

VanEck SolidX Bitcoin Shares

VANECK SOLIDX BITCOIN TRUST

The VanEck SolidX Bitcoin Trust (“**Trust**”) will issue VanEck SolidX Bitcoin Shares (“**Shares**” or “**144A Shares**”), which represent units of fractional undivided beneficial interest in and ownership of the Trust. The investment objective of the Trust is for the Shares to reflect the performance of the price of bitcoin, less the expenses of the Trust’s operations. The Trust is not actively managed.

The Trust’s assets will consist of bitcoin, an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency. The Trust will occasionally hold cash in a non-interest bearing account for short periods primarily to pay Trust expenses.

The Trust will undertake the activities necessary and appropriate to storing the Trust’s bitcoin. The Trust will not store or maintain control of bitcoin on behalf of others. The Trust will not provide or hold itself out as providing storage services to the public or any other commercial enterprise. The Trust will only provide such services for the Trust.

SolidX Management LLC is the sponsor of the Trust (“**Sponsor**”). Delaware Trust Company is the trustee (“**Trustee**”). The Bank of New York Mellon is the administrator (“**Administrator**”) and the transfer agent (“**Transfer Agent**”) of the Trust. Van Eck Securities Corporation (“**VanEck**”) provides assistance in the marketing of the Shares.

The Shares are issued by the Trust only in one or more blocks of 4,000 Shares called “**Baskets**” in exchange for bitcoin. The Trust will issue and redeem Shares in Baskets to certain registered broker-dealers who have entered into a contract with the Trust, the Sponsor and the Transfer Agent (“**Authorized Participants**”) on an ongoing basis as described in “*Creation and Redemption of Shares*”. Baskets may be issued and redeemed at net asset value (“**NAV**”) on each day on which the Depository Trust Company or its successor is open for the acceptance and execution of settlement instructions.

There is no public market for the Shares. The Shares of the Trust will not be listed on any securities exchange for trading, but the Trust intends to have the Shares be eligible for quotation by subscribing broker-dealers on OTC Markets’ alternative trading system, “**OTC Link ATS**”, under the anticipated symbol “XBTC”. The OTC Link ATS price quotation of the Shares may be different from the NAV per Share for a number of reasons, including price volatility, trading volume of bitcoin, closing of bitcoin trading platforms due to fraud, failure, security breaches or otherwise and illiquidity on OTC Link ATS.

In order to enable brokers to provide quotations for the Shares, the Trust will use commercially reasonable efforts to provide the information required under Rule 15c2-11 promulgated under the Securities Exchange Act of 1934, as amended.

The Shares have not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other jurisdiction. Unless they are registered under the Securities Act, the Shares may be offered and sold only in transactions that are exempt from registration under the Securities Act pursuant to Rule 144A promulgated under the Securities Act (“**Rule 144A**”). Accordingly, the Shares are being offered and sold in the United States only to “qualified institutional buyers”, as such term is defined in Rule 144A (“**QIBs**”). For further details about eligible offerees and resale restrictions, see “*Notice to Investors*”.

Except when aggregated in Baskets by Authorized Participants, Shares are not redeemable securities.

THE TRUST WILL HOLD BITCOIN AND THEREFORE MAY BE RISKIER THAN OTHER PRODUCTS THAT DO NOT HOLD BITCOIN OR FINANCIAL INSTRUMENTS RELATED TO BITCOIN. THE SHARES ARE SPECULATIVE SECURITIES AND THEIR PURCHASE INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER ALL RISK FACTORS BEFORE INVESTING IN THE TRUST. PLEASE REFER TO “*THE RISKS YOU FACE*”.

- **Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of bitcoin will continue to grow. A contraction in use of bitcoin or negative perception of bitcoin may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the value of the Shares.**
- **Bitcoin trading prices are volatile and shareholders could lose all or substantially all of their investment in the Trust.**
- **Bitcoin is a novel technology with unique risks relative to other investments. Loss of the Trust’s bitcoin may be irreversible and could result in the loss of all or substantially all of an investment in the Trust.**
- **Regulation of bitcoin continues to evolve in both the U.S. and foreign jurisdictions, which may restrict the use of bitcoin or otherwise impact the demand for bitcoin.**

The Shares are neither interests in nor obligations of the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck or any of their respective affiliates. The Shares are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. The Trust is not an investment company registered under the Investment Company Act of 1940, as amended. The Trust is not a commodity pool for purposes of the Commodity Exchange Act of 1936, as amended, and the Sponsor is not subject to regulation by the Commodity Futures Trading Commission as a commodity pool operator or a commodity trading advisor.

The date of this Offering Memorandum is August 29, 2019.

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You should rely only on the information contained or incorporated by reference in this Memorandum. The Trust and the Sponsor have not authorized anyone to provide you with different information. The Trust and the Sponsor have not made, and the Authorized Participants are not making, an offer of these securities in any state or jurisdiction where the offer is not permitted. You should assume that the information contained or incorporated by reference in this Memorandum is accurate only as of the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

Initial sales of Shares to financial institutions in their capacity as Authorized Participants are being conducted pursuant to the exemption from registration under the Securities Act, available to private placements that comply with the requirements of Section 4(a)(2) of the Securities Act. Shares will be sold by Authorized Participants in transactions that comply with Rule 144A, where buyers are QIBs. Subsequent offers and sales of Shares also may be made only to QIBs in compliance with Rule 144A. If you purchase the Shares offered

hereby, you will be deemed to have made certain acknowledgments, representations and agreements in making your purchase, as set forth under the caption “*Notice to Investors*”.

The securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and other applicable securities laws. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of an investment in the securities for an indefinite period of time.

The Authorized Participants make no representation or warranty, express or implied, as to the accuracy or completeness of information contained or incorporated by reference in this Memorandum. Nothing contained or incorporated by reference in this Memorandum is, or shall be relied upon as, a promise or representation by the Authorized Participants as to the past or future. The Trust and the Sponsor have furnished the information contained and incorporated by reference in this Memorandum. Neither the delivery of this Memorandum at any time nor the offer, sale or delivery of any security shall, under any circumstances, create any implication that there has been no change in the information set forth in this Memorandum or in the Trust’s or the Sponsor’s affairs since the date of this Memorandum.

None of the Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the Shares nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Memorandum. Any representation to the contrary is a criminal offense.

No person is authorized in connection with the offering to give any information or to make any representation not contained in this Memorandum, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Trust, the Sponsor or the Authorized Participants or any of their respective representatives.

In making an investment decision regarding the Shares, you must rely on your own examination of the Trust and the Sponsor and the terms of this offering, including the merits and risks involved. Neither the Trust, the Sponsor, the Authorized Participants nor any of their representatives is making any representation to any offeree or purchaser of the Shares regarding the advisability or legality of an investment therein by such offeree or purchaser under any applicable legal investment or similar laws or regulations. You should not construe the contents of this Memorandum as legal, business or tax advice, and you should consult your own counsel, accountants and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Shares.

This Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to the Trust, the Sponsor or the Authorized Participants.

Each prospective investor must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Shares or possesses or distributes this Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such a purchase, offer or sale, and none of the Trust, the Sponsor, the Authorized Participants nor any of their affiliates or representatives shall have any responsibility therefor.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to you or any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Memorandum includes statements which relate to future events or future performance. In some cases, you can identify such 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 Memorandum that address activities, events or developments that may occur in the future, including such matters as changes in asset prices and market conditions (for bitcoin and the Shares), 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 made by the Sponsor on the basis of its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are 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 Memorandum, general economic, market and business conditions, changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies, and other world economic and political developments. *See “The Risks You Face”*. Consequently, all of the forward-looking statements made in this Memorandum are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Trust’s operations or the value of the 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 undertakes an obligation to publicly update or conform to actual results any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

SUMMARY

The following is only a summary of some basic information contained or incorporated by reference in this offering memorandum (this “Memorandum”) and, while it contains material information about the Trust (as defined below), it does not contain or summarize all of the information about the Trust and the Shares (as defined below) contained in this Memorandum that is material and that may be important to you. You should read this entire Memorandum, including “The Risks You Face”, and the material incorporated by reference herein before making an investment decision about the Shares.

Bitcoin

A bitcoin is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency. Bitcoin with an upper case “B” describes the system as a whole (*i.e.*, the network of computers running the software protocol underlying bitcoin involved in maintaining the database of bitcoin ownership and facilitating the transfer of bitcoin among parties). When written with a lower case “b”, the word bitcoin refers to the unit of account within the Bitcoin network. The Bitcoin network and the asset, bitcoin, are intrinsically linked and inseparable.

The Bitcoin network, which has existed since 2009, can be used both as a value transfer system (*i.e.*, the transfer of bitcoin from one party to another) and for non-financial applications. Development of the Bitcoin network’s usage for non-financial applications has become increasingly prominent, including applications such as: asset title transfer, secure timestamping, counterfeit and fraud detection systems, secure document and contract signing, distributed cloud storage and identity management. As a mechanism purely for the transfer of value, the Bitcoin network has processed hundreds of millions of transactions since its inception.

The Trust and the Shares

VanEck SolidX Bitcoin Trust (the “Trust”) was formed as a Delaware statutory trust on September 15, 2016. The Trust is governed by the Third Amended and Restated Declaration of Trust and Trust Agreement (“Trust Agreement”) dated August 16, 2019 between SolidX Management LLC (the “Sponsor”) and Delaware Trust Company (the “Trustee”). The Trust will issue common units of beneficial interest, or “Shares”, which represent units of fractional undivided beneficial interest in the Trust’s net assets. The Trust’s assets will consist of bitcoin, the unit of account within the Bitcoin network as described in the preceding paragraphs. The Trust will occasionally hold cash in a non-interest bearing account for short periods, including to pay the Sponsor Fee, the bitcoin Insurance Fee (as defined below), bitcoin storage fees and any other Trust expenses and liabilities not assumed by the Sponsor. The Trust will not hold any assets other than bitcoin or cash.

The Trust will hold bitcoin with a view to causing the performance of the Trust to track the price of bitcoin, less the expenses of the Trust’s operations. The value of bitcoin will be reported on the Trust’s website daily as measured by the MVIS® Bitcoin US OTC Spot Index (“*MVBTCO*”).

The Trust will undertake the activities necessary and appropriate to storing the Trust’s bitcoin. The Trust will not store or maintain control of bitcoin on behalf of others. The Trust will not provide or hold itself out as providing storage services to the public or any other commercial enterprise. The Trust will only provide such services for the Trust.

Shares are issued by the Trust only in blocks of 4,000 Shares called “Baskets” in exchange for bitcoin from certain registered broker-dealers (“Authorized Participants”). See “Creation and Redemption of Shares” for requirements to qualify as an Authorized Participant. Baskets will be redeemed by the Trust in exchange for the amount of bitcoin corresponding to their redemption value. The Trust may issue and redeem Baskets at net asset value (“NAV”) to Authorized Participants who have entered into a contract with the Trust, the Sponsor and the Transfer Agent on each day on which The Depository Trust Company (“DTC”) or its successor is open for the acceptance and execution of settlement instructions (each, a “Dealing Day”). Individual Shares will not be redeemed by the Trust.

The Shares of the Trust will not be listed on any securities exchange for trading, but the Trust intends to have the Shares be eligible for quotation by subscribing broker-dealers on OTC Markets' alternative trading system, "*OTC Link ATS*", under the anticipated symbol "XBTC". The OTC Link ATS price quotation of the Shares may not be identical to the NAV per Share. In order to enable brokers to provide quotations for the Shares, the Trust will use commercially reasonable efforts to provide the information required under Rule 15c2-11 promulgated under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*").

The Shares are intended to be "Rule 144A securities" for the purposes of Regulation M promulgated under the Exchange Act.

The material terms of the Trust and the Shares are discussed in greater detail under the sections "*Description of the Trust*" and "*Description of the Shares*". The Trust is not a registered investment company under the Investment Company Act of 1940, as amended ("*1940 Act*"), and is not required to register with the Securities and Exchange Commission (the "*SEC*") thereunder. The Trust is not a commodity pool for purposes of the Commodity Exchange Act of 1936, as amended (the "*CEA*"), and the Trust and the Sponsor are not subject to regulation by the Commodities Futures Trading Commission (the "*CFTC*") as a commodity pool operator or a commodity trading advisor.

An investment in the Trust involves risk. You should carefully consider the information under "*The Risks You Face*" before investing in Shares, as well as all other information included in this Memorandum and the documents incorporated by reference herein.

The Sponsor

The Sponsor is a Delaware limited liability company. ***The Shares are neither interests in nor obligations of, and are not guaranteed by, the Sponsor, its member(s), or any of its affiliates.***

The Sponsor will: (1) select the Trustee, Administrator, Transfer Agent and any other Trust service providers; (2) negotiate various agreements and fees for the Trust; (3) develop a marketing plan for the Trust on an ongoing basis and prepare marketing materials regarding the Shares, and in this respect the Sponsor has engaged Van Eck Securities Corporation ("*VanEck*") pursuant to a marketing agent agreement to provide assistance in the marketing of the Shares; (4) maintain the Trust's website; and (5) perform such other services as the Sponsor believes that the Trust may require. The general role and responsibilities of the Sponsor are discussed in greater detail under the section "*The Sponsor*".

The Sponsor arranged for the creation of the Trust and the offering of the Shares. The Sponsor generally oversees the performance of the Trust's principal service providers, but does not exercise day-to-day oversight of the Trustee, Administrator, Transfer Agent, VanEck or any other service provider to the Trust.

The Sponsor may compensate its affiliates for providing marketing and other services to the Trust without any additional cost to the Trust. The Sponsor maintains a public website on behalf of the Trust, containing information about the Trust and the Shares. The Internet address of the Trust's website is vaneck.com/bitcoin-144a/. This Internet address is only provided here as a convenience to you, and the information contained on or connected to the Trust's website is not considered part of this Memorandum. The Trust's website may be hosted and maintained by VanEck.

The Sponsor has agreed to assume the following administrative and marketing expenses incurred by the Trust: (1) each of the Trustee's, Administrator's and Transfer Agent's monthly fee and out-of-pocket expenses and expenses reimbursable in connection with such service provider's respective agreement; (2) index license fees; (3) maintenance expenses for the Trust's website; (4) audit fees and expenses; and (5) up to \$100,000 per annum in legal expenses of the Trust (the "*Sponsor Assumed Expenses*"). For the avoidance of doubt, the Sponsor will not be responsible for paying the bitcoin Insurance Fee. The Sponsor also paid the costs of the Trust's organization and the initial sale of the Shares. See "*The Sponsor*", "*The Trust's bitcoin Security System*" and "*The Trust's bitcoin Insurance*".

The Trustee

Delaware Trust Company, a Delaware trust company, acts as the trustee of the Trust for the purpose of creating a Delaware statutory trust in accordance with the Delaware Statutory Trust Act (“*DSTA*”). The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirement of Section 3807(a) of the *DSTA* that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee will be limited to (i) accepting legal process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Trustee is required to execute under the *DSTA*. To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or the Trust’s shareholders, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, Administrator, Transfer Agent, VanEck, any other service provider to the Trust or any other person. *See “The Trustee”*.

The Administrator

The Administrator is The Bank of New York Mellon. The Administrator is responsible for the day-to-day administration and operation of the Trust as provided under the Fund Administration and Accounting Agreement, including: (1) calculating the NAV per Share of the Trust and the NAV of the Trust using the MVBTCO; and (2) supplying pricing information utilizing the MVBTCO as directed by the Sponsor for the Trust’s website. The general role and responsibilities of the Administrator are discussed in greater detail under the section “*The Administrator*”.

The Transfer Agent

The Transfer Agent is The Bank of New York Mellon. Pursuant to the Transfer Agency and Service Agreement between the Trust and the Transfer Agent, the Transfer Agent serves as the Trust’s transfer agent and agent in connection with certain other activities as provided under the Transfer Agency and Service Agreement. The Transfer Agent’s responsibilities include: (1) receiving and processing orders from Authorized Participants for the creation and redemption of Baskets; and (2) coordinating the processing of orders from Authorized Participants with the Trust and DTC. *See “The Transfer Agent”*.

Storage Arrangements

The Trust will undertake the activities necessary and appropriate to storing the Trust’s bitcoin. The Trust will not store or maintain control of bitcoin on behalf of others. The Trust will not provide or hold itself out as providing storage services to the public or any other commercial enterprise. The Trust will only provide such services for the Trust.

The security of the Trust’s bitcoin relies upon the safekeeping of private keys that provide access to customized bitcoin wallets, from which and to which the Trust’s bitcoin can be transferred. The Trust and the Sponsor have obtained insurance to protect shareholders against loss or theft of the Trust’s bitcoin. The insurance will cover loss of bitcoin by, among other things, theft, destruction, bitcoin in transit, computer fraud and other loss of the private keys that are necessary to access the bitcoin held by the Trust. The Sponsor expects that the Trust’s auditor will verify the existence of bitcoin stored by the Trust. *See “The Sponsor”, “The Trust’s bitcoin Security System” and “The Trust’s bitcoin Insurance”*.

Pursuant to the Trust Agreement, one or more Shareholders of the Trust will handle the storage of the Trust’s bitcoin (each, a “**Storage Representative**”). Each Storage Representative will agree with the Sponsor as to the specific tasks to be performed by such Storage Representative in connection with handling the storage of the Trust’s bitcoin, including, but not limited to, overseeing the security of the private keys that are necessary to access the bitcoin held by the Trust and transferring bitcoin in connection with redemptions and the payment of Trust expenses. The Sponsor and the relevant Shareholder(s) will agree to the designation of

each Storage Representative, provided, that any Storage Representative must be a Shareholder of the Trust at all times. A Storage Representative will receive no compensation for his or her services to the Trust. A Storage Representative will have the authority to designate one or more additional persons to assist him or her in performing the relevant tasks.

Trust Objective

The investment objective of the Trust is for the Shares to reflect the performance of the price of bitcoin, less the expenses of the Trust's operations. The Trust intends to achieve this objective by holding bitcoin that is delivered to the Trust by Authorized Participants in connection with the creation of Baskets. The Trust will not otherwise acquire bitcoin and will only sell bitcoin solely (1) to raise cash to pay the Sponsor Fee, the bitcoin Insurance Fee and any other expenses of the Trust that are not Sponsor Assumed Expenses, (2) if the sale is required by applicable law or regulation or (3) in connection with the termination and liquidation of the Trust.

Bitcoin is an asset that is not issued by any government, bank or organization. A bitcoin is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency. The asset, bitcoin, is generally written with a lower case "b". When written with an uppercase "B", the word "Bitcoin" generally refers to the computers and software (or the protocol) involved in the transfer of bitcoin among users. The computers running Bitcoin software constitute the *Bitcoin network*. The asset, bitcoin, is the intrinsically linked unit of account that exists within the Bitcoin network.

The Bitcoin network records each bitcoin balance (*i.e.*, the quantity of bitcoin) held by each user on a database referred to as the Bitcoin *blockchain*. Each transfer of bitcoin between users is known as a bitcoin *transaction*. Approximately every ten minutes, the Bitcoin network groups together new transactions into what are referred to as *blocks*. Transactions in each block refer to transactions in previous blocks, thereby growing the blockchain and enabling it to serve as a consistent database of all bitcoin transactions and balances. The Bitcoin blockchain's record of transactions and balances provides a complete historical record of all activity within the Bitcoin network since Bitcoin's inception in January 2009. Copies of the Bitcoin blockchain are stored on various computers participating in the Bitcoin network. The Bitcoin blockchain can be used for a variety of non-financial applications, but all uses involve the expenditure of some quantity of bitcoin. See "*Bitcoin and the Bitcoin Industry*".

The Trust will be insured against loss or theft of bitcoin held by the Trust. The insurance will cover loss of bitcoin by, among other things, theft, destruction, bitcoin in transit, computer fraud (*i.e.*, hacking attack), and other loss of numerical codes, known as "private keys", which are necessary to access the bitcoin held by the Trust. The insurance will not cover certain losses including, but not limited to the following:

- Loss caused or contributed by theft or any other fraudulent, dishonest or criminal act committed by a partner, director or officer of the Sponsor, or any individual, including employees, controlling more than 5% of the issued share capital of the Insured.
- Loss caused by an employee of the Sponsor if an elected or appointed official of the Trust or the Sponsor (not in collusion) knows of any act or acts of theft, fraud or dishonesty by such employee prior to the Trust's or Sponsor's discovery of a loss caused by such act or acts of the employee.
- Any and all losses caused by an employee of the Sponsor who has access to the private key(s) associated with the Trust's bitcoin if an elected or appointed official of the Trust or Sponsor becomes aware of any act or acts of theft, fraud or dishonesty by such employee prior to the Trust's or Sponsor's discovery of a loss caused by such act or acts.
- Loss of the private key(s) associated with the Trust's bitcoin where such private key(s) is stored or being transmitted between computers or similar electronic devices that are connected to the Internet.
- Any and all loss resulting from the network failure of the Bitcoin protocol.

With respect to the Trust's bitcoin insurance, the Trust will be responsible for paying: (1) the insurance premium related to the insurance policies on the Trust's bitcoin, which is expected to be approximately 0.9% per annum of the NAV of the Trust (the "*bitcoin Insurance Fee*"); and (2) losses up to the insurance's deductible of \$500,000.

See "*The Trust's bitcoin Insurance*".

Advantages of investing in the Shares include:

- **Ease and Flexibility of Investment.** The Shares will be quoted on the OTC Link ATS and provide shareholders with indirect exposure to the price of bitcoin. The Shares may be bought and sold throughout the business day through the OTC Link ATS.
- **Insurance.** As noted above, the bitcoin held by the Trust will be insured against loss or theft of bitcoin.
- **Diversification.** The correlation between bitcoin and global financial markets for equities, commodities and fixed income has, since bitcoin's inception in 2009, generally been low, so the Shares may help to diversify an investment portfolio.

The Index

MV Index Solutions GmbH ("*MVIS*") is the sponsor for the MVBTCO. *MVIS*, with the assistance of its affiliates, is also the calculation agent for the MVBTCO.

The MVBTCO is a real-time U.S. dollar-denominated composite reference rate for the price of bitcoin. The MVBTCO calculates the intra-day price of bitcoin every 15 seconds, including a 'closing price' as of 4:00 p.m. E.T. The intra-day price and closing price are based on a methodology that consists of collecting actual firm bid/ask spreads and calculating a mid price from several bitcoin over-the counter ("*OTC*") platforms, all of which are U.S.-based entities, included within the index. The logic utilized for the derivation of the daily closing index level for the MVBTCO is intended to analyze actual firm bid/ask data, verify and refine the data set, and yield an objective, fair-market value of one bitcoin as of 4:00 p.m. E.T. each weekday, priced in U.S. dollars. As discussed herein, the MVBTCO intra-day price and the MVBTCO closing price are collectively referred to as the "*MVBTCO price*", unless otherwise noted. *MVIS*'s MVBTCO index has been in operation since November 20, 2018. In the event the MVBTCO is unavailable for use in calculating the value of bitcoin held by the Trust, the Sponsor will use the alternative pricing sources described under "*Description of the Trust—Pricing Sources*".

The key elements of the algorithm underlying the MVBTCO include:

- Equal weighting of OTC platforms. This mitigates the impact of spikes at single platforms.
- Using firm bid/ask spreads and the respective mid prices, which are consistently available.

Pricing Information Available on OTC Link ATS, *MVIS* Website and Other Sources

Real-time, consolidated quotation and trading information will be published on OTC Link ATS.

Any adjustments made to the MVBTCO will be published on the *MVIS* website at <https://www.mvis-indices.com/> or any successor thereto.

The intra-day levels and closing levels of the MVBTCO are published by *MVIS*, and the closing NAV is published by the Administrator.

The Shares are not issued, sponsored, endorsed, sold or promoted by OTC Link ATS, and OTC Link ATS makes no representation regarding the advisability of investing in the Shares.

MVIS makes no warranty, express or implied, as to the results to be obtained by any person or entity from the use of the MVBTCO index for any purpose. Index information and any other data calculated and/or disseminated, in whole or part, by MVIS is for informational purposes only, not intended for trading purposes, and provided on an “as is” basis. MVIS does not warrant that the index information will be uninterrupted or error-free, or that defects will be corrected. MVIS also does not recommend or make any representation as to possible benefits from any securities or investments, or third-party products or services. Investors should undertake their own due diligence regarding securities and investment practices.

Summary Risk Factors

An investment in the Shares is speculative and involves a high degree of risk. There is no assurance the Trust will achieve its investment objective or avoid substantial losses. A potential shareholder should not invest in the Shares unless he or she can afford to lose the entire investment. Before investing in the Shares, a potential shareholder should be aware of the various risks of investing in the Trust, including those described below. Additional risks and uncertainties not presently known by the Trust or not presently deemed material by the Trust may also impair the Trust’s operations and performance. The summary risk factors set forth below are intended to highlight certain risks of investing in the Trust. A more extensive discussion of these risks appears in “*The Risks You Face*”.

- Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of bitcoin and the blockchain will continue to grow. A contraction in use of bitcoin or the blockchain may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the value of the Shares.
- A decline in the adoption of bitcoin could negatively impact the performance of the Trust.
- The loss or destruction of certain “private keys” (numerical codes required by the Trust to access its bitcoin) could prevent the Trust from accessing its bitcoin. Loss of these private keys may be irreversible and could result in the loss of all or substantially all of an investment in the Trust.
- Disruptions to the Bitcoin network or the internet could adversely affect an investment in the Trust.
- Bitcoin trading prices are volatile and shareholders could lose all or substantially all of their investment in the Trust.
- Regulation of bitcoin continues to evolve in both the U.S. and foreign jurisdictions, which may restrict the use of bitcoin, result in additional or unforeseen costs associated with using or trading bitcoin or otherwise impact the demand for bitcoin.
- The Trust’s return may not match the performance of the price of bitcoin due to, among other factors, the Trust incurring operating expenses.
- Sales of newly mined bitcoin may cause the price of bitcoin to decline, which could negatively affect an investment in the Shares.
- The NAV of the Trust may not always correspond to the OTC Link ATS price quotation of the Shares for a number of reasons, including price volatility, trading volume of bitcoin, closing of bitcoin trading platforms due to fraud, failure, security breaches or otherwise and illiquidity on OTC Link ATS. As a result, Baskets may be created or redeemed at a value that differs from the OTC Link ATS price quotation of the Shares.

- The Shares are a new issue of securities for which there is currently no active trading market. While the Trust and the Sponsor may seek to register a Public Tranche (as defined below), the timing of such registration is not known and it is possible that the SEC may not approve such registration. Neither the Trust nor the Sponsor is required to apply for listing of the Shares on any securities exchange. A market may not develop for the Shares or, if developed, may not continue or provide significant liquidity.
- Disruptions at bitcoin trading platforms (including in the OTC market and on exchanges) and potential consequences of a bitcoin exchange's or OTC trading desk's failure could adversely affect an investment in the Shares.
- The Trust's bitcoin trading may subject the Trust to the risk of counterparty non-performance, potentially negatively impacting the market price of the Shares.
- The Trust's bitcoin insurance may be unavailable and may not protect the Trust against all losses and liabilities.
- Shareholders of the Trust will be subject to taxation on their allocable share of the Trust's taxable income, whether or not they receive cash distributions.

Principal Offices

The offices of the Trust and the Sponsor are located at 200 Park Avenue, New York, New York 10166 and the Trust's telephone number is (212) 273-9585. The office of the Trustee is located at 251 Little Falls Drive, Wilmington, Delaware 19808. The offices of the Administrator and Transfer Agent are located at 2 Hanson Place, Brooklyn, New York 11217.

THE OFFERING

Offering	The Shares represent units of fractional undivided beneficial interest in the net assets of the Trust.
Use of proceeds	Proceeds received by the Trust from the issuance and sale of Baskets will consist of bitcoin. The Trust will hold the bitcoin received by the Trust from the issuance and sale of Baskets, until (1) bitcoin is distributed by the Trust to Authorized Participants in connection with redemptions of Baskets, (2) bitcoin is sold for cash or transferred to the Sponsor by the Trust in kind to pay the Sponsor Fee and the insurance premium related to the insurance policies on the Trust's bitcoin, or (3) bitcoin is sold for cash by the Trust to pay other Trust expenses and liabilities not assumed by the Sponsor. See " <i>Description of the Trust—Trust Expenses</i> ".
OTC Link ATS Anticipated Symbol	XBTC
CUSIP	92189G 104
Creation and Redemption of Baskets	Shares are issued by the Trust in blocks of 4,000 Shares called " <i>Baskets</i> " in exchange for bitcoin. Shares may be redeemed in Baskets and redemption proceeds will be paid in bitcoin. Baskets may be created or redeemed on each Dealing Day. Only Authorized Participants may request the creation or redemption of a

Basket. No Shares are issued unless the Trust confirms that the Trust has been allocated the corresponding amount of bitcoin.

The initial amount of bitcoin required for deposit with the Trust to create Shares will be approximately 4 per Basket.

Fees are assessed in connection with the creation and redemption of Baskets by Authorized Participants. See “*Creation and Redemption of Shares*” for more details.

Transfer Restrictions

The Shares have not been registered under the Securities Act of 1933, as amended (the “*Securities Act*”), or the securities laws of any jurisdiction and are subject to certain restrictions on transfer and resale. Each Authorized Participant may only transfer Shares to an investor that has confirmed that it is a QIB and has provided certain other information. Transfers of the Shares will only be permitted in Rule 144A-compliant transactions to other QIBs, except if in the future there is a Public Tranche, as described further below under “*Public Liquidity*”. See “*Notice to Investors*”.

Public Liquidity

In the event that other shares of the Trust (the “*Public Tranche*”) are registered with the SEC under the Securities Act, then the Trust will seek to provide holders of the Shares with the ability to benefit from the public market through Securities Act-compliant resales. Upon such resale to a public shareholder, the Shares will no longer have the restricted CUSIP of the 144A Shares and will be fungible with the Public Tranche. Shares in the Public Tranche will have a separate, “unrestricted” CUSIP number, and purchasers from holders of Shares in public resales can receive Shares that bear this unrestricted CUSIP number.

New Baskets in the Rule 144A tranche will not be created after the establishment of the Public Tranche. Existing Baskets of the 144A Shares may be redeemed after the establishment of the Public Tranche.

The Public Tranche may never be established. None of the Trust, the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck, any Authorized Participant or any of their respective affiliates or personnel are able to guarantee that the Trust’s Shares will be registered under the Securities Act. See “*The Risks You Face—Market Related Risks—A Public Tranche May Not Be Established*”.

Net Asset Value

NAV means the sum of the total assets of the Trust including, but not limited to, all bitcoin and cash less total liabilities of the Trust, each determined on the basis of generally accepted accounting principles.

The Administrator calculates the NAV of the Trust on each Dealing Day, as promptly as practicable after 4:00 p.m. E.T. The NAV of the Trust is the aggregate value of the Trust’s assets less its estimated accrued but unpaid liabilities (which include accrued expenses). In determining the NAV per Share and the Trust’s NAV, the Administrator calculates the value of the bitcoin held by the Trust based on the MVBTCO price as of 4:00 p.m. E.T. Should the

MVBTCO become unavailable, the Administrator shall use such alternative pricing information as directed by the Sponsor.

The Administrator also determines the NAV per Share. If on a day when the Trust's NAV is being calculated the MVBTCO price for that day is not available, the Administrator will value the bitcoin held by the Trust based on alternative means as directed by the Sponsor. See "*Description of the Trust—Pricing Sources*".

Trust Fees and Expenses

The Trust's only ordinary recurring operating expenses are expected to be: (1) the Sponsor's fee equal to 2% of the NAV of the Trust ("*Sponsor Fee*"); (2) the bitcoin Insurance Fee; (3) expenses related to storage of the Trust's bitcoin; and (4) any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense. The expenses in clause (3) are expected to be approximately \$75,000 per annum.

The Sponsor Fee will accrue daily (based on an assumed 365 day year) based on the prior business day's NAV and will be payable on a monthly basis in arrears. At the Sponsor's discretion, the Trust may pay the Sponsor Fee in bitcoin. In exchange for the Sponsor Fee, the Sponsor has agreed to assume the Sponsor Assumed Expenses. For the avoidance of doubt, the Sponsor will not be responsible for paying the bitcoin Insurance Fee.

The Trust will sell bitcoin solely (1) to raise cash to pay the Sponsor Fee, the bitcoin Insurance Fee and any other expenses of the Trust that are not Sponsor Assumed Expenses, (2) if the sale is required by applicable law or regulation or (3) in connection with the termination and liquidation of the Trust. At the Sponsor's discretion, the Trust may pay the Sponsor Fee, the bitcoin Insurance Fee or any other Trust expense in bitcoin. See "*Description of the Trust—Trust Expenses*".

Organization and Offering Expenses

The Sponsor will be responsible for paying all of the expenses incurred in connection with organizing the Trust as well as the expenses incurred in connection with the offering of the Trust's Shares.

Extraordinary Fees and Expenses

The Trust will be responsible for paying, or for reimbursing the Sponsor or its affiliates for paying, all the extraordinary fees and expenses, if any, of the Trust or of the Trustee, Administrator or Transfer Agent due under such service provider's agreement. Extraordinary fees and expenses are fees and expenses which are non-recurring and unusual in nature, such as legal claims and liabilities, litigation costs or indemnification or other unanticipated expenses. Extraordinary fees and expenses also include material expenses which are not currently anticipated obligations of the Trust. Such extraordinary fees and expenses, by their nature, are unpredictable in terms of timing and amount.

Insurance

With respect to the Trust's bitcoin insurance, the Trust will be responsible for paying: (1) the bitcoin Insurance Fee; and (2) losses up to the insurance's deductible of \$500,000.

Tax Considerations

In the opinion of Sidley Austin LLP, although not free from doubt, the Trust will be classified as a "grantor trust" under Subpart E, Part I of

subchapter J of the Internal Revenue Code of 1986, as amended (the “Code”). Accordingly, an owner of Shares will be treated, for federal income tax purposes, as if it directly owns a *pro rata* share of the Trust’s assets. Although the state and local tax treatment of grantor trusts may vary from their federal income tax treatment, the Sponsor and the Trustee intend to treat the Trust as a grantor trust for state and local tax purposes to the extent permitted by applicable law.

Only United States persons as defined under Section 7701(a)(30) under the Code are permitted to invest in the Shares.

See “U.S. Federal Income Tax Consequences”.

Suspension of Issuance,
Transfers and Redemptions

The Sponsor may suspend the delivery or registration of transfers of Shares, or may refuse a particular deposit or transfer at any time, if the Sponsor considers it advisable or necessary for any reason. Redemptions by Authorized Participants of Shares may and, on the direction of the Sponsor, shall, be generally suspended or particularly rejected by the Transfer Agent: (1) during any period in which price quotations for the Shares are suspended or restricted on OTC Link ATS or its successor, or OTC Link ATS is closed; (2) the order is not in proper form as determined by the Trust, the Sponsor or the Transfer Agent; (3) during an emergency as a result of which delivery, disposal or evaluation of bitcoin is not reasonably practicable; (4) for such other period as the Sponsor determines to be necessary for the protection of shareholders; or (5) on any day on which settlement through DTC or its successor is disrupted. In addition, the Trust, the Sponsor or the Transfer Agent will reject a redemption order if, as a result of the redemption, the number of remaining outstanding Shares would be reduced to fewer than the number of Shares in one Basket. *See “Creation and Redemption of Shares—Rejection of purchase orders” and “Creation and Redemption of Shares—Suspension or rejection of redemption orders”.*

Margin

Due to restrictions of Section 11(d)(1) of the Exchange Act, broker-dealers may not be able to provide margin on the Shares.

Borrowing

The Trust will not engage in any borrowing.

Termination Events

The Trust will terminate and liquidate if certain events occur. *See “Description of the Trust—Termination of the Trust”.*

Authorized Participants

Authorized Participants may create and redeem Baskets.

Each Authorized Participant must: (1) be registered with the SEC as a “broker-dealer”; (2) be a participant in DTC; (3) have entered into an agreement with the Sponsor, acknowledged by the Transfer Agent (an “**Authorized Participant Agreement**”); (4) be a QIB; and (5) be an “accredited investor”, as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act. Each Authorized Participant Agreement provides the procedures for the creation and redemption of Baskets.

A list of the current Authorized Participants can be obtained from the Administrator or the Sponsor.

Clearance and Settlement

The Shares will be evidenced by one or more global certificates that the Trust will issue to DTC. The Shares are issued only in book-entry form. Shareholders may hold their Shares through DTC, if they are participants in DTC, or indirectly through entities that are participants in DTC.

Reporting to Investors

The Sponsor will cause the Trust to prepare quarterly reports of its financial performance. After the end of each fiscal year, the Sponsor will cause to be prepared an annual report for the Trust containing audited financial statements.

THE RISKS YOU FACE

An investment in the Trust involves the risk of losing money. Consider the risks below as well as the rest of the information in this Memorandum before making an investment decision. The following risk disclosures (and the information included generally in this Memorandum) is current only as of the date of this Memorandum. You should not assume that any information contained herein is current as of any later date.

Risks Associated with Investing Directly or Indirectly in bitcoin

Bitcoin Has a Short, Volatile History.

Bitcoin was invented in 2009; the asset, bitcoin, and its trading history thus have existed for a relatively short time, which limits a potential shareholder's ability to evaluate an investment in the Trust.

The Volatility of the Price of bitcoin May Affect the Value of the Shares.

The Shares are designed to provide shareholders with exposure to the daily change in the U.S. dollar price of bitcoin, as measured by the MVBTCO, and the value of the Shares correlates directly to the value of the bitcoin held by the Trust, less the Trust's fees and expenses. The price of bitcoin has historically been more volatile than other more developed assets and the price of bitcoin may be influenced by factors unique to the market for bitcoin. Such factors may include, but are not limited to:

- Global demand for bitcoin, which can be influenced by a variety of actual or perceived economic and non-economic factors;
- Trading volumes and available liquidity for bitcoin on bitcoin exchanges, which may be impacted by changes in withdrawal and deposit policies, policies or regulations that restrict the ability to sell or exchange bitcoin for government backed currency, changes in regulation or enforcement resulting in closing or suspension, or interruptions in service or other failures, including security breaches;
- Changes in the software, software requirements or hardware requirements underlying the Bitcoin network;
- Changes to the operation of the network, including mining power and related electricity costs;
- Changes to the number of companies developing and investing in applications related to bitcoin and the Bitcoin network; and
- Changes exhibited by early stage technological innovations.

In addition, speculators and investors who seek to profit from trading and holding bitcoin generate a significant portion of bitcoin demand. There are also a number of financial instruments which currently trade that provide exposure to bitcoin which do not require actually holding or trading bitcoin (*i.e.*, bitcoin futures). The Sponsor believes that speculation regarding future appreciation in the value of bitcoin may inflate and make more volatile the price of a bitcoin as measured by the MVBTCO. As a result, bitcoin may be more likely to fluctuate in value due to changing investor confidence in future appreciation in the price of bitcoin.

Furthermore, changes in the price of other digital assets may cause volatility in the broader market for digital assets and may affect the price of bitcoin. For example, a security breach that affects investor or user confidence in Ethereum may affect the market as a whole and may also cause the price of bitcoin and other digital assets to fluctuate.

In the event the price of bitcoin declines, the value of the Shares would decline proportionately. The price of the Shares may change quickly in response to changes in the price of bitcoin.

A Decline in the Adoption of Bitcoin Could Impact the Price of the Shares.

As a new asset and technological innovation, the Bitcoin industry is subject to a high degree of uncertainty. The adoption of bitcoin will require growth in its usage and in the Bitcoin blockchain, for various applications. Adoption of bitcoin will also require an accommodating regulatory environment. The Trust is not actively managed and will not have any strategy relating to the development of bitcoin and non-financial

applications for the blockchain. A lack of expansion in usage of bitcoin and the Bitcoin network could adversely affect an investment in the Shares.

In addition, there is no assurance that bitcoin will maintain its value over the long-term. The value of bitcoin is subject to risks related to its usage. Even if growth in bitcoin adoption occurs in the near or medium-term, there is no assurance that bitcoin usage will continue to grow over the long-term. *See, for example, “The Risks You Face—Risks Associated with Investing Directly or Indirectly in bitcoin—A Successful Competitor to Bitcoin May Negatively Impact the Price of bitcoin and Adversely Affect an Investment in the Shares”.* A contraction in use of bitcoin may result in increased volatility or a reduction in the price of bitcoin, which would adversely impact the value of the Shares.

Sales of Newly Mined bitcoin May Cause the Price of bitcoin to Decline, Which Could Negatively Affect an Investment in the Shares.

Newly created bitcoin are generated through a process referred to as “mining”, and such bitcoin are referred to as “newly mined bitcoin” (*see “Bitcoin and the Bitcoin Industry—bitcoin Mining and Transaction Fees”*). There are no regulations in place that would prevent a large holder of bitcoin from selling their bitcoin. If entities engaged in bitcoin mining choose not to hold the newly mined bitcoin, and, instead, make them available for sale, there can be downward pressure on the price of bitcoin. A bitcoin mining operation may be more likely to sell a higher percentage of its newly created bitcoin, and more rapidly so, if it is operating at a low profit margin, thus reducing the price of bitcoin. Lower bitcoin prices may result in further tightening of profit margins for miners and worsening profitability, thereby potentially causing even further selling pressure. Decreasing profit margins and increasing sales of newly mined bitcoin could result in a reduction in the price of bitcoin, which could adversely impact an investment in the Shares.

The Loss or Destruction of a Private Key Required to Access bitcoin may be Irreversible and Could Adversely Affect an Investment in the Shares.

Transfers of bitcoin among addresses are accomplished via bitcoin transactions (*i.e.*, sending bitcoin from one address to another). The creation of a bitcoin transaction requires the use of a unique alphanumeric code known as a “private key”. In the absence of the correct private key corresponding to a holder’s particular bitcoin, the bitcoin is inaccessible for usage. The Trust safeguards and keeps private the private keys relating to the Trust’s bitcoin holdings. Although the Trust maintains insurance (*see “The Risks You Face—Insurance Related Risks”*), to the extent the Trust’s private key(s) is lost, destroyed or otherwise compromised and no backup of the private key(s) is accessible, the Trust will be unable to access its bitcoin. Any such loss could adversely affect an investment in the Shares.

A Failure to Properly Monitor and Upgrade the Bitcoin Protocol by the Contributors of the Protocol Could Adversely Affect the Bitcoin Industry.

As discussed more fully below in “*Bitcoin and the Bitcoin Industry*”, the Bitcoin protocol runs on open source software that can be altered. The Bitcoin protocol could contain unknown flaws, which, upon detection by a malicious actor, could be used to damage the Bitcoin network. To the extent that software developers involved in maintaining the bitcoin protocol are unable to address potential flaws in the Bitcoin protocol adequately and in a timely manner, the Bitcoin industry may be adversely affected and any such result could adversely affect an investment in the Shares.

A Temporary or Permanent Blockchain “Fork” Could Adversely Affect an Investment in the Shares.

All nodes on the Bitcoin network operate using the same protocol. A “fork” (*i.e.*, “split”) may result from a change to the Bitcoin protocol. The Bitcoin software and protocol are open source. Any user can download the software, modify it and then propose that Bitcoin users and miners adopt the modification. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run. Although unintentional forks may be addressed by community-led efforts to merge the two chains (and in fact, prior historical forks have been so merged), there have also been other forks where a substantial number of Bitcoin users and miners adopted an incompatible version of Bitcoin while resisting community-led efforts to merge the two chains. This is referred to as a permanent fork. Permanent forks have occurred already (such as the fork in August 2017, which resulted in the creation of “bitcoin cash”).

When a modification is introduced and a substantial majority of users and miners consent to the modification, the change is implemented and the Bitcoin network remains uninterrupted. However, if less than a substantial majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “hard fork” of the Bitcoin network (and the blockchain), with one prong running the pre-modified software and the other running the modified software. The effect of such a hard fork would be the existence of two (or more) versions of the Bitcoin network running in parallel, but with each version’s bitcoin (the asset) lacking interchangeability.

In the event of a permanent hard fork, every holder of original bitcoin at the time of the fork would also hold the same amount of the new forked bitcoin asset. If another permanent fork occurs, then the Trust would hold equal amounts of both the original bitcoin and the alternative new bitcoin. As a result, the Trust would need to decide whether to continue to hold the original bitcoin, the alternative new bitcoin or both. The Trust has the authority to retain or sell the original bitcoin, the alternative new bitcoin or both but not the authority to reinvest proceeds from the disposition of such bitcoin in assets other than the original bitcoin or the alternative new bitcoin. The Trust’s decision to continue to hold either the original, the alternative new bitcoin or both would be based on factors such as the market value and liquidity of the original bitcoin versus the alternative new bitcoin, the computer processing power devoted by miners to the original network versus the alternative new network, technical stability of the alternative new network and the establishment of a technical and commercial ecosystem for the alternative new network.

A Bitcoin fork could adversely affect an investment in the Shares or the ability of the Trust to operate.

A Disruption of the Internet May Affect Bitcoin Operations, Which May Adversely Affect the Bitcoin Industry and an Investment in the Shares.

The Bitcoin network’s functionality relies on the Internet. A broadly accepted and widely adopted decentralized network is necessary for the Bitcoin network to function as intended. Features of the Bitcoin network, such as decentralization, open source protocol, and reliance on peer-to-peer connectivity, are essential to preserve the stability of the network and decrease the risk of fraud or cyber-attacks. A significant disruption of Internet connectivity (*i.e.*, affecting large numbers of users or geographic regions) could prevent the Bitcoin network’s functionality and operations until the Internet disruption is resolved. An Internet disruption could adversely affect an investment in the Shares or the ability of the Trust to operate.

An Actor Capable of Gaining the Majority of the Bitcoin Network Mining Capacity Could Manipulate the Blockchain and Adversely Affect the Bitcoin Industry.

The process of bitcoin mining adds new *blocks* to the blockchain. Blocks are sets of bitcoin transactions (*i.e.*, records of transfers of bitcoin among users) and the blockchain is the database of all bitcoin transactions. The blockchain is stored and updated by computers participating in the Bitcoin network. Through the bitcoin mining process, unconfirmed bitcoin transactions are validated and grouped into a new block, which is then added to the blockchain (relatedly, bitcoin mining is the process by which new bitcoin are created). Bitcoin transactions can only be confirmed via the mining process, which makes mining a crucial component of the Bitcoin network.

The Bitcoin protocol is designed to work properly so long as no bitcoin miner has more than a majority of mining capacity in operation on the Bitcoin network. If a malicious actor obtains more than a majority of the capacity dedicated to mining, the malicious actor may be able to prevent transactions from being confirmed or effectively change the date and time at which transactions are confirmed. When miners append new “blocks” to the blockchain, the version of the blockchain with the most blocks is typically recognized as the “correct” blockchain to append the newly mined block to.

Miners with a majority of the network hashing power (the computing power necessary to mine new blocks) can take advantage of this by privately creating a forked copy of the blockchain that they are silently (not broadcasting to the network) mining with more hashing power than the original chain. This malicious actor can later release (broadcast) these silently mined blocks, and miners will accept this as the new “correct chain” since it contains more blocks. This allows the malicious actor to send “the same” bitcoin to different recipients – one recipient on the original chain and one recipient on the private copy. When miners on the

network accept the (new) copy chain, it will cause the transaction on the original chain to effectively disappear, and the network will recognize the bitcoin as being sent to the address from the new (copy) chain instead.

A modification of the blockchain in such a manner could be used to trick Bitcoin users regarding the confirmation status of their transactions. A user may believe that he or she has already received a quantity of bitcoin in a confirmed transaction, but the malicious actor could, in essence, undo the transaction by changing the historical record. The victimized user(s) would later discover the bitcoin they thought to have received had, in fact, gone to another recipient. The perpetuation of changes to the historical transaction record would be detrimental to the Bitcoin network and adversely affect an investment in the Shares.

A reduction in the aggregate processing power expended by Bitcoin miners could increase the likelihood of a malicious actor obtaining control in excess of a majority of the mining processing power, potentially permitting such actor to manipulate the blockchain. Additionally, a group of malicious miners with a majority of the mining processing power could act in concert to potentially manipulate the blockchain. To the extent such a malicious actor does not yield its majority control of the processing power or the Bitcoin community does not reject the blocks produced by the malicious actor, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in the Shares or the ability of the Trust to operate. See “*Bitcoin and The Bitcoin Industry—Anti-Fraud and the Double Spend Solution*” and “*Bitcoin and The Bitcoin Industry—Newly Generated bitcoin and the Security of the Bitcoin Network*”.

Entities Engaged in the Mining Process Could be Coerced Into Acting in a Manner Detrimental to the Bitcoin Network.

If a nation state or other large and well-capitalized entity wanted to damage the Bitcoin network, an attack could be attempted on bitcoin miners. The attacking entity could attempt to coerce, by legal or illegal means, bitcoin miners who, in the aggregate, control a majority of the bitcoin mining capacity into manipulating the blockchain in a manner detrimental to the Bitcoin network. Such an attack could adversely affect an investment in the Shares or the ability of the Trust to operate.

A Well-Capitalized Entity Could Create Large Amounts of Mining Processing Power as a Means of Acting in a Manner Detrimental to the Bitcoin Network.

If a nation state or other large and well-capitalized entity wanted to damage the Bitcoin network, the entity could attempt to create, either from scratch or via large-scale purchases, a massive amount of mining processing power. If the entity were to create an amount of mining processing power in excess of 50 percent of the aggregate mining processing power, the entity could attempt to manipulate the blockchain in a manner detrimental to the Bitcoin network. Such an attack could adversely affect an investment in the Shares or the ability of the Trust to operate.

Miners May Cease Expanding Processing Power to Create Blocks and Verify Transactions if They Are Not Adequately Compensated, Which May Adversely Affect an Investment in the Shares or the Ability of the Trust to Operate.

Miners generate revenue from both newly created bitcoin (known as the “block reward”) and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. Additionally, in the event of a fork of the Bitcoin network, some miners may choose to mine the alternative new bitcoin resulting from the fork, thus reducing processing power on the original bitcoin blockchain. An acute cessation of mining operations would reduce the collective processing power on the blockchain, which would adversely affect the transaction verification process by temporarily decreasing the speed at which blocks are added to the blockchain and make the blockchain more vulnerable to a malicious actor obtaining control in a majority of the processing power on the blockchain. Reductions in processing power could result in material, though temporary, delays in transaction confirmation time. Any reduction in confidence in the transaction verification process or mining processing power may adversely impact an investment in the Shares or the ability of the Trust to operate.

Miners Could Act in Collusion to Raise Transaction Fees, Which May Adversely Affect the Usage of the Bitcoin Network.

Bitcoin miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees, because miners have a very low marginal cost of validating unconfirmed transactions (see “*Bitcoin and the Bitcoin Industry—bitcoin Mining and Transaction Fees*”). In 2018, the top five mining pools together accounted for approximately 65% of the aggregate Bitcoin processing power. If miners collude in an anticompetitive manner to reject low transaction fees, then Bitcoin users could be forced to pay higher fees, thus reducing the attractiveness of the Bitcoin network. Bitcoin mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the attractiveness of the Bitcoin network and may adversely impact an investment in the Shares or the ability of the Trust to operate.

The Incentive for Miners to Continue to Contribute Processing Power to the Bitcoin Network Will Transition to Transaction Verification Fees as Block Rewards Decrease. Higher Transaction Verification Fees May Negatively Impact Demand for bitcoin, Which May Adversely Affect the Price of bitcoin and an Investment in the Shares.

The block reward will decrease over time. In the summer of 2020, the block reward will reduce from 12.5 to 6.25 bitcoin, and to 3.125 bitcoin in 2024. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use bitcoin. Decreased demand for bitcoin may adversely affect its price, which may adversely affect an investment in the Shares.

Any Widespread Delays in Confirming bitcoin Transactions Could Result in a Loss of Confidence in Bitcoin, Which Could Adversely Impact an Investment in the Shares.

To the extent that bitcoin miners cease to verify transactions and record them in newly created blocks, such transactions will not be recorded on the blockchain. In a newly formed block, miners can include as few as zero transactions (e.g., an “empty block”) or as many as several thousand transactions. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in newly created blocks. However, to the extent that any such incentives arise, actions of miners creating a significant number of empty 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 risk of fraudulent activity, and a loss of confidence in Bitcoin, which could adversely impact an investment in the Shares or the ability of the Trust to operate.

It is Possible that a Small Group of Early bitcoin Adopters Control Large Amounts of Existing bitcoin. To the Extent these Individuals Sell their bitcoin, the Price of bitcoin May Decline.

The Bitcoin blockchain provides a public record of the amount of bitcoin associated with Bitcoin addresses. However, the Bitcoin blockchain is pseudonymous, making it difficult to associate a particular Bitcoin address with the identity of any particular person or entity. It is possible, and in fact, reasonably likely, that a small group of early bitcoin adopters hold a significant proportion of the bitcoin that has thus far been created. There are no regulations in place that would prevent a large holder of bitcoin from selling their bitcoin. Such bitcoin sales may adversely affect the price of bitcoin and an investment in the Shares.

Successful Competing Digital Asset to Bitcoin May Negatively Impact the Price of bitcoin and Adversely Affect an Investment in the Shares.

Bitcoin currently holds a first-mover advantage, with the largest user base, technological adoption, infrastructure development and dedicated transaction confirmation power (i.e., computing power dedicated to bitcoin mining) among its competitors. Having a large amount of dedicated computing power for mining results in greater user confidence regarding the security and long-term stability of the Bitcoin network. As a result, the advantage of more users and miners makes Bitcoin increasingly secure, which makes it more attractive to new users and miners, resulting in a network effect that strengthens its first-to-market advantage. However, there are numerous digital assets and blockchain networks which may have similar uses or otherwise compete with Bitcoin. Competing digital assets may have enhanced processing speeds and reduced costs, or other real or perceived advantages. To the extent such a competing digital asset gains in popularity

and greater market share, the use and price of bitcoin could be negatively impacted, which may adversely affect an investment in the Shares. Similarly, bitcoin or the price of bitcoin could be negatively impacted by competition from incumbents in the credit card and payments industries, which may adversely affect an investment in the Shares.

The Extent to which bitcoin is Used to Fund Criminal or Terrorist Enterprises or Launder the Proceeds of Illegal Activities May Adversely Affect an Investment in the Shares.

The potential, or perceived potential, for anonymity in transfers of bitcoin, as well as the decentralized nature of blockchain networks, has led some terrorist groups and other criminals to solicit bitcoins for use or capital raising purposes. As bitcoin has grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining the operations of bitcoin, its users and bitcoin exchanges, concerning the use of bitcoin for the purpose of laundering the proceeds of illegal activities or funding criminal or terrorist enterprises. There is the potential that some bitcoin exchanges may court such illicit activity by not adhering to know-your-customer and anti-money laundering practices.

The use of bitcoin for illegal purposes, or the perception of such use, could result in damage to the reputation of bitcoin and have an adverse effect on an investment in the Shares.

Market Related Risks

The Trust is Subject to Market Risk.

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

NAV May Not Always Correspond to the Market Price of bitcoin and, as a Result, Baskets May Be Created or Redeemed at a Value that Differs From the Market Price of the Shares.

The NAV of the Trust will change as fluctuations occur in the market price of the Trust's bitcoin holdings. Shareholders should be aware that the price quotation of a Basket may be different from the NAV of a Basket (*i.e.*, Shares may be bought and sold at a premium over, or a discount to, the NAV of a Basket) and similarly the price quotation per Share may be different from the NAV for a number of reasons, including price volatility, trading volume of bitcoin, closing of bitcoin trading platforms due to fraud, failure, security breaches or otherwise and illiquidity on OTC Link ATS. Consequently, an Authorized Participant may be able to create or redeem a Basket at a discount or a premium to the OTC Link ATS price quotation per Share. This price difference may be due, in large part, to the fact that supply and demand forces at work in the secondary trading market for Shares are related, but not identical, to the supply and demand forces influencing the market price of bitcoin, including as reflected on the MVBTCO. Shareholders also should note that the size of the Trust in terms of total bitcoin held may change substantially over time and as Baskets are created and redeemed.

Authorized Participants or their clients may have an opportunity to realize a riskless profit if they can purchase a Basket at a discount to the OTC Link ATS price quotation of the Shares or can redeem a Basket at a premium over the OTC Link ATS price quotation of the Shares. The Sponsor believes that the exploitation of such arbitrage opportunities by Authorized Participants and their clients and customers should cause the OTC Link ATS price quotation of the Shares to track NAV closely over time; however, there can be no assurance that this will be the case.

Authorized Participants may purchase bitcoin for Basket creation or sell bitcoin from Basket redemptions on public or private markets not included among the constituent bitcoin OTC platforms of the MVBTCO, and such transactions may take place at prices materially higher or lower than the MVBTCO spot price. Furthermore, while the MVBTCO provides a spot price based on the price of bitcoin on the MVBTCO's constituent bitcoin OTC platforms at any given time, the prices on each such bitcoin OTC platform may not be equal to the value of a bitcoin as represented by the MVBTCO. It is possible that the price of bitcoin on the bitcoin OTC platform(s) or bitcoin exchange(s) used by an Authorized Participant could be materially higher or lower than the MVBTCO representation of the bitcoin price. Under either such circumstance, the

arbitrage mechanism will function to link the price of the Shares to the prices at which Authorized Participants are able to purchase or sell large aggregations of bitcoin. To the extent such prices differ materially, the price of the Shares may no longer track, whether temporarily or over time, the price of bitcoin, which could adversely impact an investment in the Trust by reducing shareholders' confidence in the Shares' ability to track the price of bitcoin. Furthermore, to the extent the market price of bitcoin is particularly volatile, Authorized Participants may not wish to create and redeem Baskets with the Trust at any given time.

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

The Shares are a new issue of securities for which there is currently no active trading market. While the Trust and the Sponsor may seek to register a Public Tranche, the timing of such registration is not known and the SEC may not approve such registration. Neither the Trust nor the Sponsor is required to apply for listing of the Shares on any securities exchange. A market may not develop for the Shares or, if developed, may not continue. Any market-making activity will be subject to limits imposed by law. Even if an active trading market does develop, it may not provide significant liquidity, and the Shares may not trade at prices advantageous to shareholders. If a shareholder wishes to sell Shares at a time when no active market for such Shares exists, the price received for the Shares (assuming that the shareholder is able to sell them) likely will be lower than the price a shareholder would receive if an active market did exist and, accordingly, the shareholder may suffer significant losses.

Shareholders That Are Not Authorized Participants May Only Purchase or Sell Their Shares in Secondary Trading Markets, and the Conditions Associated With Trading in Secondary Markets May Adversely Affect Shareholders' Investment in the Shares.

Only Authorized Participants may create or redeem Baskets at a price equal to the NAV of a Basket. In addition to creating or redeeming Baskets directly with the Trust, Authorized Participants may also buy or sell Shares through the secondary market at market prices. In contrast, ordinary shareholders who are not Authorized Participants are limited to secondary market transactions to QIBs at market prices. Because ordinary shareholders who are not Authorized Participants may not create or redeem Baskets, these shareholders do not have identical arbitrage opportunities that are available to Authorized Participants, and therefore, ordinary shareholders who are not Authorized Participants are subject to the state of the secondary market at the time of a transaction. Ordinary shareholders who are not Authorized Participants may be required to conduct a transaction on the secondary market when conditions are adverse to a shareholder's interests, such as when the market price for Shares is lower than the NAV per Share and the ordinary shareholder seeks to sell Shares.

A Public Tranche May Not Be Established.

None of the Trust, the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck, any Authorized Participant or any of their respective affiliates or personnel is undertaking to guarantee that a Public Tranche is registered with the SEC. The SEC has refused to approve the registration of the Trust's Shares repeatedly over the course of the period since the Trust's organization in 2016. The SEC has also indicated that it will not approve any public registration of any product that is similarly structured as the Trust. The SEC may never permit the registration of the Shares. Therefore, an investor should not invest in the Shares in reliance on the eventual registration of a Public Tranche. Shareholders should be prepared for the Shares to be subject to Rule 144A-compliant transfer restrictions for the duration of the Shares and the Trust.

In the event a Public Tranche is registered under the Securities Act, there may be a deviation between the value of the Shares and the Public Tranche. None of the Trust, the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck, any Authorized Participant or any of their respective affiliates or personnel will undertake to minimize such deviation, support the value of the Shares or seek to ensure the proper ongoing sales of the Shares.

While the Sponsor may terminate the Trust for a number of reasons, the Sponsor is not required to terminate the Trust at any time. Specifically, the Sponsor is not required to terminate the Trust if the Public Tranche is not registered in any period of time. The Sponsor may determine to continue the Trust indefinitely or may terminate it if Securities Act registration of the Public Tranche is not obtained (or if the Sponsor has determined, in its sole discretion, that such registration will not be attainable in a reasonable period of time).

There are Restrictions on the Resale of the Shares.

The Trust and the Sponsor are offering the Shares in reliance upon exemptions from registration under the Securities Act and applicable state securities laws. The holders of the Shares will not be entitled to require the Trust or the Sponsor to register the Shares for resale or otherwise. As a result, a holder may transfer or resell its Shares only in Rule 144A-compliant transactions to other QIBs. Please see “*Notice to Investors*”. As a result, you may be required to bear the risk of your investment for an indefinite period of time.

The Trust’s Acquisition and Sale of bitcoin May Impact the Supply and Demand of bitcoin, Which May Have a Negative Impact on the Price of the Shares.

If the number of bitcoin acquired by the Trust is large enough relative to global bitcoin supply and demand, further creations and redemptions of Shares could have an impact on the supply of and demand for bitcoin in a manner unrelated to other factors affecting the global market for bitcoin. Such an impact could affect the MVBTCO, which would directly affect the price quotation for the Shares or the price of future Baskets created or redeemed by the Trust.

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

Bitcoin price speculation may involve long and short exposures. To the extent that aggregate short exposure exceeds the number of Shares available for purchase (for example, in the event that large redemption requests by Authorized Participants dramatically affect Share liquidity), shareholders with short exposure may have to pay a premium to repurchase Shares for delivery to Share lenders. Those repurchases may, in turn, dramatically increase the price of the Shares until additional Shares are created through the creation process. This is often referred to as a “short squeeze”. A short squeeze could lead to volatile price movements in the Shares that are not directly correlated to the price of bitcoin.

The Trust’s Buying and Selling Activity Associated With the Creation and Redemption of Baskets May Adversely Affect an Investment in the Shares.

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

The Inability of Authorized Participants and Market Makers to Hedge their bitcoin Exposure May Adversely Affect an Investment in the Shares.

Authorized Participants and market makers will generally want to hedge their exposure in connection with Basket creation and redemption orders. To the extent Authorized Participants and market makers are unable to hedge their exposure due to market conditions (e.g., insufficient bitcoin liquidity in the market, inability to locate hedge counterparty, etc.), such conditions may make it difficult to create or redeem Baskets or cause them to not create or redeem Baskets. In addition, the hedging mechanisms employed by Authorized Participants and market makers to hedge their exposure to bitcoin may not function as intended, which may make it more difficult for them to enter into such transactions. Such events could negatively impact the NAV of the Trust and an investment in the Shares. The market for exchange-traded bitcoin futures contracts has limited trading history and operational experience and may be less liquid, more volatile and more vulnerable to economic, market and industry changes than more established futures markets. The liquidity of the market will depend on, among other things, the adoption of bitcoin and the commercial and speculative interest in the market for the ability to hedge against the price of bitcoin with exchange-traded bitcoin futures contracts.

Difficulties or Limitations in the Processes of Creation and Redemption of Baskets May Interfere with Opportunities for Arbitrage Transactions Intended to Keep the Price of the Shares Closely Linked to the Price of bitcoin, Which May Adversely Affect an Investment in the Shares.

If the processes of creation and redemption of the Shares encounter any unanticipated difficulties, including, but not limited to, the Trust's inability in the future to obtain regulatory approvals for the offer and sale of a Public Tranche, potential market participants who would otherwise be willing to purchase or redeem Baskets to take advantage of any arbitrage opportunity arising from discrepancies between the price of the Shares and the price of the underlying bitcoin may not take the risk that, as a result of those difficulties, they may not be able to realize the profit they expect. If this is the case, the liquidity of Shares may decline and the price of the Shares may fluctuate independently of the price of bitcoin and may fall.

In addition, the Sponsor, acting by itself or through the Transfer Agent, may postpone, suspend or reject creation or redemption orders, as applicable, for a variety of permitted reasons under certain circumstances. To the extent such orders are postponed, suspended or rejected, the arbitrage mechanism resulting from the process through which Authorized Participants create and redeem Shares directly with the Trust may fail to closely link the price of the Shares to the value of the underlying bitcoin, as measured using the MVBTCO price. If this is the case, the liquidity of the Shares may decline and the price of the Shares may fluctuate independently of the MVBTCO price and may fall.

The OTC Link ATS is Not an Exchange and has Limited Liquidity.

The price at which Shares are trading (and the relevant bid and ask information) will be listed on OTC Link ATS. However, OTC Link ATS is not a public exchange and the liquidity on OTC Link ATS is not expected to match the level of liquidity available on a more traditional public exchange such as the Cboe or the New York Stock Exchange. While the quotation of the Shares on OTC Link ATS will provide for a degree of price discovery, such process will be less efficient than what is available for a publicly-listed security. Investors will need to model out their own valuation to determine whether the price quotes on OTC Link ATS properly reflect the value of the Shares.

Risk Factors Related to the OTC Market and bitcoin Exchanges

Bitcoin Exchanges and Other Trading Venues are Relatively New and, in Many Cases, May be Largely Unregulated and May Therefore be Subject to Manipulation, Fraud and Failures.

When bitcoin exchanges or other trading venues are involved in fraud, subject to manipulation or experience security failures or other operational issues, such events could negatively impact confidence in Bitcoin and result in a reduction in bitcoin prices.

Bitcoin market prices may depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, commodities or currencies and may lack critical system safeguards, including customer protections. For example, independent research reports have indicated that a significant amount of publicly reported trading volume in bitcoin may be artificially inflated due to activity on unregulated trading venues, such as wash trades and other manipulative trading practices. In addition, during the past few years, a number of bitcoin exchanges have closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for partial or complete losses of their account balances. While smaller exchanges are less likely to have the infrastructure and capitalization that may provide larger exchanges with some stability, larger 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.

Because the Bitcoin blockchain is pseudonymous and certain bitcoin exchanges and trading venues may not require anti-money laundering or know-your-customer verification, it may be possible for certain actors to engage in insider trading, "wash trading" or other forms of market manipulation. Any act of fraud or manipulation in the bitcoin marketplace may adversely affect an investment in the Shares.

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

Bitcoin exchanges are an important part of the Bitcoin industry. Bitcoin exchanges may either be “centralized” or “decentralized”.

Centralized bitcoin exchanges operate websites on which users can trade bitcoin for U.S. dollars and other government currencies or other virtual currencies. Trades on centralized bitcoin exchanges are unrelated to transfers of bitcoin between users via the Bitcoin network. Bitcoin trades on centralized exchanges are recorded on the exchange’s internal ledger only, and each internal ledger entry for a trade will correspond to an entry for an offsetting trade in U.S. dollars or other government currency. To sell bitcoin on a centralized bitcoin exchange, a user will transfer bitcoin (using the Bitcoin network) from him or herself to the exchange. Conversely, to buy bitcoin on a centralized bitcoin exchange, a user will transfer U.S. dollars or other government currency or other virtual currencies to the exchange. After completing the transfer of bitcoin or U.S. dollars or other currency, the user will execute his or her trade and withdraw either the bitcoin (using the Bitcoin network) or the U.S. dollars or other currency back to the user.

Decentralized bitcoin exchanges function differently than centralized exchanges. Decentralized bitcoin exchanges utilize software protocols for matching buyers and sellers of bitcoin and allow such buyers and sellers to trade directly, without any intermediary necessary to store the bitcoin. Rather than trades being settled on a centralized exchange’s internal ledger, trades on decentralized exchange involve transfers of bitcoin directly on the bitcoin network. While lack of a central intermediary and transfers occurring directly on the Bitcoin network may offer certain advantages, decentralized exchanges also face unique risks. The software supporting decentralized exchanges does not generally support U.S. dollar or other government currency trades and may support limited trading pairs, which may result in reduced liquidity. In addition, the software enabling decentralized exchanges may contain flaws or vulnerabilities which may result in a loss of bitcoin and other assets. Bitcoin exchanges have a limited history. Bitcoin exchanges are also appealing targets for hackers and malware. Since 2009, several bitcoin exchanges have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks a/k/a “DDoS Attacks”. In many of these instances, the customers of such exchanges were not compensated or made whole for the partial or complete losses of their funds held at the exchanges. In 2014, the largest bitcoin exchange at the time, Mt. Gox, filed for bankruptcy in Japan amid reports the exchange lost up to 850,000 bitcoin, valued then at over \$450 million. In August 2016, Bitfinex, an exchange located in Hong Kong, reported a security breach that resulted in the theft of approximately 120,000 bitcoin valued at the time at approximately \$65 million, a loss which was allocated to all Bitfinex account holders (rather than just specified holders whose wallets were affected directly), regardless of whether the account holder held bitcoin or cash in their account. In February 2017 following a statement by the People’s Bank of China, China’s three largest exchanges (BTCC, Huobi and OKCoin) suspended withdrawals of users’ bitcoin. Although withdrawals were permitted to resume in late May 2017, Chinese regulators in September 2017 issued a directive to Chinese exchanges to cease operations with respect to Chinese users by September 30, 2017. In July 2017, the Financial Crimes Enforcement Network (“*FinCEN*”) and the U.S. Department of Justice levied a \$110 million fine and an indictment against BTC-e and one of its operators for financial crimes. The Department of Justice also seized the Internet domain of the exchange. Similar to the outcome of the Bitfinex breach, losses due to assets seized by FinCEN were allocated among exchange users. Over the past several years, a number of bitcoin exchanges have been closed due to fraud, failure, security breaches or governmental regulations. The loss of confidence in new and smaller bitcoin exchanges and in bitcoin exchanges in general can slow down the mass adoption of bitcoin. Further, the failure of bitcoin exchanges or any other major component of the overall bitcoin ecosystem can have consequences for the Bitcoin Network, have an adverse effect on the price of bitcoin and an investment in the Shares.

The potential for instability of bitcoin exchanges and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers, DDoS or malware, or government-mandated regulation may reduce confidence in Bitcoin, which may result in greater volatility in the MVBTCO.

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

There are a limited number of OTC trading desks with which the Trust intends to transact in bitcoin to effect creations and redemptions. A disruption at or withdrawal from the market by any such OTC trading desk may adversely affect the Trust's ability to purchase or sell bitcoin, which may negatively impact the market price of the Shares. A disruption at one or more OTC trading desks will reduce liquidity in the market and may negatively impact the Trust's ability to value its bitcoin. Because there is currently no publicly disseminated and verifiable feed with respect to the price of bitcoin in the OTC market, Authorized Participants must rely on other pricing sources, such as the MVBTCO and prices obtained directly from the OTC trading desks, to obtain the price of bitcoin. There is no generally accepted methodology for valuing bitcoin, and discrepancy among pricing sources may adversely affect an investment in the Shares.

Lack of Liquid Markets, and Possible Manipulation of bitcoin May Adversely Affect an Investment in the Shares.

Bitcoin may not always benefit from viable trading markets. Traditional stock exchanges have listing requirements and vet issuers, requiring them to be subjected to rigorous listing standards and rules and monitoring investors transacting on such platform for fraud and other improprieties. These conditions may not be replicated on a bitcoin exchange or trading platform with less regulatory oversight than traditional markets, depending on the platform's controls and other policies. Bitcoin exchanges or trading platform that do not maintain high standards and controls for vetting users that transact on the platform may be exposed to higher risk of fraud or manipulation.

These factors may decrease liquidity or volume, or increase volatility of bitcoin which may adversely affect an investment in the Shares.

Large-Scale Sales of bitcoin, Including as a Result of Political or Economic Crisis, May Adversely Affect an Investment in the Shares.

Political or economic events, either domestically or in foreign jurisdictions, may motivate large-scale buys or sales of bitcoin. Large-scale bitcoin sales may result in a decline in the price of bitcoin, which may adversely affect an investment in the Shares.

Momentum Pricing of bitcoin May Subject the bitcoin 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 Sponsor believes that momentum pricing of bitcoin has resulted, and may continue to result, in speculation regarding future appreciation in the value of bitcoin, inflating and making more volatile the value of a bitcoin. As a result, bitcoin may be more likely to fluctuate in value due to changing investor confidence in future appreciation in the bitcoin price, which could adversely affect an investment in the Shares.

Trading on bitcoin Exchanges Outside the U.S. is Not Subject to U.S. Regulation, and May Be Less Reliable than U.S. Exchanges.

Trading on bitcoin exchanges outside the U.S. is not regulated by any U.S. governmental agency and may involve certain risks not applicable to trading on U.S. exchanges. Certain foreign markets may be more susceptible to disruption than U.S. exchanges. These factors could adversely affect the performance of the Trust.

Risk Factors Related to the MVBTCO

The MVBTCO Methodology May Not Produce the Intended Results.

No assurance can be given that the methodology of the MVBTCO will achieve its goals of tracking the performance of the price of bitcoin. There is no generally accepted method of valuation of bitcoin.

The MVBTCO Price of bitcoin Can Be Volatile and Can Adversely Affect an Investment in the Shares.

The MVBTCO has a limited history. The intra-day and closing price is based on a methodology that consists of parsing firm bid/ask price data from several bitcoin OTC platforms that have entered into an agreement

with MVIS. The price of bitcoin has a limited history and MVBTCO has a limited number of constituent OTC platforms. The MVBTCO will be calculated on an ongoing basis and published to the Börse Stuttgart Index Feed and made available on a number of market data vendors. The calculation of the MVBTCO as of 4:00 p.m. E.T. on each trading day will be used for the calculation of the Trust's NAV.

The MVBTCO is based on major OTC platforms in the U.S. While this methodology is selected on a reasoned basis, a significant volume of bitcoin trading occurs outside the U.S., which may result in volatility between the MVBTCO and market price.

Despite efforts to ensure accurate pricing as per the index methodology, the MVBTCO, and the price of bitcoin generally, remains subject to volatility. Such volatility can adversely affect an investment in the Shares.

Shareholders Have No Rights Against MVIS.

The Shares are not sponsored, endorsed, sold or promoted by MVIS. Although MVIS may make certain decisions that may negatively affect the existence of the MVBTCO or the performance of the MVBTCO, shareholders will have no rights against MVIS. MVIS has no obligations relating to this offering or to the shareholders.

MVIS Has No Obligation to Consider a Shareholder's Interests in Calculating or Revising the MVBTCO.

MVIS maintains the MVBTCO. MVBTCO may add, eliminate or substitute the bitcoin OTC platforms underlying the index or make other methodological changes that may change the weight of a bitcoin OTC platform comprising the index. MVIS is entitled to exercise limited discretion in relation to the MVBTCO, including, but not limited to, calculating the index levels should an extraordinary event (as provided by the MVIS rules) occur. Although MVIS is required to make its determinations in good faith, it should be noted that its policies and judgments may have an impact, positive or negative, on the index levels, and in turn, the value of the Shares. Additionally, MVIS may alter, discontinue or suspend calculation or dissemination of a bitcoin OTC platform comprising the index. Any of these actions could adversely affect the value of the Shares. MVIS does not have any obligation to take the needs or interests of any parties to transactions involving Shares, including the shareholders, into consideration in taking any such action. MVIS has policies in place to prevent insiders from gaining access to material, nonpublic data from the MVBTCO.

Bitcoin is Available for Trading 24-Hours a Day, Seven Days a Week; Non-Concurrence Between OTC Link ATS Hours of Operation and the Trading Hours of Various bitcoin OTC Platforms Comprising the MVBTCO May Impact the Value of an Investment in the Shares.

The value of the Shares may be influenced by non-concurrence between the hours during which OTC Link ATS operates and the various bitcoin OTC platforms comprising the MVBTCO. As a result, there will be periods when OTC Link ATS is not operating and the bitcoin OTC platforms continue to trade. The price of bitcoin may change sharply while OTC Link ATS is not operating; significant changes in the price of bitcoin on OTC platforms could result in a difference in performance between the value of bitcoin as measured by MVBTCO and the most recent NAV per Share or closing trading price. To the extent bitcoin prices on constituent OTC platforms move negatively during hours when OTC Link ATS is not operating, price quotes on OTC Link ATS may "gap" down at market open, and shareholders may not be able to sell their Shares until after the "gap" down has been fully realized, resulting in an inability to mitigate losses in a rapidly negative market. The non-concurrent hours also may result in trading spreads and the resulting premium or discount on the Shares widening, increasing the difference between the price of the Shares and the NAV of such Shares.

Historical Performance of the MVBTCO Is Not a Guide to the Future Performance of the Trust.

The MVBTCO launched November 20, 2018. Past performance of the MVBTCO is limited and not necessarily indicative of the future performance of the MVBTCO. Past performance of the MVBTCO is not necessarily indicative of the future performance of the Trust. There can be no guarantee that the performance of the MVBTCO will be positive over any period of time.

The Trust's Performance May Not Always Track the MVBTCO.

The Trust's returns may not match the return of the MVBTCO due to, among other things, disruptions on the bitcoin OTC platforms comprising the MVBTCO. In addition, the Trust may not replicate exactly the performance of the MVBTCO due to, among other factors, operating expenses incurred by the Trust and an inability to be fully exposed to bitcoin as a result of cash reserves to pay fees and expenses.

The MVBTCO May be Affected by the Sale of Other Products Tracking the Price of bitcoin.

To the extent products other than the Trust tracking the price of bitcoin are formed and represent a significant proportion of demand for bitcoin, large redemptions of the securities of these products, including exchange-traded products and private funds holding bitcoin, could negatively affect the MVBTCO and the price and NAV of the Shares.

The Trust's Access to the MVBTCO is Subject to a License Between MVIS and the Sponsor. Termination of the MVIS Licensing Agreement May Negatively Affect the Operations of the Trust.

The Sponsor has entered into a licensing agreement with MVIS to use the MVBTCO. The Trust is entitled to use the MVBTCO pursuant to a sub-licensing arrangement with the Sponsor. Should the licensing agreement terminate or MVIS fails to perform its obligations under the agreement, the Trust may need to seek an alternative pricing source. A delay in obtaining a reliable bitcoin pricing source may negatively impact the operations of the Trust and an investment in the Shares. Should the MVBTCO become unavailable, as determined by the Sponsor, the Administrator will use a cascading set of rules to value the Trust's bitcoin. See "Description of the Trust – Pricing Sources". In the event the pre-defined pricing sources are unavailable, the Sponsor will use its best judgment to determine a good faith estimate of the bitcoin Market Price (as defined below). The Sponsor will be subject to a conflict of interest in determining a good faith estimate of the bitcoin Market Price because a higher bitcoin Market Price will increase NAV (and the amount of Sponsor Fees payable to the Sponsor).

For further details regarding the MVBTCO, please refer to the section "Description of the MVBTCO".

Operating Risks of the Trust

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

The Trust Has No Performance History.

The Trust has no operating history. Therefore, a potential shareholder has no performance history, in addition to the historical price of bitcoin, to serve as a factor in evaluating an investment in the Trust.

The Shares of the Trust are New Securities and Their Value Could Decrease if Unanticipated Operational or Trading Problems Arise.

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

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

Shareholders in the Trust will pay fees and expenses in connection with their investment in Shares, including: (1) the Sponsor Fee equal to 2% per annum of the NAV of the Trust; (2) the bitcoin Insurance Fee of approximately 0.9% per annum of the NAV of the Trust; (3) expenses associated with storage of the Trust's

bitcoin; and (4) any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense. The expenses in clause (3) are expected to be approximately \$75,000 per annum. The Sponsor will pay the Sponsor Assumed Expenses. A shareholder may never achieve profits, significant or otherwise, by investing in the Trust. In addition, extraordinary expenses resulting from unanticipated events may become payable by the Trust, which may adversely affect the Shares.

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

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

The Sponsor may determine to terminate the Trust if the Trust is unable to register a Public Tranche. Note that the Sponsor is not, however, required to terminate the Trust at any time, even if the Public Tranche is never registered.

The Administrator is Solely Responsible for Determining the Value of the bitcoin Held by the Trust, and Any Errors, Discontinuance or Changes in Such Valuation Calculations May Have an Adverse Effect on the Value of the Shares.

The Administrator will determine the NAV of the Trust and the NAV per Share on each Dealing Day, as promptly as practicable after 4:00 p.m. E.T. The Administrator's determination is made based on the price set by the MVBTCO or an alternative approach consistent with the Trust's valuation procedures described in "Description of the Trust—Valuation of bitcoin and Computation of Net Asset Value". To the extent that such NAV or NAV per Share is incorrectly calculated, the Administrator may not be liable for any error and such misreporting of valuation data could adversely affect the value assigned in connection with the creation or redemption of a Basket or the purchase or sale of Shares on OTC Link ATS.

Shareholders May Be Adversely Affected by Redemption Orders That Are Subject to Postponement, Suspension or Rejection Under Certain Circumstances.

The Sponsor may, in its discretion, suspend the right of redemption or postpone the redemption settlement date: (1) during any period in which price quotations for the Shares are suspended or restricted on OTC Link ATS or its successor, or OTC Link ATS is closed; (2) the order is not in proper form as determined by the Trust, the Sponsor or the Transfer Agent; (3) during an emergency as a result of which delivery, disposal or evaluation of bitcoin is not reasonably practicable; (4) for such other period as the Sponsor determines to be necessary for the protection of shareholders; or (5) on any day on which settlement through DTC or its successor is disrupted. In addition, the Trust, the Sponsor or the Transfer Agent will reject a redemption order if, as a result of the redemption, the number of remaining outstanding Shares would be reduced to fewer than the number of Shares in one Basket. Any such postponement, suspension or rejection could adversely affect a redeeming Authorized Participant. For example, the resulting delay may adversely affect the value of the Authorized Participant's redemption proceeds if the NAV of the Trust declines during the period of delay. The Trust disclaims any liability for any loss or damage that may result from any such suspension or postponement.

Various Actual and Potential Conflicts of Interest May Be Detrimental to Shareholders.

The Trust will be subject to actual and potential conflicts of interest involving the Sponsor and the Sponsor's principals and employees (the Sponsor and such principals and employees being the "Sponsor Parties"). The Sponsor Parties, all of whom may be engaged in other investment activities, are not required to devote substantially all of their time to the business of the Trust, which presents the potential for numerous conflicts of interests. The principals and employees of the Sponsor may be directors, officers or employees of other entities. The principals or employees of the Sponsor could have a conflict between their responsibilities to the Sponsor and to those other entities. These conflicts may cause the Sponsor to have a conflict between its responsibilities to the Trust and the responsibilities of other Sponsor Parties. As a result of these and other relationships, one or more Sponsor Parties may have a financial incentive to act in a manner other than in the best interests of the Trust and its shareholders. In addition, the Sponsor Parties may trade bitcoin for their own accounts. A conflict of interest may exist if their trades are in the same markets and at the same time as

the Trust is seeking to sell bitcoin to pay expenses. Such trading by the Sponsor Parties may make it more difficult for the Trust to sell bitcoin at favorable prices. A potential conflict also may occur if the Sponsor Parties trade their bitcoin more aggressively or take positions in bitcoin that are opposite, or ahead of, the positions taken by the Trust.

Sponsor Parties and their affiliates have direct investments in bitcoin, and may invest in and trade bitcoin without regard to the interests of the Trust or its shareholders. Any such trading, including Sponsor Parties and their affiliates trading in the Shares, may impact the price of the Shares.

The Sponsor has sole authority to manage the operations of the Trust, and this may allow the Sponsor to act in a way that furthers its own interests and in conflict with the best interests of the shareholders. Brokers acting on behalf of shareholders in the Trust's sale of Shares are also subject to conflicts of interest. The compensation received by brokers gives them an incentive to promote the sale of Shares as well as to discourage redemptions, which may not be in the best interests of shareholders.

The Sponsor Parties have not established formal procedures to resolve all conflicts of interest and, as a result, the Sponsor Parties could resolve a potential conflict in a manner that is not in the best interest of the Trust or the shareholders. Consequently, shareholders may be dependent on the good faith of the respective parties subject to such conflicts to act in the shareholders' best interest. Although the Trust attempts to monitor all of these conflicts, it is extremely difficult, if not impossible, for the Trust to ensure that these conflicts do not, in fact, result in adverse consequences to the shareholders.

As a Shareholder, You Will Not Have the Rights Normally Associated With Ownership of Shares of Other Types of Investment Vehicles. For Example, You Will Have Extremely Limited Voting Rights in Comparison to Those of Shareholders in Traditional Operating Companies.

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

The Value of the Shares Will be Adversely Affected if the Trust is Required to Indemnify the Sponsor, the Trustee, the Administrator or the Transfer Agent as Contemplated in the Trust Agreement, the Fund Administration and Accounting Agreement, the Transfer Agency and Service Agreement.

Under the Trust Agreement, each of the Sponsor and the Trustee has a right to be indemnified from the Trust for any liability or expense it incurs without gross negligence, bad faith or willful misconduct on its part. Under the Trust Agreement, the Sponsor's principals also have a right to be indemnified from the Trust for any liability or expense they incur without gross negligence, bad faith or willful misconduct on their part. Similarly, the Fund Administration and Accounting Agreement and the Transfer Agency and Service Agreement each provide for indemnification of the Administrator and Transfer Agent, respectively, by the Trust under certain circumstances. That means that it may be necessary to sell assets of the Trust to cover losses or liability suffered by any of the foregoing parties. Any sale of that kind would reduce the NAV of the Trust and the NAV of the Shares.

The Liquidity of the Shares May Be Affected by the Withdrawal from Participation of Authorized Participants, Potentially Negatively Impacting the Price of the Shares on OTC Link ATS.

In the event that one or more Authorized Participants that have substantial interests in the Shares cease to act as Authorized Participants with respect to the Trust, this could adversely affect the correlation between the price obtainable on OTC Link ATS and NAV of the Shares. This may affect the liquidity of the Shares, which may potentially negatively impact the market price of Shares.

The Trust's bitcoin Sales May Subject the Trust to the Risk of Counterparty Non-Performance, Potentially Negatively Impacting the Price on OTC Link ATS of the Shares.

For its liquidity needs, the Trust may sell bitcoin to both bitcoin exchanges and OTC trading counterparties; however, the Trust intends to sell bitcoin primarily in large transactions with OTC trading counterparties.

The Trust will maintain delivery versus payment (“DVP”) terms with its bitcoin exchange and OTC trading counterparties to reduce counterparty risk. See “*Bitcoin and the Bitcoin Industry—bitcoin Exchange Market*” and “*Bitcoin and the Bitcoin Industry—OTC bitcoin Trading*”. Nevertheless, to the extent a bitcoin exchange or OTC trading counterparty fails to perform, by failing to deliver U.S. dollars when the Trust sells bitcoin, the Trust may not be able to pay its expenses. This exposes the Trust to the risk that a bitcoin exchange or OTC counterparty will not settle a transaction in accordance with its terms and conditions, thus causing the Trust to suffer a loss. Therefore, the Trust faces the risk of trade failure and non-performance by bitcoin exchanges and OTC counterparties and such non-performance may cause some or all of the Trust’s trades, if any, to be unrealized.

The Trust’s bitcoin Holdings Could Become Illiquid Which Could Require the Trust to Sell bitcoin at Large Losses.

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

A market disruption, such as a foreign government taking political actions that disrupt the market in its currency, its commodity production or exports, or in another major export, can also make it difficult to liquidate a position. In the event of a fork of the Bitcoin network, certain bitcoin exchanges and/or OTC counterparties may halt deposits and withdrawals of bitcoin for a set period of time thus reducing liquidity in the markets. Unexpected market illiquidity may prevent the Trust from selling bitcoin to pay expenses or may require the Trust to sell more bitcoin than expected causing major losses to shareholders at any time. The large amount of bitcoin the Trust may hold increases the risk of illiquidity by both making its bitcoin more difficult to liquidate and increasing the losses incurred while trying to do so.

An Investment in the Shares May Be Adversely Affected by Competition from Other Methods of Investing in bitcoin.

The Trust will compete with direct investments in bitcoin and other potential financial vehicles, including derivatives on bitcoin and/or potentially other securities backed by or linked to bitcoin (including other digital assets such as “Wrapped Bitcoin”) and exchange traded products similar to the Shares. Market and financial conditions, and other conditions beyond the Sponsor’s control, may make it more attractive to invest in other financial instruments or to invest in bitcoin directly, which could limit the market for the Shares and reduce the liquidity of the Shares.

All of the Trust’s bitcoin Holdings are Kept in “Cold Storage” Which May Impact the Trust’s Ability to Trade bitcoin in a Timely Fashion.

The Trust’s bitcoin is stored in what are known as “cold storage wallets”, which are specialized wallets that keep private keys on computers that are not connected to the Internet or any other computer network. See “*The Trust’s Bitcoin Security System*”. The ability to transfer bitcoin relies on connectivity to the Internet. In order to trade bitcoin in cold storage, a proposed bitcoin transaction must be signed, saved to a file and moved to an Internet-connected computer via physical media (a USB flash stick, SD card or similar). While keeping bitcoin offline offers certain security benefits, it restricts the speed at which trading may occur. The Trust may be unable to react to sudden price swings (such as a flash crash) while bitcoin is in cold storage.

Transactions in bitcoin are Irreversible and the Trust May Be Unable to Recover Improperly Transferred bitcoin.

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

The Trust’s bitcoin May Be Lost, Stolen, or Subject to Other Inaccessibility.

There is a risk that part or all of the Trust’s bitcoin could be lost, stolen or destroyed. Although the Trust will secure the Trust’s bitcoin to minimize the risk of loss, the Trust cannot guarantee that such a loss will be

prevented. Access to the Trust's bitcoin could also be restricted by natural events (such as a hurricane or earthquake) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the Trust and, consequently, an investment in the Shares.

The Trust Uses Multi-Signature Technology When Transferring Bitcoin, Which May Be Subject to Cybersecurity and Other Risks.

The Trust uses what are known as multi-signature transactions when transferring bitcoin. In order for a multi-signature transaction to be valid and accepted into a block by a miner, the transaction must be digitally signed using more than one private key from within a set of pre-established valid private keys. Multi-signature wallets rely on software which could contain intentional or unintentional bugs or vulnerabilities.

Any Disruptions to the Computer Technology Used by the Trust to Secure its bitcoin Could Adversely Affect the Trust's Ability to Function and an Investment in the Shares.

The Trust uses a sophisticated technology system specifically designed to secure its bitcoin. The Trust will monitor this technology and may develop and redesign its technology, including enhancements and alterations that may be implemented from time to time. In doing so, there is risk that failures may occur and result in service interruptions or other negative consequences. Any technology updates that cause disruptions in the proper functioning of the Trust's technology systems may have an adverse impact on the Trust and an investment in the Shares.

The Trust is responsible for taking such steps as it determines, in its sole judgment, to be required to maintain and upgrade the technology system to protect against failure, hacking, malware and general security threats. The Trust is not liable to shareholders for the failure or penetration of the technology system absent gross negligence, willful misconduct or bad faith. To the extent the technology system fails or is penetrated, any loss of the Trust's bitcoin or loss of confidence in the Trust's ability to safeguard its bitcoin may adversely affect an investment in the Shares.

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

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

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

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

Insurance Related Risks

The Trust maintains three separate levels of insurance coverage to cover the loss of bitcoin held by the Trust: crime, excess crime and excess vault. See "The Trust's bitcoin Insurance" below for a complete discussion of the Trust's bitcoin insurance coverage and exceptions to such coverage.

The Trust's bitcoin Insurance May Be Unavailable.

The insurance underwriters may cease underwriting insurance coverage for the Trust's bitcoin holdings, limit the amount of bitcoin coverage such that the Sponsor will be unable to secure coverage for all the bitcoin held by the Trust, increase premiums to make it cost prohibitive for the Sponsor to buy insurance coverage,

or deny an insurance claim by the Trust. Any of these events may negatively impact the ability of the Trust to operate and an investment in the Shares.

The Trust's Insurance May Not Protect the Trust Against All Losses and Liabilities.

If the Trust's bitcoin 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. To the extent the Trust's insurance underwriters do not have the financial resources necessary to satisfy a valid claim of the Trust, or if insurance underwriters delay payment of a claim or deny a claim, the Trust's ability to operate may be adversely affected and will negatively affect the value of the Shares.

In addition, certain exclusions, including, but not limited to the following, apply to the Trust's insurance coverage. See "*The Trust's bitcoin Insurance*" below for a complete discussion of the exclusions to the Trust's bitcoin insurance coverage.

- Loss caused or contributed by theft or any other fraudulent, dishonest or criminal act committed by a partner, director or officer of the Sponsor, or any individual, including employees, controlling more than 5% of the issued share capital of the Insured.
- Loss caused by an employee of the Sponsor if an elected or appointed official of the Trust or the Sponsor (not in collusion) knows of any act or acts of theft, fraud or dishonesty by such employee prior to the Trust's or Sponsor's discovery of a loss caused by such act or acts of the employee.
- Any and all losses caused by an employee of the Sponsor who has access to the private key(s) associated with the Trust's bitcoin if an elected or appointed official of the Trust or Sponsor becomes aware of any act or acts of theft, fraud or dishonesty by such employee prior to the Trust's or Sponsor's discovery of a loss caused by such act or acts.
- Loss of the private key(s) associated with the Trust's bitcoin where such private key(s) is stored or being transmitted between computers or similar electronic devices that are connected to the Internet.
- Any and all loss resulting from the network failure of the Bitcoin protocol.

With respect to the Trust's bitcoin insurance, the Trust will be responsible for paying: (1) the bitcoin Insurance Fee; and (2) losses up to the insurance's deductible of \$500,000.

The bitcoin Held by the Trust Are Not Subject to FDIC or SIPC Protections.

The Trust is not a member of the Federal Deposit Insurance Corporation ("**FDIC**") or Securities Investor Protection Corporation ("**SIPC**") and, therefore, the Trust's assets, including its bitcoin holdings, do not qualify for FDIC or SIPC protections. While the Trust's limited cash holdings are covered by FDIC insurance, the vast majority of its NAV will be represented by bitcoin. Please check with your broker as to whether the Shares are eligible for SIPC protections.

Regulatory Risks

Regulation of the Bitcoin Industry Continues to Evolve and is Subject to Change; Future Regulatory Developments Are Impossible to Predict but May Significantly and Adversely Affect the Trust.

Both domestic and foreign regulators and governments have focused on regulation of Bitcoin.

The regulation of bitcoin, digital assets and related products and services continues to evolve. Such evolution is subject to uncertainty and may vary significantly among jurisdictions. Various legislative and executive bodies in the U.S. and in other countries have shown that they intend to adopt legislation or take enforcement actions, which may severely impact the development and growth of blockchain networks and the adoption and use of bitcoin. The inconsistent and sometimes conflicting regulatory landscape may make it more difficult for bitcoin businesses to provide services, which may impede the growth of the bitcoin economy and have an adverse effect on consumer adoption of bitcoin. There is a possibility of future regulatory change

altering, perhaps to a material extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate. Additionally, to the extent that bitcoin itself is determined to be a security, commodity future or other regulated asset, or to the extent that a United States or foreign government or quasi-governmental agency exerts regulatory authority over the Bitcoin network, bitcoin trading or ownership in bitcoin, such determination may have an adverse effect on the value of your investment in the Trust.

New or changing laws and regulations or interpretations of existing laws and regulations, in the U.S. or elsewhere, may materially and adversely impact the value of bitcoin, the liquidity and market price of bitcoin, the ability to access marketplaces or exchanges on which to trade bitcoin, and the structure, rights and transferability of bitcoin. Governments may seek to ban transactions in bitcoin altogether.

In sum, bitcoin regulation takes many different forms and will, therefore, impact bitcoin and its usage in a variety of manners. Although it is impossible to predict the positions that will be taken by certain governments, any regulatory changes affecting bitcoin could be substantial and materially adverse to your investment in the Shares. For example, the following is a non-exhaustive summary of the regulatory approaches taken in the U.S.:

- On May 7, 2014, the SEC published an investor alert that highlighted fraud and other concerns relating to certain investment opportunities denominated in bitcoin and fraudulent and unregistered investment schemes targeted at participants in online bitcoin forums. On July 11, 2016, the SEC settled charges in an administrative proceeding against a broker-dealer and investment trust whose sole assets were bitcoin for violating Regulation M during a continuous offering of the trust's shares. On July 25, 2017, the SEC issued a Report of Investigation (the "**Report**") which concluded that digital assets or tokens issued for the purpose of raising funds may be securities within the meaning of the federal securities laws. The Report emphasized that whether a digital asset is a security is based on the particular facts and circumstances, including the economic realities of the transactions. On January 18, 2018, Director of the SEC's Division of Investment Management issued a letter on "Engaging on Fund Innovation and Cryptocurrency-related Holdings". In the letter, the Director of the Division of Investment Management expressed concerns regarding investor protection issues related to cryptocurrencies, including difficulties in determining appropriate valuations, lack of sufficient liquidity, risks related to safekeeping of assets, the proper functionality of the arbitrage mechanism required for exchange-traded funds, and the risk for potential market manipulation and fraud. On February 21, 2018, the SEC charged a bitcoin-denominated trading platform and its operator for acting as an unregistered securities exchange and defrauding exchange users by misappropriating their bitcoin and failing to disclose a cyberattack on the exchange's system and the resulting bitcoin theft. On June 14, 2018, Director of the SEC's Division of Corporation Finance delivered a speech expressing his personal belief (not that of the SEC) that transactions in bitcoin are not securities transactions. On September 27, 2018 the SEC filed charges against an international securities dealer for allegedly violating the securities laws in connection with bitcoin funded security-based swaps. On March 12, 2019, the Division of Investment Management released a letter requesting market input to inform the SEC's consideration of how custody of digital assets may comply with Rule 206(4)-2 of the Investment Advisers Act of 1940. On April 3, 2019, SEC's FinHub released a framework for analyzing whether a digital asset is offered and sold as an investment contract, and therefore, is a security under the Securities Act and Exchange Act. The same day, the SEC's Division of Corporation Finance issued its first no-action letter indicating that it would not recommend enforcement action to the SEC if a digital asset is offered or sold without registration under the U.S. federal securities laws, provided certain conditions set forth in the no-action letter are met. The SEC continues to take action against persons or entities misusing bitcoin in connection with fraudulent schemes (*i.e.*, Ponzi scheme), inaccurate and inadequate publicly disseminated information, and the offering and trading of unregistered securities in violation of federal securities laws.
- On September 17, 2015, the CFTC provided clarity regarding the regulatory treatment of bitcoin in the *Coinflip* administrative proceeding. There the CFTC determined that bitcoin and other virtual currencies are regulated as commodities under the CEA. Based on this determination, the CFTC applied CEA provisions and CFTC regulations to a bitcoin derivatives trading platform. Also of significance, the CFTC took the position that bitcoin is not encompassed by the definition of

currency under the CEA and CFTC regulations. The CFTC defined bitcoin and other “virtual currencies” as “a digital representation of value that functions as a medium of exchange, a unit of account, and/or a store of value, but does not have legal tender status in any jurisdiction. Bitcoin and other virtual currencies are distinct from ‘real’ currencies, which are the coin and paper money of the United States or another country that are designated as legal tender, circulate, and are customarily used and accepted as a medium of exchange in the country of issuance”. On July 6, 2017, the CFTC granted LedgerX, LLC (“*LedgerX*”) an order of registration as a Swap Execution Facility for digital assets and on July 24, 2017, the CFTC approved Ledger X, LLC as the first derivatives clearing organization for digital currency. On September 21, 2017, the CFTC filed a civil enforcement action in federal court against a New York corporation and its principal, charging them with fraud, misappropriation, and issuing false account statements in connection with a Ponzi scheme involving investments in bitcoin, which the CFTC asserted is a commodity subject to its jurisdiction. On October 17, 2017, the CFTC’s LabCFTC office issued A CFTC Primer on Virtual Currencies (“*Primer*”). As noted in the Primer, the CFTC staff does not claim general jurisdiction over “spot” or cash-market exchanges and transactions involving virtual currencies that do not utilize margin, leverage or financing. The CFTC staff does, however, claim jurisdiction over instances of fraud or manipulation involving virtual currencies, even in the case of spot or cash-market exchanges and transactions involving virtual currencies that do not utilize margin, leverage or financing. On December 1, 2017, the CFTC approved the self-certification of binary bitcoin options for the Cantor Exchange and exchange-traded bitcoin futures contracts for the Chicago Mercantile Exchange Inc. and CBOE Futures Exchange. On December 15, 2017, the CFTC issued a proposed interpretation of the “actual delivery” requirements with respect to virtual currencies under the CEA. Section 2(c)(2)(D) of the CEA provides the CFTC with direct oversight authority over “retail commodity transactions”—defined as agreements, contracts or transactions in any commodity that are entered into with, or offered to retail market participants on a leveraged or margined basis, or financed by the offeror, the counterparty or a person acting in concert with the offeror or counterparty on a similar basis. Such a transaction is subject to the CEA “as if” it were a commodity future. The statute contains an exception for contracts of sale that result in “actual delivery” within 28 days from the date of the transaction. The proposed interpretation establishes two primary factors necessary to demonstrate “actual delivery” of retail commodity transactions in virtual currency: (1) a customer having the ability to: (i) take possession and control of the entire quantity of the commodity, whether it was purchased on margin, or using leverage, or any other financing arrangement, and (ii) use it freely in commerce (both within and away from any particular platform) no later than 28 days from the date of the transaction; and (2) the offeror and counterparty seller (including any of their respective affiliates or other persons acting in concert with the offeror or counterparty seller on a similar basis) not retaining any interest in or control over any of the commodity purchased on margin, leverage, or other financing arrangement at the expiration of 28 days from the date of the transaction. On March 6, 2018, the federal district court for the Eastern District of New York agreed with the CFTC’s position in *Coinflip* and held that bitcoin, as a virtual currency, was a commodity as defined by the CEA and subject to CFTC jurisdiction for fraud and manipulation in the spot market (without directly involving futures or derivatives contracts.) On November 9, 2018, the CFTC issued an administrative order settling charges against a trader for fraudulently misappropriating bitcoin from his employer. The CFTC continues to take action against illegal activity involving bitcoin and to provide guidance related to digital assets such as bitcoin and the CFTC’s jurisdiction.

- The Internal Revenue Service (the “*IRS*”) released guidance in 2014 noting that bitcoin will be treated as property for U.S. Federal income tax purposes. This treatment may create a potential tax reporting requirement in any circumstance where the ownership of a bitcoin passes from one person to another.
- On March 18, 2013, FinCEN issued interpretive guidance relating to the application of the U.S. Bank Secrecy Act to distributing, exchanging and transmitting “virtual currencies”. More specifically, it determined that a user of virtual currencies (such as bitcoin) for its own account will not be considered a money service business or be required to register, report and perform recordkeeping; however, an administrator or exchanger of virtual currency must be a registered money services business under FinCEN’s money transmitter regulations. As a result, bitcoin exchanges that deal with U.S. residents or otherwise fall under U.S. jurisdiction are required to

- register and comply with FinCEN regulations. FinCEN released additional guidance clarifying that, under the facts presented, miners acting solely for their own benefit, software developers, hardware manufacturers, escrow service providers and investors in bitcoin would not be required to register with FinCEN on the basis of such activity alone, but that bitcoin exchanges, certain types of payment processors and convertible digital asset administrators would likely be required to register with FinCEN on the basis of the activities described in the October 2014 and August 2015 letters. FinCEN has also taken significant enforcement steps against companies alleged to have violated its regulations, including the assessment in July 2017 of a civil money penalty in excess of \$110 million against BTC-e for alleged willful violation of U.S. anti-money laundering laws. In April 2019, FinCEN for the first time penalized a bitcoin trader as a “peer-to-peer virtual currency exchanger”, determining that it was a money transmitter and had failed to (i) register as a money services business, (ii) comply with anti-money laundering obligations under the Bank Secrecy Act and (iii) file required currency transaction reports. In May 2019, FinCEN released comprehensive guidance addressing the application of its regulations to a number of activities with respect to virtual currency.
- Although the former Chairman of the Board of Governors of the Federal Reserve System testified before Congress in 2014 that “the Federal Reserve simply does not have the authority to supervise or regulate bitcoin in any way”, the Federal Reserve Board continues to actively monitor developments in the industry.
 - In June 2015, the New York Department of Financial Services (the “*NYDFS*”) finalized a rule that requires most businesses involved in digital currency business activity in or involving New York, excluding merchants and consumers, to apply for a license (“*BitLicense*”) from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become limited purpose trust companies qualified to engage in certain digital currency business activities. Other states have considered regimes similar to the BitLicense, or have required digital currency businesses to register with their states as money transmitters, such as Washington and Georgia, which results in digital currency businesses being subject to requirements similar to those of NYDFS’ BitLicense regime. Certain state regulators, such as the Texas Department of Banking, Kansas Office of the State Bank Commissioner and the Illinois Department of Financial and Professional Regulation, have found that mere transmission of bitcoin, without activities involving transmission of fiat currency, 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 digital currency and not its use. In June 2014, the State of California adopted legislation that would formally repeal laws that could be interpreted as making illegal the use of bitcoin or other digital assets as a means of payment. In July 2017, Delaware amended its General Corporation Law to provide for the creation maintenance of certain required records by blockchain technology and permit its use for electronic transmission of stockholder communications. Wyoming has enacted a number of laws with respect to virtual currency, including an exemption for virtual currency from Wyoming’s money transmitter laws and regulations, a provision that virtual currency is not subject to taxation as property in Wyoming, and a provision that corporate records may be maintained using blockchain technology. Wyoming has enacted additional legislation addressing virtual currency, such as the treatment under Wyoming’s version of the UCC.
 - On September 18, 2018, the New York Attorney General released its “Virtual Markets Integrity Report”, which was broadly critical of the virtual asset trading platforms that it surveyed, citing in particular examples of (i) a lack of protections from abusive trading practices, (ii) pervasive conflicts of interest, and (iii) limited protection of customers. The New York Attorney General also referred three platforms – Binance, Gate.io and Kraken – to the NYDFS for possibly operating unlawfully in New York.
 - On September 15, 2015, the Conference of State Bank Supervisors finalized their proposed model regulatory framework for state regulation of participants in “virtual currency activities”. The Conference of State Bank Supervisors’ proposed framework is a non-binding model and would have to be independently adopted, in sum or in part, by state legislatures or regulators on a case-by-case basis. In July 2017, the Uniform Law Commission (the “*ULC*”), a private body of lawyers and legal academics from the several U.S. states, voted to finalize and approve a uniform model state law for the regulation of virtual currency businesses, including bitcoin (the “*Uniform Virtual Currency*

- Act*”). Having been approved by the ULC, the Uniform Virtual Currency Act goes to each of the U.S. states and territories for their consideration and would have to be independently adopted, in sum or in part, by state legislatures or regulators on a case-by-case basis.
- On April 23, 2014, the Conference of State Bank Supervisors and the North American Securities Administrators Association released Model State Consumer and Investor Guidance on Virtual Currency that, among other things, encourages consumers to consider the following before investing in virtual currency: (i) do your homework; (ii) virtual currencies and companies dealing in virtual currencies may or may not be regulated; (iii) virtual currencies can be stolen or otherwise subject to cybercrime; (iv) virtual currencies are volatile in value; (v) virtual currencies have been connected to criminal activities; and (vi) virtual currency transactions may be taxable.

The following is a non-exhaustive summary of some of the regulatory approaches taken in non-U.S. jurisdictions:

- In October 2018, the Financial Action Task Force (“*FATF*”) recommended that member countries adopt regulations requiring monitoring and supervision of virtual currency activities in order to mitigate money laundering and terrorist financing risks. In June 2019, FATF adopted and issued an Interpretive Note (INR. 15) that builds on the October 2018 recommendation. According to FATF, INR. 15 establishes binding measures relevant for both member countries and virtual currency service providers in keeping with those aims.
- Also in October 2018, the United Kingdom Financial Conduct Authority published a report on the United Kingdom’s policy and regulatory approach to cryptoassets which found that cryptoassets present considerable risks, but that more time was needed to consider how regulation can meaningfully address such risks.
- In September 2018, a German regional court held that bitcoin is not a financial instrument, within the meaning of the German Banking Act, a decision directly at odds with the practice of the German Financial Supervisory Authority, which classifies Bitcoin as a financial instrument. The court also held that bitcoin is not e-money as defined in the Second European Union E-Money Directive as implemented into the German Payment Services Supervision Act.
- On December 3, 2013, the Chinese government issued a notice that classified bitcoin 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. Then on September 15, 2017, the Chinese government and local financial regulators officially requested some Chinese bitcoin exchanges and digital asset trading platforms to shut down by the end of September 2017. In January 2018, China’s Leading Group of Internet Financial Risks Remediation reportedly requested that local governments remove existing, preferential policies for Bitcoin mining companies in terms of electricity prices, taxes, or land use, and guide the orderly exit of such companies from the Bitcoin mining business. The localities must submit regular reports on Bitcoin mining operations in their jurisdictions. There are reports that many bitcoin mining operations in China have stopped operating.
- In Japan, regulations went into effect in April 2017 that recognize digital currencies as a legal method of payment and require market participants, including exchanges, to meet certain compliance requirements and be subject to oversight by the Financial Services Agency, a Japanese regulator. According to the National Tax Agency, the profit earned by sales of cryptocurrency is, in principle, considered miscellaneous income, rather than capital gains, under the Income Tax Act.
- In September 2013 a spokesman of Singapore’s central bank, the Monetary Authority of Singapore (MAS), reportedly warned consumers to “be wary of . . . trading [in bitcoins]”. However, in December 2014, the MAS reportedly stated that “[w]hether or not businesses accept Bitcoins in exchange for their goods and services is a commercial decision in which MAS does not intervene”.
- The Canada Senate Banking Committee urged the government to “tread carefully” in regulation of digital currencies, so as not to stifle their as yet “unimagined applications”, and a representative of Canada’s central bank noted that bitcoin and other alternative currencies “should generally require much less intensive oversight and regulation because they pose much less risk to the Canadian financial system as a whole”. However, in June 2014, Canada amended its Proceeds of Crime

- (Money Laundering) and Terrorist Financing Act to treat virtual currencies, including Bitcoin, as “money service businesses” for the purposes of the anti-money laundering law.
- In October 2015, the European Court of Justice declared that bitcoin transactions “are exempt from VAT under the provision concerning transactions relating to currency, bank notes and coins used as legal tender”, but the European Central Bank found that bitcoin met only two of the three legal criteria that define electronic money, putting it in a legal gray area.
 - In July 2016, the Russian Ministry of Finance indicated it supports a proposed law that bans bitcoin domestically but allows for its use as a foreign currency. In September 2017, the head of the Russian central bank stated that it is categorically against regulating cryptocurrencies as money, as a means by which payment can be made for goods and services, and against equating them with foreign currency.
 - As an example of the global inconsistency in the approach to virtual currencies, Sweden and Australia treat bitcoin as a currency, while Canada and Taiwan have labeled bitcoin as a digital or virtual currency, distinct from fiat currency. Norway categorizes bitcoin as a form of virtual asset or commodity. The United Kingdom treats bitcoin as private money and determined that the value added tax will not apply to bitcoin sales, but it can be charged on the commission instead. The government of Israel and the Israel Tax Authority decided in January 2017 to apply capital gains tax to sales of bitcoin and other digital currencies. In July 2016, the European Commission released a draft directive that proposed applying counter-terrorism and anti-money laundering regulations to virtual currencies, and, in September 2016, the European Banking authority advised the European Commission to institute new regulation specific to virtual currencies, with amendments to existing regulation as a stopgap measure. Conversely, regulatory bodies in some countries such as India and Switzerland have declined to exercise regulatory authority. China’s, Russia’s, and other countries’ restrictive stance towards digital assets may reduce the rate of expansion of bitcoin use or even eliminate the use of bitcoin entirely in these geographies.

The Trust is Not a Registered Investment Company and is Not Subject to the CEA. The Trust is not a registered investment company subject to the 1940 Act. Consequently, shareholders of the Trust do not have the regulatory protections provided to shareholders in registered and regulated investment companies which, for example, require investment companies to have a certain percentage of disinterested directors and regulate the relationship between the investment company and certain of its affiliates. Further, the Trust will not hold or trade in commodity futures contracts regulated by the CEA, as administered by the CFTC. The Trust will not engage in “retail commodity transactions”—any bitcoin transaction entered into on a leveraged, margined or financed basis (as described above). Such transactions are deemed to be commodity futures under the CEA and subject to CFTC jurisdiction. Furthermore, the Sponsor believes that the Trust is not a commodity pool for purposes of the CEA, and that neither the Sponsor nor the Trust 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 shareholders in CEA-regulated instruments or commodity pools.

Future Regulations May Require the Trust to Become Registered, Which May Cause the Trust to Liquidate. Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which bitcoin are treated for classification and clearing purposes. The CFTC has stated, and U.S. federal district courts have agreed, that virtual currency, including bitcoin, is a commodity subject to the CFTC’s fraud and anti-manipulation enforcement authority. In addition, several U.S. federal district courts have held that bitcoin is a currency or a form of money for certain purposes. Certain SEC staff have expressed views that bitcoin transactions are not securities transactions, however other public statements have expressed concerns relating to investor protection for cryptocurrency investments. However, these rulings and statements are not definitive or final and the Sponsor and the Trust cannot be certain as to how future regulatory developments will impact the treatment of bitcoin under the law. As of the date of this prospectus, the Sponsor is not aware of any rules that have been proposed to specifically regulate bitcoin as a commodity interest or a security. In the face of such developments, the required registrations and compliance steps may result in extraordinary, nonrecurring expenses to the Trust. If the Sponsor decides to terminate the Trust in response to the changed regulatory circumstances, the Trust may be dissolved or liquidated at a time that is disadvantageous to shareholders.

To the extent that bitcoin is deemed to fall within the definition of a “commodity interest” under the CEA, the Trust and the Sponsor may be subject to additional regulation under the CEA and CFTC regulations. The Sponsor or the Trust may be required to register as a commodity pool operator or commodity trading advisor with the CFTC and become a member of the National Futures Association and may be subject to additional regulatory requirements with respect to the Trust, including disclosure and reporting requirements. These additional requirements may result in extraordinary, recurring and/or nonrecurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor and/or the Trust 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 bitcoin at a time that is disadvantageous to shareholders.

To the extent that bitcoin is deemed to fall within the definition of a security under U.S. federal securities laws, the Trust and the Sponsor may be subject to additional requirements under the 1940 Act and Investment Advisers Act of 1940, as supplemented (the “*Advisers Act*”). The Sponsor or the Trust may be required to register as an investment adviser under the Advisers Act. Such additional registration may result in extraordinary, recurring and/or non-recurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor and/or the Trust 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 bitcoin at a time that is disadvantageous to Shareholders.

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 an 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 an Authorized Participant charges its clients in a material and adverse manner. If an Authorized Participant determines not to comply with such additional regulatory and registration requirements, an Authorized Participant may terminate its role as an Authorized Participant of the Trust. Such a termination may decrease the liquidity of the Trust.

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

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 bitcoin 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 bitcoin and therefore adversely affect an investment in the Shares.

It may be illegal now, or in the future, to acquire, own, hold, sell or use bitcoin in one or more countries, and ownership of, holding or trading in Shares may also be considered illegal and subject to sanctions.

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

If regulatory changes or interpretations of the Trust's or Sponsor's activities require registration as money service businesses under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or as money transmitters or digital currency businesses under state regimes for the licensing of such businesses, the Trust and/or Sponsor could suffer reputational harm and also extraordinary, recurring and/or nonrecurring expenses, which would adversely impact an investment in the Shares.

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

To the extent the Trust or Sponsor is found to have operated without appropriate state or federal licenses, it may be subject to investigation, administrative or court proceedings, and civil or criminal monetary fines and penalties, including a cease and desist order, all of which would harm the reputation of the Trust or its Sponsor, decrease the liquidity of the Trust, and have a material adverse effect on the price of the Shares. If the Sponsor decides to comply with such additional federal or state regulatory obligations and continue the Trust, the required registrations, licensure and regulatory compliance steps may result in extraordinary, nonrecurring expenses to the Trust, possibly affecting an investment in the Shares in a material and adverse manner. Furthermore, the Trust and its service providers may not be capable of complying with certain federal or state regulatory obligations applicable to money service businesses' money transmitters and businesses involved in digital currency business activity. If the Sponsor and/or the Trust determines not to comply with such requirements, the Sponsor will act to dissolve and liquidate the Trust. Any such termination could result in the liquidation of the Trust's bitcoin at a time that is disadvantageous to Shareholders.

Other Risks

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

While the Sponsor has consulted with legal, tax and financial advisers regarding the formation and operation of the Trust, no counsel has been appointed to represent you in connection with the offering of the Shares.

Accordingly, you should consult your own counsel, accountants and other advisers before investing in the Shares.

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

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

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

Tax Risks

Material Taxable Income without Corresponding Distributions: The Trust's Delivery, Transfer or Sale of bitcoin in Connection with Trust Operations Including the Payment of Expenses Could Result in Shareholders Incurring Material Tax Liability Without an Associated Distribution from the Trust.

Each delivery, transfer or sale of bitcoin by the Trust to pay the Sponsor Fee, bitcoin Insurance Fee, other expenses associated with bitcoin storage or other expenses could be a taxable event to shareholders. In such event, Shareholders will be subject to U.S. federal income taxation and, in some cases, state, local, or foreign income taxation on their *pro rata* share of the Trust's taxable income. Shareholders will generally not receive distributions equal to their share of the Trust's taxable income or even the tax liability that results from such income; thus, Shareholders are likely to have material amounts of taxable income without corresponding distributions and should have sources of cash outside their investment in Shares to pay for any such tax liability. Any such tax liability could materially and adversely impact the value of Shares.

A Permanent Bitcoin Blockchain Fork Could Result in Shareholders Incurring Tax Liability.

If a permanent fork occurs in the Bitcoin blockchain, the Trust would hold equal amounts of both the original bitcoin and the alternative new bitcoin. As a result, the Sponsor would need to decide whether to continue to hold the original bitcoin, the alternative new bitcoin or both. The Trust has the authority to retain or sell the original bitcoin, the alternative new bitcoin or both, but not the authority to reinvest proceeds from the disposition of such bitcoin. Each distribution, sale or decision to hold the original or alternative bitcoin by the Trust in connection with a permanent fork may cause Shareholders to incur U.S. federal, state, local, or foreign income tax liability with no corresponding distribution of cash from the Trust. Any such tax liability could materially and adversely impact the value of Shares.

There is very little authority on the U.S. Federal Income Tax Treatment of Bitcoin.

IRS guidance indicates that bitcoin should be treated as property for Federal tax purposes, and transactions involving the exchange of bitcoin in return for goods and services should generally be treated as taxable exchanges.

USE OF PROCEEDS

Proceeds received by the Trust from the issuance and sale of Baskets will consist of bitcoin. The Trust will hold the bitcoin received by the Trust from the issuance and sale of Baskets, until (1) bitcoin is distributed by the Trust to Authorized Participants in connection with redemptions of Baskets, (2) bitcoin is sold for cash or transferred to the Sponsor by the Trust in kind to pay the Sponsor Fee and the insurance premium related

to the insurance policies on the Trust's bitcoin, or (3) bitcoin is sold for cash by the Trust to pay other Trust expenses and liabilities not assumed by the Sponsor. See "*Description of the Trust—Trust Expenses*".

BITCOIN AND THE BITCOIN INDUSTRY

The following is a more complete description of Bitcoin, including, without limitation, information about the history of bitcoin, bitcoin possession, bitcoin transactions, bitcoin trading, the bitcoin exchange market, the bitcoin OTC market and bitcoin mining.

Summary

A bitcoin is an asset that can be transferred among parties via the Internet, but without the use of a central administrator or clearing agency. The term *decentralized* is often used in descriptions of bitcoin, in reference to bitcoin's lack of necessity for administration by a central party. Bitcoin with an upper case "B" describes the system as a whole (*i.e.*, the network of computers running the software protocol underlying Bitcoin involved in maintaining the database of bitcoin ownership and facilitating the transfer of bitcoin among parties). When written with a lower case "b", the word bitcoin refers to the unit of account within the Bitcoin network. The Bitcoin network and the asset, bitcoin, are intrinsically linked and inseparable. Bitcoin was first described in a white paper released in 2008 and published under the name "Satoshi Nakamoto", and the protocol underlying Bitcoin was subsequently released in 2009 as open source software.

bitcoin Ownership and the Blockchain

To begin using bitcoin, a user may download specialized software referred to as a *bitcoin wallet*. A user's *bitcoin wallet* can run on a computer or smartphone. A bitcoin wallet can be used both to send and to receive bitcoin. Within a bitcoin wallet, a user will be able to generate one or more *bitcoin addresses*, which are similar in concept to bank account numbers, and each address is unique. Upon generating a bitcoin address, a user can begin to transact in bitcoin by receiving bitcoin at his or her bitcoin address and sending it from his or her address to another user's address. Sending bitcoin from one bitcoin address to another is similar in concept to sending a bank wire from one person's bank account to another person's bank account.

Balances of the quantity of bitcoin associated with each bitcoin address are listed in a database, referred to as the *blockchain*. Copies of the blockchain exist on thousands of computers on the Bitcoin network throughout the Internet. A user's bitcoin wallet will either contain a copy of the blockchain or be able to connect with another computer that holds a copy of the blockchain.

When a bitcoin user wishes to transfer bitcoin to another user, the sender must first request a bitcoin address from the recipient. The sender then uses his or her bitcoin wallet software, to create a proposed addition to the blockchain. The proposal would decrement the sender's address and increment the recipient's address by the amount of bitcoin desired to be transferred. The proposal is entirely digital in nature, similar to a file on a computer, and it can be sent to other computers participating in the Bitcoin network. Such digital proposals are referred to as *bitcoin transactions*.

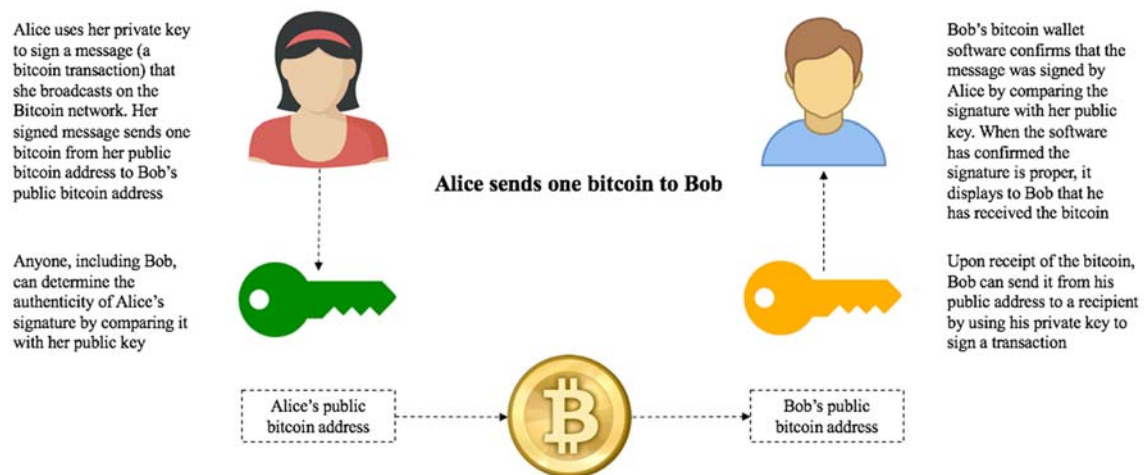
bitcoin Transactions and Digital Signatures

A bitcoin transaction is similar in concept to an irreversible digital check. The transaction contains the sender's bitcoin address, the recipient's bitcoin address, the amount of bitcoin to be sent, a confirmation fee (see "*Bitcoin and the Bitcoin Industry—bitcoin Mining and Transaction Fees*") and the sender's digital signature. The sender's use of his or her digital signature enables participants on the Bitcoin network to verify the authenticity of the bitcoin transaction.

A user's digital signature is generated via usage of the user's so-called *private key*, one of two numbers in a so-called cryptographic *key pair*. A key pair consists of a *public key* and its corresponding private key, both of which are lengthy numerical codes, derived together and possessing a unique relationship.

Public keys are used to create bitcoin addresses. Private keys are used to sign transactions that initiate the transfer of bitcoin from a sender's bitcoin address to a recipient's bitcoin address. Only the holder of the private key associated with a particular bitcoin address can digitally sign a transaction proposing a transfer of bitcoin from that particular bitcoin address.

A user's bitcoin address (which is derived from a public key) may be safely distributed, but a user's private key must remain known solely by its rightful owner. The utilization of a private key is the only mechanism by which a bitcoin user can create a digital signature to transfer bitcoin from him or herself to another user. Additionally, if a malicious third party learns of a user's private key, that third party could forge the user's digital signature and send the user's bitcoin to any arbitrary bitcoin address (*i.e.*, the third party could steal the user's bitcoin).



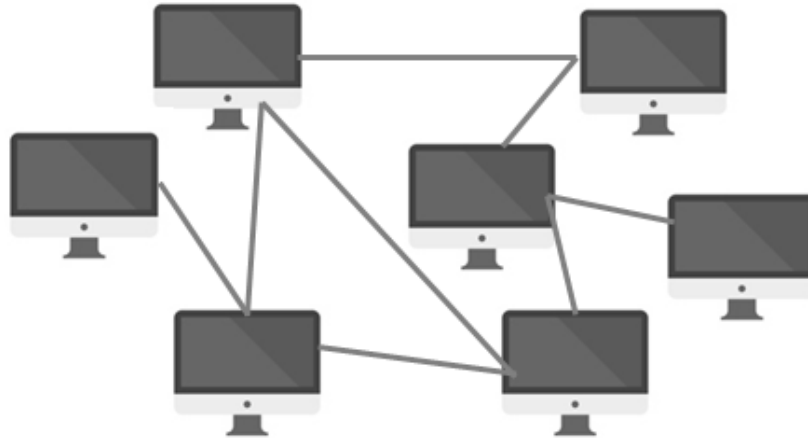
The usage of key pairs is an essential part of the underpinning of the Bitcoin network, insofar as use of a private key is the only mechanism by which a bitcoin transaction can be signed. The loss of a private key renders the corresponding bitcoin permanently non-transferable, and the theft of a private key enables the thief immediate and unfettered access to the corresponding bitcoin. Consequently, bitcoin is unlike most contemporary financial assets in that it is a bearer asset. The person or entity in control of the private key corresponding to a particular quantity of bitcoin has *de facto* control of the bitcoin. For large quantities of bitcoin, holders often embrace sophisticated security measures. For a discussion of how the Trust secures its bitcoin, see "*The Trust's bitcoin Security System*" below.

bitcoin Transaction Propagation and Unconfirmed Transactions

A user who wishes to send bitcoin to another user would utilize bitcoin wallet software to create a transaction, digitally sign it and transmit a copy of the signed transaction to other computers on the Bitcoin network. A copy of the signed transaction propagates throughout the network, typically received by participating computers in seconds.

The Bitcoin network, which consists of computers running the bitcoin software, is configured as a *peer-to-peer network*. Unlike conventional computer networks in which workstations communicate with a central server, peer-to-peer networks consist of computers that relay information among each other, with no particular computer functioning as a leader. Computers in a peer-to-peer network can depart from the network at any time, and new computers can join at any time. The peer-to-peer configuration provides the Bitcoin network with resiliency conventional networks lack.

Bitcoin Peer-to-Peer Network



Although participants in the Bitcoin network receive a copy of newly created transactions in minimal time, the transactions are temporarily considered unconfirmed – in essence, new transactions are at first a proposal for a transfer of bitcoin. Computers participating in the Bitcoin network keep a copy of the database of all transactions, including both unconfirmed and confirmed. Confirmed transactions are part of the blockchain, but unconfirmed transactions are not. An unconfirmed transaction becomes a confirmed transaction once it is added to the blockchain. Updates to the blockchain, which enable unconfirmed transactions to become confirmed transactions, come by way of newly-formed *blocks*, which are added to the blockchain by a process known as bitcoin mining.

bitcoin Mining and Transaction Fees

Bitcoin mining utilizes a combination of computer hardware and software to accomplish a dual purpose: (i) to verify the authenticity and validity of bitcoin transactions (*i.e.*, the movement of bitcoin between addresses), and (ii) the creation of new bitcoin. Neither the Sponsor nor the Trust intends to engage in bitcoin mining. Bitcoin miners do not need permission to participate in verifying transactions. Rather, miners compete to solve a prescribed and complicated mathematical calculation using computers dedicated to the task. Rounds of the competition repeat approximately every ten minutes. In any particular round of the competition, the first miner to find the solution to the mathematical calculation is the miner who gains the privilege of announcing the next block to be added to the blockchain.

A new block that is added to the blockchain serves to take all of the recent-yet-unconfirmed transactions and verify that none are fraudulent. The recent-yet-unconfirmed transactions also generally contain transaction fees that are awarded to the miner who produces the block in which the transactions are inserted, and thereby confirmed. The successful miner also earns the so-called *block reward*, an amount of newly created bitcoin. Thus, bitcoin miners are financially incentivized to conduct their work. The financial incentives received by bitcoin miners are a vital part of the process by which the Bitcoin network functions.

Upon successfully winning a round of the competition (winning a round is referred to as mining a new block), the miner then transmits a copy of the newly-formed block to peers on the Bitcoin network, all of which then

update their respective copies of the blockchain by appending the new block, thereby acknowledging the confirmation of the transactions that had previously existed in an unconfirmed state.

A recipient of bitcoin must wait until a new block is formed in order to see the transaction convert from an unconfirmed state to a confirmed state. With new rounds won approximately every ten minutes, the average wait time for a confirmation is five minutes.

Anti-Fraud and the Double Spend Solution

Bitcoin's mining process is the innovation that allows it to function without a central arbiter. Transactions are initially in an unconfirmed state because they must be checked for any attempt at a so-called *double-spend*. A double spend would occur if Party A were to send the same bitcoin both to Party B and to Party C. No payment system can be sound if it permits double spends. In a payment system with a central administrator (*i.e.*, payments sent through a bank), the job of preventing double spends falls to the central administrator. Bitcoin's mining process is the mechanism by which it prohibits double spends yet remains without a central administrator.

Party A could attempt a double-spend—the sending of the same bitcoin both to Parties B and C—by creating two digitally signed transactions. The first transaction would propose to transfer the bitcoin from Party A to Party B and the second to Party C. Party A would then broadcast both transactions to the Bitcoin network, and all participating computers would generally see both transactions in a matter of seconds. The transactions would, initially, be in an unconfirmed state, and no participant on the Bitcoin network would be able to know which of the two transactions to verify and which to reject. Participants would, however, know that only one of the transactions can be permitted to exist, and that all participants need somehow to agree which transaction to permit and which to reject.

When a miner successfully mines a new block, he or she eliminates the attempted double spend by choosing only one of the unconfirmed transactions and discarding the other. Thus, the miner serves as the arbiter in resolving any attempted double spends. The miner's choice of which transaction to include in the block can be arbitrary. The only requirement, for the soundness of the system, is that only one of the two transactions is included. When the miner broadcasts the newly created block to participants in the Bitcoin network, each participant will know which of the two transactions is valid and which is invalid. If the miner were to attempt to include both transactions in the block, participants on the Bitcoin network would immediately know that the block is invalid, and they would discard it. From a systemic perspective, the miner's most important function is to be an arbiter in the case of any attempted double spend, thus maintaining the soundness of the Bitcoin network.

An attempted double-spend

1. Alice has one bitcoin
2. Alice **attempts to double spend** the bitcoin by simultaneously sending it both to Bob and to Charlie
3. The bitcoin miner verifies that **only one** of Alice's spending transactions is valid



Before the transaction	
User	Amount of bitcoin
Alice	1
Bob	0
Charlie	0

After the transaction	
User	Amount of bitcoin
Alice	0
Bob	1
Charlie	0

Newly Generated bitcoin and the Security of the Bitcoin Network

Beyond being the arbiter in case of an attempted double spend, miners also serve to generate newly created bitcoin. Approximately every ten minutes, a new block is created by one of the many miners operating on the Bitcoin network. The new block contains 12.5 newly created bitcoin, which are granted to the miner as an economic reward. With 12.5 newly created bitcoin generated approximately every ten minutes, the total number of newly generated bitcoin each day is approximately 1,800. This amount will decrease in the future, as described above under the heading “*Limits on bitcoin Creation.*”

A miner's probability of successfully generating a new block is proportional to the amount of computing power the miner employs as a proportion of the total amount of computing power dedicated to mining. Although the aggregate amount of computing power devoted to bitcoin mining tends to increase over time, the quantity of bitcoin generated each day does not. By design, the supply of bitcoin is finite, and the pace at which bitcoin is generated is fixed, and set to decrease by half every four years on a defined schedule.

If an individual miner adds computing power to his or her mining operation, he or she will increase his or her probability of successfully generating new blocks, and simultaneously reduce the probability of other miners generating new blocks, but the overall quantity of new blocks generated will not increase. By intention, bitcoin mining is setup to be a race amongst miners in which miners are incentivized to add computing power over time, in order to protect themselves from the consequences of increases in computing power by other miners. Since the number of blocks generated is fixed, a miner can gain only a temporary advantage by adding computing power, and the advantage dissipates as other miners add computing power to their own respective mining operations.

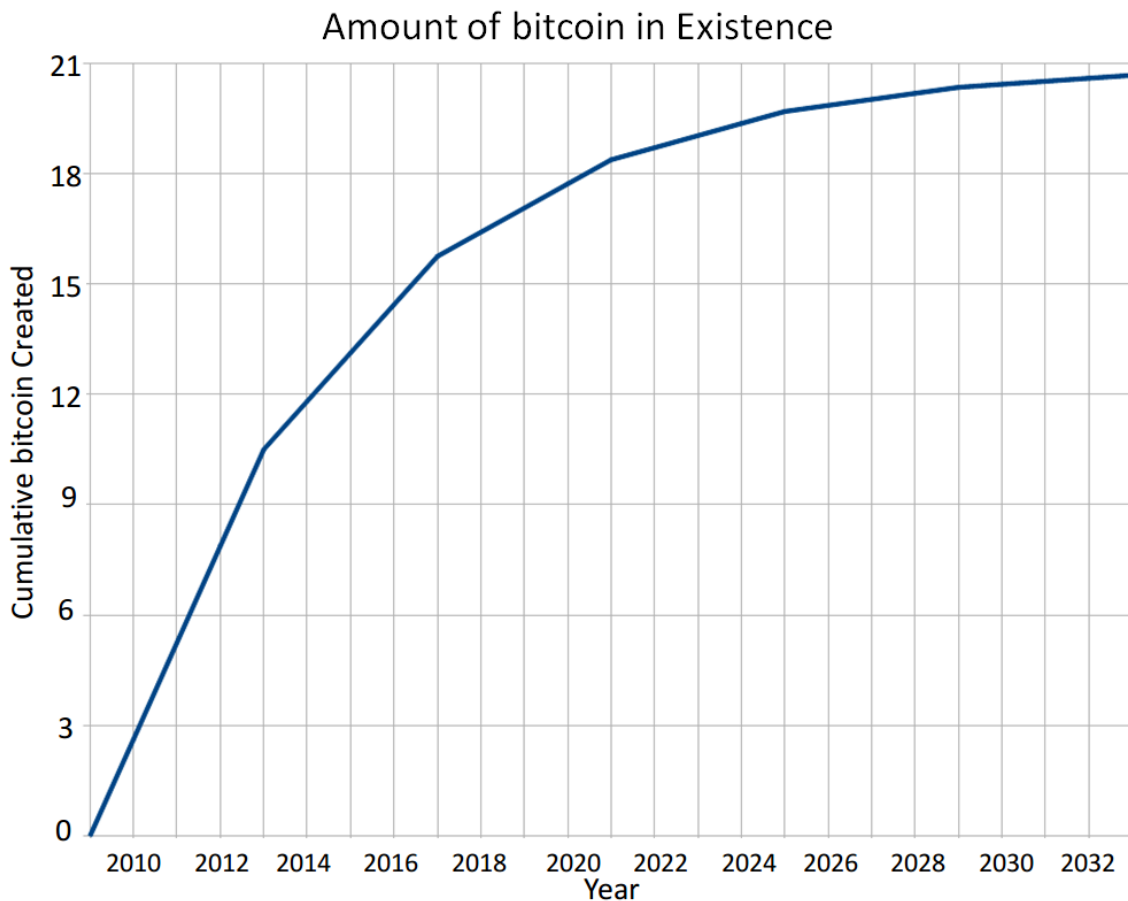
In the context of bitcoin mining, computing power is measured in *hashes-per-second*. As of August 2019, publicly available estimates are that the aggregate amount of computing power employed by bitcoin miners is more than 73,500 quadrillion hashes per second, or 73,500 *petahashes-per-second* (PH/s).

The race among miners to add processing power is a feature of Bitcoin that keeps the Bitcoin network secure. The protocol underlying Bitcoin operates safely so long as no miner gains control of more than 50 percent of

the mining processing power. If a miner gains control of more than 50 percent of mining processing power, the network will still operate safely, so long as the miner has no nefarious goals. The addition of mining processing power makes it continuously more difficult for a nefarious miner to gain control of more than 50 percent of mining processing power.

Limits on bitcoin Creation

The protocol underlying Bitcoin provides the rules by which all users and miners on the Bitcoin network must operate. A user or miner attempting to operate under a different set of rules will be ignored by other network participants, thus rendering that user's or miner's behavior moot. The protocol also lays out the so-called block reward, the amount of bitcoin that a miner earns upon creating a new block. The initial block reward when Bitcoin was introduced in 2009 was 50 bitcoin per block. That number has and will continue to halve approximately every four years until approximately 2140, when it is estimated that block rewards will go to zero. The most recent halving occurred on July 9, 2016, which reduced the block reward from 25 to 12.5 bitcoin. The next halving is projected for June 2020, which will reduce the block reward to 6.25 bitcoin from its current level of 12.5. The halving thereafter will occur in another four years and will reduce the block reward to 3.125 bitcoin, and so on. As of August 6, 2019, there are approximately 17.86 million bitcoin that have been created, a number that will grow with certainty to a maximum of 21 million, estimated to occur by the year 2140. Bitcoin mining should not be confused with buying and selling bitcoin, which, as discussed below, is a separate process.



In addition to the block reward, end users pay fees as an incentive for a miner to confirm their transactions in newly created blocks. When a miner creates a new block, as part of the process the miner adds any unconfirmed transactions to the new block, and for doing so accepts fees associated with each transaction. Fees vary in amount based on a calculation conducted by a user's bitcoin wallet software, the

speed with which the user wishes to have the transaction confirmed and market conditions. During the month of August 2019, the median transaction fee was approximately 0.00002 bitcoin or \$0.075 per transaction, regardless of the quantity of bitcoin transferred within the transaction. During the three-month period between October 1, 2018 and December 31, 2018, the median transaction fee was approximately 0.00003 bitcoin or \$0.16 per transaction, regardless of the quantity of bitcoin transferred within the transaction.

Bitcoin Protocol Modifications

The Bitcoin protocol is built using open source software allowing for any developer to review the underlying code and suggest changes. There is no official company or group that is responsible for making modifications to Bitcoin, however, there are a number of individual developers that regularly contribute to a specific distribution of Bitcoin software dubbed “Bitcoin Core”. While there are many other compatible versions of Bitcoin software, Bitcoin Core provides the *de-facto* standard for the Bitcoin protocol. The developers responsible for maintaining Bitcoin Core, (a/k/a the Bitcoin Core Maintainers), are employed by a number of entities including the MIT Media Labs’ Digital Currency Initiative, Chaincode Labs and Blockstream Corp.

Significant changes to the Bitcoin protocol are typically accomplished through a so-called *Bitcoin Improvement Proposal* or BIP. Such proposals are generally posted on websites (*e.g.*, github.com), and the proposals explain technical requirements for the protocol change as well as reasons why the change should be accepted. New versions of Bitcoin Core can be approved by several developers. Upon its inclusion in the most recent version of Bitcoin Core, a new BIP becomes part of the Bitcoin protocol. Several BIPs have been implemented since 2011 and have provided various new features and scaling improvements.

Bitcoin has no central authority, so the implementation of a change is achieved by users and miners downloading and running updated versions of Bitcoin Core or other Bitcoin software that abides by the Bitcoin protocol.

It is possible that a group of developers could propose a change to Bitcoin that is not backwardly compatible. If a significant proportion of Bitcoin users and miners decide to adopt the proposed change but the balance of users decide not to adopt it, the consequence would be what is known as a “fork” (*i.e.*, “split”) of Bitcoin into two (or more) versions. Each version of Bitcoin would have its own blockchain, and the prongs of the forked blockchain would run in parallel, but each version’s bitcoin (the asset) would lack interchangeability. Participants in the Bitcoin industry are mutually incentivized not to permit such an outcome, as it could threaten the value of bitcoin (the asset).

Scalability

Estimates show that the Bitcoin network can accommodate up to seven transactions per second. The current maximum transaction rate is adequate for a significant amount of activity but far below the level that centralized services can provide. There are multiple proposals for increasing the capacity of the Bitcoin network. Proposals are undergoing review, testing and development, and it is likely that efforts to increase Bitcoin’s capacity will continue for several years. The leading contender for scalability improvements for the transmission of bitcoin is known as the Lightning Network.

Use of bitcoin and the Blockchain

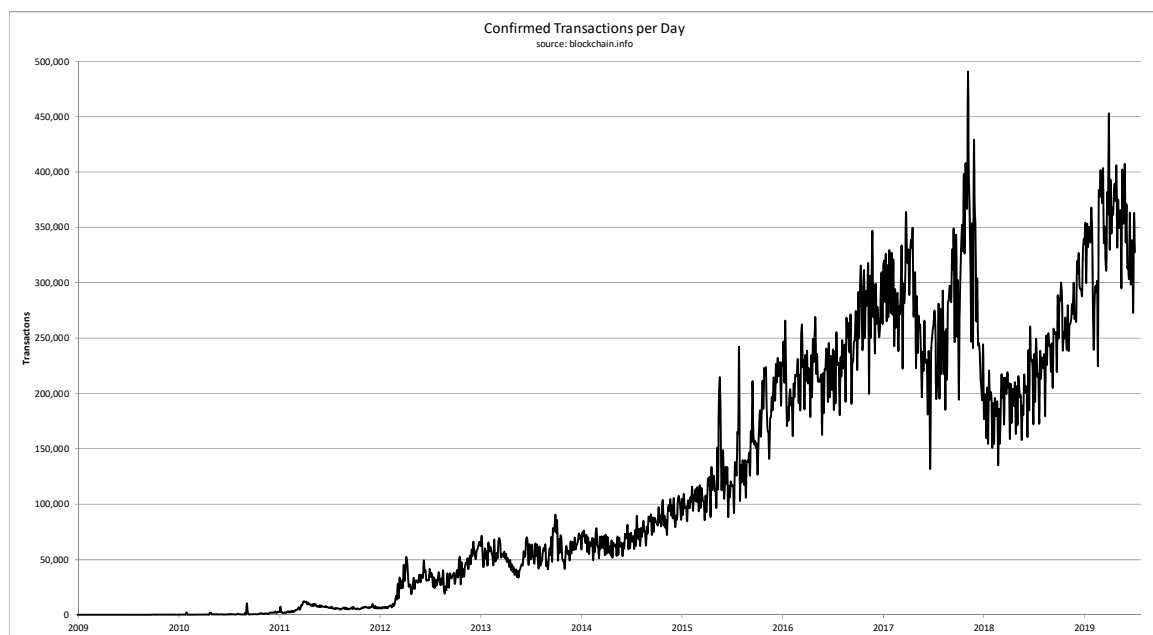
As of January 1, 2019, publicly available estimates are that venture capitalists have invested over \$5 billion in Bitcoin and blockchain-related businesses.¹ Beyond using bitcoin as a value transfer mechanism, applications related to the blockchain technology underlying bitcoin have become increasingly prominent. Additional applications based on blockchain technology—both the blockchain underlying bitcoin as well as separate public blockchains incorporating similar characteristics of the blockchain underlying bitcoin—are currently in development by numerous entities, including financial institutions like banks. Blockchain-

¹ See <https://www.coindesk.com/bitcoin-venture-capital>.

focused applications take advantage of certain unique characteristics of the blockchain, such as secure time stamping (secure time stamps are on newly created blocks), tamper-resistant storage (copies of the blockchain are distributed throughout the Internet) and secure digital signatures.

Blockchain-focused applications in usage and under development include, but are not limited to: asset title transfer, secure timestamping, counterfeit and fraud detection systems, secure document and contract signing, distributed cloud storage and identity management. Although value transfer is not the primary purpose for blockchain-focused applications, the usage of bitcoin, the asset, is inherently involved in blockchain-focused applications, thus linking the growth and adoption of bitcoin to the growth and adoption of blockchain-focused applications.

The following chart, which is based on data publicly available the website blockchain.info, sets forth a summary of bitcoin transaction volume (*i.e.*, transfers of bitcoin between parties on the Bitcoin network, which is different than and should not be confused with bitcoin exchange traded volume, see “*Bitcoin and the Bitcoin Industry—bitcoin Exchange Market*”) from January 2009, through January 2019:²



OTC bitcoin Trading

Over-the-counter (“*OTC*”) trading of bitcoin is generally accomplished via bilateral agreements on a principal-to-principal basis. All risks and issues of credit are between the parties directly involved in the transaction. The OTC market provides a relatively flexible market in terms of quotes, price, size, and other factors. The OTC market has no formal structure and no open-outcry meeting place. Parties engaging in OTC transactions will agree upon a price—often via phone or email—and then one of the two parties would then initiate the transaction. For example, a seller of bitcoin could initiate the transaction by sending the bitcoin to the buyer’s bitcoin address. The buyer would then wire U.S. dollars to the seller’s bank account.

Transaction costs in the OTC market are negotiable between the parties and therefore vary with some participants willing to offer competitive prices for larger volumes, although this will vary according to market conditions. Cost indicators can be obtained from various information service providers, such as the bitcoin price indexes and bitcoin exchanges. OTC trading tends to be in large blocks of bitcoin and between institutions.

² See blockchain.com.

OTC market participants include institutional entities, such as hedge funds, family offices, private wealth managers, high-net-worth individuals that trade bitcoin on a proprietary basis, and brokers that offer two-sided liquidity for bitcoin. The Trust intends to primarily effect trades in the OTC market on the OTC platforms that comprise the MVBTCO.

While the Trust intends to conduct the majority of its trading in the OTC market on the OTC platforms that comprise the MVBTCO, the Trust maintains an internal proprietary database, which it does not share with anyone, of potential OTC bitcoin trading counterparties, including hedge funds, family offices, private wealth managers and high-net-worth individuals. All such potential counterparties are subject to the Trust's anti-money laundering ("AML")/ know-your-customer ("KYC") compliance procedures. The Trust will add additional potential counterparties to its internal proprietary database as it becomes aware of additional market participants. The Trust will decide whether or not it will trade with OTC counterparties based on the Trust's ability to fill orders at the best available price amongst OTC market participants and bitcoin exchanges. To the extent a Basket creation or redemption order necessitates the buying or selling of a large block of bitcoin (*e.g.*, an amount that if an order were placed on an exchange would potentially move the price of bitcoin), the Sponsor represents that placing such a trade in the OTC market may be advantageous to the Trust. OTC trades help avoid factors such as potential price slippage (causing the price of bitcoin to move as the order is filled on exchange), while offering speed in trade execution and settlement (an OTC trade can be executed immediately upon agreement of terms between counterparties) and privacy (to avoid other market participants entering trades in advance of a large block order). OTC bitcoin trading is typically private and not regularly reported.

The Trust has established DVP-like trading arrangements with its trading counterparties pursuant to which the Trust will be able to minimize counterparty risk. These arrangements are on a trade-by-trade basis and do not bind the Trust to continue to trade with any counterparty. When trading with a counterparty, the Trust will only send U.S. dollars to the counterparty after it receives the bitcoin from the counterparty. Once the Trust receives the bitcoin it purchased, the Trust will within 24 hours wire U.S. dollars to the counterparty to settle the trade. When selling bitcoin, the Trust will transmit bitcoin to the counterparty only after the counterparty has transmitted U.S. dollars to the Trust. These settlement terms reduce counterparty risks for the Trust.

The Sponsor believes the OTC bitcoin market is the most accurate expression of the value of bitcoin.

The Trust expects to store bitcoin within one business day of an order to create a Basket.

bitcoin Exchange Market

Bitcoin exchanges operate websites that facilitate the purchase and sale of bitcoin for various government-issued currencies, including the U.S. dollar, the euro or the Chinese yuan. Activity on bitcoin exchanges should not be confused with the process of users sending bitcoin from one bitcoin address to another bitcoin address, the latter being an activity that is wholly within the confines of the Bitcoin network and the former being an activity that occurs entirely on private websites. Decentralized bitcoin exchanges function differently than centralized exchanges. Decentralized bitcoin exchanges utilize software protocols for matching buyers and sellers of bitcoin and allow such buyers and sellers to trade directly, without any intermediary necessary to store the bitcoin. Rather than trades being settled on a centralized exchange's internal ledger, trades on decentralized exchange involve transfers of bitcoin directly on the bitcoin network.

Bitcoin exchanges typically report publicly on their websites the valuation of each transaction and bid and ask prices for the purchase or sale of bitcoin. Although each bitcoin exchange has its own market price, it is expected that most bitcoin exchanges' market prices should be relatively consistent with the bitcoin exchange market average since market participants can choose the bitcoin exchange on which to buy or sell bitcoin (*i.e.*, exchange shopping). Price differentials across bitcoin exchanges enable arbitrage between bitcoin prices on the various exchanges.

There are currently several U.S. based regulated entities that facilitate bitcoin trading and that comply with state and/or U.S. AML and KYC regulatory requirements. While the CFTC is responsible for regulating the

bitcoin spot market for fraud and manipulation, there is no direct, comprehensive federal oversight of bitcoin exchanges or trading platforms in the United States and no U.S. exchanges are registered with the SEC or the CFTC. The following are examples of such U.S. based regulated entities:

- Coinbase is a bitcoin exchange that maintains money transmitter licenses in many states, the District of Columbia and Puerto Rico. Coinbase is subject to the regulations enforced by the various State agencies that issued their respective money transmitter licenses to Coinbase. The NYDFS granted a BitLicense to Coinbase in January 2017.
- itBit (Paxos) is a bitcoin exchange that was granted a limited purpose trust company charter by the NYDFS in May 2015. Limited purpose trusts, according to the NYDFS, are permitted to undertake certain activities, such as transfer agency, securities clearance, investment management, and custodial services, but without the power to take deposits or make loans.
- Gemini is a bitcoin exchange that is also regulated by the NYDFS. In October 2015, NYDFS granted Gemini an Authorization Certificate, which allows Gemini to operate as a limited purpose trust company.
- Genesis Global Trading (“*Genesis*”) is a FINRA member firm that makes a market in bitcoin by offering two-sided liquidity. In May 2018, NYDFS granted Genesis a BitLicense.
- bitFlyer is a virtual currency exchange that is registered in Japan. In November 2017, NYDFS granted Tokyo-based bitFlyer a BitLicense.

To the extent the Trust conducts bitcoin trading on an exchange, it currently expects to do so on the following U.S. dollar-denominated bitcoin exchanges: Bitstamp (located in Slovenia and with an office in the U.K.), Coinbase Pro (f/k/a GDAX) (located in California), Gemini (located in New York), itBit (located in New York), bitFlyer USA (located in New York), Kraken (located in San Francisco). All of these exchanges follow AML and KYC regulatory requirements. These exchanges exist as of the date of this Offering Memorandum, but conditions will likely change over time. Independent research reports have indicated that a significant amount of publicly reported trading volume in bitcoin may be artificially inflated due to activity on unregulated trading venues, such as wash trades and other manipulative trading practices. However, research also suggests that more legitimate bitcoin trading volume takes place on regulated, U.S.-based exchanges than is typically reported and that such trades follows expected trading and arbitrage patterns.

Additional bitcoin Trading Products

Certain U.S. platforms and non-U.S. based bitcoin exchanges offer derivative products on bitcoin such as options, swaps and futures.

BitMex, based in the Republic of Seychelles, CryptoFacilites, based in the United Kingdom, 796 Exchange, based in China, and OKCoin Exchange China all offer futures contracts settled in bitcoin. Coinut, based in Singapore, offers bitcoin binary options and vanilla options based on the Coinut index. Deribit, based in The Netherlands offers vanilla options and futures contracts settled in bitcoin. IGMarkets, based in the United Kingdom, Avatrade, based in Ireland, and Plus500, based in Israel, all offer bitcoin contracts for difference.

In July 2017, the CFTC issued an order granting LedgerX registration as a derivatives clearing organization under the CEA. Under the order, LedgerX is authorized to provide clearing services for fully-collateralized digital currency swaps. LedgerX, which was also granted an order of registration as a Swap Execution Facility in July 2017, is the first federally-regulated exchange and clearing house for derivatives contracts settling in digital currencies. LedgerX began trading options and swaps on its platform in October 2017, and both Cboe Global Markets, Inc. and CME Group, Inc. began trading cash-settled bitcoin futures contracts beginning in December 2017. Cantor Futures Exchange L.P. launched bitcoin swaps in December 2017. In June 2019, the CFTC approved LedgerX’s application to be a designated contract market, allowing LedgerX to offer physically settled bitcoin futures to retail customers. The Intercontinental Exchange-owned Bakkt

and others are also seeking regulatory approvals to offer physically-settled bitcoin futures contracts. It has been reported that Cboe Global Markets, Inc. does not currently plan to list additional bitcoin futures contracts after the last traded futures contracts expired in June 2019.

Bitcoin Investment Trust (“**BIT**”) is a private, open-ended trust available to accredited investors that derives its value from the price of bitcoin. Eligible shares of BIT are quoted on the OTCQX marketplace under the symbol “GBTC”. BIT was founded in 2013.

In May 2015, the Swedish FSA approved the prospectus for Bitcoin Tracker One, an open-ended exchange-traded note that tracks the price of bitcoin in U.S. dollars. The Bitcoin Tracker One initially traded in Swedish krona on the Nasdaq Nordic in Stockholm, but is now also available to trade in euro. The Bitcoin Tracker One is available to retail investors in the European Union and to those investors in the U.S. who maintain brokerage accounts with Interactive Brokers.

In May 2016, the Gibraltar Financial Services Commission approved the BitcoinETI, which in July 2016 was listed on the Gibraltar Stock Exchange and on Deutsche Börse Frankfurt in August 2016. The BitcoinETI is a bitcoin-backed exchange traded instrument that is Euro denominated. The product is UCITS eligible, passportable to all 31 Europe Economic Area countries and Switzerland, available to sophisticated investors through a standard brokerage account, and employs standard Clearstream/Euroclear settlement.

In February 2019, the SIX Swiss Exchange listed the Amun Bitcoin ETP. The Amun Bitcoin ETP is an exchange traded note. The note is a debt instrument.

Illicit Use and Fraudulent Activity

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

The utilization of bitcoin provides users with a certain degree of anonymity, insofar as sending and receiving bitcoin does not involve the use of personal information (*i.e.*, bitcoin addresses are strings of up to 35 alphanumeric characters that appear random). Anonymity is limited, however, by the nature of bitcoin transactions, all of which are recorded indelibly on the blockchain, and by the fact that bitcoin exchanges conduct AML and KYC verifications on their users (*see “Bitcoin and the Bitcoin Industry—bitcoin Exchange Market”*).

During the past several years, a number of bitcoin businesses have been associated with bitcoin theft and fraudulent schemes.

Historical Price of bitcoin

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

The following chart, which is based on data publicly available the website blockchain.info, sets forth the U.S. dollar price of bitcoin during the period January 2009, through February 1, 2019:



Competition

Bitcoin is not the only available decentralized digital asset. Other cryptographic digital assets have been developed since the inception of the Bitcoin, including, but not limited to, Ethereum, Litecoin, Monero and Zcash. While a competitive product could displace the market share Bitcoin currently occupies, it would face significant headwinds due to the network effect and financial and intellectual investments currently enjoyed by the market leader.

THE TRUST'S BITCOIN STORAGE SYSTEM

bitcoin Storage

The Trust is responsible for storage of the Trust's bitcoin. The security of the Trust's bitcoin relies upon the safekeeping of private keys that provide access to customized bitcoin wallets, from which and to which the Trust's bitcoin can be transferred. The Sponsor expects that the Trust's auditor will verify the existence of bitcoin stored by the Trust. In addition, the Trust's insurance carriers will have inspection rights associated with the bitcoin stored by the Trust.

The Trust's bitcoin security solution uses what are known as "*cold storage wallets*", which are specialized wallets that keep private keys on computers that are not connected to the Internet or any other computer network. Computers on which the cold storage wallets reside are described as *air-gapped*, a reference to their isolation from the Internet and other computers. The ability to transfer bitcoin using cold storage wallets is facilitated by the ability of wallet software to use the private key to create a valid digital signature on a proposed bitcoin transaction, in spite of a lack of connectivity to the Internet. Once the proposed bitcoin transaction is signed, it is saved to a file and the file is moved to an Internet-connected computer via physical media (a USB flash stick, SD card or similar). A signed bitcoin transaction never reveals the underlying private key with which the transaction was signed. The system is similar in concept to placing a wax seal on a document: the recipient can see the wax seal and verify the authenticity of the document, but seeing the wax seal does not provide access to the underlying sealing mechanism.

Beyond using cold storage wallets, the Trust also uses what are known as *multi-signature transactions* when transferring bitcoin. In order for a multi-signature transaction to be valid and accepted into a block by a miner, the transaction must be digitally signed using more than one private key from within a set of pre-established valid private keys. The Trust's bitcoin security system requires multiple designated persons to access and transact with the Trust's bitcoin. The Trust uses cold storage wallets and multi-signature transactions at all times, including with respect to the bitcoin held for daily trading activities; the Trust's bitcoin will not be exposed to a hot storage environment.

Business Continuity Plan

The Sponsor maintains business continuity plans and procedures designed to ensure a prompt recovery following the loss or partial loss of any of the Trust's infrastructure, systems or facilities. For backup and disaster recovery purposes, the Trust will maintain cold storage wallet backups in locations geographically distributed throughout the United States, including in the Northeast and Midwest. The recovery plans are tested on a regular basis in order to verify their effectiveness. Plans are maintained and updated based upon results of the tests and as needs change.

THE TRUST'S BITCOIN INSURANCE

The Trust maintains crime, excess crime and excess vault risk insurance coverage underwritten by various insurance carriers. Both the Trust and the Sponsor (the "**Insured**") are insured parties under the insurance policy. Pursuant to the terms of the policy, each of the Trust and Sponsor has the ability to submit a claim in connection with the policy and to cancel the policy. The insurers may not cancel the policy for the initial term of the policy (which is one year) once the premium has been paid. Any amendment to the policy would require the consent of both the Insured and the insurers.

The purpose of the insurance is to protect shareholders against loss or theft of the Trust's bitcoin. The insurance will cover loss of bitcoin by, among other things, theft, destruction, bitcoin in transit, computer fraud and other loss of the private keys that are necessary to access the bitcoin held by the Trust. See "Bitcoin and the Bitcoin Industry—bitcoin Transactions and Digital Signatures". The coverage is subject to certain terms, conditions and exclusions (further outlined below). The Trust's insurance policies require the Trust to undertake industry best practice procedures with respect to storage of the Trust's bitcoin, which entails cold storage and multi signature transactions. The Trust's insurance policy also requires inspection of the Trust's physical facilities. The Trust has and will continue to make its facilities available for inspection at the request of its insurers. The Sponsor is responsible for arranging the insurance coverage for the Trust's bitcoin and for entering into additional insurance agreements for the Trust as needed. To the extent the value of the Trust's bitcoin holdings exceeds the total \$125,000,000 of insurance coverage as discussed below, the Sponsor has made arrangements for additional insurance coverage with the goal of maintaining insurance coverage at a one-to-one ratio with the Trust's bitcoin holdings valued in U.S. dollars such that for every dollar of bitcoin held by the Trust there is an equal amount of insurance coverage.

Crime Insurance

The Crime Insurance policy covers loss of bitcoin up to a maximum of \$25,000,000 caused by:

- Theft by an employee of the Sponsor acting alone or in collusion with others.
- Robbery, burglary, theft, mysterious unexplainable disappearance, and damage thereto or destruction thereof, while the private key(s) associated with the Trust's bitcoin (the "**Property**") is within the Insured's premises.
- Direct loss while the Property is in transit anywhere in the custody of an employee of the Sponsor, a messenger, an armored motor vehicle company, or any other person or entity duly authorized by the Insured to have custody.

- Direct loss of Property caused by computer fraud or funds transfer fraud, or by reason of the loss of the Insured's electronic data as the result of the destruction or attempt thereof of such electronic data due to a computer virus caused by any person while such electronic data are stored within the Trust's computer system.
- Underwriters shall indemnify the Insured for all reasonable legal fees, costs and expenses incurred and paid by the Insured in the defense of any demand, claim, suit, or legal proceeding with respect to which the Insured establishes that the act or acts which were committed would entitle the Insured to recovery under the policy if any loss resulted therefrom.

The Crime Insurance policy excludes the following:

- Any loss, claim or damage that does not exceed the policy's \$500,000 deductible.
- Loss caused or contributed by theft or any other fraudulent, dishonest or criminal act committed by a director of the Sponsor solely by reason of serving in such capacity, or any individual, including employees, controlling more than 5% of the issued share capital of the Insured.
- Loss caused by an employee if an elected or appointed official of the Sponsor (not in collusion) knows of any act or acts of theft, fraud or dishonesty by such employee prior to the Insured's discovery of a loss caused by such act or acts of the employee.
- Loss of income or profit not realized by the Insured.
- Loss of trade secrets, confidential information or data of any kind, except to the extent that such confidential information or data is used to support or facilitate the commission of an act otherwise covered by the policy.
- Loss due to the giving or surrendering of physical property in any legitimate exchange or purchase.
- Any loss or part thereof, the proof of which, either as to its factual existence or as to amount, is solely dependent upon an inventory or a profit and loss computation. However, where the Insured establishes wholly apart from such computation that it has sustained a loss, then the Insured may offer its inventory records in support of the amount of loss claimed.
- Indirect or consequential loss of whatever nature.
- Loss or damage directly or indirectly caused by or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any government or public or local authority.
- Loss due to radioactive contamination to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss or legal liability of whatsoever nature directly caused by or contributed to by or arising from ionizing radiation or contamination by radioactivity from any nuclear fuel or nuclear waste from the combustion of such fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear component thereof.
- Loss caused solely by arithmetical, accounting or computing errors or omissions.
- Prior known circumstances that would give rise to a loss.

- Loss resulting wholly or partially from the complete or partial non-payment of or default upon any loan.
- Loss resulting from mechanical failure, faulty construction, error in design, latent defect, wear or tear, gradual deterioration, electrical disturbance, storage media failure or breakdown or error in programming or errors or omissions in processing.
- Loss resulting wholly or partially from payments or withdrawals involving items received by the Insured that are not fully paid for.
- Loss resulting solely and directly from the network failure of the Bitcoin protocol.
- Any legal liability arising directly or indirectly as a result of or in connection with any act or acts (or alleged act or acts) of money laundering or any act or acts (or alleged act or acts) which are in breach of and/or constitute an offense or offenses under any money laundering legislation (or any provisions and/or rules or regulations made by any regulatory body or authority thereunder).
- No insurer shall be deemed to provide cover and no insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the insurer, or its parent, to any sanction, prohibition or restriction implemented pursuant to resolutions of the United Nations or the trade and economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.
- Any loss or damage where, at the time of loss or damage, the storage media was connected to, or while containing private key(s) or private key shard(s) was capable of being connected to, the internet or any external network.
- Loss of Property where such Property is stored or being transmitted between computers or similar electronic devices that are connected to the Internet.
- With respect to any loss sustained on the premises of the Insured or while Property is in transit:
 - Loss or damage due to forged or fraudulently altered or counterfeit bitcoin;
 - Loss or damage to bitcoin while in the mail;
 - Loss that constitutes kidnap/ransom payments or other extortion payments (as distinguished from the proceeds of robbery) surrendered away from the Insured's premises to any person as a result of a threat to do (1) bodily harm to any person or (2) damage to the Insured's premises or other property owned by the Insured; and
 - Loss or damage to Property that arises directly or indirectly by reason of or in connection with terrorism.

The Trust will bear any losses from exclusions under the Crime Insurance Policy, including losses up to the policy's \$500,000 deductible.

Excess Vault Risk Insurance

The Excess Vault Risk Insurance covers losses to the Trust's bitcoin private keys up to a maximum of \$100,000,000, sustained in excess of the \$25,000,000 covered by the primary Crime Insurance policy. The Excess Vault Risk Insurance relates to the storage of the Property on air-gapped computers held in a vault.

The Excess Vault Risk Insurance covers against physical loss or damage of the Property caused by or resulting from:

- Fire, lightning, explosion, smoke, windstorm, hail, riot, civil commotion, aircraft, vehicles, vandalism, sprinkler leakage, sinkhole collapse, volcanic action and falling objects; weight of snow, ice, or sleet; water damage, flood, and earthquake that either consequently renders the Trust's bitcoin unrecoverable, or results in an unauthorized transfer of the Trust's bitcoin to a third party.
- Unauthorized, improper and/or dishonest acts by an authorized representative of the Insured who has access to the Property, which either consequently renders the Trust's bitcoin unrecoverable, or results in an unauthorized transfer of the Trust's bitcoin to a third party that is verifiable on the blockchain, provided such loss is discovered within 96 hours after the occurrence.
- Theft from the Insured's premises by any persons other than an authorized representative of the Insured who has access to the Property, which either consequently renders the Trust's bitcoin unrecoverable, or results in an unauthorized transfer of the Trust's bitcoin to a third party that is verifiable on the blockchain.

The Excess Vault Risk Insurance excludes the following:

- Any loss resulting wholly or partially from any act or default of any director or officer of the Insured solely by reason of his serving in such capacity.
- Any and all losses resulting directly or indirectly from the complete or partial non-payment of, or default upon, any loan or transaction involving the Insured as a lender or borrower, or extension of credit, including the purchase, discounting or other acquisition of false or genuine accounts, invoices, notes, agreements or evidence of debt, whether such loan, transaction or extension was procured in good faith or through deception, artifice, fraud, or false pretenses.
- Any and all losses resulting from trading, with or without the knowledge of the Insured, whether or not represented by any indebtedness or balance shown to be due the Insured on any customer's account, actual or fictitious, and notwithstanding any act or omission on the part of any authorized representative in connection with any account relating to such trading, indebtedness, or balance. However, this exclusion is in no way intended to remove or limit the coverage of physical loss or damage as described herein.
- Any loss or damage where, at the time of loss or damage, any device holding the Trust's private key(s) was connected to, or while holding the private key(s) was capable of being connected to, the Internet or any external network.
- Any and all losses resulting wholly or partially from any act or default of any partner, employee, director or officer of the Insured controlling more than 5% of the issued share capital of the Insured.
- Any and all loss resulting from the network failure of the Bitcoin protocol.
- Any loss resulting wholly or partially from any act of an authorized representative of the Insured that occurs after the time any director or officer of the Insured first became aware of any act or acts of theft, fraud or dishonesty of such authorized representative.
- Any insured loss not discovered and reported to the insurers within 30 days from the policy expiration date.
- Any consequential loss of any kind.

- Loss or damage directly or indirectly caused by or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any government or public or local authority.
- Loss due to radioactive contamination to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss or legal liability of whatsoever nature directly caused by or contributed to by or arising from ionizing radiation or contamination by radioactivity from any nuclear fuel or nuclear waste from the combustion of such fuel, or the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear component thereof, or any chemical, biological, biochemical or electromagnetic weapon.
- Loss or damage to Property that arises directly or indirectly by reason of or in connection with terrorism.
- Loss or damage to Property caused by or contributed to by or arising from the use or operation, as a means for inflicting harm, of any computer, computer system, computer software program, malicious code, computer virus or process or any other electronic system.
- Any legal liability arising directly or indirectly as a result of or in connection with any act or acts (or alleged act or acts) of money laundering or any act or acts (or alleged act or acts) which are in breach of and/or constitute an offense or offenses under any money laundering legislation (or any provisions and/or rules or regulations made by any regulatory body or authority thereunder).
- No insurer shall be deemed to provide cover and no insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the insurer, or its parent, to any sanction, prohibition or restriction implemented pursuant to resolutions of the United Nations or the trade and economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

There is no additional deductible payment, above the \$500,000 deductible for the Crime Insurance policy, in connection with a claim made under the Excess Vault Risk policy. The Trust will bear any losses from exclusions under the Excess Vault Risk policy.

DESCRIPTION OF THE MVBTCO

The Sponsor has entered into a licensing agreement with MVIS to use the MVBTCO. The Trust is entitled to use the MVBTCO pursuant to a sub-licensing arrangement with the Sponsor. MVBTCO is a U.S. dollar-denominated index intended to give investors a means of tracking the price of bitcoin. The MVBTCO calculates the intra-day price of bitcoin every 15 seconds, including the closing price as of 4:00 p.m. E.T. The intra-day price and closing price are based on a methodology that consists of collecting actual firm bid/ask data from several bitcoin OTC platforms included within the index. The bitcoin price is calculated as the midpoint between the latest available real-time bid- and ask-prices. As of January 1, 2019, the bitcoin OTC platforms that have entered into an agreement with MVIS for inclusion in the MVBTCO are Cumberland DRW LLC, Circle Financial and Genesis Global Trading, Inc., all of which are U.S.-based entities. The logic utilized for the derivation of the daily closing index level for the MVBTCO is intended to analyze actual firm bid/ask data, verify and refine the data set, and yield an objective, fair-market value of one bitcoin as of 4:00 p.m. E.T. each weekday, priced in U.S. dollars. MVIS' MVBTCO index has been in operation since November 20, 2018.

The key elements of the algorithm underlying the MVBTCO include:

- Equal Weighting of OTC Platforms. This mitigates the impact of spikes at single platforms.
- Using firm bid/ask spreads and the respective mid prices, which are consistently available.

MVIS LICENSING AGREEMENT AND DISCLAIMER

The Sponsor has entered into a licensing agreement with MVIS to use the MVBTCO. The Trust is entitled to use the MVBTCO pursuant to a sub-licensing arrangement with the Sponsor.

The Shares are not sponsored, endorsed, sold or promoted by MVIS. MVIS makes no representation or warranty, express or implied, to the shareholders of the Trust or any member of the public regarding the advisability of investing in securities generally or in the Trust in particular or the ability of the MVBTCO to track bitcoin market price performance. MVIS' only relationship to the Sponsor is the licensing of certain service marks and service names of MVIS and of the MVBTCO, which is determined, composed and calculated by MVIS without regard to the Sponsor or the Trust. MVIS has no obligation to take the needs of the Sponsor or the shareholders of the Trust into consideration in determining, composing or calculating the MVBTCO. MVIS is not responsible for and has not participated in the determination of the prices and amount of the Shares or the timing of the issuance or sale of the Shares or in the determination or calculation of the equation by which the Shares are redeemable. MVIS has no obligation or liability in connection with the administration, marketing or trading of the Shares.

MVIS makes no warranty, express or implied, as to the results to be obtained by any person or entity from the use of MVBTCO for any purpose. Index information and any other data calculated and/or disseminated, in whole or part, by MVIS is for informational purposes only, not intended for trading purposes, and provided on an "as is" basis. MVIS does not warrant that the index information will be uninterrupted or error-free, or that defects will be corrected. MVIS also does not recommend or make any representation as to possible benefits from any securities or investments, or third-party products or services. Investors should undertake their own due diligence regarding securities and investment practices.

ACTIVITIES OF THE TRUST

The activities of the Trust are limited to: (1) issuing Baskets in exchange for bitcoin deposited with the Trust as consideration; (2) selling bitcoin (or transferring bitcoin, at the Sponsor's discretion, to pay the Sponsor Fee) as necessary to cover the Sponsor Fee, bitcoin Insurance Fee, expenses related to storage of the Trust's bitcoin and Trust expenses not assumed by the Sponsor as a Sponsor Assumed Expense and other liabilities; (3) delivering bitcoin in exchange for Baskets surrendered for redemption; (4) maintaining insurance coverage for the bitcoin held by the Trust; and (5) securing the bitcoin held by the Trust. The Trust is not actively managed. It does not perform services or engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the price of bitcoin.

Trust Objective

The investment objective of the Trust is for the Shares to reflect the performance of the price of bitcoin, less the expenses of the Trust's operations. The Trust intends to achieve this objective by holding bitcoin that is delivered to the Trust by Authorized Participants in connection with the creation of Baskets. The Trust will not acquire bitcoin and will only sell bitcoin solely (1) to raise cash to pay the Sponsor Fee, the bitcoin Insurance Fee and any other expenses of the Trust that are not Sponsor Assumed Expenses, (2) if the sale is required by applicable law or regulation or (3) in connection with the termination and liquidation of the Trust. The Trust's assets will not be changed.

CREATION AND REDEMPTION OF SHARES

The Trust issues and redeems Baskets, each equal to a block of 4,000 Shares, only to Authorized Participants. The Trust will effect creations and redemptions for bitcoin. The creation and redemption of a Basket require the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional bitcoin or the U.S. dollar equivalent of such bitcoin represented by each Basket being created or redeemed, the number of which is determined by dividing the number of bitcoin 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 bitcoin constituting accrued but unpaid fees and expenses of the Trust and multiplying the quotient obtained by 4,000 (“*bitcoin Basket Amount*”). The bitcoin Basket Amount will gradually decrease over time as the Trust’s bitcoin are used to pay the Trust’s expenses. The creation and redemption of a Basket requires the delivery to the Trust, or the distribution by the Trust, of the bitcoin Basket Amount (that is, the number of bitcoins represented by each Basket), for each Basket to be created or redeemed. The bitcoin Basket Amount multiplied by the number of Baskets being created or redeemed is the “Total bitcoin Basket Amount”.

Orders to create and redeem Baskets may be placed only by Authorized Participants. Each Authorized Participant must: (1) be registered with the SEC as a “broker-dealer”; (2) be a participant in DTC; (3) be a QIB, as such term is defined in Rule 144A promulgated under the Securities Act; and (4) be an “accredited investor”, as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act. To become an Authorized Participant, a person must enter into an Authorized Participant Agreement with the Sponsor, acknowledged by the Transfer Agent. Each Authorized Participant Agreement provides the procedures for the creation and redemption of Baskets and for the delivery of the bitcoin required for such creations and redemptions. Each Authorized Participant Agreement and the related procedures attached thereto may be amended by the Sponsor, without the consent of any shareholder.

Authorized Participants who make deposits with the Trust in exchange for Baskets will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust, and no such person has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

Authorized Participants will act as agents for broker-dealers, custodians and other securities market participants that wish to create or redeem Baskets. An order for one or more Baskets may be placed by an Authorized Participant on behalf of multiple clients. As of the date of this Memorandum, Clear Street have each signed an Authorized Participant Agreement with the Sponsor, acknowledged by the Transfer Agent and, upon the effectiveness of such agreement, may create and redeem Baskets as described above. Persons interested in purchasing Baskets should contact the Sponsor or the Administrator to obtain the contact information for the Authorized Participants.

Under each Authorized Participant Agreement, the Sponsor has agreed to indemnify the Authorized Participants against certain liabilities, including liabilities under the Securities Act.

The following description of the procedures for the creation and redemption of Baskets is only a summary and a shareholder should refer to the relevant provisions of the Trust Agreement and the form of Authorized Participant Agreement for more detail, each of which is attached as an exhibit to this Memorandum.

Creation Procedures

On any Dealing Day, an Authorized Participant may place an order with the Transfer Agent to create one or more Baskets. Purchase orders must be placed by 4:00 p.m. E.T., or the close of regular trading on OTC Link ATS, whichever is earlier. The day on which the Transfer Agent receives a valid purchase order is the purchase order date. Purchase orders are irrevocable. The Authorized Participant will pay to the Transfer Agent a flat fee of \$500 in cash in connection with each purchase order.

Determination of Required Payment

The total payment required to create each Basket is determined by calculating the NAV of 4,000 Shares of the Trust as of 4:00 p.m. E.T. on the purchase order date. Baskets are issued as of 2:00 p.m. E.T. on the Dealing Day immediately following the purchase order date at the applicable NAV as of 4:00 p.m. E.T. on the purchase order date, but only if the required payment has been timely received.

Orders to purchase Baskets must be placed no later than 4:00 p.m. E.T., or the close of regular trading on OTC Link ATS, whichever is earlier. Valid orders to purchase Baskets received after 4:00 p.m. E.T. are considered received on the following Dealing Day. The NAV of the Trust, and thus the total amount of bitcoin required to create a Basket could rise or fall substantially between the time an irrevocable purchase order is submitted and the time the amount of the purchase price in respect thereof is determined. Changes to the price of bitcoin between the time an order is placed and the time the final price is determined by the Trust will be borne by the Authorized Participant and not by the Trust.

The payment required to create a Basket is required to be made in kind. To the extent the Authorized Participant places an order to create a Basket, the Authorized Participant must cause delivery of the bitcoin Basket Amount directly to the Trust (*i.e.*, to the security system that holds the Trust's bitcoin) no later than 4:00 p.m. E.T. on the date after the date on which the purchase order is received and approved. Upon delivery of the bitcoin to the Trust's security system, the Transfer Agent will cause the Trust to issue a Basket to the Authorized Participant the following business day by 2:00 p.m., E.T. Payment of any tax or other fees and expenses payable upon transfer of bitcoin shall be the sole responsibility of the Authorized Participant purchasing a Basket. Expenses incurred by Authorized Participants relating to purchasing bitcoin in assembling an in-kind creation Basket, such as bitcoin exchange-related fees and/or transaction fees, will be borne by Authorized Participants.

Rejection of Purchase Orders

The Sponsor acting by itself or through the Transfer Agent may, in its discretion, reject a purchase order if: (i) the order is not in proper form as determined by the Trust, the Sponsor or the Transfer Agent; (ii) acceptance of the bitcoin would have certain adverse tax consequences to the Trust or its shareholders; (iii) the acceptance of the bitcoin would, in the opinion of counsel, be unlawful; or (iv) circumstances outside the control of the Trust, the Sponsor, or the Transfer Agent make it for all practical purposes not feasible to process a purchase order. The Transfer Agent may reject a purchase order if the Sponsor thinks it is necessary or advisable for any reason, which the Sponsor determines is in the best interests of the Trust or shareholders. The Transfer Agent shall notify the Authorized Participant of a rejection or revocation of any purchase order. The Transfer Agent is under no duty, however, to give notification of any specific defects or irregularities in the delivery of the bitcoin nor shall the Transfer Agent or the Trust incur any liability for the failure to give any such notification. None of the Sponsor, the Trust or the Transfer Agent shall be liable to any person by reason of the rejection of any purchase order.

Redemption Procedures

The procedures by which an Authorized Participant can redeem one or more Baskets mirror the procedures for the creation of Baskets. On any Dealing Day, an Authorized Participant may place an order with the Transfer Agent to redeem one or more Baskets. Redemption orders must be placed by 4:00 p.m. E.T., or the close of regular trading on OTC Link ATS, whichever is earlier. The day on which the Transfer Agent receives a valid redemption order is the redemption order date. Redemption orders are irrevocable. The Authorized Participant will pay to the Transfer Agent a flat fee of \$500 in cash in connection with each redemption order. The redemption procedures allow only Authorized Participants to redeem Baskets. A shareholder may not redeem Baskets other than through an Authorized Participant.

By placing a redemption order, an Authorized Participant agrees to deliver the Baskets to be redeemed through DTC's book-entry system to the Trust not later than 4:00 p.m. E.T. on the Dealing Day immediately following the redemption order date.

Determination of Redemption Proceeds

The redemption proceeds from the Trust consist of bitcoin. The bitcoin redemption amount will be the Total bitcoin Basket Amount. Redemption distributions will be subject to the deduction of any applicable tax or other governmental charges that may be due.

Delivery of Redemption Proceeds

The redemption proceeds due from the Trust are delivered to the Bitcoin address designated by the Authorized Participant by 4:00 p.m. E.T. on the Dealing Day immediately following the redemption order date if, by such time on such Dealing Day immediately following the redemption order date, the Trust's DTC account has been credited with the Baskets to be redeemed. If the Trust's DTC account has not been credited with all of the Baskets to be redeemed by such time, the redemption distribution is delivered to the extent of whole Baskets received. The Sponsor may, but is not obligated to, extend the redemption date with respect to a redemption order for which whole Baskets have not been delivered by the Authorized Participant. In such event, the Sponsor may charge the Authorized Participant a fee for such extension to reimburse the Trust for any losses incurred from the Authorized Participant's failure to deliver whole Baskets. If the Sponsor extends the redemption date, any remainder of the redemption distribution is delivered on the next Dealing Day to the extent of remaining whole Baskets received if the Sponsor receives the fee applicable to the extension of the redemption distribution date and the remaining Baskets to be redeemed are credited to the Trust's DTC account by 4:00 p.m. E.T. on such next Dealing Day. Any further outstanding amount of the redemption order shall be cancelled.

As with creation orders, the NAV of the Shares per Basket as of the day on which a redemption request is received and approved will be calculated after the deadline for redemption orders. To the extent the Authorized Participant places an order to redeem a Basket, the Trust will deliver, on the Dealing Day immediately following the day the redemption order is received, the Total bitcoin Basket Amount.

Suspension or Rejection of Redemption Orders

The Sponsor acting by itself or through the Transfer Agent may, in its discretion, suspend the right of redemption or postpone the redemption settlement date: (1) during any period in which price quotations for the Shares are suspended or restricted on OTC Link ATS or its successor, or OTC Link ATS is closed; (2) the order is not in proper form as determined by the Trust, the Sponsor or the Transfer Agent; (3) during an emergency as a result of which delivery, disposal or evaluation of bitcoin is not reasonably practicable; (4) for such other period as the Sponsor reasonably determines to be necessary for the protection of shareholders; or (5) on any day on which settlement through DTC or its successor is disrupted. None of the Sponsor, the Trust or the Transfer Agent will be liable to any person or in any way for any loss or damages that may result from any such suspension or postponement.

The Sponsor acting by itself or through the Transfer Agent will reject a redemption order: (1) if the order is not in proper form as described in the Authorized Participant Agreement; or (2) if, as a result of the redemption, the number of remaining outstanding Shares would be reduced to fewer than the number of Shares in one Basket.

Tax Responsibility

Authorized Participants shall be responsible for the identification, measurement, collection, reporting, and 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 the Authorized Participant 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.

PLAN OF DISTRIBUTION

The Trust will issue Shares in Baskets to Authorized Participants from time to time in exchange for bitcoin. A current list of the Authorized Participants is available from the Administrator and the Sponsor. The Trust will not issue fractions of a Basket to Authorized Participants.

Prospective shareholders who purchase Shares through a commission/fee-based brokerage account may pay commissions/fees charged by the brokerage account. Prospective shareholders are encouraged to review the terms of their brokerage accounts for details on applicable charges.

Prospective shareholders intending to create or redeem Baskets through Authorized Participants in transactions not involving a broker-dealer registered in such shareholder's state of domicile or residence should consult their legal advisor regarding applicable broker-dealer or securities regulatory requirements under the state securities laws prior to such creation or redemption.

The Shares have not been registered under the Securities Act or any state securities laws. Each Authorized Participant proposes to offer the Shares for resale pursuant to Rule 144A. Each Authorized Participant will not offer or sell the Shares except to QIBs. The purchaser of the Shares will be deemed to have made acknowledgments, representations and agreements as described under "*Notice to Investors*".

The Sponsor and VanEck are parties to a Marketing Agent Agreement (the "**Marketing Agreement**"), pursuant to which VanEck provides assistance in the marketing of the Shares, including participating in the development and preparation of marketing materials and additional web presence for the Trust. VanEck's compensation for such services is based on the Sponsor Fee received by the Sponsor during a calendar quarter. Any fees payable to VanEck are payable by the Sponsor from the Sponsor Fee. The Trust will not incur additional financial or other performance obligations pursuant to the Marketing Agreement. In satisfaction of a condition of the Marketing Agreement, the Trust's name was changed effective June 1, 2018, to the VanEck SolidX Bitcoin Trust and the Shares to VanEck SolidX Bitcoin Shares.

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

The Shares will be listed on OTC Link ATS under the anticipated symbol "XBTC".

DESCRIPTION OF THE TRUST

The Trust

The Trust was formed as a Delaware statutory trust on September 15, 2016. The Trust will seek to provide shareholders with exposure to the daily change in the U.S. dollar price of bitcoin, before expenses of the Trust's operations. The Trust will be responsible for storage of the Trust's bitcoin. The Trust will not store or maintain control of bitcoin on behalf of others. The Trust will not provide or hold itself out as providing storage services to the public or any other commercial enterprise. The Trust will only provide such services for the Trust.

The Trust is governed by the Trust Agreement between the Sponsor and the Trustee. The Trust Agreement sets out the rights of the shareholders and the rights and obligations of the Trust and the Trustee. Delaware State law governs the Trust Agreement. The following is a summary of material provisions of the Trust Agreement. It is qualified by reference to the entire Trust Agreement, which is attached as an exhibit to this Memorandum.

The assets of the Trust consist primarily of bitcoin. Bitcoin will be sold: (1) to pay the expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense; and (2) if the Trust terminates and liquidates its assets. The sale of bitcoin by the Trust, including the sale of bitcoin to generate cash to pay its fees and expenses, could be a taxable event for shareholders. See "*U.S. Federal Income Tax Consequences — Taxation of U.S. Shareholders*".

The Trust is not registered as an investment company under the 1940 Act and is not required to register under such act. The Trust will not hold or trade in commodity futures contracts regulated by the CEA, as administered by the CFTC. The Trust is not a commodity pool for purposes of the CEA and neither the Sponsor nor the Trustee is subject to regulation as a commodity pool operator or a commodity trading adviser in connection with the Shares.

The number of outstanding Shares is expected to increase and decrease from time to time as a result of the creation and redemption of Baskets. The creation and redemption of Baskets requires the delivery to the Trust or the distribution by the Trust of the amount of bitcoin represented by the NAV of the Baskets being created or redeemed. The total amount of bitcoin required for the creation of Baskets will be based on the combined net assets represented by the number of Baskets being created or redeemed.

The Trust has no fixed termination date.

Trust Expenses

The Trust's only ordinary recurring operating expenses are expected to be: (1) the Sponsor Fee, paid monthly in arrears, in an amount equal to 2% per annum of the daily NAV of the Trust; (2) the bitcoin Insurance Fee, paid monthly in advance, expected to be in an amount equal to approximately 0.9% per annum of the daily NAV of the Trust; (3) expenses related to storage of the Trust's bitcoin; and (4) any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense. The expenses in clause (3) are expected to be approximately \$75,000 per annum.

In exchange for the Sponsor Fee, the Sponsor has agreed to assume the Sponsor Assumed Expenses. The Sponsor will also be responsible for paying all of the expenses incurred with organizing the Trust as well as the expenses incurred in connection with the offering of the Trust's Shares.

The Trust will be responsible for reimbursing the Sponsor or its affiliates for paying all the extraordinary fees and expenses, if any, of the Trust or of the Trustee, Administrator or Transfer Agent due under such service provider's agreement. Extraordinary fees and expenses are fees and expenses which are non-recurring and unusual in nature, such as legal claims and liabilities, litigation costs or indemnification or other unanticipated expenses. Such extraordinary fees and expenses, by their nature, are unpredictable in terms of timing and amount. The Trust will either (i) cause the Sponsor to receive bitcoin from the Trust in such quantity as may be necessary to pay the Sponsor Fee or (ii) sell bitcoin in such quantity as may be necessary to permit payment in cash of the Sponsor Fee and other Trust expenses and liabilities not assumed by the Sponsor, such as the bitcoin Insurance Fee and expenses associated with bitcoin storage.

The Trust will cause bitcoin to be sold through dealers in OTC transactions or directly on bitcoin exchanges through which the Trust may reasonably expect to obtain a favorable price and good execution of orders. The Trust may consider the market price (relative to the value of bitcoin as represented by MVBTCO) expected to be obtained by such dealer or through such bitcoin exchange and the ability of the dealer or bitcoin exchange to conduct the sale of bitcoin with a minimal impact on the market price of bitcoin. The Trust may offset the importance of one factor against the remaining factors. The Trust shall not be liable for loss incurred by reason of any sale.

The Trust will also cause the sale of the Trust's bitcoin if the sale is required by applicable law or regulation or sell the Trust's bitcoin in connection with the termination and liquidation of the Trust.

Cash held by the Administrator pending payment of the Trust's expenses will not bear any interest.

Valuation of bitcoin and Computation of Net Asset Value

The NAV for the Trust will equal the market value of the Trust's total assets, including bitcoin and cash, less liabilities of the Trust, which include estimated accrued but unpaid fees, expenses and other liabilities. Under

the Trust's proposed operational procedures, the Administrator will calculate the NAV on each Dealing Day, as promptly as practicable after 4:00 p.m. E.T. To calculate the NAV, the Administrator will use the price set for bitcoin by the MVBTCO or one of the other pricing sources set forth below as promptly as practicable after 4:00 p.m. E.T (each, a "**bitcoin Market Price**"). The Administrator will also determine the NAV per share by dividing the NAV of the Trust by the number of the Shares outstanding as of 4:00 p.m. E.T. on the relevant Dealing Day (which includes the net number of any Shares deemed created or redeemed on such Dealing Day).

The Administrator's estimation of accrued but unpaid fees, expenses and liabilities will be conclusive upon all persons interested in the Trust, and no revision or correction in any computation made under the Trust Agreement will be required by reason of any difference in amounts estimated from those actually paid.

Pricing Sources

In the ordinary course of business, the Administrator will value the bitcoin held by the Trust based on the price set by the MVBTCO as of 4:00 p.m. E.T., on each Dealing Day. For further detail, see (i) below. If for any reason, and as determined by the Sponsor, the Administrator is unable to value the Trust's bitcoin using the procedures described in (i), the Administrator will value the Trust's bitcoin using the cascading set of rules set forth in (ii) through (iv) below. For the avoidance of doubt, the Administrator will employ the below rules sequentially and in the order as presented, should the Sponsor determine that one or more specific rule(s) fails. The Sponsor may determine that a rule has failed if a pricing source is unavailable or, in the judgement of the Sponsor, is deemed unreliable. To the extent the Administrator uses any of the cascading set of rules, the Sponsor will make public on its website at vaneck.com/bitcoin-144a/ the rule being used.

- (i) bitcoin Market Price = The price set by the MVBTCO as of 4:00 p.m. E.T., on the relevant Dealing Day. The MVBTCO is a real-time U.S. dollar-denominated composite reference rate for the price of bitcoin. The MVBTCO calculates the intra-day price of bitcoin every 15 seconds, including the closing price as of 4:00 p.m. E.T. The intra-day price and closing price are based on a methodology that consists of collecting actual firm bid/ask data from several bitcoin OTC platforms included within the index. The logic utilized for the derivation of the daily closing index level for the MVBTCO is intended to analyze actual firm bid/ask data, verify and refine the data set, and yield an objective, fair-market value of one bitcoin as of 4:00 p.m. E.T. each weekday, priced in U.S. dollars.
- (ii) bitcoin Market Price = The mid-point price between the bid/ask obtained by the Sponsor from any one of the bitcoin OTC platforms included within the MVBTCO index as of 4:00 p.m. E.T., on the relevant Dealing Day.
- (iii) bitcoin Market Price = The volume weighted average bitcoin price for the immediately preceding 24-hour period at 4:00 p.m. E.T. on the relevant Dealing Day as published by an alternative third party's public data feed that the Sponsor determines is reasonably reliable, subject to the requirement that such data is calculated based upon a volume weighted average bitcoin price obtained from the major U.S. dollar-denominated 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 Administrator will employ the next rule to determine the bitcoin Market Price.
- (iv) bitcoin Market Price = The Sponsor will use its best judgment to determine a good faith estimate of the bitcoin Market Price.

The Sponsor and the shareholders may rely on any evaluation or determination of any amount made by the Administrator, and, except for any determination by the Sponsor as to the price to be used to evaluate bitcoin, the Sponsor will have no responsibility for the evaluation's accuracy. The determinations the Administrator makes will be made in good faith upon the basis of, and the Administrator will not be liable for any errors contained in, information reasonably available to it. The Administrator will not be liable to the Sponsor, Authorized Participants, the shareholders or any other person for errors in judgment. However, the preceding liability exclusion will not protect the Administrator against any liability resulting from bad faith or gross negligence in the performance of its duties.

Impact of Trust Expenses on the Trust's Net Asset Value

The Trust will sell bitcoin to raise the funds needed for the payment of the Sponsor Fee, bitcoin Insurance Fee, expenses related to storage of the Trust's bitcoin, any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense and all other Trust expenses or liabilities not assumed by the Sponsor. Additionally, at the Sponsor's discretion, the Trust may pay the Sponsor Fee in bitcoin. *See "The Sponsor—The Sponsor Fee"*. The purchase price received as consideration for such sales is the Trust's sole source of funds to cover its liabilities. The Trust does not engage in any activity designed to derive a profit from changes in the price of bitcoin. Bitcoin not sold to cover the Sponsor Fee, bitcoin Insurance Fee, expenses related to storage of the Trust's bitcoin, any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense and all other Trust expenses or liabilities not assumed by the Sponsor, will be held by the Trust. As a result of the recurring sales of bitcoin necessary to pay the Sponsor Fee (or recurring transfers of bitcoin, at the Sponsor's discretion, to pay the Sponsor Fee), bitcoin Insurance Fee, expenses related to storage of the Trust's bitcoin, any legal expenses of the Trust not assumed by the Sponsor as a Sponsor Assumed Expense and all other Trust expenses or liabilities not assumed by the Sponsor, the NAV of the Trust and, correspondingly, the fractional amount of bitcoin represented by each Share will decrease over the life of the Trust.

Termination of the Trust

The Sponsor will notify shareholders at least 30 days before the date for termination of the Trust Agreement and the Trust if any of the following occurs:

- Shares are restricted on OTC Link ATS and are not approved for quotation on another alternative trading system within five business days of their restriction;
- 180 days have elapsed since the Trustee notified the Sponsor of the Trustee's election to resign or since the Sponsor removed the Trustee, and a successor trustee has not been appointed and accepted its appointment;
- The SEC or another governmental authority determines that the Trust is an investment company under the 1940 Act, and the Sponsor has made the determination that termination of the Trust is advisable;
- The CFTC or another governmental authority determines that the Trust is a commodity pool under the CEA, and the Sponsor has made the determination that termination of the Trust is advisable;
- 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 or is determined to be a "money transmitter" (or equivalent designation) under the laws of any state in which the Trust operates and is required to seek licensing or otherwise comply with state licensing requirements, and the Sponsor has made the determination that termination of the Trust is advisable;
- A United States regulator requires the Trust to shut down or forces the Trust to liquidate its bitcoin;

- 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 price of bitcoin for purposes of determining the NAV of the Trust;
- The Sponsor determines 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;
- The Trust fails to qualify for treatment, or ceases to be treated, as a "grantor trust" under the Code or any comparable provision of the laws of any State or other jurisdiction where that treatment is sought, and the Sponsor determines that, because of that tax treatment or change in tax treatment, termination of the Trust is advisable;
- 60 days have elapsed since DTC or another depository has ceased to act as depository with respect to the Shares, and the Sponsor has not identified another depository that is willing to act in such capacity;
- The Trustee elects to terminate the Trust after the Sponsor is conclusively deemed to have resigned effective immediately as a result of the Sponsor being adjudged bankrupt or insolvent, or a receiver of the Sponsor or of its property being appointed, or a trustee or liquidator or any public officer taking charge or control of the Sponsor or of its property or affairs for the purpose of rehabilitation, conservation or liquidation and a successor sponsor has not been appointed;
- The Sponsor elects to terminate the Trust after the Trustee or the Administrator (or any successor trustee or administrator) resigns or otherwise ceases to be the trustee or administrator of the Trust, as applicable, and no replacement trustee and/or administrator acceptable to the Sponsor is engaged; or
- The Sponsor elects to terminate the Trust if the Sponsor has determined, in its sole discretion, that Trust will not be able to obtain regulatory approvals necessary to register the Public Tranche.

In addition, the Trust may be dissolved at any time for any reason by the Sponsor in its sole discretion. In respect of termination events that rely on Sponsor determinations to terminate the Trust (*e.g.*, if the CFTC or another governmental authority determines that the Trust is a commodity pool under the CEA; the Trust is determined to be a money transmitter under the regulations promulgated by FinCEN; the Trust fails to qualify for treatment, or ceases to be treated, as a grantor trust for U.S. federal income tax purposes; or, following a resignation by a trustee, the Sponsor determines that no replacement is acceptable to it), the Sponsor may make any such determination in its sole discretion. The Sponsor may consider, without limitation, the profitability to the Sponsor and other service providers of the operation of the Trust, any obstacles or costs relating to the operation or regulatory compliance of the Trust relating to the determination's triggering event, and the ability to market the Trust to investors. To the extent that the Sponsor determines to continue operation of the Trust following a determination's triggering event, the Trust will be required to alter its operations to comply with the triggering event. In the instance of a determination that the Trust is a commodity pool, the Trust and the Sponsor would have to comply with regulations and disclosure and reporting requirements applicable to commodity pools and commodity pool operators or commodity trading advisers. In the event that the Trust is determined to be a money transmitter, the Trust and the Sponsor will have to comply with applicable federal and state registration and regulatory requirements for money transmitters and/or money service businesses. In the event that the Trust ceases to qualify for treatment as a grantor trust for U.S. federal tax purposes, the Trust will be required to alter its disclosure and tax reporting and may no longer be able to operate or to rely on pass-through tax treatment. In each such case and in the case of the Sponsor's determination as to whether a potential successor trustee is acceptable to it, the Sponsor shall not be liable to anyone for its determination of whether to continue or to terminate the Trust.

Upon termination of the Trust, following completion of winding up of its business by the Sponsor, the Trustee, upon written directions of the Sponsor, shall cause a certificate of cancellation of the Trust's Certificate of Trust to be filed in accordance with applicable Delaware law. Upon the termination of the Trust, the Sponsor shall be discharged from all obligations under the Trust Agreement except for its certain obligations that survive termination of the Trust Agreement.

Amendments

The Trust Agreement can be amended by the Sponsor in its sole discretion and without the shareholders' consent by making an amendment, a Trust Agreement supplemental thereto, or an amended and restated trust agreement. Any such restatement, amendment and/or supplement hereto shall be effective on such date as designated by Sponsor in its sole discretion. However, any amendment to the Trust Agreement that affects the duties, liabilities, rights or protections of the Trustee shall require the Trustee's prior written consent, which it may grant or withhold in its sole discretion. Every shareholder, at the time any amendment so becomes effective, shall be deemed, by continuing to hold any Shares or an interest therein, to consent and agree to such amendment and to be bound by the Trust Agreement as amended thereby. In no event shall any amendment impair the right of Authorized Participants to surrender Baskets and receive therefore the amount of Trust assets represented thereby (less fees in connection with the surrender of Shares and any applicable taxes or other governmental charges), except in order to comply with mandatory provisions of applicable law.

Governing Law; Consent to New York Jurisdiction

The Trust Agreement and the rights of the Sponsor, the Trustee, DTC (as registered owner of the Trust's global certificates for Shares) and the shareholders under the Trust Agreement are governed by the laws of the State of Delaware. The Sponsor, the Trust, DTC, each Authorized Participant by its delivery of an Authorized Participant Agreement and each shareholder by the acceptance of a Share consents to the jurisdiction of the courts of the State of New York.

Fiscal Year

The Trust's fiscal year will initially be the period ending December 31 of each year. The Sponsor may select an alternate fiscal year.

DESCRIPTION OF THE SHARES

The Trust is authorized under the Trust Agreement to create and issue an unlimited number of Shares. The Trust will create Shares in Baskets only upon the order of an Authorized Participant. The Shares represent units of fractional undivided beneficial interest in the net assets of the Trust and have no par value. The Shares of the Trust will not be listed on any securities exchange for trading, but the Trust intends to have the Shares be eligible for quotation by subscribing broker-dealers on OTC Link ATS, under the anticipated symbol "XBTC".

Shareholders may obtain bitcoin pricing information from various financial information service providers, including the MVBTCO. Current prices also are generally available with bid/ask spreads from bitcoin exchanges. In addition, the Trust's website (vaneck.com/bitcoin-144a/) will provide pricing information for bitcoin. Prices for the Shares will be available from OTC Link ATS and, potentially, from a variety of sources including brokerage firms, information websites and other information service providers. The NAV of the Trust will be published by the Sponsor on each Dealing Day and will be posted on the Trust's website.

Cash and Other Distributions

If the Trust is terminated and liquidated, the Sponsor will distribute to the shareholders any amounts remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of such reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Sponsor shall determine. See "*Description of the Trust—Termination of the Trust*". Shareholders of record on the record date fixed by the Sponsor (or one of its delegates) for a distribution will be entitled to receive their *pro rata* portion of any distribution.

If the Sponsor determines that there is more cash being held in the Trust than is reasonably expected to be needed to pay the Trust's expenses in the near future, the Sponsor at its discretion will distribute the extra cash to DTC. The Trust has no obligation to make periodic distributions to shareholders.

Any property received by the Trust other than bitcoin, cash or an amount receivable in cash (such as, for example, an insurance claim) will be promptly sold or otherwise disposed of by the Sponsor and the resulting proceeds will be credited to the Trust's cash account.

Registered holders of Shares will receive these distributions in proportion to the number of Shares owned. Before making a distribution, the Administrator will deduct any applicable withholding taxes and any fees and expenses of the Trust that have not been paid. It will distribute only whole U.S. dollars and cents and will round fractional cents down to the nearest whole cent. Neither the Sponsor nor the Administrator will be responsible if the Sponsor determines that it is unlawful or impractical to make a distribution available to registered holders.

Description of Limited Rights

The Shares do not represent a traditional investment and should not be viewed as similar to "shares" of a corporation operating a business enterprise with management and a board of directors. A shareholder will not have the statutory rights normally associated with the ownership of shares of a corporation; however, the DSTA does provide shareholders the right to bring "oppression" or "derivative" actions. All of the Shares are of the same class with equal rights and privileges. Each of the Shares is transferable, is fully paid and nonassessable and entitles the holder to vote on the limited matters upon which shareholders may vote under the Trust Agreement. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as provided below, any redemption rights or rights to distributions.

Voting Rights

Under the Trust Agreement, Shareholders have no voting rights except as the Sponsor may consider desirable and so authorize in its sole discretion.

Rule 144A Information

If at any time during the year following the date of original issuance of the Shares the Trust is not subject to the information requirements of Section 13 or 15(d) of the Exchange Act, the Trust and the Sponsor will, upon the request of a shareholder, beneficial owner or prospective purchaser of the Shares, promptly furnish such shareholder, beneficial owner or prospective purchaser the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of the notes pursuant to Rule 144A.

Book-Entry Form

Individual certificates will not be issued for the Shares. Instead, one or more global certificate will be deposited by the Transfer Agent with 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. 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 are made in accordance with standard securities industry practice.

DTC may decide to discontinue providing its service with respect to Baskets and/or the Shares by giving notice to the Transfer Agent and the Sponsor. Under such circumstances, the Sponsor will find a replacement for DTC to perform its functions at a comparable cost or, if a replacement is unavailable, the Sponsor will terminate the Trust.

The rights of the shareholders generally must be exercised by DTC Participants acting on their behalf in accordance with the rules and procedures of DTC. Because the Shares can only be held in book-entry form through DTC and DTC Participants, shareholders must rely on DTC, DTC Participants and any other financial intermediary through which they hold the Shares to receive the benefits and exercise the rights described in this section. Shareholders should consult with their broker or financial institution to find out about procedures and requirements for securities held in book-entry form through DTC.

Share Splits

If the Sponsor believes that the per share price in the secondary market for Shares has fallen outside a desirable trading price range, the Sponsor may declare a split or a reverse split in the number of Shares outstanding and make a corresponding change in the number of Shares constituting a Basket.

PUBLIC LIQUIDITY

The Sponsor is currently seeking to obtain SEC approval for public sales of shares under the Securities Act (the “Public Tranche”). The Public Tranche will have a separate, “unrestricted” CUSIP from the 144A Shares and the Public Tranche will be listed on a national stock exchange. In the event that a Public Tranche is registered with the SEC under the Securities Act, then the Trust will seek to provide holders of the 144A Shares with the ability to benefit from the public market through Securities Act-compliant resales. Upon such resale to a public shareholder, the Shares will no longer have the restricted CUSIP of the 144A Shares and will be fungible with the Public Tranche. Purchasers from holders of Shares in public resales can receive Shares that bear this unrestricted CUSIP number. Such Securities Act-compliant resales may be conducted under a Securities Act registration statement or pursuant to Rule 144 under the Securities Act after the conclusion of the relevant holding period although neither the Trust nor the Sponsor is required to provide a Securities Act registration statement for such resales.

New Baskets of 144A Shares will not be created after establishment of the Public Tranche. Existing Baskets of 144A Shares may be redeemed after the establishment of the Public Tranche.

The Public Tranche may never be established. None of the Trust, the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck, any Authorized Participant or any of their respective affiliates or personnel is undertaking to guarantee that a Public Tranche is registered with the SEC. The SEC has refused to approve the registration of the Shares repeatedly over the course of the period since the Trust’s organization in 2016. The SEC has also indicated that it will not approve any public registration of any product that is similarly structured as the Trust. The SEC may never permit the registration of the Shares. Therefore, an investor should not invest in the Shares in reliance on the eventual registration of a Public Tranche. Shareholders should be prepared for the Shares to be subject to Rule 144A-compliant transfer restrictions for the duration of the Shares and the Trust.

In the event a Public Tranche is registered under the Securities Act, there may be a deviation between the value of the Shares and the Public Tranche. None of the Trust, the Sponsor, the Trustee, the Administrator, the Transfer Agent, VanEck, any Authorized Participant or any of their respective affiliates or personnel will undertake to minimize such deviation, support the value of the Shares or seek to ensure the proper ongoing sales of the Shares.

The Sponsor is not required to terminate the Trust if the Public Tranche is not registered in any period of time. The Sponsor may determine to continue the Trust indefinitely or may terminate it if Securities Act registration of the Public Tranche is not obtained (or if the Sponsor has determined, in its sole discretion, that such registration will not be attainable in a reasonable period of time).

See “The Risks You Face—Market Related Risks—A Public Tranche May Not Be Established”.

THE SPONSOR

The Sponsor, SolidX Management LLC, is a Delaware limited liability company. The Sponsor’s mailing address is 200 Park Avenue, New York, New York 10166. The Sponsor and its affiliates are experienced in the Bitcoin industry and bitcoin trading markets. The Sponsor is a wholly-owned subsidiary of SolidX Partners Inc. The Sponsor has no experience or history of past performance in managing an investment vehicle like the Trust.

The Sponsor’s Role

The Sponsor will: (1) select the Trustee, Administrator, Transfer Agent and any other Trust service providers; (2) negotiate various agreements and fees for the Trust; (3) develop a marketing plan for the Trust on an ongoing basis and prepare marketing materials regarding the Shares, and in this respect the Sponsor has engaged VanEck pursuant to a Marketing Agreement to provide assistance in the marketing of the Shares; (4) maintain the Trust’s website; and (5) perform such other services as the Sponsor believes that the Trust may require.

The Sponsor arranged for the creation of the Trust and the offering of the Shares. The Sponsor will also be responsible for paying all of the expenses incurred in connection with organizing the Trust as well as the expenses incurred in connection with the offering of the Trust’s Shares. In exchange for the Sponsor Fee, the Sponsor has agreed to assume the Sponsor Assumed Expenses. For the avoidance of doubt, the Sponsor will not be responsible for paying bitcoin Insurance Fee.

While the Sponsor will not exercise day-to-day oversight over the Trust’s service providers, the Sponsor will engage the Transfer Agent and the Administrator to assist in implementing the creation and redemption process for the Trust.

Liability of the Sponsor Parties and Indemnification

The Trust Agreement provides that the Sponsor Parties will not assume any obligation nor shall be subject to any liability to any registered owner of Shares, Authorized Participant or other person (including liability with respect to the worth of the Trust property), except that the Sponsor Parties agree to perform their obligations under the Trust Agreement without gross negligence, willful misconduct or bad faith. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, the member(s) of the Sponsor are not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being the member(s) of the Sponsor. The Sponsor or any of its respective directors, officers, managers, members, employees, agents or affiliates will not be liable if the Sponsor is prevented, forbidden, subject to civil or criminal action or penalty or delayed in meeting its obligations under the Trust Agreement by reason of any law, regulation, governmental or regulatory authority, stock exchange, or by reason of any act of God or war or terrorism or other circumstances beyond its control. The Sponsor Parties will not be liable by reason of any non-performance or delay in the performance of any action which may be performed under the Trust Agreement or by exercising, or not, any discretion provided for in the Trust Agreement.

The Sponsor Parties (including their members, managers, directors, officers, employees, affiliates (as such term is defined under the Securities Act) and subsidiaries) shall be indemnified from the Trust and held harmless against any loss, liability or expense incurred without (1) gross negligence, bad faith or willful misconduct on the part of such indemnified party arising out of or in connection with the performance of its obligations under the Trust Agreement and under each other agreement entered into by the Sponsor Parties in furtherance of the administration of the Trust (including, without limiting the scope of the foregoing, the Fund Administration and Accounting Agreement, the Transfer Agency and Service Agreement and any Authorized Participant Agreement) or any actions taken in accordance with the provisions of the Trust Agreement or such other agreement or (2) reckless disregard on the part of such indemnified party of its

obligations and duties under the Trust Agreement or such other agreement. Such indemnity shall include payment from the Trust of the reasonable costs and expenses incurred by such indemnified party in investigating or defending itself against any claim or liability in their capacity as Sponsor Parties. Any amounts payable to an indemnified party may be payable in advance or shall be secured by a lien on the Trust's assets. The Sponsor Parties may, in their discretion, undertake any action which it may deem necessary or desirable in respect of the Trust Agreement and the interests of the shareholders and, in such event, the reasonable legal expenses and costs of any such actions shall be expenses and costs of the Trust and the Sponsor Parties shall be entitled to be reimbursed therefor by the Trust.

The Sponsor may rely on information provided by the Administrator from the records of the Trust for securities filings or marketing materials. If such information is incorrect or omits material information and is the foundation for a claim against the Sponsor, the Sponsor may be entitled to indemnification from the Trust.

Principals and Key Personnel of the Sponsor

The following principals and key employees serve in the below capacities on behalf of the Sponsor:

Name and Age	Position(s) Held with the Sponsor	Length of Time Served	Principal Occupation(s) During Past Five Years
Daniel H. Gallancy, 40	Chief Executive Officer	Since February 2016	CEO, SolidX Partners Inc., 2014 – Present; Investment Professional, 2009 – 2013;
Dimitri Nemirovsky, 46	President	Since February 2016	Executive Director, SolidX Partners Inc., 2014 – Present; Attorney, 2000 – 2014

The Sponsor is a wholly-owned subsidiary of SolidX Partners Inc., a financial technology company founded in 2014 that develops cryptography products and services with a focus on software applications and capital markets.

Daniel is the Chief Executive Officer and co-founder of SolidX Partners Inc. Prior to founding SolidX Partners Inc., Daniel worked as an investment management professional at Alson Capital Partners from 2006 through 2009, and BeaconLight Capital from 2009 through 2013.

Dimitri is a co-founder of SolidX Partners Inc. Prior to founding SolidX Partners Inc., Dimitri spent 14 years as a lawyer in the financial services industry. Dimitri began his career at Merrill Lynch.

The Sponsor Fee

The Sponsor Fee accrues daily and is paid monthly in arrears at an annualized rate equal to 2% of the NAV of the Trust. The Trust may pay the Sponsor Fee in either bitcoin or cash.

Successor Sponsors

If the Sponsor is conclusively deemed to have resigned effective immediately as a result of the Sponsor being adjudged bankrupt or insolvent, or a receiver of the Sponsor or of its property is appointed, or a trustee or liquidator or any public officer takes charge or control of the Sponsor or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Trustee may terminate and liquidate the Trust and distribute its remaining assets. The Trustee has no obligation to appoint a successor sponsor or to assume the duties of the Sponsor and neither will have any liability to any person because the

Trust is or is not terminated as described in “*Description of the Trust—Termination of the Trust*” above. The dissolution of the Sponsor, or its ceasing to exist as a legal entity from, or for, any cause, shall not operate to terminate the Trust Agreement insofar as the duties and obligations of the Trustee are concerned.

THE TRUSTEE

The sole Trustee of the Trust is Delaware Trust Company, a Delaware banking corporation. The Trustee’s principal offices are located at 251 Little Falls Drive, Wilmington, Delaware 19808. The Trustee is unaffiliated with the Sponsor. The Trustee’s duties and liabilities with respect to the offering of Shares and the management of the Trust are limited to its express obligations under the Trust Agreement.

The Trustee’s Role

The Trustee is the trustee of the Trust for the sole and limited purpose of fulfilling the requirements of the DSTA. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the DSTA. Under the Trust Agreement, the Trustee has delegated to the Sponsor the exclusive management and control of all aspects of the business of the Trust.

General Duty of Care of Trustee

The Trustee is a fiduciary under the Trust Agreement; provided, however, that the fiduciary duties and responsibilities and liabilities of the Trustee are limited by, and are only those specifically set forth in, the Trust Agreement. For limitations of the fiduciary duties of the Trustee, see the limitations on liability set forth in “*The Trustee—Limitation on Trustee’s Liability*”.

Limitation on Trustee’s Liability

Under the Trust Agreement, the Sponsor has exclusive control of the management of all aspects of the business of the Trust and the Trustee has only nominal duties and liabilities to the Trust, as described in the remainder of this paragraph. The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the requirement of Section 3807(a) of the DSTA that the Trust have at least one (1) trustee with a principal place of business in the State of Delaware. The duties of the Trustee will be limited to (i) accepting legal process served on the Trust in the State of Delaware, (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Delaware Trustee is required to execute under the DSTA, (iii) taking such action under the Trust Agreement as it may be directed in writing by the Sponsor Parties from time to time; provided, however, that the Trustee shall not be required to take any such action if it shall have determined, or shall have been advised by counsel, that such performance is likely to involve the Trustee in personal liability or is contrary to the terms of the Trust Agreement or of any document contemplated thereby to which the Trust or the Trustee is a party or is otherwise contrary to law, and (iv) any other duties specifically allocated to the Trustee in the Trust Agreement or agreed in writing with the Sponsor Parties from time to time. To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or shareholders, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor Parties, Administrator, Transfer Agent, VanEck, any other service provider to the Trust or any other person.

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

The Trust Agreement provides that the Trustee will not assume any obligation nor shall be subject to any liability to any registered or beneficial owner of Shares, Authorized Participant or other person (including

liability with respect to the worth of the Trust property), except that the Trustee agrees to perform its obligations under the Trust Agreement without gross negligence, willful misconduct or bad faith. The Trustee and each of its officers, affiliates, directors, employees, and agents will be indemnified by the Trust from and against any losses, claims, taxes, damages, reasonable expenses, and liabilities incurred with respect to the creation, operation or termination of the Trust, the execution, delivery or performance of the Trust Agreement or the transactions contemplated thereby; provided that the indemnified party acted without willful misconduct, bad faith or gross negligence. In no event will the Trustee be liable for acting or omitting to act in reliance upon the advice of or information from legal counsel, accountants or any other person believed by it in good faith to be competent to give such advice or information. The Trustee or any of its respective directors, officers, managers, members, employees, agents or affiliates will not be liable if the Trustee is prevented, forbidden, subject to civil or criminal penalty or delayed in meeting its obligations under the Trust Agreement by reason of any law, regulation, governmental regulatory authority, stock exchange, or by reason of any act of God or war or terrorism or other circumstances beyond its control.

The Trustee will not be liable by reason of any non-performance or delay in the performance of any action which may be performed under the Trust Agreement or by exercising, or not, any discretion provided for in the Trust Agreement. The Trustee will not be liable for any indirect, consequential, punitive or special damages, regardless of the form of action and whether or not any such damages were foreseeable or contemplated, or for an amount in excess of the value of the Trust's assets.

Indemnification of the Trustee

The Trust Agreement provides that the Trustee, its directors, officers, employees, shareholders, agents and affiliates (as defined under the Securities Act) shall be indemnified from the Trust and held harmless against any loss, liability or expense (including the reasonable fees and expenses of counsel) arising out of or in connection with the performance of its obligations under the Trust Agreement, or otherwise by reason of the Trustee's acceptance of the Trust incurred without (1) gross negligence, bad faith, willful misconduct or willful malfeasance on the part of such indemnified party in connection with the performance of its obligations under the Trust Agreement or any such other agreement, effecting any actions taken in accordance with the provisions of the Trust Agreement or any such other agreement or (2) reckless disregard on the part of such indemnified party of its obligations and duties under the Trust Agreement or any such other agreement. Such indemnity shall include payment from the Trust of the costs and expenses incurred by such indemnified party in investigating or defending itself against any such loss, liability or expenses or related claim. Any amounts payable to an indemnified party may be payable in advance or shall be secured by a lien on the Trust.

Indemnity for Actions Taken to Protect the Trust

The Trustee is under no obligation to appear in, prosecute or defend any action that in its opinion may involve it in expense or liability, unless it is furnished with reasonable security and indemnity against the expense or liability. The Trustee's costs and expenses resulting from actions taken to protect the Trust and the rights and interests of shareholders under the Trust Agreement are deductible from and will constitute a lien against the Trust's assets.

Resignation, Discharge or Removal of Trustee; Successor Trustees

The Trustee may resign at any time by giving at least 60 days advance written notice to the Sponsor. The Sponsor may remove the Trustee at any time by giving at least 60 days advance written notice to the Trustee. Upon effective resignation or removal, the Trustee will be discharged of its duties and obligations.

If the Trustee resigns or is removed, the Sponsor, acting on behalf of the shareholders, shall use its reasonable efforts to appoint a successor trustee. Any successor Trustee must satisfy the requirements of Section 3807 of the DSTA. Any resignation or removal of the Trustee and appointment of a successor Trustee shall not become effective until a written acceptance of appointment is delivered by the successor Trustee to the

outgoing Trustee and the Sponsor and any fees and expenses due to the outgoing Trustee are paid or waived by the outgoing Trustee. Following compliance with the preceding sentence, the successor shall become fully vested with the rights, powers, duties and obligations of the outgoing Trustee under the Trust Agreement, with like effect as if originally named as Trustee, and the outgoing Trustee shall be discharged of its duties and obligations herein. If no successor Trustee shall have been appointed and shall have accepted such appointment within sixty (60) days after the giving of such notice of resignation or removal, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

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

THE ADMINISTRATOR

The Bank of New York Mellon serves as the Administrator. The Administrator's office is located at 2 Hanson Place, Brooklyn, New York 11217. Information regarding creation and redemption Basket composition, net asset value of the Trust and the names of the parties that have executed an Authorized Participant Agreement may be obtained from the Administrator.

The Administrator's Role

The Administrator is responsible for the day-to-day administration and operation of the Trust as provided under the Fund Administration and Accounting Agreement, including keeping the Trust's operational records. The Administrator's principal responsibilities include: (1) calculating the NAV per Share of the Trust and the NAV of the Trust using the MVBTCO; (2) supplying pricing information utilizing the MVBTCO as directed by the Sponsor for the Trust's website; and (3) accounting and other fund administrative services.

The Administrator intends to regularly communicate with the Sponsor in connection with the administration of the Trust. The Administrator, along with the Sponsor, will liaise with the Trust's legal, accounting and other professional service providers as needed. The Administrator's monthly fees and out-of-pocket expenses will be paid by the Sponsor. Affiliates of the Administrator may from time to time act as Authorized Participants, as agent for their customers and for accounts over which they exercise investment discretion.

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

The Fund Administration and Accounting Agreement will be in effect for an initial term of three (3) years from the commencement of the Trust's operation, the first date on which the Administrator is entitled to receive fees under the Administration Agreement. The Administration Agreement automatically renews for additional one (1) year periods thereafter, unless terminated by the Trust or the Administrator on at least ninety (90) days' prior written notice.

Resignation, Discharge or Removal of Administrator

Either the Sponsor or the Administrator may terminate the Fund Administration and Accounting Agreement for cause for the reasons set forth in the Fund Administration and Accounting Agreement, such as either party's bankruptcy or committing a material breach of the Fund Administration and Accounting Agreement. The Trust may terminate the Fund Administration and Accounting Agreement prior to the expiration of the initial term upon ninety (90) days' prior written notice in the event that the Sponsor determines to liquidate the Trust.

Limitation on Administrator's Liability

The Administrator will not be liable for the disposition of bitcoin or moneys, or in respect of any valuation or calculation which it makes under the Fund Administration and Accounting Agreement or otherwise, or for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties under the Fund Administration and Accounting Agreement in the absence of gross negligence, willful misconduct or bad faith on its part. In no event will the Administrator be liable for acting in accordance with or conclusively relying upon any instruction, notice, demand, certificate or document (i) from the Sponsor or any entity acting on behalf of the Sponsor which the Administrator believes is given as authorized by the Trust Agreement and under the Fund Administration and Accounting Agreement, or (ii) from or on behalf of any Authorized Participant which the Administrator believes is given pursuant to or is authorized by an Authorized Participant Agreement (provided that the Administrator has complied with the verification procedures specified in the Authorized Participant Agreement). In no event will the Administrator be liable for acting or omitting to act in reliance upon the advice of or information from legal counsel, accountants or any other person believed by it in good faith to be competent to give such advice or information. In addition, the Administrator will not be liable for any delay in performance or for the non-performance of any of its obligations under the Fund Administration and Accounting Agreement by reason of causes beyond its reasonable control, including acts of God, war or terrorism. The Administrator will not be liable for any indirect, consequential, punitive or special damages, regardless of the form of action and whether or not any such damages were foreseeable or contemplated, or for an amount in excess of the value of the Trust's assets.

To the extent that, at law or in equity, the Administrator has duties and liabilities relating to the Trust or the Trust's shareholders, such duties and liabilities will be replaced by the duties and liabilities of the Administrator expressly set forth in the Fund Administration and Accounting Agreement. The Administrator will not have any obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, the Trustee, VanEck, any other service provider to the Trust or any other person.

The Administrator may employ agents, attorneys, accountants, auditors and other professionals and shall not be answerable for the default or misconduct of any of them if they were selected with reasonable care.

Indemnification of the Administrator

The Administrator, its directors, employees and agents shall be indemnified from the Trust and held harmless against any loss, liability or expense (including, but not limited to, the reasonable fees and expenses of counsel) arising out of or in connection with the performance of its obligations under the Fund Administration and Accounting Agreement and under each other agreement entered into by the Administrator in furtherance of the administration of the Trust (including, without limiting the scope of the foregoing, any Authorized Participant Agreement) or for any other loss incurred without gross negligence, willful misconduct or bad faith in connection with the performance of its obligations under or any actions taken in accordance with the provisions of the Fund Administration and Accounting Agreement or any such other agreement. Such indemnity shall include payment from the Trust of the costs and expenses incurred by such indemnified party in defending itself against any claim or liability in its capacity as Administrator.

Governing Law; Consent to New York Jurisdiction

The Fund Administration and Accounting Agreement is governed by New York law. The Administrator and the Trust both consent to the non-exclusive jurisdiction of the courts of the State of New York and the state or federal courts located in New York City.

THE TRANSFER AGENT

The Bank of New York Mellon serves as the Transfer Agent. The Transfer Agent's office is located at 2 Hanson Place, Brooklyn, New York 11217. The Transfer Agent, among other things, provides transfer agent

services with respect to the creation and redemption of Baskets by Authorized Participants, the issuance and redemption of Shares, the payment, if any, of distributions with respect to the Shares, the recording of the issuance of the Shares and the maintaining of certain records therewith.

The Transfer Agent's Role

The Transfer Agent's responsibilities include: (1) receiving and processing orders from Authorized Participants for the creation and redemption of Baskets; and (2) coordinating the processing of orders from Authorized Participants with the Trust and DTC.

The Transfer Agent's fees and expenses are to be paid by the Sponsor pursuant to the terms of the Transfer Agency and Service Agreement.

The Transfer Agency and Service Agreement will be in effect for an initial term of three (3) years from the commencement of the Trust's operation, the first date on which the Transfer Agent is entitled to receive fees under the Transfer Agency and Service Agreement. The Transfer Agency and Service Agreement automatically renews for additional one (1) year periods thereafter, unless terminated by the Trust or the Transfer Agent on at least ninety (90) days' prior written notice.

Resignation, Discharge or Removal of Transfer Agent

Either the Trust or the Transfer Agent may terminate the Transfer Agency and Service Agreement for cause for the reasons set forth in the Transfer Agency and Service Agreement, such as either party's bankruptcy or committing a material breach of the Transfer Agency and Service Agreement. The Trust may terminate the Transfer Agency and Service Agreement prior to the expiration of the initial term upon ninety (90) days' prior written notice in the event that the Sponsor determines to liquidate the Trust.

Limitation on Transfer Agent's Liability

The Transfer Agent will not be liable for the disposition of bitcoin or moneys, or for any action taken or omitted or for any loss or injury resulting from its actions or its performance or lack of performance of its duties under the Transfer Agency and Service Agreement in the absence of gross negligence, willful misconduct or bad faith on its part. In no event will the Transfer Agent be liable for acting in accordance with or conclusively relying upon any instruction, notice, demand, certificate or document (i) from the Sponsor, the Trustee or the Administrator or any entity acting on behalf of any of them which the Transfer Agent believes is given as authorized by the Trust Agreement or the Administration Agreement, respectively, or (ii) from or on behalf of any Authorized Participant which the Transfer Agent believes is given pursuant to or is authorized by an Authorized Participant Agreement (provided that the Transfer Agent has complied with the verification procedures specified in the Authorized Participant Agreement). In no event will the Transfer Agent be liable for acting or omitting to act in reliance upon the advice of or information from legal counsel, accountants or any other person believed by it in good faith to be competent to give such advice or information. In addition, the Transfer Agent will not be liable for any delay in performance or for the non-performance of any of its obligations under the Transfer Agency and Service Agreement by reason of causes beyond its reasonable control, including acts of God, war or terrorism. The Transfer Agent will not be liable for any indirect, consequential, punitive or special damages, regardless of the form of action and whether or not any such damages were foreseeable or contemplated, or for an amount in excess of the value of the Trust's assets.

To the extent that, at law or in equity, the Transfer Agent has duties and liabilities relating to the Trust or the Trust's shareholders, such duties and liabilities will be replaced by the duties and liabilities of the Transfer Agent expressly set forth in the Transfer Agency and Service Agreement. The Transfer Agent will not have any obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, the Trustee, VanEck, any other service provider to the Trust or any other person.

Indemnification of Transfer Agent

The Transfer Agent, its directors, employees and agents shall be indemnified by the Trust and held harmless against any loss, liability or expense (including, but not limited to, the reasonable fees and expenses of counsel) arising out of or in connection with the performance of its obligations under the Transfer Agency and Service Agreement and under each other agreement entered into by the Transfer Agent in furtherance of the administration of the Trust (including, without limiting the scope of the foregoing, any Authorized Participant Agreement) or for any other loss incurred without gross negligence, willful misconduct or bad faith in connection with the performance of its obligations under or any actions taken in accordance with the provisions of the Transfer Agency and Service Agreement or any such other agreement. Such indemnity shall include payment from the Trust of the costs and expenses incurred by such indemnified party in defending itself against any claim or liability in its capacity as Transfer Agent.

Governing law; consent to New York jurisdiction

The Transfer Agency and Service Agreement is governed by New York law. The Transfer Agent and the Trust both consent to the non-exclusive jurisdiction of the courts of the State of New York and the state or federal courts located in New York City.

CONFLICTS OF INTEREST

General

The Sponsor Parties have not established formal procedures to resolve all conflicts of interest and, as a result, the Sponsor Parties could resolve a potential conflict in a manner that is not in the best interest of the Trust or the shareholders. Consequently, shareholders may be dependent on the good faith of the respective parties subject to such conflicts to resolve them equitably. Although the Sponsor Parties attempt to monitor these conflicts, it is extremely difficult, if not impossible, for the Sponsor Parties to ensure that all of these conflicts will not, in fact, result in adverse consequences to the Trust, the NAV of the Shares and ultimately the market price of the Shares.

Prospective shareholders should be aware that the Trust 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 shareholders.

The Sponsor Parties

The Sponsor Parties intend to devote, and to cause their 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.

Proprietary Trading

Sponsor Parties, their employees and their affiliates (collectively, "*Affiliated Parties*") may engage in long or short transactions in bitcoin in their personal accounts, and in doing so may take positions opposite to those held by the Trust or may compete with the Trust for positions in the marketplace. Records of trading by *Affiliated Parties* will not be available for inspection by shareholders. Because *Affiliated Parties* may trade bitcoin for their own accounts at the same time as the Trust, prospective shareholders should be aware that such persons may take positions in bitcoin which are opposite, or ahead of, the positions taken for the Trust. *Affiliated Parties* will not engage in the Basket creation and redemption process, or act as counterparties to the Trust in OTC bitcoin transactions.

There can be no assurance that any of the foregoing will not have an adverse effect on the performance of the MVBTCO and/or the Trust.

MVIS

MVIS and VanEck are affiliates. MVIS and VanEck are both owned, directly or indirectly, by the same parent company, Van Eck Associates Corporation, a Delaware corporation (“**VEAC**”). Because VEAC and VanEck participate indirectly in the Sponsor Fee, which is a percentage of the NAV of the Trust, VEAC may have an incentive to raise the MVBTCO price that the Administrator uses to value the Trust’s bitcoin in its calculation of the Trust’s NAV.

In addition, MVIS may from time-to-time act in multiple capacities with regard to the MVBTCO or bitcoin. Potential conflicts of interest may exist between MVIS and any users of the MVBTCO and/or parties exposed to bitcoin or the Shares.

Obtaining of Non-Public Information with Respect to the MVBTCO

The Sponsor Parties, MVIS and OTC Link ATS and/or their respective affiliates may acquire non-public information with respect to bitcoin, and none of them undertakes to disclose any such information to any user of the MVBTCO. In addition, one or more of such parties may publish research reports with respect to bitcoin. Such activities could present conflicts of interest and may affect the MVBTCO market price and thus the value of the Trust.

U.S. FEDERAL INCOME TAX CONSEQUENCES

This section summarizes the material U.S. federal income tax consequences that generally will apply to the purchase, ownership and disposition of Shares by a U.S. Shareholder (as defined below). The discussion is based on the Code, final and temporary Treasury regulations promulgated thereunder and judicial and administrative interpretations of the Code, all as in effect on the date of this Memorandum and all of which are subject to change either prospectively or retroactively.

The tax treatment of Shareholders may vary depending on their own particular circumstances. Certain shareholders—including banks, financial institutions, insurance companies, tax-exempt organizations, broker-dealers, traders, persons holding Shares as a position in a “hedging”, “straddle”, “conversion” or “constructive sale” transaction (as those terms are defined in the authorities mentioned above), entities treated as partnerships for U.S. federal income tax purposes, persons whose “functional currency” is not the U.S. dollar, accrual method taxpayers subject to special tax accounting rules as a results of their use of applicable financial statements, and other shareholders with special circumstances – may be subject to special rules not discussed below. In addition, the following discussion applies only to shareholders who will hold Shares as “capital assets” as defined in section 1221 of the Code.

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 tax purposes;
- A corporation (or entity treated as a corporation for U.S. federal income tax purposes) that is created or organized in the United States or under the laws of the United States or any state thereof or the District of Columbia;

- 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 have the authority to control all substantial decisions of the trust, or a trust that has made a valid election under applicable Treasury Regulations to be treated as a domestic trust.

A shareholder that is not a U.S. Shareholder as so defined is referred to below as a “Non-U.S. Persons”. Non-U.S. Persons are not currently permitted to own the Shares.

For U.S. federal tax purposes, the treatment of any beneficial owner of an interest in a partnership (including any entity classified as such for U.S. federal tax purposes) will generally depend on the partner’s status and the partnership’s activities. Partnerships and partners should consult their tax advisors about the U.S. federal income tax consequences of purchasing, owning and disposing of Shares.

Taxation of the Trust

In the opinion of Sidley Austin LLP, although not free from doubt due to the lack of direct authority in respect of the Trust and its contemplated activities in connection with virtual currency like bitcoin, the Trust will be classified as a “grantor trust” under subpart E, Part I of subchapter J of the Code. As a result, the Trust itself should not be subject to U.S. federal income tax. Instead, each U.S. Shareholder will be required to report on its U.S. federal income tax return its *pro rata* share of the income, gain, loss or deductions derived from the Trust’s assets in accordance with such U.S. Shareholder’s regular method of tax accounting. The Sponsor and the Administrator will treat the Trust as a “grantor trust” for U.S. federal tax purposes and the Administrator will report the Trust’s income, gains, losses and deductions to the IRS on that basis. The opinion of Sidley Austin LLP represents only its best legal judgment and is not binding on the IRS or any court. Accordingly, there can be no assurance that the IRS will agree with counsel’s conclusions, and it is possible that the IRS or another tax authority could assert a position contrary to one or all of those conclusions and that a court could sustain that contrary position. Neither the Sponsor nor the Administrator will request a ruling from the IRS with respect to the classification or treatment of the Trust for U.S. federal tax purposes.

If the IRS were to assert successfully that the Trust is not a “grantor trust”, the Trust would likely be classified as a partnership, which could affect timing and other tax consequences to Shareholders. In addition, if so classified, the Trust could be treated as a publicly traded partnership taxable as a corporation, which would subject the Trust to corporate federal income tax on its taxable income on an entity level basis, subject Shareholders to further tax on any dividend income from the Trust and significantly reduce returns to Shareholders.

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

Taxation of U.S. Shareholders

Ownership of Shares. A U.S. Shareholder will be treated, for U.S. federal income tax purposes, as if it owned its *pro rata* share of the Trust’s assets. As a result, each U.S. Shareholder will be required to report on its U.S. federal income tax return its *pro rata* share of the income, gain, loss or deductions derived from the Trust’s assets in accordance with such U.S. Shareholder’s regular method of tax accounting. The U.S. Shareholder’s tax basis and holding period for its *pro rata* share of the Trust’s assets will be the same as its tax basis in and holding period for the bitcoin used to acquire such U.S. Shareholder’s Shares. For purposes of this discussion, and unless stated otherwise, it is assumed that all of a U.S. Shareholder’s Shares are acquired on the same date and at the same price per Share. U.S. Shareholders that hold multiple lots of Shares, or that are contemplating acquiring multiple lots of Shares, should consult their own tax advisers as to the determination of the tax basis in and holding period for the underlying bitcoin represented by such Shares.

The IRS released Notice 2014-21 on the treatment of convertible virtual currencies (such as bitcoin) for U.S. federal income tax purposes. The Notice classified bitcoin as “property” that is not currency for U.S. federal income tax purposes and clarified that bitcoin could be held as capital assets. If the Trust sells bitcoin, for example to generate cash to pay fees or expenses, a U.S. Shareholder will recognize gain or loss in an amount equal to the difference between: (1) the U.S. Shareholder’s *pro rata* share of the amount the Trust realizes on the sale and (2) the U.S. Shareholder’s tax basis in its *pro rata* share of the bitcoin that was sold. A U.S. Shareholder’s tax basis in its share of any bitcoin sold (or exchanged) by the Trust generally will be determined by multiplying the U.S. Shareholder’s total basis in its *pro rata* share of all the bitcoin held in the Trust immediately prior to the sale or exchange by a fraction, the numerator of which is the amount of bitcoin sold and the denominator of which is the total amount of the bitcoin so held in the Trust. After any such sale or exchange, a U.S. Shareholder’s tax basis in its *pro rata* share of the bitcoin remaining in the Trust will be equal to its tax basis in its *pro rata* share of the total amount of the bitcoin held in the Trust immediately prior to the sale less the portion of that basis allocable to its *pro rata* share of the bitcoin that was sold.

Disposition of Shares. Upon the sale of some or all of its Shares, a U.S. Shareholder will be treated as having sold such U.S. Shareholder’s *pro rata* share of the bitcoin held in the Trust represented by the Shares. Accordingly, the U.S. Shareholder generally will recognize gain or loss on the sale in an amount equal to the difference between: (1) the amount realized pursuant to the sale of the Shares and (2) the U.S. Shareholder’s tax basis in its *pro rata* share of the bitcoin held in the Trust represented by the Shares. Based on current IRS guidance, such gain or loss will generally be long-term or short-term capital gain or loss, depending upon whether the U.S. Shareholder has a holding period in its Shares of longer than one year.

Redemption of Shares. If a U.S. Shareholder submits some or all of its Shares to the Trust for redemption in order to take delivery of the underlying bitcoin represented by the redeemed Shares, the U.S. Shareholder generally should not recognize taxable gain or loss upon receipt of such underlying bitcoin. A U.S. Shareholder’s tax basis in the bitcoin received on a redemption generally will be the same as the U.S. Shareholder’s tax basis in the portion of its *pro rata* share of the bitcoin held in the Trust immediately prior to the redemption represented by the redeemed Shares. A U.S. Shareholder’s holding period with respect to the bitcoin received on a redemption should include the period during which the Trust held such bitcoin. A subsequent sale of the bitcoin received by the U.S. Shareholder will be a taxable event.

After any sale or redemption of less than all of a U.S. Shareholder’s Shares, the U.S. Shareholder’s tax basis in its *pro rata* share of the bitcoin held in the Trust immediately after such sale or redemption generally will equal (1) its tax basis in its share of the total amount of the bitcoin held in the Trust immediately prior to the sale or redemption less (2) the portion of such basis that is taken into account in determining the amount of gain or loss the U.S. Shareholder recognizes on the sale or, in the case of a redemption, is treated as the basis in the bitcoin received by the U.S. Shareholder in the redemption.

3.8% Medicare Tax

An additional 3.8% Medicare tax is imposed on certain net investment income (including net gains from the sale of property) of U.S. individuals, estates and trusts to the extent that such person’s “modified adjusted gross income” (in the case of an individual) or “adjusted gross income” (in the case of an estate or trust) exceeds certain threshold amounts. U.S. shareholders should consult their own tax advisers regarding the effect, if any, this provision may have on their investment in Shares.

Trust Expenses

U.S. Shareholders will be required to recognize the full amount of gain or loss on a sale of bitcoin by the Trust (as discussed above), even though all of the sale proceeds are used to pay Trust expenses. U.S. Shareholders will also be required to recognize the full amount of gain or loss on a transfer of bitcoin in kind to the Sponsor to pay the Sponsor Fee. A U.S. Shareholder will be treated as having sold such U.S. Shareholder’s *pro rata* share of the bitcoin transferred in kind to the Sponsor for an amount of cash equal to the fair market value of such bitcoin (as determined on the transfer date).

U.S. Shareholders may only deduct their respective *pro rata* share of each expense incurred by the Trust to the same extent as if they directly incurred the expense. U.S. Shareholders should consult their own tax advisor concerning the deductibility of all Trust expenses.

No Deductions for Certain Taxpayers

U.S. Shareholders who are individuals, estates or trusts will generally be required to treat some or all of the expenses of the Trust as miscellaneous itemized deductions. The ability to deduct miscellaneous itemized deductions for tax years beginning after December 31, 2017, and before January 1, 2026, has been suspended. If the U.S. Shareholder is an individual, estate or trust, such U.S. Shareholder should consult its own tax advisors regarding the treatment of any Trust expenses as miscellaneous itemized deductions.

Investment by U.S. Tax-Exempt Shareholders

Certain U.S. Shareholders (referred to in this paragraph as “*U.S. Tax-Exempt Shareholders*”) are subject to U.S. federal income tax only on their “unrelated business taxable income” (“*UBTI*”). It is expected that, unless a U.S. Tax-Exempt Shareholder incurs debt to purchase Shares, it should not realize UBTI with respect to its *pro rata* share of the Trust’s income or gains. U.S. Tax-Exempt Shareholders should consult their own tax advisers regarding the tax consequences of holding Shares in light of their particular circumstances.

U.S. Information Reporting and Backup Withholding

The Administrator will furnish or make available, within a reasonable time after the end of each calendar year, to the U.S. Shareholder, such information as is necessary or desirable to assist the U.S. Shareholder (or brokers and custodians through which U.S. Shareholders hold Shares) in preparing its U.S. federal income tax returns and filing certain information returns with the IRS in connection with the Trust. A U.S. Shareholder may be subject to U.S. backup withholding, at the rate of 24%, in certain circumstances unless it provides its taxpayer identification number to its broker and complies with certain certification procedures.

The amount of any backup withholding will be allowed as a credit against a U.S. 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.

U.S. State and Local Taxation

In addition to the U.S. federal income tax consequences described above, the Trust and the Shareholders may be subject to other taxes such as state, local or municipal income taxes, and estate, inheritance or intangible property taxes. Certain of such taxes could, if applicable, have a significant effect on the amount of tax payable in respect of an investment in the Shares.

The state and local tax issues relevant to the Shareholders may arise under various taxing schemes, which impose taxes on entities treated as trusts or partnerships for federal income tax purposes, the taxation of resident individuals on their worldwide income, taxation of and withholding on the distributive share of a nonresident beneficiary or partner, franchise and capital taxes, gross income taxes, net income taxes, value added taxes, and gross receipts taxes.

Although the state and local tax treatment of grantor trusts may vary from their federal income tax treatment, the Sponsor and the Trustee intend to treat the Trust as a grantor trust for state and local tax purposes to the extent permitted by applicable law.

PROSPECTIVE SHAREHOLDERS ARE URGED TO CONSULT THEIR TAX ADVISERS WITH RESPECT TO ALL ASPECTS OF THE U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX

TREATMENT OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SHARES BEFORE DECIDING WHETHER TO INVEST IN THE SHARES OF THE TRUST.

PURCHASES BY EMPLOYEE BENEFIT PLANS

The Shares may not be acquired by any (a) “employee benefit plan” as defined in and subject to the fiduciary responsibility provisions of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“*ERISA*”), (b) “plan” as defined in and subject to Section 4975 of Code, or (c) entity whose underlying assets include “plan assets” for purposes of Title I of ERISA or Section 4975 of the Code due to investments made in such entity by such “employee benefit plans” or “plans” (any of (a), (b) or (c), a “*Benefit Plan Investor*”). Each Shareholder will be deemed by its acquisition and holding of Shares to have represented and warranted that it is not, and is not acting on behalf of, or using any assets of, a Benefit Plan Investor.

PERFORMANCE, FINANCIALS AND OTHER INFORMATION

After the end of each fiscal year, the Sponsor will cause to be prepared an annual report for the Trust containing audited financial statements. The annual report will be in such form and contain such information as will be required by applicable laws, rules and regulations and may contain such additional information which the Sponsor determines shall be included.

If at any time during the year following the date of original issuance of the Shares the Trust is not subject to the information requirements of Section 13 or 15(d) of the Exchange Act, the Trust and the Sponsor will, upon the request of a shareholder, beneficial owner or prospective purchaser of the Shares, promptly furnish such shareholder, beneficial owner or prospective purchaser the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to facilitate the resale of the notes pursuant to Rule 144A.

The Administrator will make such elections, file such tax returns, and prepare, disseminate and file such tax reports, as it is advised to by its counsel or accountants or as required from time to time by any applicable statute, rule or regulation.

NOTICE TO INVESTORS

The offer and sale of Shares has not been registered under the Securities Act or the securities laws of any other jurisdiction. As a result, the Shares may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws. Accordingly, the Authorized Participants are offering the Shares only to QIBs (as defined under Rule 144A under the Securities Act) in compliance with Rule 144A under the Securities Act.

As a purchaser of Shares, you will be deemed to have acknowledged, represented to and agreed with us and the Authorized Participants as follows:

- You are purchasing the Shares for your own account or for an account with respect to which you exercise sole investment discretion, and you and such account are a QIB and are aware that the sale to you and such account is being made in reliance on Rule 144A under the Securities Act.
- You acknowledge that the offer and sale of the Shares has not been registered under the Securities Act or the securities laws of any other jurisdiction and that the Shares may not be offered, sold, pledged or otherwise transferred except as set forth below.
- You acknowledge that neither we nor the Authorized Participants nor any person representing us or the Authorized Participants has made any representation to you with respect to us or the offering and sale of the Shares other than the information contained or incorporated by reference in this Memorandum. You also acknowledge that you have received a copy of the Memorandum relating to the offering of the Shares and acknowledge that you have had access to such financial and other

information, including that incorporated by reference in this Memorandum, and have been offered the opportunity to ask us questions and received answers thereto, as you deemed necessary in connection with the decision to purchase the Shares. You are relying only on the information contained or incorporated by reference in this Memorandum in making your investment decision with respect to the Shares.

- You are purchasing the Shares for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within your or their control and subject to your or their ability to resell such Shares pursuant to Rule 144A under the Securities Act or any other available exemption from registration available under the Securities Act.
- You will not offer, resell, pledge or otherwise transfer any of the Shares or any beneficial interest in the Shares, except:
 - (1) to the Trust or a subsidiary of the Trust;
 - (2) under a registration statement that has become effective under the Securities Act; or
 - (3) to an investor that you reasonably believe to be a QIB in compliance with Rule 144A under the Securities Act (if available).

- You are not an “affiliate” (within the meaning of Rule 144 under the Securities Act) of the Sponsor.
- You represent that either (1) no portion of the assets used by you to acquire and hold the Shares constitutes assets of any employee benefits plan or similar arrangement or (2) the purchase and holding of the Shares by you will not constitute a nonexempt prohibited transaction under Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended, or Section 4975 of the U.S. Internal Revenue Code of 1986, as amended, or a violation under any applicable similar laws.
- You understand that the Shares will bear a legend substantially to the following effect:

THE SALE OF THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), AND, ACCORDINGLY, THIS SECURITY (AND ANY BENEFICIAL INTEREST HEREIN OR THEREIN) MAY NOT BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED, EXCEPT:

- (A) TO THE TRUST OR ANY SUBSIDIARY THEREOF;
- (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT; OR
- (C) TO A PERSON THAT YOU REASONABLY BELIEVE TO BE A QIB IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT.

NO AFFILIATE OF THE TRUST MAY PURCHASE OR OTHERWISE ACQUIRE SHARES.

- You acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Shares, as well as the record holders of the Shares.
- You acknowledge that the Trust, the Sponsor, the Authorized Participants and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Shares is no longer accurate, you will promptly notify the Trust, the Sponsor and the relevant Authorized Participant. If you are purchasing any Shares as a fiduciary or agent for one

or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Notwithstanding the foregoing, in the event that the Public Tranche is registered with the SEC under the Securities Act, then holders of the Shares may have the ability to benefit from the public market through Securities Act-compliant resales. Upon such resale to a public shareholder, the Shares will no longer have the unique features of the Rule 144A tranche and will be fungible with the Public Tranche. Shares in the Public Tranche will bear a separate, "unrestricted" CUSIP number, and purchasers from holders of Shares in public resales can receive Shares that bear this unrestricted CUSIP number.

New Baskets in the Rule 144A tranche will not be created after the establishment of the Public Tranche. Existing Baskets in the Rule 144A tranche may be redeemed after the establishment of the Public Tranche

LEGAL PROCEEDINGS

The Trust is aware of no existing or pending legal proceedings against it, nor is it involved as a plaintiff in any proceeding or pending litigation.

LEGAL MATTERS

Richards, Layton & Finger, P.A. has advised the Trust and the Sponsor with respect to certain Delaware law matters.

Sidley Austin LLP, New York served as legal counsel to the Sponsor in connection with the preparation of this Memorandum and certain matters of New York law and U.S. federal securities law. Sidley Austin LLP may continue to serve in such capacity in the future, but has not assumed any obligation to update this Memorandum. Sidley Austin LLP may advise the Sponsor in matters relating to the operation of the Trust on an ongoing basis. Sidley Austin LLP does not represent and has not represented the prospective investors or the Trust in the course of the organization of the Trust, the negotiation of its business terms, the offering of the Shares or in respect of its ongoing operations. *Prospective investors must recognize that, as they have had no representation in the organization process, the terms of the Trust relating to themselves and the Shares have not been negotiated at arm's length.*

Sidley Austin LLP's engagement by the Sponsor in respect of the Trust is limited to the specific matters as to which it is consulted by the Sponsor and, therefore, there may exist facts or circumstances which could have a bearing on the Trust's (or the Sponsor's) financial condition or operations with respect to which Sidley Austin LLP has not been consulted and for which Sidley Austin LLP expressly disclaims any responsibility. More specifically, Sidley Austin LLP does not undertake to monitor the compliance of the Sponsor and its affiliates with the investment program, valuation procedures and other guidelines set forth herein, nor does it monitor compliance with applicable laws. In preparing this Memorandum, Sidley Austin LLP relied upon information furnished to it by the Trust and/or the Sponsor, and did not investigate or verify the accuracy and completeness of information set forth herein concerning the Sponsor, the Trust's service providers and their affiliates and personnel.