

# BITCOIN INVESTMENT TRUST

A Delaware Trust

*Sponsored by*

Grayscale Investments, LLC  
250 Park Avenue South, 5<sup>th</sup> Floor  
New York, New York 10003  
Telephone: (212) 668-1427  
Facsimile: (212) 937-3645

Primary Standard Industrial Code: 6221

## QUARTERLY REPORT

**For the quarterly period ended September 30, 2018**

Shares Representing Common Units of Fractional Undivided Beneficial Interest

No Par Value Per Share

Unlimited Shares Authorized

201,523,500 Shares Issued and Outstanding as of September 30, 2018

**OTCQX: GBTC**

**Grayscale Investments, LLC (the “Sponsor”), on behalf of Bitcoin Investment Trust (the “Trust”), is responsible for the content of this quarterly report for the quarter ended September 30, 2018 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. marketplace. The information contained in this Quarterly Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.**

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

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934).

Yes ☐ No ☒

Indicate by check mark whether the company’s shell status has changed since the previous reporting period.

Yes ☐ No ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period.

Yes ☐ No ☒

Dated as of November 9, 2018

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

This Quarterly Report contains “forward-looking statements” with respect to the Trust’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Quarterly Report that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Trust’s activities and affairs, the Sponsor’s plans and references to the Trust’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. Whether 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 Quarterly Report, the particular risks associated with new technologies such as Bitcoin and blockchain, the inability to redeem Shares, the economic conditions in the Bitcoin industry and market, general economic, market and business conditions, the use of technology by us and our vendors, including the Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms, changes in laws or regulations, including those concerning taxes, made by government authorities or regulatory bodies, the costs and effect of any litigation or regulatory investigations, our ability to maintain a positive reputation and other world economic and political developments. See the section entitled “Risk Factors” in our Annual Report. Consequently, all forward-looking statements made in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments that the Sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Trust’s affairs or the value of the Shares. Should one or more of these risks discussed in “Risk Factors” in our Annual Report or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Sponsor’s beliefs, estimates and opinions on the date the statements are made and neither the Trust nor the Sponsor is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Trust, the Sponsor, nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements, to conform such statements to actual results or to reflect a change in the Sponsor’s expectations or predictions. Investors are therefore cautioned against relying on forward-looking statements.

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

## Glossary

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

“Actual Exchange Rate” — With respect to any particular asset, at any time, the price per single unit of such asset (determined net of any associated fees) at which the Trust is able to sell such asset for U.S. dollars (or other applicable fiat currency) at such time to enable the Trust to timely pay any Additional Trust Expenses, through use of the Sponsor’s commercially reasonable efforts to obtain the highest such price.

“Additional Trust Expenses” — Together, any expenses incurred by the Trust in addition to the Sponsor’s Fee that are not Sponsor-paid Expenses, including, but not limited to, (i) taxes and governmental charges, (ii) expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), (iii) any indemnification of the Custodian or other agents, service providers or counterparties of the Trust, (iv) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and (v) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters.

“Administrator” — Any Person from time to time engaged by the Sponsor to assist in the administration of the Shares.

“Administrator Fee” — The fee payable to the Administrator for services it provides to the Trust, which the Sponsor shall pay the Administrator as a Sponsor-paid Expense.

“Agent” — A Person appointed by the Trust to act on behalf of the Shareholders in connection with any distribution of Incidental Rights and/or IR Virtual Currency.

“Annual Report” — The Trust’s Annual Report for the year ended December 31, 2017.

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

“Authorized Participant Self-Administered Account” — A Bitcoin wallet address that is known to the Custodian as belonging to the Authorized Participant.

“Basket”—A block of 100 Shares.

“Basket Bitcoin Amount” — On any trade date, the number of Bitcoins required as of such trade date for each Creation Basket or Redemption Basket, as determined by dividing (x) the number of Bitcoins owned by the Trust at 4:00 p.m., New York time, on such trade date, after deducting the number of Bitcoins representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust (converted using the Bitcoin Index Price at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one Bitcoin (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100.

“Bitcoin” or “BTC” — A type of digital asset based on an open-source cryptographic protocol existing on the Bitcoin Network.

“Bitcoin Account” — Together, the Wallet Account and Vault Account and any sub-accounts associated therewith.

“Bitcoin Cash” — A type of digital currency based on an open source cryptographic protocol existing on the Bitcoin Cash Network, which came into existence following the Bitcoin hard fork on August 1, 2017.

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

“Bitcoin Holdings”— The aggregate value, expressed in U.S. dollars, of the Trust’s assets (other than U.S. dollars or other fiat currency), less its liabilities (which include estimated accrued but unpaid fees and expenses). See Item 7 in this Quarterly Report for a description of how the Trust’s Bitcoin Holdings and Bitcoin Holdings per Share are calculated. See also “Management’s Discussion and Analysis — Critical Accounting Policies — Valuation of Bitcoin” for a description of the Trust’s NAV, as calculated in accordance with GAAP.

“Bitcoin Holdings Fee Basis Amount” — The amount on which the Sponsor’s Fee is based, as calculated in the manner set forth in the “Bitcoin Holdings” definition in Item 7 in this Quarterly Report.

“Bitcoin Index Price”—The U.S. dollar value of a Bitcoin derived from the Bitcoin Exchanges that are reflected in the Index, calculated at 4:00 p.m., New York time, on each business day. See “Description of the Trust—The Index and the Bitcoin Index Price” in our Annual Report for a description of how the Bitcoin Index Price is calculated.

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

“Bitcoin SegWit2X” — A type of digital asset based on an open source cryptographic protocol existing on the Bitcoin SegWit2X Network, which came into existence following the Bitcoin hard fork on December 28, 2017.

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

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

“Custodian” — Xapo, Inc., as guaranteed by Xapo Holdings Limited.

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

“Custodian Fee” — Fee payable to the Custodian for services it provides to the Trust, which the Sponsor shall pay to the Custodian as a Sponsor-paid Expense.

“DCG” — Digital Currency Group, Inc.

“DSTA” — The Delaware Statutory Trust Act, as amended.

“DTC” — The Depository Trust Company.

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

“GAAP” —United States Generally Accepted Accounting Principles.

“Genesis”— Genesis Global Trading, Inc., a wholly owned subsidiary of Digital Currency Group, Inc., which as of the date of this Quarterly Report, is the only acting Authorized Participant.

“Grayscale” — Grayscale Investments, LLC.

“Incidental Rights” — Rights to acquire, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of Bitcoins and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust.

“Index”— The TradeBlock XBX Index.

“Index License Agreement”—The license agreement entered into by the Index Provider and the Sponsor governing the Sponsor’s use of the Index for calculation of the Bitcoin Index Price.

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

“Investor” — Any investor that has entered into a Subscription Agreement with an Authorized Participant, pursuant to which such Authorized Participant will act as agent for the investor.

“IR Virtual Currency” — Any virtual currency tokens, or other asset or right, acquired by the Trust through the exercise (subject to the applicable provisions of the Trust Agreement) of any Incidental Right.

“Marketer” — Genesis or any other person from time to time engaged to provide marketing services or related services to the Trust pursuant to authority delegated by the Sponsor.

“Marketing Fee” — Fee payable to the Marketer for services it provides to the Trust, which the Sponsor will pay to the Marketer as a Sponsor-paid Expense.

“NAV” — The net asset value of the Trust determined on a GAAP basis.

“OTCQX” — The OTCQX tier of the OTC Markets Group Inc.

“Participant Agreement” — An agreement entered into by an Authorized Participant with the Sponsor that provides the procedures for the creation and, if permitted, redemption of Baskets and for the delivery of Bitcoins required for Creation Baskets and the distribution of Bitcoins from the Trust for Redemption Baskets.

“Quarterly Report” — This Quarterly Report for the three and nine months ended September 30, 2018.

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

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

“Secondary Market” — Any marketplace or other alternative trading system, as determined by the Sponsor, on which the Shares may then be listed, quoted or traded, including but not limited to, the OTCQX tier of the OTC Markets Group Inc. and NYSE Arca, Inc.

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

“Shareholder” — Any person that owns Shares.

“Share Split” — A 91-for-1 Share split of the Trust’s issued and outstanding Shares, which was effected on January 26, 2018 to Shareholders of record as of the close of business on January 22, 2018.

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

“Sponsor” — Grayscale Investments, LLC.

“Sponsor-paid Expenses”— The fees and expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) the Custodian Fee, (iv) the Transfer Agent fee, (v) the Trustee fee, (vi) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year, (vii) ordinary course, legal fees and expenses, (viii) audit fees, (ix) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act, (x) printing and mailing costs, (xi) costs of maintaining the Trust’s website and (xii) applicable license fees, provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

“Sponsor’s Fee”—A fee, payable in Bitcoins, which accrues daily in U.S. dollars at an annual rate of 2.0% of the Bitcoin Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day; provided that for a day that is not a business day, the calculation of the Sponsor’s Fee will be based on the Bitcoin Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor’s Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date.

“Subscription Agreement” — An agreement between an Investor and an Authorized Participant pursuant to which the Investor can subscribe for Shares.

“Transfer Agent” — Continental Stock Transfer & Trust Company, a Delaware corporation.

“Transfer Agent Fee” — Fee payable to the Transfer Agent for services it provides to the Trust, which the Sponsor will pay to the Transfer Agent as a Sponsor-paid Expense.

“Trust” — Bitcoin Investment Trust, a Delaware statutory trust, formed on September 13, 2013 under the DSTA and pursuant to the Trust Agreement.

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

“Trustee” — Delaware Trust Company (formerly known as CSC Trust Company of Delaware), a Delaware trust company, is the Delaware trustee of the Trust.

“U.S.” — United States.

“U.S. dollar,” “USD” or “\$” — United States dollar or dollars.

“Vault Account” — One or more cold storage accounts in the name of the Sponsor and of the Trust held for the safekeeping of the Trust’s Bitcoins.

“Wallet Account” — One or more wallets in the name of the Sponsor and of the Trust held for the deposit and withdrawal of Bitcoins.

**Item 1. The Exact Name of the Issuer and the Address of its Principal Executive Offices.**

The name of the trust is the Bitcoin Investment Trust.

The address of the Sponsor is: Grayscale Investments, LLC  
250 Park Avenue South, 5<sup>th</sup> Floor  
New York, New York 10003

The Sponsor's telephone number is: (212) 668-1427

The Sponsor's facsimile number is: (212) 937-3645

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

Investor relations contact: Michael Sonnenshein  
Grayscale Investments, LLC  
250 Park Avenue South, 5<sup>th</sup> Floor  
New York, New York 10003  
Telephone: (212) 668-1427  
Facsimile: (212) 937-3645  
Email: [info@grayscale.co](mailto:info@grayscale.co)

**Item 2. Shares Outstanding.**

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

On January 26, 2018, the Trust completed a 91-for-1 Share split (the "Share Split") of the Trust's issued and outstanding Shares. With the Share Split, Shareholders of record on January 22, 2018 received ninety additional Shares of the Trust for each Share held. References made to outstanding Shares or per Share amounts in the accompanying financial statements and applicable disclosures have been retroactively adjusted to reflect the Share Split.



The following table shows the number of the Shares outstanding<sup>1</sup>:

	As of September 30, 2018	As of December 31, 2017	As of December 31, 2016
<b>(i) Number of Shares authorized.....</b>	Unlimited	Unlimited	Unlimited
<b>(ii) Number of Shares outstanding...</b>	201,523,500	174,283,200	167,194,300
<b>(iii) Number of Shares freely tradable (public float).....</b>	165,668,417	156,001,664	119,349,594
<b>(iv) Number of beneficial holders owning at least 100 Shares<sup>2</sup>.....</b>	112	65	127
<b>(v) Number of holders of record<sup>2</sup>.....</b>	112	65	127

From January 1, 2018 to September 30, 2018, the Trust offered the Shares pursuant to Rule 506 of the Regulation D under the Securities Act. The Shares offered by the Trust have not been registered under the Securities Act, or any state or other securities laws, and were offered and sold only to “accredited investors” within the meaning of Rule 501(a) of Regulation D under the Securities Act, and in compliance with any applicable state or other securities laws.

The table below describes the Shares offered, the Shares sold and the average and range of prices at which the Shares were offered and sold by the Trust. All Shares initially offered and sold by the Trust are restricted securities pursuant to Rule 144 under the Securities Act. Until any Shares become unrestricted in accordance with Rule 144, the certificates or other documents evidencing such Shares will contain legends stating that such Shares have not been registered under the Securities Act and referring to the restrictions on transferability and sale of the Shares under the Securities Act. Such legends are removed upon such Shares becoming unrestricted in accordance with Rule 144 and after they have been presented to outside counsel, who may instruct the Transfer Agent to remove the transfer restriction legends from the Shares. From January 1, 2018 to September 30, 2018, no Shares, other securities of the Trust, or options to acquire such other securities were issued in exchange for services provided by any person or entity.

Period	Shares Offered	Shares Sold	No. of Purchasers	Avg. <sup>3</sup>	High <sup>3</sup>	Date	Low <sup>3</sup>	Date
January 1, 2018 to March 31, 2018	Unlimited	8,397,100	45	\$10.44	\$15.87	1/5/2018	\$6.80	2/6/2018
April 1, 2018 to June 30, 2018	Unlimited	10,024,100	41	\$7.75	\$9.67	5/4/2018	\$5.89	6/30/2018
July 1, 2018 to September 30, 2018	Unlimited	8,819,100	29	\$6.76	\$8.23	7/25/2018	\$5.89	7/1/2018
January 1, 2018 to September 30, 2018	Unlimited	27,240,300	115	\$8.30	\$15.87	1/5/2018	\$5.89	7/1/2018

<sup>1</sup> Shares outstanding have been adjusted for the Share Split for all periods reported throughout this Quarterly Report.

<sup>2</sup> Includes Cede & Co. as nominee for DTC for the Shares traded on OTCQX. Therefore, this number does not include the individual holders who have bought/sold Shares on OTCQX or transferred their eligible Shares to their brokerage accounts.

<sup>3</sup> The prices reflected represent the Bitcoin Index Price (Non-GAAP methodology).

### **Item 3. Unaudited Interim Financial Statements.**

The Trust's unaudited interim financial statements as of and for the three and nine months ended September 30, 2018 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein and therein are not necessarily indicative of financial results to be achieved in future periods. The Trust's unaudited financial statements attached as Exhibit 1 to this Quarterly Report are incorporated herein by reference and are considered as part of this Quarterly Report.

### **Item 4. Management's Discussion and Analysis.**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by reference to, our unaudited financial statements and related notes attached as an exhibit to this Quarterly Report. The following discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other sections of our Annual Report, and under "Cautionary Note Regarding Forward-Looking Statements."*

#### **Trust Overview**

The investment objective of the Trust is for the Shares to reflect the value of the Bitcoins held by the Trust, as determined by reference to the Bitcoin Index Price, less the Trust's expenses and other liabilities. The Shares are intended to constitute a cost-effective and convenient means of gaining investment exposure to Bitcoin. A substantial direct investment in Bitcoins may require expensive and sometimes complicated arrangements in connection with the acquisition, security and safekeeping of the Bitcoins and may involve the payment of substantial fees to acquire such Bitcoins from third-party facilitators through cash payments of U.S. dollars. Although the Shares will not be the exact equivalent of a direct investment in Bitcoins, they provide investors with an alternative that constitutes a relatively cost-effective way to participate in Bitcoin markets through the securities market. Because the value of the Shares is correlated to the value of the Bitcoins held by the Trust, it is important to understand the investment attributes of, and the market for, Bitcoins.

The activities of the Trust will be limited to (i) issuing Baskets in exchange for Bitcoins transferred to the Trust as consideration in connection with the creations, (ii) transferring or selling Bitcoins, Incidental Rights and IR Virtual Currency as necessary to cover the Sponsor's Fee and/or any Additional Trust Expenses, (iii) transferring Bitcoins in exchange for Baskets surrendered for redemption (subject to obtaining regulatory approval from the SEC and approval from the Sponsor), (iv) causing the Sponsor to sell Bitcoins, Incidental Rights and IR Virtual Currency on the termination of the Trust, (v) making distributions of Incidental Rights and/or IR Virtual Currency or cash from the sale thereof and (vi) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement, the Custodian Agreement, the Index License Agreement and the Participant Agreements.

In addition, the Trust may engage in any lawful activity necessary or desirable in order to facilitate Shareholders' access to Incidental Rights or IR Virtual Currency, provided that such activities do not conflict with the terms of the Trust Agreement. The Trust will not be actively managed. It will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the market prices of Bitcoins.

#### ***Incidental Rights and IR Virtual Currency***

From time to time, the Trust may come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of Bitcoins, generally through a fork in the Blockchain, an airdrop offered to holders of Bitcoins or other similar event. Pursuant to the terms of the Trust Agreement, the Trust may take any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, unless such action would adversely affect the status of the Trust as a grantor trust for U.S.

federal income tax purposes or otherwise be prohibited by the Trust Agreement. These actions include selling Incidental Rights and/or IR Virtual Currency and distributing the cash proceeds to Shareholders or distributing Incidental Rights and/or IR Virtual Currency in kind to Shareholders, or to an Agent acting on behalf of the Shareholders if such distribution would otherwise be infeasible. The Trust may also use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses, if any, as discussed below under "—Trust Expenses." However, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's Bitcoin Holdings, the Bitcoin Holdings per Share, the NAV, or the NAV per share.

### ***Trust Expenses***

The Trust's only ordinary recurring expense is expected to be the Sponsor's Fee. The Sponsor's Fee will accrue daily in U.S. dollars at an annual rate of 2.0% of the Bitcoin Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day; provided that for a day that is not a business day, the calculation of the Sponsor's Fee will be based on Bitcoin Holdings Fee Basis Amount from the most recent business day, reduced by the accrued and unpaid Sponsor's Fee for such most recent business day and for each day after such most recent business day and prior to the relevant calculation date. This dollar amount for each daily accrual will then be converted into Bitcoins by reference to the same Bitcoin Index Price used to determine such accrual. The Sponsor's Fee is payable in Bitcoins to the Sponsor monthly in arrears.

To cause the Trust to pay the Sponsor's Fee, the Sponsor will instruct the Custodian to (i) withdraw from the Bitcoin Account the number of Bitcoins equal to the accrued but unpaid Sponsor's Fee and (ii) transfer such Bitcoins to the Sponsor's account at such times as the Sponsor determines in its absolute discretion.

If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of the Trust Agreement. If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of Bitcoin that would otherwise have been used to satisfy such payment will be correspondingly reduced. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee.

After the Trust's payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert the Bitcoin, Incidental Rights and/or IR Virtual Currency received as payment of the Sponsor's Fee into U.S. dollars. The rate at which the Sponsor converts such Bitcoin, Incidental Rights and/or IR Virtual Currency into U.S. dollars may differ from the rate at which the relevant Sponsor's Fee was determined. The Trust will not be responsible for any fees and expenses incurred by the Sponsor to convert Bitcoin, Incidental Rights and/or IR Virtual Currency received in payment of the Sponsor's Fee into U.S. dollars.

As partial consideration for its receipt of the Sponsor's Fee, the Sponsor has assumed the obligation to pay the Sponsor-paid Expenses. The Sponsor has not assumed the obligation to pay Additional Trust Expenses. If Additional Trust Expenses are incurred, the Sponsor (i) will instruct the Custodian to withdraw from the Bitcoin Account Bitcoins, Incidental Rights and/or IR Virtual Currency in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust (or its delegate) to convert such Bitcoins, Incidental Rights and/or IR Virtual Currency into U.S. dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver such Bitcoins, Incidental Rights and/or IR Virtual Currency in kind, at a value to be determined pursuant to an agreement with the relevant payee, in satisfaction of such Additional Trust Expenses. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses only if doing so does not conflict with the terms of the Trust Agreement. If the Trust

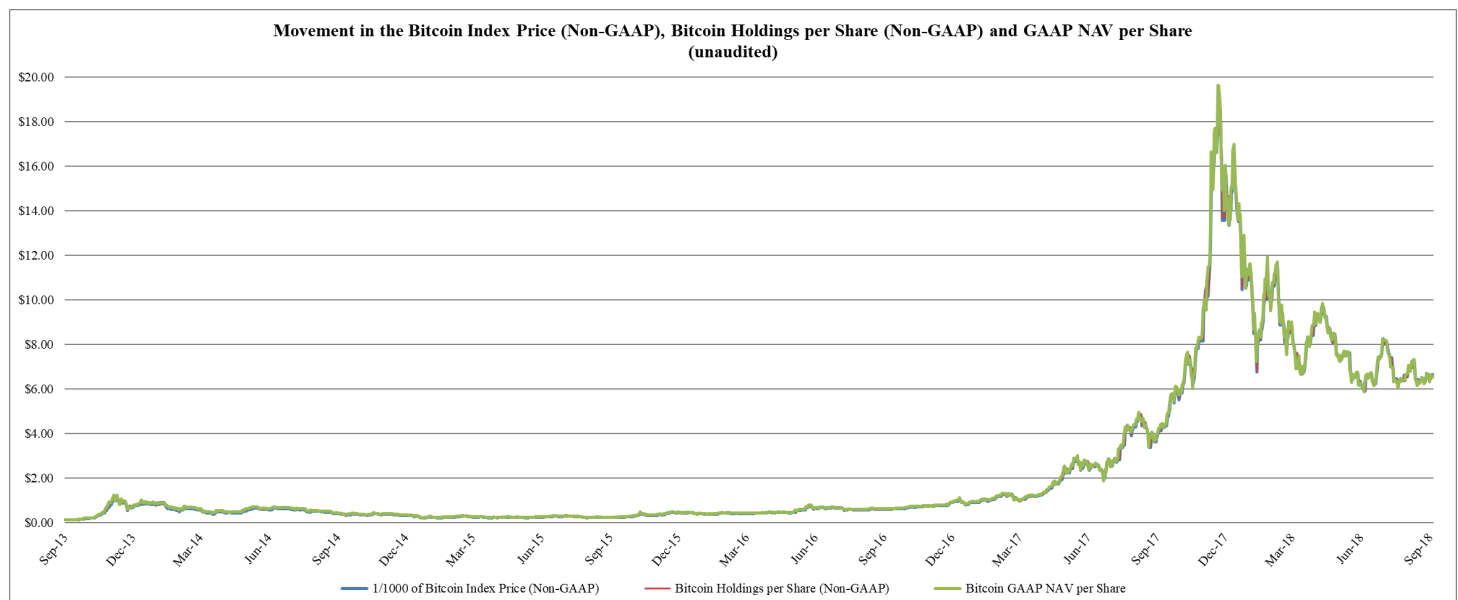
pays the Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of Bitcoin that would otherwise have been used to satisfy such payment will be correspondingly reduced.

The number of Bitcoins represented by a Share will decline each time the Trust pays the Sponsor’s Fee or any Additional Trust Expenses by transferring or selling Bitcoins.

The Trust will pay the Sponsor’s Fee to the Sponsor in Bitcoins, Incidental Rights and/or IR Virtual Currency. In addition, the Trust will sell Bitcoins, Incidental Rights and/or IR Virtual Currency to raise the funds needed for the payment of any Additional Trust Expenses or will pay Additional Trust Expenses in Bitcoins, Incidental Rights and/or IR Virtual Currency. The Trust’s Bitcoin, Incidental Rights and IR Virtual Currency, and the purchase price received as consideration for such sales of Bitcoin, Incidental Rights and IR Virtual Currency, will be the Trust’s sole source of funds to cover the Sponsor’s Fee and any Additional Trust Expenses. Because the number of Bitcoins held by the Trust will decrease when Bitcoins are used to pay the Sponsor’s Fee or Additional Trust Expenses or are sold to permit the payment of Additional Trust Expenses, it is expected that the fractional number of Bitcoin represented by each Share will gradually decrease over the life of the Trust. Accordingly, the Shareholders will bear the cost of the Sponsor’s Fee and Additional Trust Expenses. New Bitcoins deposited into the Bitcoin Account in exchange for additional new Baskets issued by the Trust will not reverse this trend.

## Bitcoin

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following table illustrates the movement in the Bitcoin Holdings per Share (Non-GAAP), which equals the Bitcoin Holdings of the Trust divided by the number of outstanding Shares since September 25, 2013 through September 30, 2018, as well as the Bitcoin Index Price (Non-GAAP) and the GAAP NAV per Share:



For more information about how we determine the Bitcoin Holdings per Share, see the section “Bitcoin Investment Trust—Valuation of Bitcoin and Determination of the Trust’s Bitcoin Holdings” in our Annual Report.

## Fork(s)

There is no official developer or group of developers that formally controls the Bitcoin Network. As a result, any individual can download the Bitcoin Network software and make any desired modifications, which are proposed to users and miners on the Bitcoin Network through software downloads and upgrades, typically posted to the Bitcoin development forum on GitHub.com. A substantial majority of miners and Bitcoin users must consent to such software modifications by downloading the altered software or upgrade; otherwise, the modifications do not

become a part of the Bitcoin Network. Since the Bitcoin Network's inception, modifications to the Bitcoin Network have been accepted by the vast majority of users and miners, ensuring that the Bitcoin Network remains a coherent system.

However, over the last few years, the Bitcoin Network has experienced significant scalability problems. The scalability problems are a consequence of the fact that blocks in the blockchain are limited to one megabyte in size. The one-megabyte limit created a bottleneck in Bitcoin, resulting in increased transaction fees and delayed processing of transactions that cannot be fit into a block. Since these problems first surfaced, various proposals have been put forth by developers, miners, and business operators on how to scale Bitcoin effectively. This has led to a contentious and heated debate about which scalability solution would preserve network security whilst increasing transaction throughput in a cost effective way, and consequently a number of forks.

When a proposed modification to the Bitcoin Network is not accepted by the vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the network, a "fork" in the blockchain occurs, resulting in two separate networks. A "hard fork" is a software upgrade that introduces a new rule to the network that is not compatible with the older software, while a "soft fork" is any change that is backward compatible. Holders of Bitcoin on the original Bitcoin Network, at the time the block is mined and the fork occurs, can then also receive an identical amount of new tokens on the new network.

### **Bitcoin Fork on August 1, 2017 (Bitcoin Cash)**

#### *Background and Initial Measurement*

In the case of the Bitcoin-Bitcoin Cash hard fork on August 1, 2017, a quorum of network participants accepted a modification to increase the Bitcoin Network block size to 8 megabytes to resolve the scalability problem. At the same time, many network participants still did not believe that this was a superior scaling solution. Therefore, they continued to support another version of the Bitcoin Network without the block size increase but with a different scaling solution known as Segregated Witness. The version of the Bitcoin Network with the block size increase was rebranded as Bitcoin Cash. The Custodian subsequently exercised the Trust's Incidental Rights to obtain Bitcoin Cash tokens.

Immediately following the hard fork on August 1, 2017, holders of Bitcoin passively received an Incidental Right to obtain an equal number of Bitcoin Cash tokens. At that time, the Trust held approximately 173,014 Bitcoin and the newly created Bitcoin Cash was inaccessible to the Trust until the Custodian was able to develop processes to safely and securely obtain access to and permit withdrawal of Bitcoin Cash. On the date of the hard fork, the Incidental Rights to Bitcoin Cash were determined to have no value as there were insufficient observable market inputs to determine the fair value of Bitcoin Cash.

#### *Subsequent Measurement*

Subsequent to the date of the fork, trading markets for Bitcoin Cash continued to develop. Bitcoin Cash currently trades on multiple exchanges as well as over the counter markets. As of September 30, 2017, the exchanges trading Bitcoin Cash did not meet the Trusts requirements to access the market based upon the market's regulatory compliance with applicable federal and state licensing requirements and practices regarding anti-money laundering procedures.

The Trust determined the fair value per Bitcoin Cash to be \$445.93 on September 30, 2017, using the price provided at 4:00 PM in New York by the Bitcoin Cash exchange with the highest U.S. dollar-denominated trading volume that has an online platform and publishes transaction price and volume data publicly. The Trust recorded an asset on the Statement of Assets and Liabilities and a corresponding unrealized gain on the Statement of Operations for Bitcoin Cash based upon its estimated fair value at September 30, 2017 of \$77,152,240.

Bitcoin Cash has been excluded from the value of the Trust's Bitcoin Holdings for purposes of calculation of the Sponsor's Fee through September 30, 2017 as the Sponsor did not collect sponsor fees on the balance. This is consistent with the investment objective of the Trust, as the Shares seek to reflect the value of the Bitcoins held by the Trust, determined by reference to the Bitcoin Index Price, less the Trust's expenses and other liabilities.

### *Distribution of Bitcoin Cash*

On October 25, 2017, the Trust declared a distribution and established a record date for the distribution of Bitcoin Cash held by the Trust to Shareholders of record ("Bitcoin Cash Record Date Shareholders") as of the close of business on November 6, 2017 (the "Bitcoin Cash Record Date" and such distribution the "Bitcoin Cash Distribution").

On the Bitcoin Cash Record Date, the Trust, acting on behalf of the Bitcoin Cash Record Date Shareholders and pursuant to the terms of the Trust Agreement governing the Trust, appointed Grayscale as Agent of the Bitcoin Cash Record Date Shareholders and distributed all of the Bitcoin Cash tokens then held by the Trust to the Bitcoin Cash Record Date Shareholders by transferring such tokens to the Agent. The Trust has no ownership interest in the distributed Bitcoin Cash, no ability to control the actions of the Agent and no right to receive any information about the distributed Bitcoin Cash or the disposition thereof from the Bitcoin Cash Record Date Shareholders, their Agent or any other person. However, the Agent voluntarily informed the Trust that it liquidated the Bitcoin Cash tokens, on behalf of the Bitcoin Cash Record Date Shareholders, using a related party registered broker-dealer (Genesis), over a period of 32 days and remitted the cash proceeds from such sale, net of the administrative and other expenses incurred by the Agent in connection with the liquidation to the Bitcoin Cash Record Date Shareholders on December 12, 2017.

In connection with the Bitcoin Cash fork, the Trust incurred Additional Trust Expenses. These Additional Trust Expenses primarily related to consultations with the Trust's professional advisors and third-party service providers to determine an appropriate approach to handling the Bitcoin Cash that would preserve value for the Shareholders in a manner consistent with the Trust's continued treatment as a grantor trust for U.S. federal income tax purposes. Pursuant to the terms of the Trust Agreement, the Additional Trusts Expenses are borne by the Trust.

### **Bitcoin Fork on December 28, 2017 (Bitcoin SegWit2X)**

#### *Background and Measurement*

In the case of the Bitcoin SegWit2X hard fork on December 28, 2017, a quorum of network participants accepted a modification to activate Segregated Witness and then trigger a hard fork for a 2-megabyte block size. This version of the Bitcoin Network was rebranded as Bitcoin SegWit2X.

Immediately following the hard fork on December 28, 2017, holders of Bitcoin passively received an Incidental Right to obtain an equal number of Bitcoin SegWit2X. At that time, the Trust held approximately 175,878 Bitcoin and the newly created Bitcoin SegWit2X was inaccessible to the Trust. On the date of the hard fork, the Incidental Rights to Bitcoin SegWit2X was determined to have no value as there were insufficient observable market inputs to determine the fair value of Bitcoin SegWit2X.

Furthermore, on December 29, 2017, the Sponsor of the Trust announced that it had declared a distribution and established a record date for the distribution of the Incidental Right to the Bitcoin SegWit2X to Shareholders of record as of the close of business on January 8, 2018.

### *Subsequent Measurement and Distribution of Incidental Rights to Bitcoin SegWit2X*

On January 8, 2018, the Trust distributed the Incidental Rights to obtain 175,878 Bitcoin SegWit2X tokens held by the Trust to the Shareholders of record (“Bitcoin SegWit2X Shareholders”) as of the close of business on January 8, 2018 (the “Bitcoin SegWit2X Record Date” and such distribution, the “Incidental Rights to Bitcoin SegWit2X Distribution”). As of the Bitcoin SegWit2X Record Date, the exchanges trading Bitcoin SegWit2X did not have sufficient trading volumes to be considered to have active markets. The Trust determined such Incidental Rights to have a fair value of \$0 and no gain or loss was recognized as part of the in-kind Incidental Right distribution.

On the Bitcoin SegWit2X Record Date, the Trust, acting on behalf of the Bitcoin SegWit2X Record Date Shareholders and pursuant to the terms of the Trust Agreement governing the Trust, appointed Grayscale as Agent of the Bitcoin SegWit2X Record Date Shareholders and distributed the Incidental Rights to Bitcoin SegWit2X tokens held by the Trust to the Bitcoin SegWit2X Record Date Shareholders by transferring such Incidental Rights to the Agent. The Trust has no ownership interest in the distributed Incidental Rights to Bitcoin SegWit2X, no ability to control the actions of the Agent and no right to receive any information about the distributed Incidental Rights to Bitcoin SegWit2X or the disposition thereof or of the underlying Bitcoin SegWit2X from the Bitcoin SegWit2X Record Date Shareholders, their Agent or any other person. On April 2, 2018, the Agent voluntarily informed the Trust that, on behalf of the Bitcoin SegWit2X Record Date Shareholders, it irrevocably abandoned all of the rights to Bitcoin SegWit2X tokens because it was determined that the costs incurred by the Agent in connection with selling the Bitcoin SegWit2X tokens would exceed the gross proceeds from such sales.

### **Critical Accounting Policies**

#### *Investment Transactions and Revenue Recognition*

The Trust considers its investment transactions to be the receipt of Bitcoin for Share creations and the payment of Bitcoin for Share redemptions (if a redemption program were to be established) or payment of expenses in Bitcoin. At this time, the Trust is not accepting redemption requests from Shareholders. The Trust records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using an average cost method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Sponsor’s Fee in Bitcoin.

#### *Valuation of Bitcoin*

Bitcoins are held by the Custodian on behalf of the Trust and are carried, for financial statement purposes, at fair value. Unlike the procedures used for determining the Bitcoin Index Price and the Trust’s Bitcoin Holdings, which are calculated using a volume weighted average across multiple Bitcoin Exchanges, the fair value of Bitcoin and NAV presented in the financial statements are calculated in accordance with GAAP based on the price provided by the Bitcoin Exchange that the Trust considers its principal market as of 4:00 p.m., New York time, on the valuation date. As of September 30, 2018, and December 31, 2017, the Trust held 200,304.61882310 and 175,839.08652196 Bitcoins, respectively.

The Trust determined the fair value per Bitcoin to be \$6,588.01 on September 30, 2018 and \$14,168.54 on December 31, 2017 using the price provided at 4:00 p.m., New York time, by the Bitcoin Exchange considered to be the Trust’s principal market (Coinbase Pro (formerly known as Global Digital Asset Exchange (“GDAX”))).

To determine which exchange is the Trust’s principal market for purposes of calculating the Trust’s NAV, the Trust considers only Bitcoin Exchanges that are U.S. dollar-denominated, have an online platform and publish transaction price and volume data publicly. Based on these requirements, the Trust prepares a list of eligible Bitcoin Exchanges and considers the following criteria to select its principal market: (i) the volume of Bitcoin traded on a Bitcoin Exchange in the prior trailing twelve months, (ii) a Bitcoin Exchange’s regulatory compliance

with applicable federal and state licensing requirements and practices regarding anti-money laundering procedures and (iii) the degree of intra-day price fluctuations a Bitcoin Exchange experiences as well as the degree of variance in prices across Bitcoin Exchanges.

In determining which of the eligible Bitcoin Exchanges is the Trust's principal market, the Trust reviews these criteria in the following order:

First, the Trust sorts the list of eligible Bitcoin Exchanges from high to low by volume of Bitcoin traded on each Bitcoin Exchange in the prior trailing twelve months. The Trust moves down the list until it reaches a Bitcoin Exchange that has a volume of Bitcoin traded for the prior trailing twelve months that is less than 10% of the next largest Bitcoin Exchange and excludes this and all smaller Bitcoin Exchanges from the list. However, the list will always contain a minimum of three Bitcoin Exchanges, even if the percentage of volume drops to less than 10% of the next largest Bitcoin Exchange.

Second, the Trust reviews the remaining Bitcoin Exchanges and excludes any Bitcoin Exchanges that do not comply with the federal and state licensing requirements that are applicable to the Trust and the Authorized Participant(s). The Trust or an Authorized Participant can only do business with those Bitcoin Exchanges that meet the regulatory requirements of the jurisdiction in which the Trust or an Authorized Participant is registered to do business. The Trust also assesses each Bitcoin Exchange's practices regarding anti-money laundering procedures.

Third, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Bitcoin Exchanges to identify any material notable variances that may impact the volume or price information of a particular Bitcoin Exchange. The Trust then selects a Bitcoin Exchange as its principal market based on highest trade volume and price stability in comparison to the other Bitcoin Exchanges on the list.

The Trust determines its principal market annually and conducts a quarterly analysis to determine if (i) there have been recent changes to each Bitcoin Exchange's transaction volume in the prior trailing twelve months, (ii) if any Bitcoin Exchanges have fallen out of, or come into, compliance with applicable regulatory requirements, (iii) if the Trust has engaged any new Authorized Participant that, due to being registered to do business in another jurisdiction, would make Bitcoin Exchanges previously inaccessible to the Trust now accessible or (iv) if recent changes to each Bitcoin Exchanges' price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Trust's determination of its principal market.

The cost basis of the investment in Bitcoin recorded by the Trust for financial reporting purposes is the fair value of Bitcoin at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of corresponding Shares to investors.

#### *Investment Company Considerations*

The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*. The Trust is not registered under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and the difference could be material.

#### *In-kind IR Virtual Currency and Incidental Rights Distributions*

The Trust accounts for in-kind distributions of IR Virtual Currency and Incidental Rights in accordance with FASB ASC Topic 845, *Nonmonetary Transactions*, pursuant to which a transfer of a nonmonetary asset to a Shareholder or to another entity in a nonreciprocal transfer is recorded at the fair value of the asset transferred and a gain or loss is recognized on the disposition of the asset by the Trust.



## Review of Financial Results (unaudited)

### *Financial Highlights*

(All amounts in the following table and the subsequent paragraphs, except per Share, are in thousands of US\$)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net realized and unrealized gain (loss) on investment in Bitcoin	\$ 49,712	\$ 316,980	\$ (1,368,361)	\$ 583,876
Net unrealized gain on Bitcoin Cash	\$ -	\$ 77,152	\$ -	\$ 77,152
Net increase (decrease) in net assets resulting from operations	\$ 42,925	\$ 391,101	\$ (1,391,639)	\$ 655,453
Net assets	\$ 1,319,609	\$ 824,240	\$ 1,319,609	\$ 824,240

Net realized and unrealized gain on investment in Bitcoin for the three months ended September 30, 2018 was \$49,712, which includes a realized gain of \$5,022 on the transfer of Bitcoins to pay the Sponsor's Fee and \$44,690 net change in unrealized appreciation on investment in Bitcoin. Net assets increased to \$1,319,609 at September 30, 2018, an 8% increase for the three-month period. The increase in net assets resulted primarily from Bitcoin price appreciation and creation of shares.

Net realized and unrealized gain on investment in Bitcoin for the three months ended September 30, 2017 was \$316,980, which includes a realized gain of \$2,841 on the transfer of Bitcoins to pay the Sponsor's Fee and \$314,139 net change in unrealized appreciation on investment in Bitcoin. Net assets increased to \$824,240 at September 30, 2017, a 90% increase for the three-month period. The increase in net assets resulted primarily from Bitcoin price appreciation and the unrealized gain related to the fair value of Bitcoin Cash.

Net realized and unrealized loss on investment in Bitcoin for the nine months ended September 30, 2018 was \$(1,368,361), which includes a realized gain of \$19,061 on the transfer of Bitcoins to pay the Sponsor's Fee and \$(1,387,422) net change in unrealized depreciation on investment in Bitcoin. Net assets decreased to \$1,319,609 at September 30, 2018, a 47% decrease for the nine-month period. The decrease in net assets resulted primarily from Bitcoin price depreciation.

Net realized and unrealized gain on investment in Bitcoin for the nine months ended September 30, 2017 was \$583,876, which includes a realized gain of \$4,374 on the transfer of Bitcoins to pay the Sponsor's Fee and \$579,502 net change in unrealized appreciation on investment in Bitcoin. Net assets increased to \$824,240 at September 30, 2017, a 396% increase for the nine-month period. The increase in net assets resulted primarily from Bitcoin price appreciation and the unrealized gain related to the fair value of Bitcoin Cash.

### *Off-Balance Sheet Arrangements*

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

## *Cash Resources and Liquidity*

The Trust has not had a cash balance at any time since inception. When selling Bitcoins, Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses, the Sponsor endeavors to sell the exact number of Bitcoins, Incidental Rights and/or IR Virtual Currency needed to pay expenses in order to minimize the Trust's holdings of assets other than Bitcoin. As a consequence, the Sponsor expects that the Trust will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period.

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

The Trust may incur certain extraordinary, non-recurring expenses and indemnification expenses that constitute Additional Trust Expenses and are not Sponsor-paid Expenses, including, but not limited to, (i) taxes and governmental charges, (ii) expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), (iii) any indemnification of the Key Maintainer, any Backup Maintainer or other agents, service providers or counterparties of the Trust, (iv) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and (v) extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively "Additional Trust Expenses"). In such circumstances, the Sponsor will either convert Bitcoins, Incidental Rights or IR Virtual Currency into U.S. dollars or other fiat currencies at the Actual Exchange Rate or deliver Bitcoins, Incidental Rights or IR Virtual Currency in kind, in each case, in such quantity as may be necessary to pay such Additional Trust Expenses.

The quantity of Bitcoins, Incidental Rights or IR Virtual Currency to be delivered to the Sponsor in payment of the Sponsor's Fee or any Additional Trust Expenses, or sold to permit payment of Additional Trust Expenses, will vary from time to time depending on the level of the Trust's expenses and the value of Bitcoin, Incidental Rights or IR Virtual Currency held by the Trust. Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, each delivery or sale of Bitcoins, Incidental Rights and IR Virtual Currency by the Trust for the payment of expenses will be a taxable event for Shareholders.

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

The Trust Agreement does not authorize the Trustee to borrow for payment of the Trust's ordinary expenses. The Trust does not engage in transactions in foreign currencies which could expose the Trust or holders of Shares to any foreign currency related market risk. The Trust does not invest in any derivative financial instruments and has no foreign operations or long-term debt instruments. From time to time, the Trust may come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of Bitcoins, generally through a fork in the Blockchain, or an airdrop or other similar event offered to holders of Bitcoins. Pursuant to the terms of the Trust Agreement, the Trust may take any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, unless such action would adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes or otherwise be prohibited by the Trust Agreement.

## Selected Supplemental Data (unaudited)

(All Bitcoin balances are rounded to the nearest whole Bitcoin)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Bitcoins:</b>				
Opening Balance	192,506	173,413	175,839	172,095
Creations	8,796	-	27,287	2,939
Sponsor's Fee, related party	(997)	(976)	(2,821)	(2,597)
Closing balance	200,305	172,437	200,305	172,437
Accrued but unpaid Sponsor's Fee, related party	-	-	-	-
Net closing balance	200,305	172,437	200,305	172,437
<b>Number of Shares:</b>				
Opening balance	192,704,400	170,051,700	174,283,200	167,194,300
Creations	8,819,100	-	27,240,300	2,857,400
Closing balance	201,523,500	170,051,700	201,523,500	170,051,700

	As of September 30, 2018	As of September 30, 2017
Price of Bitcoin on principal market <sup>1</sup>	\$ 6,588.01	\$ 4,332.53
Price of Bitcoin Cash on principal market <sup>2</sup>	N/A	\$ 445.93
NAV per Share <sup>3</sup>	\$ 6.55	\$ 4.85
Bitcoin Index Price	\$ 6,586.74	\$ 4,136.77
Bitcoin Holdings per Share <sup>4</sup>	\$ 6.55	\$ 4.19

<sup>1</sup> The Trust conducted a quarterly analysis of the principal market during the nine months ended September 30, 2018 and 2017 and identified the principal market as Coinbase Pro.

<sup>2</sup> In determining which Bitcoin Exchange to use for the purpose of determining the fair value of Bitcoin Cash, the Trust considered using the price provided at 4:00 p.m. in New York by the Bitcoin Cash exchange with the highest trading volumes that is U.S. dollar-denominated, practices regarding anti money laundering procedures, has an online platform and publishes transaction price and volume data publicly. There is no comparative information as the Bitcoin Cash tokens were distributed from the Trust on November 6, 2017. See the section entitled "Fork(s)" above.

<sup>3</sup> As of September 30, 2018, the NAV per Share was calculated using the fair value of Bitcoins based on the price provided by Coinbase Pro, the Bitcoin Exchange that the Trust currently considers its principal market, as of 4:00 p.m., New York time, on the valuation date. As of September 30, 2017, the NAV per Share was calculated using the fair value of Bitcoins and Bitcoin Cash based on the price provided at 4:00 p.m. in New York by the Bitcoin and Bitcoin Cash Exchanges that the Trust considers its principal market.

<sup>4</sup> The Trust's Bitcoin Holdings per Share is derived from the Bitcoin Index Price as represented by the Index as of 4:00 p.m., New York time, on the valuation date. The Trust's Bitcoin Holdings per Share is calculated using a non-GAAP methodology where the volume-weighted average price is derived from multiple Bitcoin Exchanges and excludes Bitcoin Cash from the assets of the Trust. See the section entitled "Bitcoin Investment Trust — Valuation of Bitcoin and Determination of the Trust's Bitcoin Holdings" in our Annual Report for a description of the Trust's Bitcoin Holdings per Share. The Bitcoin Exchanges used to calculate the Bitcoin Index Price as of September 30, 2018 were Coinbase Pro, itBit and Bitstamp. The Bitcoin Exchanges used to calculate the Bitcoin Index Price as of September 30, 2017 were Coinbase Pro, itBit, Bitstamp and Kraken. As of September 28, 2018 (the last business day a Creation Basket could have been originated during the period), the Bitcoin Index Price was \$6,664.78, and the Bitcoin Holdings per Share was \$6.63.

For the three months ended September 30, 2018, an additional 8,819,100 Shares (88,191 Baskets) were created in exchange for approximately 8,796 Bitcoins, no redemptions occurred, approximately 998 Bitcoins were deducted from the Trust's holdings and used by the Sponsor to pay the Sponsor's Fee.

For the three months ended September 30, 2017, no new Shares were created or redeemed, approximately 976 Bitcoins were deducted from the Trust's holdings and used by the Sponsor to pay the Sponsor's Fee.

For the nine months ended September 30, 2018, an additional 27,240,300 Shares (272,403 Baskets), were created in exchange for approximately 27,287 Bitcoins, no redemptions occurred, approximately 2,821 Bitcoins were deducted from the Trust's holdings and used by the Sponsor to pay the Sponsor's Fee.

For the nine months ended September 30, 2017, 2,857,400 Shares (28,574 Baskets), were created in exchange for approximately 2,939 Bitcoins, approximately 2,597 Bitcoins were deducted from the Trust's holdings and used by the Sponsor to pay the Sponsor's Fee.

For accounting purposes, the Trust reflects creations and the Bitcoin receivable with respect to such creations on the date of receipt of a notification of a creation but does not issue Shares until the requisite number of Bitcoins is received. In connection with Share redemptions, if permitted, the Trust would deliver Bitcoins upon receipt of Shares. At this time, the Trust is not operating a redemption program and is not accepting redemption requests from Shareholders. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program.

As of September 28, 2018, (the last business day on which a Creation Basket could have been originated), the Trust had a net closing balance of approximately 200,327 Bitcoins, with a value of \$1,335,132,529, based on the Bitcoin Index Price of \$6,664.78 on September 28, 2018 (Non-GAAP methodology). As of September 30, 2018, the Trust had a net closing balance of approximately 200,305 Bitcoins, with a value of \$1,319,354,445, based on the Bitcoin Index Price of \$6,586.74 on September 30, 2018 (Non-GAAP methodology). As of September 30, 2018, the Trust had a net closing balance of approximately 200,305 Bitcoins, with a market value of \$1,319,608,832, based on the principal market (Coinbase Pro) of \$6,588.01 on September 30, 2018 (GAAP methodology).

## **Historical Bitcoin Prices**

As movements in the price of Bitcoins will directly affect the price of the Shares, investors should understand recent movements in the price of Bitcoin. Investors, however, should also be aware that past movements in the Bitcoin price are not indicators of future movements. Movements may be influenced by various factors, including, but not limited to, government regulation, security breaches experienced by service providers, as well as political and economic uncertainties around the world.

During the period between September 25, 2013 (the first Creation Basket of the Trust) to September 30, 2018, the Bitcoin price, based on the price reported by the Trust's principal market as of 4:00 p.m., New York time, traded between \$110.83 per Bitcoin (October 2, 2013) and \$19,433.21 (December 16, 2017), the average was \$2,331.57 and the median was \$613.22. The average, high, low and end-of-period Bitcoin prices for the twelve months ended September 30, 2014 through 2018, and for the period from the first Creation Basket of the Trust until September 30, 2018, based on the price reported by the Trust's principal market as of 4:00 p.m., New York time, on the applicable dates were:

Period	Average	High	Date	Low	Date	End of period	Last business day
Twelve months ended September 30, 2014.....	\$559.77	\$1,138.29	11/30/2013	\$110.83	10/2/2013	\$392.64	\$392.64
Twelve months ended September 30, 2015.....	\$275.62	\$424.94	11/12/2014	\$184.84	1/14/2015	\$237.33	\$237.33
Twelve months ended September 30, 2016.....	\$470.09	\$769.07	6/18/2016	\$237.68	10/2/2015	\$604.84	\$604.84
Twelve months ended September 30, 2017.....	\$1,792.56	\$4,871.83	9/1/2017	\$607.73	10/4/2016	\$4,322.53	\$4,168.33
Twelve months ended September 30, 2018.....	\$8,601.17	\$19,433.21	12/16/2017	\$4,208.00	10/4/2017	\$6,588.01	\$6,675.09
September 25, 2013 (the first Creation Basket of the Trust) to September 30, 2018.....	\$2,331.57	\$19,433.21	12/16/2017	\$110.83	10/2/2013	\$6,588.01	\$6,675.09

## Item 5. Legal Proceedings.

There are no current, past, pending or, to the Trust's knowledge, threatened legal proceedings or administrative actions either by or against the Trust or the Sponsor that could have a material effect on the Trust's or the Sponsor's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

## Item 6. Defaults Upon Senior Securities.

None.

## Item 7. Other Information.

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

### ***Amendment to the Trust Agreement***

On September 12, 2018, an amendment to the Trust Agreement was made by the Sponsor of the Trust, which included the following amendments:

- (i) replace references to Limited Owners with references to Shareholders, which for the avoidance of doubt will include the Sponsor if the Sponsor owns any Shares;
- (ii) provide that the Sponsor may at any time, upon sixty (60) days' prior notice to the Trustee, remove the Trustee and appoint a successor trustee;
- (iii) enable the Trust to create and issue Creation Baskets to any Shareholder that has signed a Purchase Agreement with the Trust;
- (iv) enable the Sponsor to cause the Trust to issue Shares in certificated form in its sole discretion;

- (v) prohibit the Trust from operating a redemption program for the Shares unless otherwise determined by the Sponsor following receipt of regulatory approval therefor, which the Trust may, but shall not be required to, seek;
- (vi) enable the Trust to enter into contracts or agreements with the Sponsor or an Affiliate under certain circumstances;
- (vii) establish as the basis for the calculation of the Sponsor's Fee the Bitcoin Holdings Fee Basis Amount, which for the avoidance of doubt, is not reduced by the accrued but unpaid Sponsor's Fee for the Business Day on which the calculation is made;
- (viii) clarify that the only legal, marketing and audit fees that the Sponsor will assume as partial consideration for the Sponsor's Fee are (i) customary legal, marketing and audit fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market and (ii) ordinary course legal fees and expenses of the Trust;
- (ix) clarify that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense;
- (x) clarify that Additional Trust Expenses will include extraordinary legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters;
- (xi) provide that Shareholders holding Shares equal to at least a majority (over 50%) of the Shares, which for the avoidance of doubt includes Shares held by the Sponsor, may vote to elect and appoint a successor Sponsor;
- (xii) permit the Sponsor to include in the Bitcoin Holdings of the Trust the value of any Incidental Rights and/or IR Virtual Currency if the Sponsor determines in good faith a method for assigning an objective value to such Incidental Rights and/or IR Virtual Currency;
- (xiii) provide that meetings of Shareholders may be held on a date that is not less ten (10) nor more than sixty (60) days after the date on which the Sponsor furnishes written notice thereof to all Shareholders and eliminate the requirement that such notice be accompanied by an opinion of independent counsel as to the effect of the proposed action on the liability of Shareholders for the debts of the Trust;
- (xiv) provide that Shareholders holding a majority (over 50%) of the Shares, which for the avoidance of doubt includes any Shares held by the Sponsor and its Affiliates, may agree in writing to continue the affairs of the Trust in the event that an Event of Withdrawal has occurred; and
- (xv) eliminate the ability of Shareholders to elect to dissolve the Trust.

The following is a description of the material terms of the Trust Documents as they relate to valuation of the Trust's Bitcoins and the Bitcoin Holdings calculations.

On each business day at 4:00 p.m., New York time, or as soon thereafter as practicable (the "Evaluation Time"), the Sponsor will evaluate the Bitcoins held by the Trust and calculate and publish the Bitcoin Holdings of the Trust. To calculate the Bitcoin Holdings, the Sponsor will:

1. Determine the Bitcoin Index Price as of such business day.
2. Multiply the Bitcoin Index Price by the Trust's aggregate number of Bitcoins owned by the Trust as of 4:00 p.m., New York time, on the immediately preceding day, less the aggregate number of Bitcoins payable as the accrued and unpaid Sponsor's Fee as of 4:00 p.m., New York time, on the immediately preceding day.
3. Add the U.S. dollar value of Bitcoins, calculated using the Bitcoin Index Price, receivable under pending creation orders, if any, determined by multiplying the number of the Creation Baskets represented by such creation orders by the Basket Bitcoin Amount and then multiplying such product by the Bitcoin Index Price.

4. Subtract the U.S. dollar amount of accrued and unpaid Additional Trust Expenses, if any.
5. Subtract the U.S. dollar value of the Bitcoins, calculated using the Bitcoin Index Price, to be distributed under pending redemption orders, if any, determined by multiplying the number of Redemption Baskets represented by such redemption orders by the Basket Bitcoin Amount and then multiplying such product by the Bitcoin Index Price (the amount derived from steps 1 through 5 above, the “Bitcoin Holdings Fee Basis Amount”).
6. Subtract the U.S. dollar amount of the Sponsor’s Fee that accrues for such business day, as calculated based on the Bitcoin Holdings Fee Basis Amount for such business day.

**Item 8. Exhibits.**

Exhibit 1 Unaudited Financial Statements for the Three and Nine Months ended September 30, 2018.

**Item 9. Certifications.**

**Certification**

I, Barry E. Silbert, certify that:

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

Dated: November 9, 2018

/s/ Barry E. Silbert

By: Barry E. Silbert

Title: Chief Executive Officer of  
Grayscale Investments, LLC



### **Certification**

I, Samantha McDonald, certify that:

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

Dated: November 9, 2018

/s/ Samantha McDonald

By: Samantha McDonald

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

Exhibit 1

Unaudited Financial Statements for the Three and Nine Months Ended September 30, 2018

**FINANCIAL STATEMENTS**

**Bitcoin Investment Trust**

**For the Three and Nine Months Ended September 30, 2018  
(Unaudited)**

Bitcoin Investment Trust™

**Bitcoin Investment Trust**  
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**Bitcoin Investment Trust**  
**Statements of Assets and Liabilities**  
**(Unaudited)**

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
(Amounts in U.S. dollars, except Share amounts)		
<b>Assets:</b>		
Investment in Bitcoin, at fair value (cost \$363,385,701 and \$147,737,920 as of September 30, 2018 and December 31, 2017, respectively)	\$ 1,319,608,832	\$ 2,491,383,131
<b>Total assets</b>	<u>\$ 1,319,608,832</u>	<u>\$ 2,491,383,131</u>
<b>Liabilities:</b>		
Sponsor Fee payable, related party	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u>\$ 1,319,608,832</u>	<u>\$ 2,491,383,131</u>
<b>Net Assets consists of:</b>		
Paid-in-capital	372,293,092	152,427,989
In-kind distribution of Bitcoin Cash	(104,518,219)	(104,518,219)
In-kind distribution of Bitcoin Gold	(53,121,626)	(53,121,626)
Accumulated net investment loss	(41,217,770)	(17,938,908)
Accumulated net realized gain on investment in Bitcoin	31,952,194	12,890,654
Accumulated net realized gain on Bitcoin Cash	104,857,600	104,857,600
Accumulated net realized gain on Bitcoin Gold	53,140,430	53,140,430
Accumulated net change in unrealized appreciation on investment in Bitcoin	956,223,131	2,343,645,211
	<u>\$ 1,319,608,832</u>	<u>\$ 2,491,383,131</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>201,523,500</u>	<u>174,283,200</u>
Net asset value per Share	<u>\$ 6.55</u>	<u>\$ 14.30</u>

*See accompanying notes to unaudited financial statements*

**Bitcoin Investment Trust**  
**Schedules of Investment**  
**(Unaudited)**

**September 30, 2018**

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Bitcoin	200,304.61882310	<u>\$ 363,385,701</u>	<u>\$ 1,319,608,832</u>	<u>100%</u>
Net assets		<u><u>\$ 363,385,701</u></u>	<u><u>\$ 1,319,608,832</u></u>	<u><u>100%</u></u>

**December 31, 2017**

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Bitcoin	175,839.08652196	<u>\$ 147,737,920</u>	<u>\$ 2,491,383,131</u>	<u>100%</u>
Net assets		<u><u>\$ 147,737,920</u></u>	<u><u>\$ 2,491,383,131</u></u>	<u><u>100%</u></u>

*See accompanying notes to unaudited financial statements*

**Bitcoin Investment Trust**  
**Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
(Amounts in U.S. dollars)	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Investment income:</b>				
Investment income	\$ -	\$ -	\$ -	\$ -
<b>Expenses:</b>				
Sponsor Fee, related party	6,786,516	3,031,634	23,278,862	5,576,188
<b>Net investment loss</b>	<u>(6,786,516)</u>	<u>(3,031,634)</u>	<u>(23,278,862)</u>	<u>(5,576,188)</u>
<b>Net realized and unrealized gain (loss) on investment in Bitcoin:</b>				
Net realized gain on investment in Bitcoin	5,021,671	2,840,928	19,061,540	4,373,884
Net change in unrealized appreciation on Bitcoin Cash	-	77,152,240	-	77,152,240
Net change in unrealized appreciation (depreciation) on investment in Bitcoin	44,690,067	314,139,481	(1,387,422,080)	579,502,556
<b>Net realized and unrealized gain (loss) on investment in Bitcoin and Bitcoin Cash</b>	<u>49,711,738</u>	<u>394,132,649</u>	<u>(1,368,360,540)</u>	<u>661,028,680</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>\$ 42,925,222</u>	<u>\$ 391,101,015</u>	<u>\$ (1,391,639,402)</u>	<u>\$ 655,452,492</u>

*See accompanying notes to unaudited financial statements*

**Bitcoin Investment Trust**  
**Statements of Changes in Net Assets**  
**(Unaudited)**

(Amounts in U.S. dollars, except change in Shares outstanding)

	<b>Nine Months Ended September 30, 2018</b>	<b>Year Ended December 31, 2017</b>
<b>(Decrease) increase in net assets from operations:</b>		
Net investment loss	\$ (23,278,862)	\$ (14,187,652)
Net realized gain on investment in Bitcoin	19,061,540	12,149,812
Net realized gain on Bitcoin Cash	-	104,857,600
Net realized gain on Bitcoin Gold	-	53,140,430
Net change in unrealized (depreciation) appreciation on investment in Bitcoin	(1,387,422,080)	2,255,894,719
Net (decrease) increase in net assets resulting from operations	(1,391,639,402)	2,411,854,909
<b>Increase in net assets from capital share transactions:</b>		
Shares issued	219,865,103	70,921,169
Net increase in net assets resulting from capital share transactions	219,865,103	70,921,169
<b>Decrease in net assets from in-kind distributions:</b>		
Bitcoin Cash	-	(104,518,219)
Bitcoin Gold	-	(53,121,626)
Net decrease in net assets from in-kind distributions	-	(157,639,845)
Total (decrease) increase in net assets	(1,171,774,299)	2,325,136,233
<b>Net assets:</b>		
Beginning of period	2,491,383,131	166,246,898
End of period	\$ 1,319,608,832	\$ 2,491,383,131
<b>Change in Shares outstanding</b>		
Shares outstanding at beginning of period	174,283,200	167,194,300
Shares issued	27,240,300	7,088,900
Net increase in Shares	27,240,300	7,088,900
Shares outstanding at end of period	201,523,500	174,283,200

*See accompanying notes to unaudited financial statements*



## **Bitcoin Investment Trust**

### **Notes to Unaudited Financial Statements**

#### **1. Organization**

The Bitcoin Investment Trust (the “Trust”) is a Delaware Statutory Trust that was formed on September 13, 2013 and commenced operations on September 25, 2013. In general, the Trust will hold only Bitcoin and is expected from time to time to issue common units of fractional undivided beneficial interest (“Shares”) (in minimum baskets of 100 Shares, referred to as “Baskets”) in exchange for Bitcoin. The redemption of Shares is not currently contemplated and the Trust does not currently operate a redemption program. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The investment objective of the Trust is for the Shares to reflect the value of Bitcoin held by the Trust, less the Trust’s expenses and other liabilities. The Trust may also receive Incidental Rights and/or IR Virtual Currency as a result of the Trust’s investment in Bitcoin, in accordance with the terms of the Trust Agreement.

Incidental Rights are rights to claim, or otherwise establish dominion and control over, any virtual currency or other asset or right, which rights are incident to the Trust’s ownership of Bitcoin and arise without any action of the Trust, or of the Sponsor or Trustee on behalf of the Trust; while IR Virtual Currency is any virtual currency tokens, or other asset or right, received by the Trust through the exercise (subject to the applicable provisions of the Trust Agreement) of any Incidental Right.

Grayscale Investments LLC (“Grayscale” or the “Sponsor”) acts as the sponsor of the Trust and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Sponsor is responsible for the day-to-day administration of the Trust under the provisions of the Trust Agreement. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Trust to investors, and is also responsible for selecting and monitoring the Trust’s service providers. As partial consideration for the Sponsor’s services, the Trust pays Grayscale a Sponsor Fee as discussed in Note 7.

Authorized Participants of the Trust are the only entities who may place orders to create or, if permitted, redeem Baskets. Genesis Global Trading, Inc. (“Genesis” or the “Authorized Participant”), a registered broker-dealer and wholly owned subsidiary of DCG is the only Authorized Participant and is party to a participant agreement with the Sponsor and the Trust. Additional Authorized Participants may be added at any time, subject to the discretion of the Sponsor.

The custodian of the Trust (the “Custodian”) is responsible for safeguarding the Bitcoin, Incidental Rights, and IR Virtual Currency held by the Trust. Since August 9, 2015, the Custodian has been Xapo, Inc. (“Xapo”), a third-party provider.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the transfer agent are to maintain creations, redemptions, transfers, and distributions of the Trust’s Shares, which are primarily held in book-entry form.

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

# **Bitcoin Investment Trust**

## **Notes to Unaudited Financial Statements**

### **1. Organization (continued)**

On January 26, 2018, the Trust completed a 91-for-1 Share Split of the Trust's issued and outstanding Shares. Each beneficial owner of a Share (a "Shareholder") of record as of the close of business on January 22, 2018 received 90 additional Shares of the Trust for each Share held. The number of outstanding Shares and per-Share amounts disclosed for all periods presented have been retroactively adjusted to reflect the effects of the Share Split.

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

In the opinion of management of the Sponsor of the Trust, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position as of September 30, 2018 and December 31, 2017 and results of operations for the three and nine months ended September 30, 2018 and 2017 have been made. The results of operations for the periods presented are not necessarily indicative of the results of operations expected for the full year. These unaudited financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2017 included in the Company's Annual Report.

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

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 946, *Financial Services – Investment Companies*. The Trust is not registered under the Investment Company Act of 1940. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and differences could be material.

The Trust conducts its transactions in Bitcoin, including receiving Bitcoin for the creation of Shares and delivering Bitcoin for the redemption of Shares (if a redemption program were to be established) and for the payment of the Sponsor Fee. Since its inception, the Trust has not held cash or cash equivalents.

On March 6, 2018, a United States District Court of New York ruled that the Commodity Futures Trading Commission ("CFTC") has standing to exercise its enforcement power over fraud related to virtual currencies sold in interstate commerce. This ruling affirmed the CFTC's position that digital currencies are subject to the anti-fraud and anti-manipulation enforcement authority, thereby asserting jurisdiction over futures, swaps, and other CFTC-regulated derivatives that reference digital currencies. Consistent with the recent ruling, the Trust classifies its investment in Bitcoin as a commodity.

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

The Trust considers investment transactions to be the receipt of Bitcoin for Share creations and the delivery of Bitcoin for Share redemptions (if a redemption program were to be established) or for payment of expenses in Bitcoin. The Trust records its investment transactions on a trade date basis and changes in fair value are reflected as net change in unrealized appreciation or depreciation on investments. Realized gains and losses are calculated using an average cost method. Realized gains and losses are recognized in connection with transactions including settling obligations for the Sponsor Fee in Bitcoin.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

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

**In-kind IR Virtual Currency and Incidental Rights Distributions**

The Trust accounts for in-kind distributions of IR Virtual Currency and Incidental Rights in accordance with FASB ASC Topic 845, *Nonmonetary Transactions*, pursuant to which a transfer of a nonmonetary asset to a Shareholder or to another entity in a non-reciprocal transfer is recorded at the fair value of the asset transferred and a gain or loss is recognized on the disposition of the asset by the Trust.

**Fair Value Measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the ‘exit price’) in an orderly transaction between market participants at the measurement date.

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

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

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

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

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

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

		<b>Fair Value Measurement Using</b>		
	<b>Amount at Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>September 30, 2018</b>				
<b>Assets</b>				
Investment in Bitcoin	<u>\$ 1,319,608,832</u>	<u>\$ -</u>	<u>\$ 1,319,608,832</u>	<u>\$ -</u>
<b>December 31, 2017</b>				
<b>Assets</b>				
Investment in Bitcoin	<u>\$ 2,491,383,131</u>	<u>\$ -</u>	<u>\$ 2,491,383,131</u>	<u>\$ -</u>

**3. Fair Value of Bitcoin**

Bitcoin is held by the Custodian on behalf of the Trust and are carried at fair value. As of September 30, 2018 and December 31, 2017, the Trust held 200,304.61882310 and 175,839.08652196 Bitcoin, respectively.

The Trust determined the fair value per Bitcoin token to be \$6,588.01 on September 30, 2018, and \$14,168.54 on December 31, 2017, respectively, using the price provided at 4:00 p.m., New York time, by the Bitcoin exchange considered to be the Trust's principal market (Coinbase Pro (formerly known as Global Digital Asset Exchange)).

To determine which exchange is the Trust's principal market for purposes of calculating the Trust's net asset value ("NAV"), the Trust considers only Bitcoin exchanges that are U.S. dollar-denominated, have an online platform and publish transaction price and volume data publicly. Based on these requirements, the Trust prepares a list of eligible Bitcoin exchanges and considers the following criteria to select its principal market: (i) the volume of Bitcoin traded on a Bitcoin exchange in the prior trailing twelve months, (ii) a Bitcoin exchange's regulatory compliance with applicable federal and state licensing requirements and practices regarding anti-money laundering procedures and (iii) the degree of intra-day price fluctuations a Bitcoin exchanges experiences as well as the degree of variance in prices across Bitcoin exchanges.

In determining which of the eligible Bitcoin exchange is the Trust's principal market, the Trust reviews these criteria in the following order:

First, the Trust sorts the list of eligible Bitcoin exchanges from high to low by volume of Bitcoin traded on each Bitcoin exchange in the prior trailing twelve months. The Trust moves down the list until it reaches a Bitcoin exchange that has a volume of Bitcoin traded for the prior trailing twelve months that is less than 10% of the next largest Bitcoin exchange and excludes this and all smaller Bitcoin exchanges from the list. However, the list will always contain a minimum of three Bitcoin exchanges, even if the percentage of volume drops to less than 10% of the next largest Bitcoin exchange.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**3. Fair Value of Bitcoin (continued)**

Second, the Trust reviews the remaining Bitcoin exchanges and excludes any Bitcoin exchanges that do not comply with the federal and state licensing requirements that are applicable to the Trust and the Authorized Participant(s). The Trust or an Authorized Participant can only do business with those Bitcoin exchanges that meet the regulatory requirements of the jurisdiction in which the Trust or an Authorized Participant is registered to do business. The Trust also assesses each Bitcoin exchange's practices regarding anti-money laundering procedures.

Third, the Trust then reviews intra-day pricing fluctuations and the degree of variances in price on Bitcoin exchanges to identify any material notable variances that may impact the volume or price information of a particular Bitcoin exchange. The Trust then selects a Bitcoin exchange as its principal market based on highest trade volume and price stability in comparison to the other Bitcoin exchanges on the list.

The Trust determines its principal market annually and conducts a quarterly analysis to determine if (i) there have been recent changes to each Bitcoin exchange's transaction volume in the prior trailing twelve months, (ii) if any Bitcoin exchanges have fallen out of, or come into, compliance with applicable regulatory requirements, (iii) if the Trust has engaged any new Authorized Participant that, due to being registered to do business in another jurisdiction, would make Bitcoin exchanges previously inaccessible to the Trust now accessible or (iv) if recent changes to each Bitcoin exchanges' price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Trust's determination of its principal market.

The cost basis of the investment in Bitcoin recorded by the Trust for financial reporting purposes is the fair value of Bitcoin at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of corresponding Shares to investors.

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

	Bitcoin	Fair Value
<b>Balance at December 31, 2016</b>	172,094.67544221	\$ 166,246,898
Bitcoin contributed	7,213.17369100	70,921,169
Bitcoin distributed for Sponsor Fee, related party	(3,468.76261125)	(13,829,467)
Net change in unrealized appreciation on investment in Bitcoin	-	2,255,894,719
Net realized gain on investment in Bitcoin	-	12,149,812
<b>Balance at December 31, 2017</b>	175,839.08652196	2,491,383,131
Bitcoin contributed	27,286.49623747	219,865,103
Bitcoin distributed for Sponsor Fee, related party	(2,820.96393633)	(23,278,862)
Net change in unrealized depreciation on investment in Bitcoin	-	(1,387,422,080)
Net realized gain on investment in Bitcoin	-	19,061,540
<b>Balance at September 30, 2018</b>	200,304.61882310	\$ 1,319,608,832

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

#### **4. Distributions**

When a proposed modification to the Bitcoin Network is not accepted by the vast majority of miners and users but is nonetheless accepted by a substantial population of participants in the network, a “fork” in the blockchain occurs, resulting in two separate Bitcoin Networks. A “hard fork” is a software upgrade that introduces a new rule to the network that is not compatible with the older software, while a “soft fork” is any change that is backward compatible. Holders of Bitcoin on the original Bitcoin Network, at the time the block is mined and the fork occurs, can then also receive an identical amount of new tokens on the new network.

#### **Bitcoin Fork on August 1, 2017 (Bitcoin Cash)**

##### *Background and Initial Measurement*

In the case of the Bitcoin-Bitcoin Cash hard fork on August 1, 2017, a quorum of network participants accepted a modification to increase the Bitcoin Network block size to 8 megabytes to resolve the scalability problem. At the same time, many network participants still did not believe that this was a superior scaling solution. Therefore, they continued to support another version of the Bitcoin Network without the block size increase but with a different scaling solution known as Segregated Witness. The version of the Bitcoin Network with the block size increase was rebranded as Bitcoin Cash. The Custodian subsequently exercised the Trust’s Incidental Rights to obtain Bitcoin Cash tokens.

Immediately following the hard fork on August 1, 2017, holders of Bitcoin passively received an Incidental Right to obtain an equal number of Bitcoin Cash tokens. At that time, the Trust held approximately 173,014 Bitcoin and the newly created Bitcoin Cash was inaccessible to the Trust until the Custodian was able to develop processes to safely and securely obtain access to and permit withdrawal of Bitcoin Cash. On the date of the hard fork, the Incidental Rights to Bitcoin Cash were determined to have no value as there were insufficient observable market inputs to determine the fair value of Bitcoin Cash.

##### *Subsequent Measurement*

Subsequent to the date of the fork, trading markets for Bitcoin Cash continued to develop. Bitcoin Cash currently trades on multiple exchanges as well as over the counter markets. As of September 30, 2017, the exchanges trading Bitcoin Cash did not meet the Trusts requirements to access the market based upon the market’s regulatory compliance with applicable federal and state licensing requirements and practices regarding anti-money laundering procedures.

The Trust determined the fair value per Bitcoin Cash to be \$445.93 on September 30, 2017, using the price provided at 4:00 p.m., New York time, by the Bitcoin Cash exchange with the highest U.S. dollar-denominated trading volume that has an online platform and publishes transaction price and volume data publicly. The Trust recorded an asset on the Statement of Assets and Liabilities and a corresponding unrealized gain on the Statement of Operations for Bitcoin Cash based upon its estimated fair value at September 30, 2017 of \$77,152,240.

Bitcoin Cash has been excluded from the value of the Trust’s Bitcoin Holdings for purposes of calculation of the Sponsor’s Fee through September 30, 2017 as the Sponsor did not collect sponsor fees on the balance. This is consistent with the investment objective of the Trust, as the Shares seek to reflect the value of the Bitcoins held by the Trust, determined by reference to the Bitcoin Index Price, less the Trust’s expenses and other liabilities.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**4. Distributions (continued)**

*Distribution of Bitcoin Cash*

On October 25, 2017, the Trust declared a distribution and established a record date for the distribution of Bitcoin Cash held by the Trust to Shareholders of record ("Bitcoin Cash Record Date Shareholders") as of the close of business on November 6, 2017 (the "Bitcoin Cash Record Date" and such distribution the "Bitcoin Cash Distribution").

On the Bitcoin Cash Record Date, the Trust, acting on behalf of the Bitcoin Cash Record Date Shareholders and pursuant to the terms of the Trust Agreement governing the Trust, appointed Grayscale as Agent of the Bitcoin Cash Record Date Shareholders and distributed all of the Bitcoin Cash tokens then held by the Trust to the Bitcoin Cash Record Date Shareholders by transferring such tokens to the Agent. The Trust has no ownership interest in the distributed Bitcoin Cash, no ability to control the actions of the Agent and no right to receive any information about the distributed Bitcoin Cash or the disposition thereof from the Bitcoin Cash Record Date Shareholders, their Agent or any other person. However, the Agent voluntarily informed the Trust that it liquidated the Bitcoin Cash tokens, on behalf of the Bitcoin Cash Record Date Shareholders, using a related party registered broker-dealer (Genesis), over a period of 32 days and remitted the cash proceeds from such sale, net of the administrative and other expenses incurred by the Agent in connection with the liquidation to the Bitcoin Cash Record Date Shareholders on December 12, 2017.

In connection with the Bitcoin Cash fork, the Trust incurred Additional Trust Expenses. These Additional Trust Expenses primarily related to consultations with the Trust's professional advisors and third-party service providers to determine an appropriate approach to handling the Bitcoin Cash that would preserve value for the Shareholders in a manner consistent with the Trust's continued treatment as a grantor trust for U.S. federal income tax purposes. Pursuant to the terms of the Trust Agreement, the Additional Trusts Expenses are borne by the Trust.

**Bitcoin Fork on December 28, 2017 (Bitcoin SegWit2X)**

*Background and Measurement*

In the case of the Bitcoin SegWit2X hard fork on December 28, 2017, a quorum of network participants accepted a modification to activate Segregated Witness and then trigger a hard fork for a 2-megabyte block size. This version of the Bitcoin Network was rebranded as Bitcoin SegWit2X.

Immediately following the hard fork on December 28, 2017, holders of Bitcoin passively received an Incidental Right to obtain an equal number of Bitcoin SegWit2X. At that time, the Trust held approximately 175,878 Bitcoin and the newly created Bitcoin SegWit2X was inaccessible to the Trust. On the date of the hard fork, the Incidental Rights to Bitcoin SegWit2X were determined to have no value as there were insufficient observable market inputs to determine the fair value of Bitcoin SegWit2X.

Furthermore, on December 29, 2017, the Sponsor of the Trust announced that it had declared a distribution and established a record date for the distribution of the Incidental Right to the Bitcoin SegWit2X to Shareholders of record as of the close of business on January 8, 2018.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**4. Distributions (continued)**

*Subsequent Measurement and Distribution of Incidental Rights to Bitcoin SegWit2X*

On January 8, 2018, the Trust distributed the Incidental Rights to obtain 175,878 Bitcoin SegWit2X tokens held by the Trust to the Shareholders of record (“Bitcoin SegWit2X Shareholders”) as of the close of business on January 8, 2018 (the “Bitcoin SegWit2X Record Date” and such distribution, the “Incidental Rights to Bitcoin SegWit2X Distribution”) As of the Bitcoin SegWit2X Record Date, the exchanges trading Bitcoin SegWit2X did not have sufficient trading volumes to be considered to have active markets. The Trust determined such Incidental Rights to have a fair value of \$0 and no gain or loss was recognized as part of the in-kind Incidental Right distribution.

On the Bitcoin SegWit2X Record Date, the Trust, acting on behalf of the Bitcoin SegWit2X Record Date Shareholders and pursuant to the terms of the Trust Agreement governing the Trust, appointed Grayscale as Agent of the Bitcoin SegWit2X Record Date Shareholders and distributed the Incidental Rights to Bitcoin SegWit2X tokens held by the Trust to the Bitcoin SegWit2X Record Date Shareholders by transferring such Incidental Rights to the Agent. The Trust has no ownership interest in the distributed Incidental Rights to Bitcoin SegWit2X, no ability to control the actions of the Agent and no right to receive any information about the distributed Incidental Rights to Bitcoin SegWit2X or the disposition thereof or of the underlying Bitcoin SegWit2X from the Bitcoin SegWit2X Record Date Shareholders, their Agent or any other person. However, on April 2, 2018, the Agent voluntarily informed the Trust that, on behalf of the Bitcoin SegWit2X Record Date Shareholders, it irrevocably abandoned all of the rights to Bitcoin SegWit2X tokens because it was determined that the potential costs incurred by the Agent in connection with attempting to sell the Bitcoin SegWit2X tokens would exceed the gross proceeds from such sales.

**5. Creations and Redemptions of Shares**

At September 30, 2018 and December 31, 2017, there were an unlimited number of Shares authorized by the Trust. The Trust creates (and, should the Trust commence a redemption program, redeems) Shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of Bitcoin to the Trust or the distribution of Bitcoin by the Trust. The number of Bitcoin required for each creation Basket or redemption Basket is determined by dividing (x) the number of Bitcoin owned by the Trust at such time, after deducting the number of Bitcoin representing the U.S. dollar value of accrued but unpaid fees and expenses of the Trust, by (y) the number of Shares outstanding at such time and multiplying the quotient obtained by 100. Each Share represented approximately 0.00099 and 0.00101 of one Bitcoin at September 30, 2018 and December 31, 2017, respectively, adjusted to reflect the Share Split.

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



**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**5. Creations and Redemptions of Shares (continued)**

Effective October 28, 2014, the Trust suspended its redemption program, in which Shareholders were permitted to request the redemption of their Shares through the Authorized Participant out of concern that the redemption program was in violation of Regulation M under the Securities Exchange Act, resulting in a settlement reached with the Securities Exchange Commission (“SEC”). At this time, the Trust is not operating a redemption program and is not accepting redemption requests. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program.

**6. Income Taxes**

As of January 1, 2016, an amendment to the Trust Agreement was made to ensure that the Trust Agreement was consistent with the treatment of the Trust as a grantor trust. On February 9, 2017, the Court of Chancery of the State of Delaware ordered that the Original Trust Agreement be reformed so that the amendments made are retroactive to the original date of execution of the Trust Agreement. On September 11, 2017, the Trust received a Private Letter Ruling from the IRS in which the IRS concluded, based on the facts at that time, that the Trust qualified as a grantor trust for U.S. federal income tax purposes as of the date of the private letter ruling. Furthermore, as of October 24, 2017, amendments to the Trust Agreement were made to permit the Trust to hold rights to acquire, or otherwise establish, dominion and control over, Incidental Rights and IR Virtual Currency in a manner consistent with the Trust’s continued treatment as a grantor trust for U.S. federal income tax purposes.

Accordingly, the Sponsor takes the position that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes. Assuming that the Trust is a grantor trust, the Trust will not be subject to U.S. federal income tax. Rather, if the Trust is a grantor trust, each beneficial owner of Shares will be treated as directly owning its pro rata Share of the Trust’s assets and a pro rata portion of the Trust’s income, gain, losses and deductions will “flow through” to each beneficial owner of Shares.

If the Trust were not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes. However, due to the uncertain treatment of digital currency, including forks, airdrops and similar occurrences for U.S. federal income tax purposes, there can be no assurance in this regard. If the Trust were classified as a partnership for U.S. federal income tax purposes, the tax consequences of owning Shares generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to timing. In addition, tax information reports provided to beneficial owners of Shares would be made in a different form. If the Trust were not classified as either a grantor trust or a partnership for U.S. federal income tax purposes, it would be classified as a corporation for such purposes. In that event, the Trust would be subject to entity-level U.S. federal income tax (currently at a maximum rate of 21%) on its net taxable income and certain distributions made by the Trust to Shareholders would be treated as taxable dividends to the extent of the Trust’s current and accumulated earnings and profits.

## **Bitcoin Investment Trust**

### **Notes to Unaudited Financial Statements**

#### **6. Income Taxes (continued)**

In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of tax return positions in the financial statements as “more-likely than-not” to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the “more-likely than-not” threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the “more-likely than-not” threshold are recorded as a tax benefit or expense in the current period. As of and during the periods ended September 30, 2018 and December 31, 2017, the Trust did not have a liability for any unrecognized tax amounts. However, the Sponsor’s conclusions concerning its determination of “more-likely than-not” tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of September 30, 2018 or December 31, 2017, respectively.

#### **7. Related Parties**

The Trust considers the following entities, their directors and employees to be related parties of the Trust: DCG, Genesis and Grayscale. As of September 30, 2018 and December 31, 2017, 10,478,004 and 10,884,237 Shares of the Trust were held by related parties of the Trust, respectively.

The Sponsor’s parent, an affiliate of the Trust, holds a minority interest in Xapo that represents approximately 1% of Xapo’s ownership.

In accordance with the Trust agreement governing the Trust, the Trust pays a fee to the Sponsor, calculated as 2% of the aggregate value of the Trust’s assets, less its liabilities (which include any accrued but unpaid expenses up to, but excluding, the date of calculation), as calculated and published by the Sponsor or its delegates (the “Sponsor Fee”). The Sponsor Fee accrues daily in U.S. dollars and is payable in Bitcoin, monthly in arrears. The amount of Bitcoins payable in respect of each daily U.S. dollar accrual will be determined by reference to the same U.S. dollar value of a Bitcoin used to determine such accrual. For purposes of these financial statements, the U.S. dollar value of ETC is determined by reference to the ETC Exchange that the Trust considers its principal market as of 4:00 p.m., New York time, on each valuation date. The Trust currently holds no Incidental Rights or IR Virtual Currency, and the value of Incidental Rights and IR Virtual Currencies held during the period have been excluded from the value of the Trust’s assets for purposes of calculation of the Sponsor Fee. No Incidental Rights or IR Virtual Currencies have been distributed in payment of the Sponsor Fee during the nine months ended September 30, 2018.

As partial consideration for its receipt of the Sponsor’s Fee, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including marketing fees; administrator fees, if any; custodian fees; transfer agent fees; trustee fees; the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; printing and mailing costs; costs of maintaining the Trust’s website; and applicable license fees (the “Sponsor-paid Expenses”), provided that any expense that qualifies as an Additional Trust Expense will be deemed to be an Additional Trust Expense and not a Sponsor-paid Expense.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**7. Related Parties (continued)**

The Trust may incur certain extraordinary, non-recurring expenses that are not Sponsor-paid Expenses, including, but not limited to, taxes and governmental charges, expenses and costs of any extraordinary services performed by the Sponsor (or any other service provider) on behalf of the Trust to protect the Trust or the interests of Shareholders (including in connection with any Incidental Rights and any IR Virtual Currency), any indemnification of the Custodian or other agents, service providers or counterparties of the Trust, the fees and expenses related to the listing, quotation or trading of the Shares on any secondary market (including legal, marketing and audit fees and expenses) to the extent exceeding \$600,000 in any given fiscal year and extraordinary legal fees and expenses, including any legal fees and expenses incurred in connection with litigation, regulatory enforcement or investigation matters (collectively “Additional Trust Expenses”). In such circumstances, the Sponsor or its delegate (i) will instruct the Custodian to withdraw from the Bitcoin account Bitcoins, Incidental Rights and/or IR Virtual Currency in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust (or its delegate) to convert such Bitcoin, Incidental Rights and/or IR Virtual Currency into U.S. dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver Bitcoin, Incidental Rights and/or IR Virtual Currency in kind in satisfaction of such Additional Trust Expenses.

For the three months ended September 30, 2018 and 2017, the Trust incurred Sponsor Fees of \$6,786,516 and \$3,031,634, respectively. For the nine months ended September 30, 2018 and 2017, the Trust incurred Sponsor Fees of \$23,278,862 and \$5,576,188, respectively. As of September 30, 2018 and December 31, 2017, there were no accrued and unpaid Sponsor Fees.

**8. Risks and Uncertainties**

*Investments in Bitcoin*

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

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

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

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**8. Risks and Uncertainties (continued)**

There is currently no clearing house for Bitcoin, nor is there a central or major depository for the custody of Bitcoin. There is a risk that some or all of the Trust's Bitcoin could be lost or stolen. The Trust does not have insurance protection on its Bitcoin which exposes the Trust and its Shareholders to the risk of loss of the Trust's Bitcoin. Further, Bitcoin transactions are irrevocable. Stolen or incorrectly transferred Bitcoin may be irretrievable. As a result, any incorrectly executed Bitcoin transactions could adversely affect an investment in the Trust.

If Bitcoin is determined to be a security under federal or state securities laws by the U.S. Securities and Exchange Commission or any other agency, or in a proceeding in a court of law or otherwise, it may adversely affect the value of Bitcoin and the Shares. The Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's Bitcoin at a time that is disadvantageous to Shareholders. Public statements by senior officials at the SEC, including a June 2018 speech by the director of the SEC's division of Corporation Finance, indicate that the SEC does not intend to take the position that Bitcoin or Ethereum are currently securities. Such statements are not official policy statements by the SEC and reflect only the speaker's views, which are not binding to the SEC or any other agency or court and cannot be generalized to any other digital currency.

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

As of the close of business on November 1, 2018 the fair value of Bitcoin determined in accordance with the Trust's accounting policy was \$6,319.98 per Bitcoin.

*Incidental Rights and IR Virtual Currencies*

During the year ended December 31, 2017, the Trust came into possession of Incidental Rights and IR Virtual Currency by virtue of the Trust's investment in Bitcoin. The Sponsor intends to evaluate each fork or airdrop on a case-by-case basis in consultation with the Trust's legal advisors, tax consultants, and Custodian, and may decide to abandon any Incidental Rights or IR Virtual Currency resulting from a hard fork or airdrop should the Sponsor conclude, in its discretion, that such abandonment is in the best interests of the Trust. Any inability to realize the economic benefit of a hard fork or airdrop could adversely impact an investment in the Shares.

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**8. Risks and Uncertainties (continued)**

The markets that develop subsequent to each fork or airdrop have very limited trading history, are unregulated in nature and are subject to significant volatility. Fluctuations in the value of Incidental Rights and IR Virtual Currencies may be significant. Furthermore, the network participants could stop supporting and using the forked networks at any time which could result in a significant impairment of the value of Incidental Rights and IR Virtual Currencies. There can be no assurances that Shareholders will receive any benefit from a distribution of Incidental Rights or IR Virtual Currencies.

**9. Financial Highlights Per Share Performance**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Per Share Data:</b>				
Net asset value, beginning of period	\$ 6.32	\$ 2.55	\$ 14.30	\$ 0.99
Net increase (decrease) in net assets from investment operation				
Net investment loss	(0.03)	(0.02)	(0.12)	(0.03)
Net realized and unrealized gain (loss)	0.26	2.32	(7.63)	3.89
Net increase (decrease) in net assets resulting from operations	0.23	2.30	(7.75)	3.86
Net asset value, end of period	\$ 6.55	\$ 4.85	\$ 6.55	\$ 4.85
Total return	3.64%	90.20%	-54.20%	389.90%
<i>Ratios to average net assets:</i>				
Net investment loss	-2.00%	-2.00%	-2.00%	-2.00%
Expenses	-2.00%	-2.00%	-2.00%	-2.00%

Ratios of net investment loss and expenses to average net assets have been annualized.

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

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

**Bitcoin Investment Trust**  
**Notes to Unaudited Financial Statements**

**10. Indemnifications**

In the normal course of business, the Trust enters into certain contracts that provide a variety of indemnities, including contracts with the Sponsor and affiliates of the Sponsor, DCG and its officers, directors, employees, subsidiaries and affiliates, and Xapo as well as other service providers to the Trust. The Trust's maximum exposure under these and its other indemnities is unknown. However, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Sponsor does not consider it necessary to record a liability in this regard.