Company by reason of the transactions contemplated by this Trust Agreement and any other agreement to which the Trust is a party shall look only to the Trust Estate for payment or satisfaction thereof. The Trustee shall not be liable or accountable hereunder to the Trust or to any other Person or under any other agreement to which the Trust is a party, except for the Trustee's own fraud, gross negligence, bad faith or willful misconduct. In particular, but not by way of limitation:

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

(b) The Trustee has not prepared or verified, and shall not be responsible or liable for, any information, disclosure or other statement in the Memorandum or in any other document issued or delivered in connection with the sale or transfer of the Shares;

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

(d) 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;

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

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

(g) 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;

(h) 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;

(i) 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;

(j) 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

(k) 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.

(l) The Trustee shall not be liable for punitive, exemplary, consequential or similar damages for a breach of the Trust Agreement under any circumstances.

**SECTION 2.7** *Reliance; Advice of Counsel.* 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.

### **ARTICLE III**

#### **UNITS; CAPITAL CONTRIBUTIONS; CREATIONS AND ISSUANCE OF CREATION BASKETS**

**SECTION 3.1** *General.* The Sponsor shall have the power and authority, without Limited Owner 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 one-hundred-millionth of one Bitcoin. 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 solely in exchange for contributions of Bitcoin (or for no consideration if pursuant to a Unit dividend or split-up), all without action or approval of the Limited Owners. 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 Creation and Issuance of Creation Baskets.*

(a) General. The following procedures, as supplemented by the more detailed procedures specified in the Exhibits, annexes, attachments and procedures, as applicable, to the Participant Agreement, which may be amended from time to time in accordance with the provisions of the Participant Agreement (and any such amendment will not constitute an amendment of this Trust Agreement), will govern the Trust with respect to the creation and issuance of Creation Baskets. Subject to the limitations upon and requirements for issuance of Creation Baskets stated herein and in such procedures, the number of Creation Baskets which may be issued by the Trust is unlimited.

(i) On any Business Day, a Participant may deposit the Basket Bitcoin Amount with the Custodian and submit an order to create a Basket (a “**Creation Order**”) for Creation Baskets from the Trust via notification to the Sponsor or its delegate in the manner provided in the Participant Agreement. Creation Orders must be received by 6:00 p.m., Eastern time on a Business Day (the “**Creation Order Date**”). The Sponsor or its delegate will process Creation Orders only from Participants with respect to which the Participant Agreement is in full force and effect. The Sponsor or its delegate will maintain and make available at the Trust’s principal offices during normal business hours a current list of the Participants with respect to which the Participant Agreement is in full force and effect.

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

(iii) After receiving the Creation Basket Bitcoin Amount and accepting a Participant’s Creation Order, the Sponsor or its delegate will have the Transfer Agent credit the Creation Baskets to fill the Participant’s Creation Order within one Business Day immediately following the Creation Order Date.

(iv) Determination of required deposits. The Creation Basket Bitcoin Amount required for a Creation Basket will be determined by dividing the number of Bitcoins owned by the Trust at such time by the number of Units outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying the quotient obtained by 100 and the number of Creation Baskets. The Sponsor or its delegate has final determination of all questions as to the composition of the Creation Basket Bitcoin Amount.

(v) Delivery of required deposits. A Participant who places a Creation Order shall deliver the Creation Basket Bitcoin Amount to the Bitcoin Account, the Trust Storage Account or the Trust Safekeeping Account, at the Custodian's instruction, by no later than 6:00 p.m., Eastern time on the Creation Order Day. The Participant shall initiate delivery of the Creation Basket Bitcoin Amount from the Participant Self-Administered Account. Deposits other than those received from a Participant Self-Administered Account shall be rejected. The expense and risk of delivery, ownership and safekeeping of Bitcoins, until such Bitcoins have been received by the Trust, shall be borne solely by the Participant. Upon receipt of the Creation Basket Bitcoin Amount, the Custodian shall transfer the Creation Bitcoin Basket Amount to the Trust Storage Account or the Trust Safekeeping Account, as applicable. The Sponsor or its delegate shall then direct the Transfer Agent to credit the number of Creation Baskets ordered to the Participant's account on the next Business Day after the Creation Order Date.

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

(b) Rejection. The delivery of the Baskets against deposit of the Creation Basket Bitcoin Amount may be suspended generally, or refused with respect to particular requested creations, 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 Creation Order or Creation Basket Bitcoin 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 to credit or debit the number of Creation or Redemption Baskets to the applicable Participant. The Transfer Agent shall issue or cancel each Participant's Creation Basket or Redemption Basket, as applicable.

(b) 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 as the Sponsor may determine, 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.

(b) 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 Section 3.6(a).

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 proportionate vote based upon the product of the Net Asset Value Per Unit multiplied by the number of Units, or fraction thereof, standing 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 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 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 and to take any other action and execute and deliver any certificate or documents that may be necessary to effectuate such trading; and

(g) In the sole and absolute discretion of the Sponsor, to admit an Affiliate or Affiliates of the Sponsor as additional Sponsors. Notwithstanding the foregoing, the Sponsor may not admit Affiliate(s) of the Sponsor as an additional Sponsor if it has received notice of its removal as a Sponsor, pursuant to Section 7.2(d).

**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 Limited Owners;

(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) Enter into a Participant Agreement with each Participant and discharge the duties and responsibilities of the Trust and the Sponsor thereunder;
- (j) Receive directly or through its delegates from Participants and process properly submitted Creation Orders, as described in Section 3.2(a);
- (k) In connection with Creation Orders, receive directly or through its delegates the number of Bitcoins in an amount equal to the Creation Basket Bitcoin Amount from Participants;
- (l) In connection with Creation Orders, after receiving the Creation Basket Bitcoin Amount and accepting a Participant's Creation Order, the Sponsor or its delegate will direct the Transfer Agent to credit the Creation Baskets to fill the Participant's Creation Order within one Business Day immediately following the Creation Order Date;
- (m) Receive directly or through its delegates from Participants and process properly submitted Redemption Orders, as described in Section 6.1(a), or as may from time to time be permitted by Section 6.2;
- (n) In connection with Redemption Orders, after receiving the Redemption Order specifying the number of Redemption Baskets that the Participant wishes to redeem and confirming the Participant Self-Administered Account information, the Sponsor or its delegates instructs the Custodian to send the Participant a number of Bitcoins equal to the Redemption Basket Bitcoin Amount and directs the Transfer Agent to debit the number of Redemption



Baskets redeemed from the Participant'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 Bitcoin upon the issuance or sale of Units;

(b) Hold any property other than Bitcoins or cash from the sale of Bitcoins;

(c) Redeem the Units other than to fund a redemption request from a Participant, as provided in Section 4.10 or Section 5.2 or upon the dissolution of the Trust;

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

(e) Create, incur, assume or suffer to exist any lien, mortgage, pledge conditional sales or other title retention agreement, charge, security interest or encumbrance, except liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established;

(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;

(h) 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 sixty (60) 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;

(i) Enter into any exclusive brokerage contract; 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 Limited Owner 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 4.5 herein. The provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties and liabilities of the Sponsor otherwise existing at law or in equity are agreed by the parties hereto to replace such other duties and liabilities of the Sponsor. To the fullest extent permitted by law, no person other than the Sponsor and the Trustee shall have any duties (including fiduciary duties) or liabilities at law or in equity to the Trust and the Limited Owners 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.*

(a) The Sponsor shall be indemnified by the Trust against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with its activities for the Trust, provided that (i) the Sponsor was acting on behalf of or performing services for the Trust and has determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct, or a material breach of this Trust Agreement on the part of the Sponsor and (ii) any such indemnification will 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 Limited Owner or the legal action is initiated by a Limited Owner 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 Limited Owner's (or assignee's) obligations or liabilities unrelated to Trust business, such Limited Owner (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) Combined Fee.

(i) The Trust shall pay a combined fee ("**Combined Fee**") which accrues daily at an annual rate of 2% of the NAV of the Trust and is payable to the Sponsor monthly in arrears.

(ii) Although the Combined Fee is calculated in USD, the Combined Fee shall be paid in the equivalent number of Bitcoins monthly in arrears. The exchange rate that shall be used to convert the Combined Fee from USD to the appropriate number of Bitcoins shall be calculated based upon the Bitcoin Market Price at 4:00 p.m., Eastern time in the case of daily accruals and as of the last day of each month for withdrawal and payment in arrears ("**Combined Fee Exchange Rate**"). The Combined Fee Exchange Rate does not include fees and expenses for converting USD into Bitcoins.

(iii) After converting the Combined Fee from USD into the required number of Bitcoins based upon the Actual Exchange Rate (as defined below), the Sponsor, its delegates, or the Custodian shall withdraw the corresponding number of Bitcoins from the Trust Storage Account.

(iv) In order to pay the Combined Fee in USD, the Sponsor may be required to convert the Combined Fee, as reflected by the appropriate number of Bitcoins, into USD. The Sponsor shall use its best efforts within a reasonable time frame in order to seek the highest exchange rate and lowest fees ("**Actual Exchange Rate**"). It is expected that the Combined Fee Exchange Rate and the Actual Exchange Rate may differ.

(v) At the Sponsor's election and upon agreement from the Administrator, the Sponsor may elect to (i) direct its delegates or the Custodian to withdraw the Bitcoin amount comprising the Combined Fee, (ii) convert the Combined Fee to USD and (iii) pay such dollar amount to the Sponsor, who will then pay itself as well as the relevant Constituent Fees and Assumed Fees (as defined below). Alternatively, the Sponsor may elect to (i) direct its delegates or the Custodian to withdraw the Bitcoin amount comprising the Combined Fee, (ii) convert the Combined Fee to USD and (iii) pay certain Constituent Fees and/or Assumed Fees from the Combined Fee and the remaining amount, if any, to the Sponsor.

(vi) As consideration for receipt of the Combined Fee, the Sponsor shall assume and pay the following fees and expenses of the Trust: the Marketing Fee, Custodian Fee and the Sponsor Fee (the "**Constituent Fees**"), the Shareholder Communications Hub fee, Transfer Agent fee, Trustee fee, OTCQX Fees and expenses

related to public trading on OTCQX in an amount up to \$600,000 annually (including legal and audit fees and expenses), any other legal and accounting fees, regulatory fees, printing and mailing costs, and applicable license fees (along with the Constituent Fees, the “**Assumed Fees**”).

(b) Extraordinary Fee.

(i) In certain extraordinary circumstances, the Trust may pay expenses in addition to the Combined Fee and the Assumed Fees, such as, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other Service Provider) on behalf of the Trust to protect the Trust or the interests of Unitholders, indemnification expenses, fees and expenses related to public trading on OTCQX in excess of \$600,000 annually, and extraordinary legal fees and expenses (collectively, “**Extraordinary Fees**”).

(c) The Sponsor, its delegates or the Custodian shall withdraw Bitcoins as needed from the Trust Storage Account to pay the Combined Fees (as well as the Extraordinary Fees, if any).

(d) 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 Limited Owners and the Trustee. If the withdrawing Sponsor is the last remaining Sponsor, Limited Owners holding Units equal to at least a majority (over 50%) of the Shares (not including Units held by the Sponsor) may vote to elect and appoint, effective as of a date on or prior to the withdrawal, a successor Sponsor who shall carry on the business of the Trust. 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 Limited Owner (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 Limited Owners, 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

### TRANSFERS OF UNITS

SECTION 5.1 *General Prohibition.* A Limited Owner 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.* Upon an Event of Withdrawal (as defined in Section 12.1(f)), 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 Limited Owners, of their right to vote thereon, if the transaction is other than with an Affiliated entity, nothing in this Trust Agreement shall be deemed to prevent the merger of the Sponsor with another corporation or other entity, the reorganization of the Sponsor into or with any other corporation or other entity, the transfer of all the capital stock of the Sponsor or the assumption of the rights, duties and liabilities of the Sponsor by, in the case of a merger, reorganization or consolidation, the surviving corporation or other entity by operation of law 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.* The Units are “restricted securities” that cannot be resold without registration under the Securities Act and state securities laws or exemption therefrom and may not be transferred or resold without the prior written consent of the Sponsor, which it may withhold in its sole discretion for any reason or for no reason.

## ARTICLE VI

### REDEMPTIONS

SECTION 6.1 *Redemption of Redemption Baskets.* The following procedures, as supplemented by the more detailed procedures specified in the attachment to the Participant Agreement, which may be amended from time to time in accordance with the provisions of the Participant Agreement (and any such amendment will not constitute an amendment of this Trust Agreement), will govern the Trust with respect to the redemption of Redemption Baskets.

(a) On any Business Day, a Participant may submit an order to redeem a Basket (a “**Redemption Order**”) for Redemption Baskets from the Trust that the Participant wishes to redeem and also confirms the Participant Self-Administered Account information via notification to the Sponsor or its delegate in the manner provided in the Participant Agreement. Redemption Orders must be received by 6:00 p.m., Eastern time on a Business Day (the “**Redemption Order Date**”). The Sponsor or its delegate will process Redemption Orders only from Participants with respect to which the Participant Agreement is in full force and effect.

(b) If the Redemption Order is accepted, then the Sponsor or its delegates shall instruct the Custodian to send the Participant a number of Bitcoins equal to the Redemption Basket Bitcoin Amount and shall also direct the Transfer Agent to debit the number of Redemption Baskets redeemed from the Participant’s account on the next business day after the Redemption Order Date.

(c) Determination of redemption amounts. The Redemption Basket Bitcoin Amount required for a Redemption Basket shall be determined by dividing the number of Bitcoins owned by the Trust at such time by the number of Units outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying the quotient obtained by 100 and the number of Redemption Baskets. The Sponsor or its delegate has final determination of all questions as to the composition of the Redemption Basket Bitcoin Amount.

(d) Delivery of redemption amounts. The Redemption Basket Bitcoin Amount due from the Trust is delivered to the Participant as directed in the Participant’s Participant Agreement.

(i) The Redemption Basket Bitcoin Amount from the Trust shall be transferred by the Custodian from the Trust Storage Account or the Trust Safekeeping Account, as applicable, to the Participant Self-Administered Account, after giving effect to all estimated accrued but unpaid expenses by no later than 6:00 p.m., Eastern time on the next Business Day after the Creation Order Date. Redemption amounts of Bitcoins shall only be delivered to the Participant Self-Administered Account. The Participant



and the Trust shall each be at risk in respect of Bitcoins credited to their respective accounts in the event of the Custodian's insolvency. The Redemption Basket Bitcoin Amount shall be subject to the deduction of any applicable tax or other governmental charges that may be due.

(ii) The Sponsor or its delegate shall direct the Transfer Agent to cancel the number of Redemption Baskets redeemed by the Participant's account on the next Business Day after the Creation Order Date.

(iii) The Sponsor or its delegate has final determination of all questions as to the composition of the Redemption Basket Bitcoin Amount.

(e) Rejection. The Sponsor or its delegates will reject a Redemption Order if the Redemption Order is not in proper form as described in the Participant Agreement or if the fulfillment of the Redemption Order, in the opinion of its counsel, might be unlawful. The Sponsor or its delegate may suspend Redemption Orders if the Sponsor or its delegates determines, in its sole discretion, that a suspension is necessary or desirable.

SECTION 6.2 *Other Redemption Procedures*. The Sponsor or its delegates from time to time may, but shall have no obligation to, establish procedures with respect to redemption of Units in lot sizes smaller than the Redemption Basket and permitting the redemption distribution to be in a form, and delivered in a manner, other than that specified in Section 6.1.

## ARTICLE VII

### THE LIMITED OWNERS

SECTION 7.1 *No Management or Control; Limited Liability; Exercise of Rights through a Participant*. The Limited Owners 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 Limited Owner 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 Limited Owner shall be fully paid and no assessment shall be made against any Limited Owner. No salary shall be paid to any Limited Owner in his capacity as a Limited Owner, nor shall any Limited Owner 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 Limited Owner and beneficiary of the Trust and vested with beneficial undivided interest in the Trust to the extent of the Units owned beneficially by such Limited Owner, subject to the terms and conditions of this Trust Agreement.

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

(a) The Limited Owners 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 Limited Owner's interest as a beneficial owner of the Trust.

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

(d) Limited Owners holding Units representing (i) at least a majority (over 50%) of the Shares (not including Units held by the Sponsor and its Affiliates) may vote to continue the Trust as provided in Section 12.1(f), (ii) at least 75% of the Shares may remove the Sponsor on 90 days' prior written notice to the Sponsor, and (vii) at least 75% of the Shares may terminate the Trust as provided in Section 12.1.

Except as set forth above, the Limited Owners 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 Limited Owners 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 Limited Owner 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 Limited Owner's Participant 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 Limited Owner with respect to amounts distributed to such Limited Owner or amounts received by such Limited Owner upon redemption unless, under Delaware law, such Limited Owner 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 Limited Owner against any claims of liability asserted against such Limited Owner solely because he is a beneficial owner of one or more Units as a Limited Owner.

(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 Limited Owners individually but are binding only upon the assets and property of the Trust, and no resort shall be had to the Limited Owners' 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 Limited Owners 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 Limited Owner (or any duly constituted designee of a Limited Owner) 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 Limited Owner'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.* 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, as applicable.

(b) The Limited Owners will have access to the Shareholder Communications Hub, which enables the Limited Owners to view their unaudited account statements, as available.

SECTION 8.3 *Tax Information.* Appropriate tax information (adequate to enable each Limited Owner to complete and file its U.S. federal tax return) shall be delivered to each Limited Owner 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 Trustee shall comply with all United States federal withholding requirements respecting distributions to, or receipts of amounts on behalf of, Unitholders that the Trustee 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, Participant 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 1<sup>st</sup> day of January and end on the 31<sup>st</sup> day of December of each year. The first Fiscal Year of the Trust commenced on the 13<sup>th</sup> day of September 2013 and shall end on the 31<sup>st</sup> day of December 2013. 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) The Sponsor may, without the approval of the Limited Owners, make such amendments to this Trust Agreement which (i) are necessary to add to the representations, duties or obligations of the Sponsor or surrender any right or power granted to the Sponsor herein, for the benefit of the Limited Owners, (ii) are necessary to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein

or in the Memorandum, or to make any other provisions with respect to matters or questions arising under this Trust Agreement or the Memorandum which will not be inconsistent with the provisions of the Trust Agreement or the Memorandum, or (iii) the Sponsor deems advisable, provided, however, that no amendment shall be adopted pursuant to this clause 10.1(a) unless the adoption thereof (A) is not adverse to the interests of the Limited Owners; (B) is consistent with Section 1.5 and Section 4.1 hereof; and (C) does not adversely affect the limitations on liability of the Limited Owners, as described in Article VII hereof or the status of the Trust as a grantor trust for U.S. federal income tax purposes. Amendments to this document which adversely affect (i) the rights of Limited Owners, (ii) the appointment of a new Sponsor pursuant to Section 4.2(f) above, (iii) the dissolution of the Trust pursuant to Section 12.1(f) below and (iv) any material changes in the Trust's purpose or structure shall occur only upon the written approval or affirmative vote of Limited Owners holding Units equal to at least a majority (over 50%) of the Shares.

(b) Notwithstanding any provision to the contrary contained in Sections 10.1(a) hereof, the Sponsor may, without the approval of the Limited Owners, 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.

(c) 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.

(d) 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 it 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 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.

(e) To the fullest extent permitted by law, no provision of this Trust Agreement may be amended, waived or otherwise modified orally but only by a written instrument adopted in accordance with this Section.

**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 Limited Owners holding Units equal to at least 30% of the Shares. Such call for a meeting shall be deemed to have been made upon the receipt by the Sponsor of a written request from Limited Owners representing the

requisite percentage of Shares. 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 Limited Owners 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** *Events Requiring Dissolution of the Trust.* The Trust shall dissolve at any time upon the happening of any of the following events:

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

(b) 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;

(c) 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;

(d) 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 Bitcoin Market Price;

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

(f) 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 (i) at the time there is at least one remaining Sponsor or (ii) within 90 days of such Event of Withdrawal all the remaining Unitholders agree in writing to continue the business of the Trust and to select, effective as of the date of such event, one or more successor Sponsors;

(g) Unitholders holding at least 75% of the outstanding Units notify the Sponsor that they elect to dissolve the Trust, notice of which is sent to the Sponsor not less than ninety (90) Business Days prior to the effective date of dissolution; or

(h) 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:

(a) the SEC determines that the Trust is an investment company required to be registered under the Investment Company Act of 1940;

(b) the CFTC determines that the Trust is a commodity pool under the Commodity Exchange Act;

(c) the Trust becomes insolvent or bankrupt;

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

(e) the determination of the Sponsor 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;

(f) 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

(g) if the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within 180 days, the Trust will dissolve.

The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Limited Owner (as long as such Limited Owner is not the sole Limited Owner of the Trust) shall not result in the termination of the Trust, and such Limited Owner, his estate, custodian or personal representative shall have no right to withdraw or value such Limited Owner's Units. Each Limited Owner (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 (or in the event there is no Sponsor, such person (the "**Liquidating Trustee**") as the majority in interest of the Limited Owners may propose and approve) shall take full charge of the Trust Estate. Any Liquidating Trustee so appointed shall have and may exercise, without further authorization or approval of any of the parties hereto, all of the powers conferred upon the Sponsor under the terms of this Trust Agreement, subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, and provided that the Liquidating Trustee shall not have general liability for the acts, omissions, obligations and expenses of the Trust. Thereafter, in accordance with Section 3808(e) of the Delaware Trust Statute, the affairs of the Trust shall be wound up and all assets 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 Limited Owner 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. 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 Limited Owners) 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  
2711 Centerville Road, Suite 400  
Wilmington, DE 19808

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

if to the Trust, at

Bitcoin Investment Trust  
636 Avenue of the Americas, 6<sup>th</sup> Floor  
New York, New York 10011  
Attention: General Counsel of Grayscale Investments, LLC

if to the Sponsor, at

Grayscale Investments, LLC  
636 Avenue of the Americas, 6<sup>th</sup> Floor  
New York, New York 10011  
Attention: General Counsel

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 Limited Owners 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 Grayscale Investments, LLC.

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

**DELAWARE TRUST COMPANY,**  
as Trustee

By: \_\_\_\_\_  
Name:  
Title:

**GRAYSCALE INVESTMENTS, LLC,** as  
Sponsor

By: \_\_\_\_\_  
Name:  
Title:

**DCG HOLDCO, INC.,** solely with respect to  
Section 2.4

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**  
**FORM OF CERTIFICATE OF TRUST**

**CERTIFICATE OF TRUST  
OF  
BITCOIN INVESTMENT TRUST**

THIS Certificate of Trust of Bitcoin Investment Trust (the "Trust") is being duly executed and filed on behalf of the Trust by the undersigned, as trustee, to form a statutory trust under the Delaware Statutory Trust Act (12 Del. C. § 3801 et seq.) (the "Act").

1. Name. The name of the statutory trust formed hereby is Bitcoin Investment Trust.

2. Delaware Trustee. The name and business address of the trustee of the Trust in the State of Delaware are CSC Trust Company of Delaware, 2711 Centerville Road, Suite 210, Wilmington, DE 19808.

3. Effective Date. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Trust in accordance with Section 3811(a)(1) of the Act.

CSC TRUST COMPANY OF DELAWARE,  
not in its individual capacity but solely as  
Trustee of the Trust

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT B**  
**FORM OF PARTICIPANT AGREEMENT**

## FORM OF BITCOIN INVESTMENT TRUST PARTICIPANT AGREEMENT

This Participant Agreement (the “**Agreement**”), dated as of [\_\_\_\_\_] [\_\_\_], 20[\_\_\_], is entered into by and among [\_\_\_\_\_] (the “**Authorized Participant**”), Bitcoin Investment Trust, a Delaware statutory trust (the “**Trust**”), and Grayscale Investments, LLC, a Delaware limited liability company, as sponsor of the Trust (the “**Sponsor**”).

### SUMMARY

As provided in the Third Amended and Restated Declaration of Trust and Trust Agreement of the Trust dated as of January 1, 2016, as amended from time to time (the “**Trust Agreement**”), as currently in effect and described in the Confidential Private Placement Memorandum (the “**Memorandum**”), common units of fractional undivided beneficial interest in the Trust (the “**Shares**”) may be created or redeemed by the Trust for the Authorized Participant, in aggregations of 100 Shares (each aggregation, a “**Basket**”). Baskets are offered only pursuant to the Memorandum of the Trust as the same may be amended from time to time thereafter or any successor Memorandum in respect of Shares of the Trust. Under the Trust Agreement, the Sponsor is authorized to issue Baskets or delegate authority to issue Baskets, to, and accept redemptions of Baskets from, Authorized Participants. The Authorized Participant may purchase Baskets for its own account or as agent for its customers but it does not have any obligation or responsibility to the Sponsor or the Trust to affect any sale or resale of Shares. This Agreement sets forth the specific procedures by which an Authorized Participant may create or redeem Baskets.

Capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Trust Agreement. To the extent there is a conflict between any provision of this Agreement and the provisions of the Trust Agreement, the provisions of the Trust Agreement shall control. To the extent there is a conflict between any provision of this Agreement and the provisions of the Memorandum, the Memorandum shall control. For the avoidance of doubt, any action which is referred to herein as an action being taken by the Sponsor may be taken by a party whom the Sponsor has duly authorized to take such action, *provided, however*, that if there is a conflict between the Procedures (defined below) and any provision of the Trust Agreement or the Memorandum, the Procedures shall control. Additionally, any amendments to the Procedures will not require any amendments to the Trust Agreement.

To give effect to the foregoing premises and in consideration of the mutual covenants and agreements set forth below, the parties hereto agree as follows:

**Section 1. Order Placement.** To place orders to create or redeem one or more Baskets, the Authorized Participant must follow the procedures for creation and redemption referred to in Section 3 of this Agreement and the procedures described in Attachment A hereto (the “**Procedures**”), as each may be amended, modified or supplemented from time to time.

**Section 2. Status of Authorized Participant.** The Authorized Participant represents and warrants and covenants the following:

(a) The Authorized Participant is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (“**1934 Act**”), and is a member in good



standing of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”). The Authorized Participant will maintain any such registrations, qualifications and membership in good standing, or, if applicable, exempt status, in full force and effect throughout the term of this Agreement. The Authorized Participant will comply with all applicable United States federal laws, the laws of the states or other jurisdictions concerned, and the rules and regulations promulgated thereunder, and with the Constitution, By-Laws and Conduct Rules of FINRA and shall not offer or sell Shares in any state or jurisdiction where they may not lawfully be offered and/or sold.

(b) The Authorized Participant hereby represents, covenants and warrants that it maintains a Bitcoin wallet from a reputable Bitcoin wallet software provider or with a third party provider of Bitcoin wallets. If there is any change in the foregoing, the Authorized Participant shall give immediate notice to the Sponsor of such event.

(c) The Authorized Participant understands and acknowledges that some activities on its part, depending on the circumstances and under certain possible interpretations of applicable law, could be interpreted as resulting in its being deemed a Money Services Business by the Financial Crimes Enforcement Network, a bureau of the United States Department of Treasury responsible for the federal regulation of virtual currency market participants. The Authorized Participant agrees to consult its own counsel in connection with entering into this Agreement and transacting in Bitcoins.

(d) The Authorized Participant is in compliance with the money laundering and related provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “**USA PATRIOT Act**”), and the regulations promulgated thereunder, if the Authorized Participant is subject to the requirements of the USA PATRIOT Act.

(e) The Authorized Participant shall act in a manner consistent with all applicable laws concerning money laundering and similar activities. In furtherance of such efforts, the Authorized Participant shall not mention or send any materials related to the Trust to any prospective investor, unless the Authorized Participant, on the basis of the Authorized Participant’s prior relationship with the prospective investor, has no reason to believe that: (i) any of the Bitcoins, cash or property that would be paid to the Authorized Participant in connection with an investment in the Trust, would be derived from, or related to, any activity that is deemed criminal under the United States law or any other applicable law, including anti-corruption laws, anti-bribery laws, OFAC regulations or otherwise; and (ii) any contribution or payment to the Authorized Participant in connection with an investment in the Trust by such prospective investor would cause the Trust or the Sponsor to be in violation of the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986 or the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001.

(f) The Authorized Participant hereby represents and warrants to the Trust that the Authorized Participant: (I) has exercised reasonable care to identify each covered person of the Trust set forth in paragraph (d)(1) of Rule 506 of Regulation D under the Securities Act of 1933, as amended (the “**Securities Act**”), that is an officer of the

Authorized Participant participating in the offering of the securities that is the subject of this Agreement or a financial advisor or registered representative/agent soliciting investors in connection with such offering; (ii) has exercised reasonable care to ascertain whether (A) a disqualification exists under clauses (i) through (viii) of paragraph (d)(1) of such Rule 506 with respect to each such covered person, as well as the Authorized Participant's [general partner(s)], [managing members,] [directors,] and executive officers and (B) whether any disclosure is required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such person; and (iii) does not know of (A) any disqualification that exists under paragraph (d)(1) of such Rule 506 in respect of any such person or (B) of any disclosure required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such person. The Authorized Participant further represents and warrants to the Trust that the Authorized Participant has in place policies, procedures and controls reasonably designed to detect the occurrence of any event that could reasonably be expected to lead to any disqualification under paragraph (d)(1) of Rule 506 in respect of any such covered person. The Authorized Participant covenants to the Trust that the Authorized Participant will inform the Trust as promptly as reasonably practical of the occurrence of any event in respect of any such covered person that could reasonably be expected to give rise to a disqualification under such paragraph, including any pending or threatened litigation or regulatory actions, as well as the occurrence of any event that does, in fact, give rise to a disqualification under paragraph (d)(1) of Rule 506.

(g) The Authorized Participant hereby confirms to the Trust that the Authorized Participant, within three months of submission of any order to create one or more Baskets, will have taken reasonable steps to verify that any customer of the Authorized Participant for whom the Authorized Participant is acting as agent in connection with such creation order is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the Securities Act, and will have determined that such customer of the Authorized Participant is an "accredited investor" within the meaning of such Rule 501(a). The Authorized Participant hereby represents and warrants to the Trust that the Authorized Participant will have verified the "accredited investor" status of each such customer that is a natural person within such time period by means of one of the non-exclusive and non-mandatory methods set forth in clauses (A) or (B) of Rule 506(c)(2)(ii) of Regulation D under the Securities Act. Each submission of a creation order by the Authorized Participant shall be deemed to bring down this representation to such date and to make such representation on and as of such date with respect to each such customer of the Authorized Person who is participating in such creation order. The Authorized Participant understands that the Shares of the Trust are being offered by means of a general solicitation or general advertising, that the Trust relies upon Rule 506(c) of Regulation D under the Securities Act for exemption from the registration requirements of the Securities Act for offerings not subject to limitation on the manner of offering, and that the Trust is relying on the foregoing representations from the Authorized Participant for exemption from the registration requirements of the Securities Act in respect of the shares being created in any creation transaction by the Authorized Participant.

(h) The Authorized Participant hereby represents, covenants and warrants that it has all requisite authority, whether arising under applicable federal or state law, the rules

and regulations of any self-regulatory organization to which it is subject, or its certificate of incorporation, formation or limited liability company operating agreement or other organizational document, as the case may be, to enter into this Agreement and to discharge the duties and obligations apportioned to it in accordance with the terms hereof.

(i) The Authorized Participant hereby represents, covenants and warrants that there are no actions, grievances, proceedings (including, without limitation, arbitration proceedings), orders, inquiries or claims pending, or to the Authorized Participant's knowledge, threatened against or affecting it or any broker or employee (in his or her capacity as such) by the Securities and Exchange Commission, FINRA or any other self-regulatory organization that would affect the Authorized Participant's ability to fulfill its obligations hereunder.

(j) The Authorized Participant hereby represents, covenants and warrants that each prospective investor shall be required to make the usual and customary representations made in private placements undertaken pursuant to Rule 506 of Regulation D, including:

1. that they have had an opportunity as a reasonable time prior the date that a creation order is processed to ask questions and receive answers concerning the terms and conditions of the offering of Shares and to obtain any additional information which the Sponsor possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of the information in the Memorandum; and
2. that they understand that the Shares are "restricted securities" that cannot be resold without registration under the Securities Act and state securities laws or exemption therefrom, and that they are purchasing the securities for investment purposes only and not with a view to resale.

(k) The Authorized Participant understands and agrees that the submission of a creation order also will be deemed to bring down representations made by the Authorized Participant in the Participant Agreement between the Authorized Participant and the Trust that no general partner, managing member, director, executive officer or other officer of the Authorized Participant participating in the offering of the Shares has experienced any disqualifying event set forth in clauses (d)(1)(i) through (d)(1)(viii) of Rule 506 of Regulation D.

(l) The Authorized Participant understands that the Sponsor intends to restrict the aggregate investment by "benefit plan investors" (as defined in the Memorandum) in the Trust to under 25% of the total value of each class of equity interests of the Trust to ensure 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, or Section 4975 of the Internal Revenue Code of 1986, as amended. Accordingly, the Authorized Participant represents covenants and agrees that (1) the Authorized Participant is not a benefit plan investor and (2) that it has ascertained, through the appropriate subscription documentation,

and communicated to the Sponsor and Trust, whether any prospective investor in the Trust is a plan benefit investor.

**Section 3. Orders.** (a) All orders to create or redeem Baskets shall be made in accordance with the terms of the Trust Agreement, this Agreement and the Procedures (as provided in Attachment A to this Agreement). Each party shall comply with such foregoing terms and procedures to the extent applicable to it. The Authorized Participant hereby consents to the use of recorded telephone lines whether or not such use is reflected in the Procedures and the Sponsor shall take reasonable steps to cause the appropriate party to provide the Authorized Participant with copies of such recordings upon reasonable request. The Sponsor may issue additional or other procedures from time to time relating to the manner of creating or redeeming Baskets which are not related to the Procedures, and the Authorized Participant shall comply with such procedures of which it has been notified in accordance with this Agreement.

(b) The Authorized Participant acknowledges and agrees on behalf of itself and any party for which it is acting (whether such party is a customer or otherwise) that each order to create a Basket (a “**Creation Order**”) and each order to redeem a Basket (a “**Redemption Order**”, and, together with the Creation Order, an “**Order**”) may not be revoked by the Authorized Participant upon its delivery to the Sponsor or its delegate. A form of Creation Order is attached hereto as Exhibit B and a form of Redemption Order is attached hereto as Exhibit C.

(c) The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Creation Order or Creation Basket Bitcoin Amount (as defined in the Trust Agreement) if (i) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process Creation Baskets, or (ii) 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. The Sponsor or its delegates shall not be liable to any person by reason of the rejection of any Creation Order or Creation Basket Bitcoin Amount.

(d) The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Redemption Order or Redemption Basket Bitcoin Amount (as defined in the Trust Agreement) if (i) the Redemption Order is not in proper form as described herein, or (ii) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process Redemption Baskets, or (iii) the fulfillment of the Redemption Order, in the opinion of counsel, might be unlawful, or (iv) the Sponsor or its delegate, in its sole discretion, deems that such suspension is desirable. The Sponsor or its delegates shall not be liable to any person by reason of the rejection of any Redemption Order or Redemption Basket Bitcoin Amount.

(e) The crediting of the Shares by the Transfer Agent against deposit of the Creation Basket Bitcoin Amount shall be suspended generally, or refused with respect to a particular Creation Order, during any period when the transfer books of the Transfer Agent are closed or if any such action is deemed necessary or advisable by the Sponsor or its delegates for any reason at any time or from time to time. None of the Sponsor or its delegates (including, but not limited to, the Custodian or Transfer Agent) shall be liable to any person or in any way for any loss or damages that may result from any such suspension

or refusal or for the rejection or acceptance of any creation order or Creation Basket Bitcoin Amount.

Section 4. Authorized Persons. Concurrently with the execution of this Agreement and from time to time thereafter, the Authorized Participant shall deliver to the Sponsor or its delegate notarized and duly certified as appropriate by its secretary or other duly authorized official, a certificate in the form of Exhibit A setting forth (i) the names and signatures of all persons authorized to give instructions relating to activity contemplated hereby or by any other notice, request or instruction given on behalf of the Authorized Participant (each, an “**Authorized Person**”) and (ii) one or more email addresses from which notices regarding Creation or Redemption will be generated and to which notices regarding a Creation or Redemption can be sent (a “**Participant email**”). The Sponsor or its delegate may accept and rely upon such certificate as conclusive evidence of the facts set forth therein and shall consider such certificate to be in full force and effect until the Sponsor or its delegate receives a superseding certificate bearing a subsequent date. Upon the elimination of any of the Participant emails, the Authorized Participant shall give immediate written notice of such fact to the Sponsor or its delegate and such notice shall be effective upon receipt by the Sponsor or its delegate. Upon the termination or revocation of authority of any Authorized Person by the Authorized Participant, the Authorized Participant shall give immediate written notice of such fact to the Sponsor or its delegate and such notice shall be effective upon receipt by the Sponsor or its delegate. The Sponsor or its delegate may issue to each Authorized Person a unique personal identification number (the “**PIN Number**”) by which such Authorized Person may be identified and by which instructions issued by the Authorized Participant hereunder may be authenticated. The PIN Number shall be kept confidential by the Authorized Participant and shall only be provided to the Authorized Person. If, after issuance, the Authorized Person’s PIN Number is changed, the new PIN Number shall become effective on a date mutually agreed upon by the Authorized Participant and the Transfer Agent. If the Authorized Person’s PIN Number is compromised in any way, the Authorized Participant shall contact the Transfer Agent immediately in order for a new one to be issued and for the Transfer Agent to immediately cancel the old one.

Section 5. Redemption.

(a) The Authorized Participant represents and warrants that it will not obtain a Confirmation Number (as described in the Procedures) from the Sponsor or its delegate for the purpose of redeeming a Basket unless it first ascertains that (i) it or its customer, as the case may be, owns outright or has full legal authority and legal and beneficial right to tender for redemption the Baskets to be redeemed and to receive the Redemption Basket Bitcoin Amount associated with such redemption, and (ii) such Baskets have not been loaned or pledged to another party and are not the subject of any arrangement which would preclude the unfettered delivery of such Baskets to the Sponsor as required pursuant to the Procedures.

(b) The Authorized Participant represents and warrants that prior to submitting a Redemption Order to the Sponsor or its delegate, the Authorized Participant will first ascertain (i) that the Bitcoin wallet to be used in connection with the Redemption Order is owned outright by the Authorized Participant or it has full legal authority and legal and beneficial right to any Bitcoins transferred to such Bitcoin wallet address and (ii) that the

Authorized Participant Self-Administered Account is appropriately designated for delivery of Bitcoins in the Redemption Basket Bitcoin Amount by the Trust.

Section 6. Role of Authorized Participant. (a) The Authorized Participant acknowledges that, for all purposes of this Agreement and the Trust Agreement, the Authorized Participant is and shall be deemed to be an independent contractor, and not an employee, director, officer, constituent partner, manager, member or affiliate of the Trust. The Authorized Participant has no authority to represent that it or any person affiliated with it is anything other than an independent contractor of the Trust, and such representation, if made, shall not bind the Trust or any affiliate thereof, and must not be relied upon by any person. The Authorized Participant agrees that neither it nor any of its affiliates is authorized to make any representation concerning the Trust.

(b) The Authorized Participant shall act in a manner consistent with the instructions of the Trust and materially comply with all applicable laws, including, without limitation, securities laws of each jurisdiction in which the Authorized Participant proposes to carry on the business contemplated by this Agreement. Without limitation on the foregoing, the Authorized Participant shall not knowingly take any action or omit to take any action that would cause the Authorized Participant, the Trust, or the Sponsor to be in violation of, or to lose any applicable exemption from registration under the 1933 Act, the 1934 Act, and the rules and regulations promulgated thereunder, the Investment Company Act or the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder. The Authorized Participant represents and warrants that it has sufficient familiarity with the 1933 Act, the 1934 Act, the Investment Company Act, and the Advisers Act to carry out its duties under this Agreement in compliance with the preceding sentence. The Authorized Participant's responsibility to the Trust is solely contractual in nature, the Authorized Participant has been retained solely to act as a placement agent and no fiduciary, advisory or agency relationship between the Trust and the Authorized Participant has been created.

(c) Before mentioning or sending any material related to the Trust to any potential investor, the Authorized Participant shall, on the basis of the Authorized Participant's prior relationship with the potential investor, reasonably believe that the potential investor is: (y) an "accredited investor," as defined in Regulation D of the 1933 Act, and (z) so sophisticated and knowledgeable in business and financial matters as to be capable of evaluating the merits and risks of an investment in the Trust.

(d) The Authorized Participant shall make itself and its employees available, upon request, during normal business hours to consult with the Sponsor or its designees concerning the performance of the Authorized Participant's responsibilities under this Agreement.

(e) The Authorized Participant acknowledges that each submission of a creation order by the Authorized Participant shall be deemed to bring down the representations made in Section 2 above to such date.

Section 7. Bitcoin Transactions. EACH OF THE PARTIES HERETO ACKNOWLEDGES AND AGREES THAT BITCOIN TRANSFERS MAY BE IRREVERSIBLE.

(a) The Authorized Participant shall provide the Sponsor or its delegates with one or more Bitcoin wallet addresses that will be dedicated exclusively for Creation and Redemption transactions with the Trust. The Bitcoin wallet addresses that (i) are previously known to the Custodian (or the Sponsor or its delegates) and (ii) are currently active at the time of a Creation or Redemption transaction with the Trust are each an Authorized Participant self-administered account (the “**Authorized Participant Self-Administered Account**”). If the Authorized Participant becomes unable to continue to provide the Trust with at least one Authorized Participant Self-Administered Account, the Authorized Participant shall give immediate notice to the Sponsor of such event.

(b) Any Bitcoins to be transferred in connection with any Creation Order or Redemption Order shall be transferred between an Authorized Participant Self-Administered Account and the Bitcoin Account in accordance with the Procedures.

(c) Each of the Parties hereto acknowledges and agrees that (i) it has the computer hardware, software and technological knowhow required to transact in Bitcoins; (ii) it is responsible for confirming the accuracy of all Bitcoin wallet addresses it is provided and that it provides in connection with any Creation Order or Redemption Order pursuant to this Agreement; and (iii) it is responsible for and bears the risk of loss for all Bitcoins transferred to a Bitcoin wallet address.

(d) The Authorized Participants will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust in connection with a Creation Orders and Redemption Orders.

Section 8. Indemnification.

(a) The Authorized Participant hereby indemnifies and holds harmless the Trust and the Sponsor, their respective direct or indirect affiliates (as defined below) and their respective directors, trustees, sponsors, partners, members, managers, officers, employees and agents (each, an “**AP Indemnified Party**”) from and against any losses, liabilities, damages, costs and expenses (including reasonable attorneys’ fees and the reasonable cost of investigation, including reasonable cost involved in defending itself in connection with an investigation) incurred by such AP Indemnified Party as a result of or in connection with: (i) any breach by the Authorized Participant of any provisions of this Agreement; (ii) any failure on the part of the Authorized Participant to perform any of its obligations set forth in this Agreement; (iii) any failure by the Authorized Participant to comply with applicable laws and the rules and regulations of self-regulatory organizations in connection with this Agreement; or (iv) any actions of such AP Indemnified Party in reliance upon any instructions issued in accordance with the Procedures believed by the AP Indemnified Party to be genuine and to have been given by the Authorized Participant; or (v) any representation by the Authorized Participant, its employees or its agents or other representatives about the Shares, any AP Indemnified Party or the Trust that is not

consistent with the Trust's then-current Memorandum made in connection with the offer or the solicitation of an offer to buy or sell Shares.

(b) The Sponsor hereby agrees to indemnify and hold harmless the Authorized Participant, its respective subsidiaries, affiliates, directors, officers, employees and agents, and each person, if any (each, a “**Sponsor Indemnified Party**”) from and against any losses (other than *de minimus* losses), liabilities, damages, costs and expenses (including reasonable attorneys' fees and the reasonable cost of investigation, including reasonable costs involved in defending itself in connection with an investigation) incurred by such Sponsor Indemnified Party as a result of or in connection with: (i) any breach by the Sponsor of any provision of this Agreement; (ii) any failure on the part of the Sponsor to perform any obligation of the Sponsor set forth in this Agreement; (iii) any failure by the Sponsor to comply with applicable laws and regulations in connection with this Agreement, except that the Sponsor shall not be required to indemnify a Sponsor Indemnified Party to the extent that such failure was caused by the reasonable reliance on instructions given or representations made by one or more Sponsor Indemnified Parties or the negligence or willful malfeasance of any Sponsor Indemnified Party; or (iv) any untrue statement or alleged untrue statement of a material fact contained in a Memorandum or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except those statements in the Memorandum based on information furnished in writing by or on behalf of the Authorized Participant expressly for use in such Memorandum.

(c) This Section 8 shall not apply to the extent any such losses, liabilities, damages, costs and expenses are incurred as a result of or in connection with any fraud, gross negligence, bad faith or willful misconduct on the part of the AP Indemnified Party or the Sponsor Indemnified Party, as the case may be. The term “affiliate” in this Section 8 shall include, with respect to any person, entity or organization, any other person, entity or organization which directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such person, entity or organization.

(d) If the indemnification provided for in this Section 8 is unavailable to an indemnified party under Sections 8(a) or 8(b) or insufficient to hold an indemnified party harmless in respect of any losses, liabilities, damages, costs and expenses referred to therein, then each applicable indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, damages, costs and expenses (i) in such proportion as is appropriate to reflect the relative benefits received by the Sponsor and the Trust, on the one hand, and by the Authorized Participant, on the other hand, from the services provided hereunder or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Sponsor and the Trust, on the one hand, and of the Authorized Participant, on the other hand, in connection with, to the extent applicable, the statements or omissions which resulted in such losses, liabilities, damages, costs and expenses, as well as any other relevant equitable considerations. The relative benefits received by the Sponsor and the Trust, on the one hand, and the Authorized Participant, on the other hand, shall be deemed



to be in the same respective proportions as the amount of Bitcoin transferred to the Trust under this Agreement on the one hand (expressed in dollars) bears to the amount of economic benefit received by the Authorized Participant in connection with this Agreement on the other hand. To the extent applicable, the relative fault of the Sponsor on the one hand and of the Authorized Participant on the other shall be determined by reference to, among other things, whether the untrue statement or alleged untrue statement of a material fact or omission or alleged omission relates to information supplied by the Sponsor or by the Authorized Participant and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The amount paid or payable by a party as a result of the losses, liabilities, damages, costs and expenses referred to in this Section 8(d) shall be deemed to include any legal or other fees or expenses reasonably incurred by such party in connection with investigating, preparing to defend or defending any action, suit or proceeding (each a "**Proceeding**") related to such losses, liabilities, damages, costs and expenses.

(e) The Sponsor and the Authorized Participant agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 8(d) above. The Authorized Participant shall not be required to contribute any amount in excess of the amount by which the total price (expressed in dollars) at which the Shares created by the Authorized Participant (for avoidance of doubt, in an amount equal to the Creation Basket Bitcoin Amount) exceeds the amount of any damages which the Authorized Participant has otherwise been required to pay by reason of such untrue statement or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) The indemnity and contribution agreements contained in this Section 8 shall remain in full force and effect regardless of any investigation made by or on behalf of the Authorized Participant, its partners, stockholders, members, directors, officers, employees and shall survive any termination of this Agreement. The Sponsor and the Authorized Participant agree promptly to notify each other of the commencement of any Proceeding against it and, in the case of the Sponsor, against any of the Sponsor's officers or directors, in connection with the issuance and sale of the Shares or in connection with the Memorandum.

Section 9. (a) Limitation of Liability. In the absence of fraud, gross negligence, bad faith or willful misconduct, neither the Sponsor nor the Authorized Participant shall be liable to each other or to any other person, including any party claiming by, through or on behalf of the Authorized Participant, for any losses, liabilities, damages, costs or expenses arising out of any mistake or error in data or other information provided to any of them by each other or any other person or out of any interruption or delay in the electronic means of communications used by them.

(b) Tax Liability. The Authorized Participant shall be responsible for the payment of any transfer tax, sales or use tax, stamp tax, recording tax, value added tax and any other similar tax or government charge applicable to the creation or redemption of any

Basket made pursuant to this Agreement, regardless of whether or not such tax or charge is imposed directly on the Authorized Participant. To the extent the Sponsor or the Trust is required by law to pay any such tax or charge, the Authorized Participant agrees to promptly indemnify such party for any such payment, together with any applicable penalties, additions to tax or interest thereon.

Section 10. Obtaining a Copy of the Memorandum. The Authorized Participant has obtained a copy of the Trust's Memorandum.

Section 11. Effectiveness and Termination. Upon the execution of this Agreement by the parties hereto, this Agreement shall become effective in this form as of the date first set forth above, and may be terminated at any time by any party upon thirty (30) calendar days prior written notice to the other parties unless earlier terminated: (i) upon notice to the Authorized Participant by the Sponsor in the event of a breach by the Authorized Participant of this Agreement or the procedures described or incorporated herein; or (ii) at such time as the Trust is terminated pursuant to the Trust Agreement.

Section 12. Certain Covenants of the Sponsor. The Sponsor, on its own behalf and as sponsor of the Trust, covenants and agrees:

(a) to notify the Authorized Participant promptly of the happening of any event during the term of this Agreement which could require the making of any change in the Memorandum then being used so that the Memorandum would not include an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading, and, during such time, to promptly prepare and furnish, at the expense of the Trust, to the Authorized Participant such amendments or supplements to such Memorandum as may be necessary to reflect any such change;

(b) The Trust hereby represents and warrants to the Authorized Participant that the Trust: (i) has exercised reasonable care to identify each covered person of the Trust set forth in paragraph (d)(1) of Rule 506 of Regulation D under the Securities Act (other than the Authorized Participant and its directors, the executive officers and other employees or officers who participate in the offering); (ii) has exercised reasonable care to ascertain whether (A) a disqualification exists under clauses (i) through (viii) of paragraph (d)(1) of Rule 506 with respect to each such covered person and (B) whether any disclosure is required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such covered person; and (iii) does not know of (A) any disqualification that exists under paragraph (d)(1) of Rule 506 in respect of any such covered person or (B) of any disclosure required to be made pursuant to paragraph (e) of such Rule 506 in respect of any matter experienced by any such covered person. The Trust further represents and warrants to the Authorized Participant that the Trust has in place policies, procedures and controls reasonably designed to detect the occurrence of any event that could reasonably be expected to lead to any disqualification under paragraph (d)(1) of Rule 506 in respect of such covered person. The Trust covenants to the Authorized Participant that the Trust will inform the Authorized Participant as promptly as reasonably practical of the occurrence of any event in respect of any such covered person that could

reasonably be expected to give rise to a disqualification under such paragraph, including any pending or threatened litigation or regulatory actions, as well as the occurrence of any event that does, in fact, give rise to a disqualification under paragraph (d)(1) of Rule 506.

In addition, any certificate signed by any officer of the Sponsor and delivered to the Authorized Participant or counsel for the Authorized Participant pursuant hereto shall be deemed to be a representation and warranty by the Sponsor as to matters covered thereby to the Authorized Participant.

Section 13. Third Party Beneficiaries. Each AP Indemnified Party and Sponsor Indemnified Party, to the extent it is not a party to this Agreement, is a third-party beneficiary of this Agreement (each, a “**Third Party Beneficiary**”) and may proceed directly against any party hereto (including by bringing proceedings against the parties hereto in its own name) to enforce any obligation of such party under this Agreement which directly or indirectly benefits such Third Party Beneficiary.

Section 14. Force Majeure. No party to this Agreement shall incur any liability for any delay in performance, or for the non-performance, of any of its obligations under this Agreement by reason of any cause beyond its reasonable control. This includes any act of God or war or terrorism, any breakdown, malfunction or failure of transmission in connection with or other unavailability of any wire, communication or computer facilities, any transport, port, or airport disruption, industrial action, acts and regulations and rules of any governmental or supra-national bodies or authorities or regulatory or self-regulatory organization or failure of any such body, authority or organization for any reason, to perform its obligations.

Section 15. Miscellaneous.

(a) Amendment and Modification. This Agreement, the Procedures attached as Attachment A and the Exhibits hereto may be amended, modified or supplemented by the Trust and the Sponsor, without consent of any beneficial owner or Authorized Participant from time to time by the following procedure. After the amendment, modification or supplement has been agreed to, the Sponsor will send a copy of the proposed amendment, modification or supplement to the Authorized Participant via email or regular mail. For the purposes of this Agreement, (i) an email will be deemed received by the recipient thereof on the day the notice is sent and (ii) mail will be deemed received by the recipient thereof on the third (3<sup>rd</sup>) day following the deposit of such mail into the United States postal system. Within ten (10) calendar days after its deemed receipt, the amendment, modification or supplement will become part of this Agreement, the Attachments or the Exhibits, as the case may be, in accordance with its terms.

(b) Waiver of Compliance. Any failure of any of the parties to comply with any obligation, covenant, agreement or condition herein may be waived by the party entitled to the benefits thereof only by a written instrument signed by the party granting such waiver, but any such written waiver, or the failure to insist upon strict compliance with any obligation, covenant, agreement or condition herein, shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

(c) Notices. Except as otherwise specifically provided in this Agreement, all notices required or permitted to be given pursuant to this Agreement shall be given in writing and delivered by personal delivery, by postage prepaid registered or certified United States first class mail, return receipt requested, by nationally recognized overnight courier (delivery confirmation received) or by telex, telegram or telephonic facsimile or similar means of same day delivery (transmission confirmation received), with a confirming copy regular mail, postage prepaid. Unless otherwise notified in writing, all notices to the Trust shall be given or sent to the Sponsor. All notices shall be directed to the address or facsimile numbers indicated below the signature line of the parties on the signature page hereof.

(d) Successors and Assigns. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

(e) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party without the prior written consent of the other parties, except that any entity into which a party hereto may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion, or consolidation to which such party hereunder shall be a party, or any entity succeeding to all or substantially all of the business of the party, shall be the successor of the party under this Agreement and except that the Sponsor may delegate its obligations hereunder to the Distributor and Marketer, the Transfer Agent or the Custodian by notice to the Authorized Participant. The party resulting from any such merger, conversion, consolidation or succession shall notify the other parties hereto of the change. Any purported assignment in violation of the provisions hereof shall be null and void. Notwithstanding the foregoing, this Agreement shall be automatically assigned to any successor trustee or Sponsor at such time such successor qualifies as a successor trustee or Sponsor under the terms of the Trust Agreement.

(f) Governing Law; Consent to Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable Delaware conflict of laws principles) as to all matters, including matters of validity, construction, effect, performance and remedies. Each party hereto irrevocably consents to the jurisdiction of the courts of the State of New York and of any federal court located in the Borough of Manhattan in such State in connection with any action, suit or other proceeding arising out of or relating to this Agreement or any action taken or omitted hereunder, and waives any claim of forum non conveniens and any objections as to laying of venue. Each party further waives personal service of any summons, complaint or other process and agrees that service thereof may be made by certified or registered mail directed to such party at such party's address for purposes of notices hereunder.

(g) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement, and it shall not be necessary in making proof of this Agreement as to any party

hereto to produce or account for more than one such counterpart executed and delivered by such party.

(h) Interpretation. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

(i) Entire Agreement. This Agreement and the Trust Agreement, along with any other agreement or instrument delivered pursuant to this Agreement and the Trust Agreement, supersede all prior agreements and understandings between the parties with respect to the subject matter hereof, provided, however, that the Authorized Participant shall not be deemed by this provision, or any other provision of this Agreement, to be a party to the Trust Agreement.

(j) Severance. If any provision of this Agreement is held by any court or any act, regulation, rule or decision of any other governmental or supra national body or authority or regulatory or self-regulatory organization to be invalid, illegal or unenforceable for any reason, it shall be invalid, illegal or unenforceable only to the extent so held and shall not affect the validity, legality or enforceability of the other provisions of this Agreement and this Agreement will be construed as if such invalid, illegal, or unenforceable provision had never been contained herein, unless the Sponsor determines in its discretion that the provision of this Agreement that was held invalid, illegal or unenforceable does affect the validity, legality or enforceability of one or more other provisions of this Agreement, and that this Agreement should not be continued without the provision that was held invalid, illegal or unenforceable, and in that case, upon the Sponsor's notification of the trustee of such a determination, this Agreement shall immediately terminate and the Sponsor will so notify the Authorized Participant immediately.

(k) No Strict Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

(l) Survival. Sections 8 (Indemnification) and 13 (Third Party Beneficiaries) hereof shall survive the termination of this Agreement.

(m) Other Usages. The following usages shall apply in interpreting this Agreement: (i) references to a governmental or quasi-governmental agency, authority or instrumentality shall also refer to a regulatory body that succeeds to the functions of such agency, authority or instrumentality; and (ii) "including" means "including, but not limited to."

[Signature Page Follows]

**IN WITNESS WHEREOF**, the Authorized Participant and the Sponsor, on behalf of itself and the Trust, have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

**Grayscale Investments, LLC**, *Sponsor of the Bitcoin Investment Trust*

**Bitcoin Investment Trust**

By: Grayscale Investments, LLC  
as Sponsor of  
Bitcoin Investment Trust

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Address: 636 Avenue of the Americas  
New York, New York 10011

Address: 636 Avenue of the Americas  
New York, New York 10011

Telephone: (212) 668-5920

Telephone: (212) 668-5920

Facsimile: [            ]

Facsimile: [            ]

Email: [            ]

Email: [            ]

[Name of Authorized Participant]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Email: \_\_\_\_\_

**EXHIBIT A**

**BITCOIN INVESTMENT TRUST**

**FORM OF CERTIFIED AUTHORIZED PERSONS OF AUTHORIZED PARTICIPANT**

The following are the names, titles and signatures of all persons (each an “**Authorized Person**”) authorized to give instructions relating to any activity contemplated by the Participant Agreement or any other notice, request or instruction on behalf of the Authorized Participant pursuant to the Bitcoin Investment Trust Participant Agreement.

Authorized Participant: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Name: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_ Title: \_\_\_\_\_

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

The following are email addresses (each a “**Participant email**”) where the Sponsor, or any party delegated by the Sponsor, may send and from which it may receive emails relating to any activity contemplated by the Participant Agreement or any other notice, request or instruction on behalf of the Trust pursuant to the Bitcoin Investment Trust Participant Agreement.

email 1: \_\_\_\_\_ email 2: \_\_\_\_\_

Confirm email 1: \_\_\_\_\_ Confirm email 2: \_\_\_\_\_

The undersigned, [name]\_\_\_\_\_, [title]\_\_\_\_\_ of [Authorized Participant], hereby certifies that the persons listed above have been duly elected to the offices set forth beneath their names, that they presently hold such offices, that they have been duly authorized to act as Authorized Persons pursuant to the Bitcoin Investment Trust Participant Agreement by and between [Authorized Participant], Bitcoin Investment Trust and Grayscale Investments, LLC, dated \_\_\_\_\_, 20\_\_, (the “**Participant Agreement**”) and that their signatures set forth above are their own true and genuine signatures. The undersigned further certifies that the emails listed above are the correct email addresses where the Sponsor, or its delegate, may send emails relating to any activity contemplated by the Participant Agreement. A receipt confirmation for correspondence sent to any of the emails listed above shall serve as conclusive evidence that the confirmation was provided pursuant to the Participant Agreement.

In Witness Whereof, the undersigned has hereby set his/her hand and the seal of [Authorized Participant] on the date set forth below.

Subscribed and sworn to before me  
this \_\_\_ day of \_\_\_\_\_, 20\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Notary Public



**EXHIBIT B**  
**BITCOIN INVESTMENT TRUST**  
**FORM OF CREATION ORDER**

Authorized Participant: \_\_\_\_\_

Order Date: \_\_\_\_\_

Order Number: \_\_\_\_\_

Number of Shares to be issued: \_\_\_\_\_

Number of Creation Baskets to be issued: \_\_\_\_\_

Creation Basket Bitcoin Amount: \_\_\_\_\_

Authorized Participant Self-Administered Account\* : \_\_\_\_\_

\_\_\_\_\_  
\* “**Authorized Participant Self-Administered Account**” means a Bitcoin wallet address provided and previously known to the Custodian as belonging to the Authorized Participant.

All Creation Orders are subject to the terms and conditions of the Amended and Restated Declaration of Trust and Trust Agreement, as amended from time to time (the “**Trust Agreement**”) of Bitcoin Investment Trust (the “**Trust**”) as currently in effect and the Bitcoin Investment Trust Participant Agreement among the Authorized Participant, the Trust and the Sponsor named therein (the “**Participant Agreement**”). All representations and warranties of the Authorized Participant set forth in the Participant Agreement are incorporated herein by reference. Capitalized terms used but not defined herein have the meaning given in the Trust Agreement.

Listed below are the names of prospective investor that will beneficially own Shares obtained pursuant to this Creation Order, the number of Shares that each such investor will own and an indication of whether the prospective investor is a benefit plan investor (as defined in the Memorandum).

Name: _____	Number of Shares: _____	<input type="checkbox"/> benefit plan investor
Name: _____	Number of Shares: _____	<input type="checkbox"/> benefit plan investor
Name: _____	Number of Shares: _____	<input type="checkbox"/> benefit plan investor
Name: _____	Number of Shares: _____	<input type="checkbox"/> benefit plan investor
Name: _____	Number of Shares: _____	<input type="checkbox"/> benefit plan investor

The Authorized Participant confirms to the Trust that it has, within the past three months, taken reasonable steps to verify that each such investor is an “accredited investor” within the meaning of Rule 501 of Regulation D under the Securities Act, and has determined that such person is an accredited investor. Additionally, such investor(s) represent and warrant in its (their) Subscription Agreement that, among other things, it has reviewed and understands the risks of an investment in the Trust, has the financial knowledge and experience to evaluate such investment, is able to bear the substantial risks of an investment in the Trust and is able to afford to lose its entire investment.

The undersigned understands that by submitting this Creation Order he/she is making the representations and warranties set forth in the Annex to this Creation Order and is also granting an irrevocable Power of Attorney.

The undersigned hereby certifies as of the date set forth below that he/she is an Authorized Person under the Participant Agreement and that he/she is authorized to deliver this Creation Order to the Sponsor on behalf of the Authorized Participant.

Date: \_\_\_\_\_

Accepted by

**Bitcoin Investment Trust**

By: Grayscale Investments, LLC,  
as Sponsor

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
**(Please Print Name of Authorized Participant)**

By:

\_\_\_\_\_  
Name:

Title:

**ANNEX TO EXHIBIT B  
TO  
CREATION ORDER  
PURCHASER'S REPRESENTATIONS AND WARRANTIES AND  
POWER OF ATTORNEY**

1. *Bitcoin Wallet.* The Authorized Participant represents (i) that the Bitcoin wallet to be used in connection with the Creation Order is owned outright by the Authorized Participant or it has full legal authority and legal and beneficial right to any Bitcoins transferred from such Bitcoin wallet and (ii) that the Authorized Participant Self-Administered Account is appropriately designated to deliver the number of Bitcoins equal to the Creation Basket Bitcoin Amount to the Trust.

2. **THE AUTHORIZED PARTICIPANT UNDERSTANDS THAT IT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF THE AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT PROVIDED FOR THE TRANSFER OF THE CREATION BASKET BITCOIN AMOUNT PURSUANT TO THIS CREATION ORDER.**

3. *Memorandum.* The Authorized Participant has obtained a copy of the Trust's Memorandum.

4. *Power of Attorney.* In connection with the Authorized Participant's acceptance of an interest in the Trust, the Authorized Participant does hereby irrevocably constitute and appoint the Sponsor, and its successors and assigns, as its true and lawful Attorney-in-Fact, with full power of substitution, in its name, place and stead, in the execution, acknowledgment, filing and publishing of Trust documents, including, but not limited to, the following: (i) any certificates and other instruments, including but not limited to, any applications for authority to do business and amendments thereto, which the Sponsor deems appropriate to qualify or continue the Trust as a business or statutory trust in the jurisdictions in which the Trust may conduct business, so long as such qualifications and continuations are in accordance with the terms of the Amended and Restated Declaration of Trust and Trust Agreement of the Trust, as amended from time to time (the "**Trust Agreement**"), or which may be required to be filed by the Trust or the Shareholders under the laws of any jurisdiction; (ii) any instrument which may be required to be filed by the Trust under the laws of any state or by any governmental agency, or which the Sponsor deems advisable to file; and (iii) the Trust Agreement and any documents which may be required to effect an amendment to the Trust Agreement approved under the terms of the Trust Agreement, and the continuation of the Trust, the admission of the signer of the Power of Attorney as a Limited Owner or of others as additional or substituted Limited Owners, or the termination of the Trust, provided such continuation, admission or termination is in accordance with the terms of the Trust Agreement. The Power of Attorney granted hereby shall be deemed to be coupled with an interest and shall be irrevocable and shall survive, and shall not be affected by, the Authorized Participant's subsequent insolvency or dissolution or any delivery by the Authorized Participant of an assignment of the whole or any portion of the Authorized Participant's Shares.

**EXHIBIT C**  
**BITCOIN INVESTMENT TRUST**  
**FORM OF REDEMPTION ORDER**

Authorized Participant: \_\_\_\_\_

Date: \_\_\_\_\_

Confirmation Number: \_\_\_\_\_

PIN Number: \_\_\_\_\_

Number of Shares to be Redeemed: \_\_\_\_\_

Number of Redemption Baskets to be issued: \_\_\_\_\_

Authorized Participant Self-Administered Account\*: \_\_\_\_\_

\_\_\_\_\_  
\* “Authorized Participant Self-Administered Account” means a Bitcoin wallet address provided and previously known to the Custodian as belonging to the Authorized Participant.

All Redemption Orders are subject to the terms and conditions of the Amended and Restated Declaration of Trust and Trust Agreement of Bitcoin Investment Trust, as amended from time to time (the “Trust”) and the Bitcoin Investment Trust Participant Agreement among the Authorized Participant, the Trust and the Sponsor named therein (the “Participant Agreement”). All representations and warranties of the Authorized Participant set forth in such Participant Agreement are incorporated herein by reference.

The undersigned represents and warrants that prior to submitting this Redemption Order, the Authorized Participant has ascertained that (i) the Bitcoin wallet to be used in connection with the Redemption Order is owned outright by the Authorized Participant or it has full legal authority and legal and beneficial right to any Bitcoins transferred to such Bitcoin wallet and (ii) the Authorized Participant Self-Administered Account is appropriately designated for receipt of the number of Bitcoins equal to the Redemption Basket Bitcoin Amount distributed by the Trust.

**THE UNDERSIGNED UNDERSTANDS THAT IT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF THE PARTICIPANT SELF-ADMINISTERED ACCOUNT PROVIDED FOR THE TRANSFER OF THE BASKET BITCOIN AMOUNT PURSUANT TO THIS REDEMPTION ORDER.**

The undersigned does hereby certify as of the date set forth below that he/she is an Authorized Person under the Participant Agreement and that he/she is authorized to deliver this Redemption Order to the Sponsor on behalf of the Authorized Participant.

[NAME OF AUTHORIZED PARTICIPANT]

Date: \_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

**FORM OF  
BITCOIN INVESTMENT TRUST  
PARTICIPANT AGREEMENT**

**ATTACHMENT A**

**BITCOIN INVESTMENT TRUST PROCEDURES**

**CREATION AND REDEMPTION OF**

**BITCOIN INVESTMENT TRUST SHARES**

**Scope of Procedures and Overview**

This Attachment A to the Participant Agreement (the “**Participant Agreement**”) supplements the Participant Agreement, the Memorandum and the Trust Agreement (as defined below) with respect to the procedures (the “**Procedures**”) to be used in processing (1) a creation order for the creation of one or more Baskets (as defined below) (“**Creation Order**”) of Shares of Bitcoin Investment Trust (the “**Trust**”) and a (2) redemption order for the redemption of one or more Baskets (as defined below) (“**Redemption Order**”) of Shares of the Trust. Shares may be created or redeemed only in blocks of 100 Shares (each such block, a “**Basket**”) for the Trust. Because the creation and redemption of Baskets involve the transfer of Bitcoins between the Participant and the Trust, certain processes relating to the underlying Bitcoin transfers are described below.

**THE TRUST AND THE PARTICIPANT ACKNOWLEDGE THAT  
BITCOIN TRANSFERS MAY BE IRREVERSIBLE.**

Capitalized terms used in these Procedures without further definition shall have the meanings assigned to them in the Second Amended and Restated Declaration of Trust and Trust Agreement of the Trust (the “**Trust Agreement**”), dated as of December 26, 2014, and as amended from time-to-time, between Delaware Trust Company, a Delaware corporation, as trustee of the Trust (the “**Trustee**”), Grayscale Investments, LLC, as Sponsor (the “**Sponsor**”) or the Participant Agreement, as applicable.

Baskets are created pursuant to the Memorandum and are issued and redeemed in accordance with the Trust Agreement and the Participant Agreement.

Each Participant is responsible for ensuring that the number of Bitcoins that equal to the Creation Basket Bitcoin Amount or Redemption Basket it intends to transfer to the Trust in exchange for Creation Baskets or redemption Bitcoins, respectively, is available to transfer to the Trust in the manner and at the times described in these Procedures.

**IMPORTANT NOTES:**

- Any Creation Order is subject to acceptance or rejection by the Sponsor or its delegate, for the reasons set forth in the Trust Agreement or the Participant Agreement.

- Any Redemption Order is subject to acceptance or rejection by the Sponsor or its delegate, for the reasons set forth in the Trust Agreement or the Participant Agreement.
- All Orders are subject to the provisions of the Trust Agreement and the Participant Agreement relating to unclear or ambiguous instructions.

## ANNEX I

### CREATION PROCEDURES

In a Creation Basket transaction, the Trust, as the Bitcoin recipient, will provide a destination address belonging to the Trust and originating from the Bitcoin Account to the Authorized Participant, as the party initiating the transfer of Bitcoins. In the data packets distributed from Bitcoin software programs to confirm each transfer of Bitcoin, both the Custodian and the Authorized Participant must “sign” transactions with a data code derived from entering the private key into a “hashing algorithm,” which signature serves as validation that the transaction has been authorized by the owner of the Bitcoins. The signing process is facilitated by either a software program or a third party provider used to generate Bitcoin wallets and the related addresses for each of the Trust and the Authorized Participant. An Authorized Participant who deposits Bitcoins with the Trust in exchange for Creation Baskets will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust. For the avoidance of doubt, it is understood that there may be transaction fees associated with the validation of the transfer of Bitcoins by the Bitcoin Network.

#### **THE TRUST AND THE AUTHORIZED PARTICIPANT ACKNOWLEDGE THAT BITCOIN TRANSFERS MAY BE IRREVERSIBLE.**

##### **1. PLACING A CREATION ORDER.**

Authorized Participants may submit Creation Orders to the Sponsor or its delegate as provided by these Procedures.

Creation Orders for Creation Baskets may be initiated only on Business Days. Creation Orders may only be made in whole Creation Baskets of the Trust. A Creation Order to create one or more Creation Baskets placed by an Authorized Participant with the Sponsor or its delegate by 6:00 p.m. Eastern time (the “**Order Cut-Off Time**”) on a Business Day (the “**Creation Order Date**”) results in the following taking place:

- The Sponsor or its delegate will provide a bitcoin address belonging to the Trust and originating from the Bitcoin Account to the Authorized Participant; and
- The transfer of Bitcoins from the Authorized Participant Self-Administered Account to the Bitcoin Account in the Creation Basket Bitcoin Amount corresponding to the Creation Baskets to be issued; and
- Upon confirmation of receipt of the Creation Basket Bitcoin Amount in the Bitcoin Account the Sponsor or its delegate will direct the Transfer Agent to credit the number of Creation Baskets ordered to the Authorized Participant or its named customer as soon as possible thereafter, provided that the Transfer Agent shall credit the number of Creation Baskets to fill the Authorized Participant’s Creation Order by no later than the Order Cut-Off Time one

Business Day immediately following the Creation Order Date, or as soon thereafter as practicable (the “**Creation Order Settlement Time**”).

To begin a Creation Order, an Authorized Person of the Authorized Participant may email or telephone the Sponsor or its delegate at [terrence@grayscale.co](mailto:terrence@grayscale.co) or 212-668-6682 respectively, or such other email or telephone number as the Sponsor designates in writing to the Authorized Participant. If the Creation Order is initiated via email, the Authorized Participant must follow up with a telephone call to confirm receipt of the email and the content of the Creation Order. This telephone call must be made by an Authorized Person of the Authorized Participant and answered by the Sponsor or its delegate before the Order Cut-Off Time. If the Creation Order was initiated by a telephone call, the Authorized Participant must follow-up with a confirmation email confirming the content of the Creation Order before the Order Cut-Off Time. Upon verifying the authenticity of the Authorized Person (as determined by the use of the appropriate PIN Number, if applicable), the Sponsor or its delegate will read the Creation Order back to the Authorized Person. The Authorized Person then must affirm that the Creation Order is correct. If the Authorized Person affirms that the Creation Order is correct, the Sponsor or its delegate will issue a confirmation number (the “**Confirmation Number**”) via email to the Authorized Person. The Sponsor or its delegate shall then call the Authorized Person to orally confirm receipt of the Confirmation Number and the accuracy of the Confirmation Number.

**PLEASE NOTE: ALL CREATION ORDERS REQUIRE BOTH A TELEPHONE CALL AND WRITTEN CONFIRMATION. A CREATION ORDER REQUEST IS NOT COMPLETE UNTIL THE CONFIRMATION NUMBER IS ISSUED BY THE SPONSOR OR ITS DELEGATE. WITH RESPECT TO THE TRUST, A CREATION ORDER FOR CREATION BASKETS CANNOT BE CANCELED BY THE AUTHORIZED PARTICIPANT AFTER THE CONFIRMATION NUMBER HAS BEEN ISSUED. INCOMING TELEPHONE CALLS ARE QUEUED AND WILL BE HANDLED IN THE SEQUENCE RECEIVED. ACCORDINGLY, THE AUTHORIZED PARTICIPANT SHOULD NOT HANG UP AND REDIAL. CALLS THAT ARE IN PROGRESS AT THE ORDER CUT-OFF TIME ARE VALID AND THE CREATION ORDER WILL BE TAKEN. PLEASE NOTE THAT “IN PROGRESS” IS DEFINED AS AN AUTHORIZED PARTICIPANT ACTUALLY SPEAKING WITH THE SPONSOR OR ITS DELEGATE. CALLS WILL BE VERBALLY DENIED IF SUCH CALLS ARE PLACED (I) BEFORE THE ORDER CUT-OFF TIME THAT ARE NOT IN PROGRESS AT OR AFTER THE CUT-OFF TIME AND (II) AFTER THE ORDER CUT-OFF TIME. INCOMING CALLS THAT ARE RECEIVED AFTER THE ORDER CUT-OFF TIME WILL NOT BE ANSWERED BY THE SPONSOR OR ITS DELEGATE. ALL TELEPHONE CALLS WILL BE RECORDED.**

## **2. RECEIPT OF CREATION ORDER CONFIRMATION.**

Subject to the conditions that a properly completed Creation Order has been placed by the Authorized Participant not later than the Order Cut-Off Time, and any other applicable provisions contained in these Procedures, the Sponsor or its delegate will accept



the Creation Order on behalf of the Trust and will confirm in writing via email to the Authorized Participant that its Creation Order has been accepted within 60 minutes after the designated Order Cut-Off Time on the Creation Order Date, or as soon thereafter as practicable. Once the Creation Order has been approved by the Sponsor, the Sponsor will sign or time-stamp the Creation Order and send that Creation Order to the Sponsor or its delegate.

### **3. QUALITY ASSURANCE.**

After a Confirmation Number is issued by the Sponsor or its delegate to the Authorized Participant, the Authorized Participant shall email a PDF copy of the Creation Order to the Sponsor or its delegate. Upon receipt, the Sponsor or its delegate shall immediately telephone the Authorized Participant if the Sponsor or its delegate believes that the Creation Order has not been completed correctly by the Authorized Participant. In addition, the Sponsor or its delegate shall telephone the Authorized Participant if the Sponsor or its delegate has not received the Creation Order within 30 minutes after the Creation Order has been called into the Sponsor or its delegate, or as soon thereafter as practicable.

### **4. REJECTING OR SUSPENDING CREATION ORDERS.**

The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Creation Order or Creation Basket Bitcoin Amount (as defined in the Trust Agreement) if (i) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process Creation Baskets, or (ii) 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. The Sponsor or its delegates shall not be liable to any person by reason of the rejection of any Creation Order or Creation Basket Bitcoin Amount.

### **5. DETERMINATION OF REQUIRED DEPOSIT.**

The Creation Basket Bitcoin Amount required for a Creation Basket shall be determined by the Sponsor or its delegate by dividing the number Bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying by quotient obtained by 100 and the number of Creation Baskets. The Sponsor has final determination of all questions as to the composition of the Creation Basket Bitcoin Amount.

### **6. SETTLEMENT**

Upon issuance of the Confirmation Number, the following will occur:

1. The Sponsor or its delegate will calculate the Creation Basket Bitcoin Amount required to fulfill the Authorized Participant's Creation Order.
2. The Sponsor or its delegate will send an e-mail or otherwise provide access to the Authorized Participant providing the:
  - a. Creation Basket Bitcoin Amount; and

- b. a bitcoin address belonging to the Bitcoin Account.
3. The Sponsor or its delegate will telephone the Authorized Participant within 30 minutes after completing Step 2, or as soon thereafter as practicable, to orally confirm receipt of the e-mail and the information included in such e-mail.
4. Upon receipt of such e-mail and telephonic confirmation as provided in Steps 2 and 3, the Authorized Participant will initiate the transfer of the Creation Basket Bitcoin Amount from the Authorized Participant Self-Administered Account to the Bitcoin Account and will immediately notify the Sponsor or its delegate via e-mail of such transfer. **THE AUTHORIZED PARTICIPANT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF THE AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT USED IN CONNECTION WITH THE TRANSFER OF THE CREATION BASKET BITCOIN AMOUNT PURSUANT TO A CREATION ORDER. TRANSFERS OTHER THAN THOSE RECEIVED FROM AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT WILL NOT BE CREDITED TO ANY AUTHORIZED PARTICIPANT. THE CUSTODIAN SHALL NOT BE RESPONSIBLE FOR ANY TRANSFERS MADE FROM AN ACCOUNT OTHER THAN AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT.**
5. The Sponsor or its delegate will confirm with the Custodian deposit of the Creation Basket Bitcoin Amount from the Authorized Participant Self-Administered Account to the Bitcoin Account and the validation of such transfer by the Bitcoin Network.
6. The Sponsor or its delegate will send a confirmation email to the Authorized Participant to evidence such deposit of the Creation Basket Bitcoin Amount in the Bitcoin Account.
7. The Sponsor or its delegate will call or e-mail the Authorized Participant to confirm deposit of the Creation Basket Bitcoin Amount in the Bitcoin Account.
8. The expense and risk of delivery, ownership and safekeeping of Bitcoins, until such Bitcoins have deposited in the Bitcoin Account shall be borne solely by the Authorized Participant.
9. The Sponsor or its delegate will direct the Transfer Agent to credit the number of Creation Baskets ordered to the Authorized Participant in the transfer register as soon as possible thereafter, provided that the Transfer Agent shall credit the number of Creation Baskets to fill the Participant's Creation Order by no later than the Creation Order Settlement Time.
10. The Transfer Agent will issue a statement to the Sponsor and the Authorized Participant reflecting the number of Creation Baskets that have been credited to the Authorized Participant.

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

**BITCOIN TRANSFERS MAY BE IRREVERSIBLE AND THERE IS NO RECOURSE AGAINST ANYONE FOR THE WRONGFUL DELIVERY OF BITCOINS TO AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID WALLET ADDRESS AND THERE IS CURRENTLY NO METHOD TO RETRIEVE THE BITCOINS FROM AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID ADDRESS. THE EXPENSE AND RISK OF DELIVERY, OWNERSHIP AND SAFEKEEPING OF BITCOINS, UNTIL SUCH BITCOINS HAVE BEEN RECEIVED BY THE TRUST, SHALL BE BORNE SOLELY BY THE AUTHORIZED PARTICIPANT. THE TRUST, THE SPONSOR, ITS DELEGATES AND THE CUSTODIAN ARE NOT RESPONSIBLE FOR ERRANT TRANSFERS DUE TO TYPOGRAPHICAL, COMPUTER OR HUMAN ERROR ON THE PART OF THE AUTHORIZED PARTICIPANT.**

## **REDEMPTION PROCEDURES**

In a Redemption Order transaction, the Authorized Participant, as the Bitcoin recipient, will provide an Authorized Participant Self-Administered Account, or its public key, to the Sponsor or its delegate, who will then coordinate with the Custodian who will initiate the transfer of Bitcoins on behalf of the Trust. In the data packets distributed from Bitcoin software programs to confirm each transfer of Bitcoin, both the Trust, or its delegate, and the Authorized Participant must “sign” transactions with a data code derived from entering the private key into a “hashing algorithm,” which signature serves as validation that the transaction has been authorized by the owner of the Bitcoins. The signing process is facilitated by either a software program or a third party provider used to generate Bitcoin wallets and the related addresses for each of the Trust and the Authorized Participant. An Authorized Participant will not incur any fees or other form of expenses in connection with a Redemption transaction. For the avoidance of doubt, it is understood that there may be transaction fees associated with the validation of the transfer of Bitcoins by the Bitcoin Network.

### **THE TRUST AND THE AUTHORIZED PARTICIPANT ACKNOWLEDGE THAT BITCOIN TRANSFERS MAY BE IRREVERSIBLE.**

#### **1. PLACING A REDEMPTION ORDER.**

Authorized Participants may submit Redemption Orders to the Sponsor or its delegate as provided by these Procedures.

Redemption Orders may be initiated only on Business Days. Redemption Orders may only be made in whole Redemption Baskets of the Trust. A Redemption Order to redeem one or more Redemption Baskets placed by a Authorized Participant with the Sponsor or its delegate by 6:00 p.m. Eastern time (the “**Order Cut-Off Time**”) on a Business Day (the “**Redemption Order Date**”) results in the following taking place:

- The Sponsor or its delegate will direct the Transfer Agent to debit the number of Redemption Baskets requested by the Authorized Participant as soon as possible, provided that the Transfer Agent shall debit the number of Redemption Baskets to fill the Authorized Participant’s Redemption Order by no later than the Order Cut-Off Time two Business Days immediately following the Redemption Order Date, or as soon thereafter as practicable (the “**Redemption Order Settlement Time**”); and
- The Transfer of Bitcoins from the Bitcoin Account to the Authorized Participant Self-Administered Account in the Redemption Basket Bitcoin Amount corresponding to the Redemption Baskets being redeemed by the Authorized Participant.

To begin a Redemption Order, an Authorized Person of the Authorized Participant may email or telephone the Sponsor or its delegate at [terrence@grayscale.co](mailto:terrence@grayscale.co) or 212-668-6682 respectively, or such other email or telephone number as the Sponsor designates in

writing to the Authorized Participant. If the Redemption Order is initiated via emailed, the Authorized Participant must follow up with a telephone call to confirm receipt of the email and the content of the Redemption Order. This telephone call must be made by an Authorized Person of the Authorized Participant and answered by the Sponsor or its delegate before the Order Cut-Off Time. If the Redemption Order was initiated by a telephone call, the Authorized Participant must follow up with a confirmation email confirming the content of the Redemption Order before the Order Cut-Off Time. Upon verifying the authenticity of the Authorized Person (as determined by the use of the appropriate PIN Number, if applicable) the Sponsor or its delegate will read the Redemption Order back to the Authorized Person. The Authorized Person then must affirm that the Redemption Order is correct. If the Authorized Person affirms that the Redemption Order is correct, the Sponsor or its delegate will issue a confirmation number (the “**Confirmation Number**”) via email to the Authorized Person. The Sponsor or its delegate shall then call the Authorized Person to orally confirmed receipt of the Confirmation Number and the accuracy of the Confirmation Number.

**PLEASE NOTE: ALL REDEMPTION ORDERS REQUIRE BOTH A TELEPHONE CALL AND WRITTEN CONFIRMATION. A REDEMPTION ORDER REQUEST IS NOT COMPLETE UNTIL THE CONFIRMATION NUMBER IS ISSUED BY THE SPONSOR OR ITS DELEGATE. WITH RESPECT TO THE TRUST, A REDEMPTION ORDER FOR REDEMPTION BASKETS CANNOT BE CANCELED BY THE AUTHORIZED PARTICIPANT AFTER THE CONFIRMATION NUMBER HAS BEEN ISSUED. INCOMING TELEPHONE CALLS ARE QUEUED AND WILL BE HANDLED IN THE SEQUENCE RECEIVED. ACCORDINGLY, THE AUTHORIZED PARTICIPANT SHOULD NOT HANG UP AND REDIAL. CALLS THAT ARE IN PROGRESS AT THE ORDER CUT-OFF TIME ARE VALID AND THE REDEMPTION ORDER WILL BE TAKEN. PLEASE NOTE THAT “IN PROGRESS” IS DEFINED AS AN AUTHORIZED PARTICIPANT ACTUALLY SPEAKING WITH THE SPONSOR OR ITS DELEGATE. CALLS WILL BE VERBALLY DENIED IF SUCH CALLS ARE PLACED (I) BEFORE THE ORDER CUT-OFF TIME THAT ARE NOT IN PROGRESS AT OR AFTER THE CUT-OFF TIME AND (II) AFTER THE ORDER CUT-OFF TIME. INCOMING CALLS THAT ARE RECEIVED AFTER THE ORDER CUT-OFF TIME WILL NOT BE ANSWERED BY THE SPONSOR OR ITS DELEGATE. ALL TELEPHONE CALLS WILL BE RECORDED.**

## **2. RECEIPT OF REDEMPTION ORDER CONFIRMATION.**

Subject to the conditions that a properly completed Redemption Order has been placed by the Authorized Participant not later than the Order Cut-Off Time, and any other applicable provisions contained in these Procedures, the Sponsor or its delegate will accept the Redemption Order on behalf of the Trust and will confirm in writing via email to the Authorized Participant that its Redemption Order has been accepted within 60 minutes after the designated Order Cut-Off Time on the Redemption Order Date. Once the Redemption Order has been approved by the Sponsor, the Sponsor will sign or time-stamp the Redemption Order and send that Redemption Order to the Sponsor or its delegate.

### **3. QUALITY ASSURANCE.**

After a Confirmation Number is issued by the Sponsor or its delegate to the Authorized Participant, the Authorized Participant shall email a PDF copy of the Redemption Order to the Sponsor or its delegate. Upon receipt, the Sponsor or its delegate shall immediately telephone the Authorized Participant if the Sponsor or its delegate believes that the Redemption Order has not been completed correctly by the Authorized Participant. In addition, the Sponsor or its delegate shall telephone the Authorized Participant if the Sponsor or its delegate has not received the Redemption Order within 30 minutes after the Redemption Order has been called into the Sponsor or its delegate or as soon thereafter as practicable.

### **4. REJECTING OR SUSPENDING REDEMPTION ORDERS.**

The Sponsor or its delegate shall have the absolute right, but shall have no obligation, to reject any Redemption Order or Redemption Basket Bitcoin Amount (as defined in the Trust Agreement) if (i) the Redemption Order is not in proper form as described herein, or (ii) circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process Redemption Baskets, or (iii) the fulfillment of the Redemption Order, in the opinion of counsel, might be unlawful, or (iv) the Sponsor or its delegate, in its sole discretion, deems that such suspension is desirable. The Sponsor and its delegates shall not be liable to any person by reason of the rejection of any Redemption Order or Redemption Basket Bitcoin Amount.

### **5. DETERMINATION OF REQUIRED DEPOSIT.**

The Redemption Basket Bitcoin Amount required for a Redemption Basket shall be determined by the Sponsor or its delegate by dividing the number Bitcoins owned by the Trust at such time by the number of Shares outstanding at such time (calculated to one one-hundred-millionth of one Bitcoin) and multiplying by quotient obtained by 100 and the number of Redemption Baskets. The Sponsor has final determination of all questions as to the composition of the Redemption Basket Bitcoin Amount.

### **6. SETTLEMENT**

Upon issuance of the Confirmation Number, the following will occur:

1. The Sponsor or its delegate will calculate the Redemption Basket Bitcoin Amount required to fulfill the Authorized Participant's Redemption Order.
2. The Sponsor or its delegate will send an e-mail to the Authorized Participant providing the Redemption Basket Bitcoin Amount required for the Redemption Basket.
3. The Authorized Participant will send an email to the Sponsor or its delegate:
  - a. Acknowledging the receipt and the content of the Sponsor or its delegate's email, as provided in Step 2; and
  - b. Providing the Authorized Participant Self-Administered Account.

4. Upon receipt of the Authorized Participant's email, the Sponsor or its delegate will telephone the Authorized Participant within 30 minutes, or as soon thereafter as practicable to orally confirm receipt of the e-mail and the information included in such e-mail generally, and the Authorized Participant Self-Administered Account specifically.
5. The Sponsor or its delegate will direct the Custodian to transfer the Redemption Basket Bitcoin Amount from the Bitcoin Account, to the Authorized Participant Self-Administered Account as soon as possible, provided that the Custodian shall transfer the Redemption Basket Bitcoin Amount from the Bitcoin Account, to the Authorized Participant Self-Administered Account by no later than the Redemption Order Settlement Time. **THE AUTHORIZED PARTICIPANT IS SOLELY RESPONSIBLE FOR THE ACCURACY OF THE AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT PROVIDED IN CONNECTION WITH THE TRANSFER OF THE REDEMPTION BASKET BITCOIN AMOUNT PURSUANT TO A REDEMPTION ORDER. TRANSFERS WILL ONLY BE MADE TO AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT AND ANY REQUEST FOR A TRANSFER TO AN ACCOUNT OTHER THAN AN AUTHORIZED PARTICIPANT SELF-ADMINISTERED ACCOUNT WILL BE REJECTED.**
6. The Custodian's will provide confirmation to the Sponsor or its delegate through its online portal or associated services after it receives confirmation of the transfer of the Redemption Basket Bitcoin Amount and the validation of such transfer by the Bitcoin Network.
7. The Sponsor or its delegate will e-mail and call the Authorized Participant to confirm the deposit of the Redemption Basket Bitcoin Amount in the Authorized Participant Self-Administered Account.
8. The expense and risk of delivery, ownership and safekeeping of Bitcoins, until such Bitcoins have deposited in the Authorized Participant Self-Administered Account, shall be borne solely by the Custodian.
9. The Sponsor or its delegate will direct the Transfer Agent to debit the number of Redemption Baskets as requested by the Authorized Participant in the transfer register as soon as possible thereafter.
10. The Transfer Agent will e-mail and call the Sponsor or its delegate to confirm the debiting of the Redemption Baskets as requested by Authorized Participant in the transfer register.
11. The Transfer Agent will issue a statement to the Sponsor and the Authorized Participant reflecting the number of Redemption Baskets that have been debited from the Authorized Participant.

**BITCOIN TRANSFERS MAY BE IRREVERSIBLE AND THERE IS NO RECOURSE AGAINST ANYONE FOR THE WRONGFUL DELIVERY OF BITCOINS TO AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD)**

**WALLET ADDRESS OR AN INVALID WALLET ADDRESS AND THERE IS CURRENTLY NO METHOD TO RETRIEVE THE BITCOINS FROM AN INADVERTENT RECIPIENT, AN INACTIVE (DEAD) WALLET ADDRESS OR AN INVALID WALLET ADDRESS. THE EXPENSE AND RISK OF DELIVERY, OWNERSHIP AND SAFEKEEPING OF BITCOINS, UNTIL SUCH BITCOINS HAVE BEEN RECEIVED BY THE AUTHORIZED PARTICIPANT, SHALL BE BORNE SOLELY BY THE CUSTODIAN. THE TRUST, THE SPONSOR, ITS DELEGATES AND THE CUSTODIAN ARE NOT RESPONSIBLE FOR ERRANT TRANSFERS DUE TO TYPOGRAPHICAL, COMPUTER OR HUMAN ERROR ON THE PART OF THE AUTHORIZED PARTICIPANT.**