

GRAYSCALE BITCOIN TRUST (BTC)

A Delaware Trust

Sponsored by

Grayscale Investments, LLC
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Primary Standard Industrial Code: 6221

QUARTERLY REPORT

For the quarterly period ended March 31, 2019

Shares Representing Common Units of Fractional Undivided Beneficial Interest

No Par Value Per Share

Unlimited Shares Authorized

217,868,200 Shares Issued and Outstanding as of March 31, 2019

OTCQX: GBTC

Grayscale Investments, LLC (the “Sponsor”), on behalf of Grayscale Bitcoin Trust (BTC) (the “Trust”), is responsible for the content of this quarterly report for the quarter ended March 31, 2019 (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,” “Grayscale Bitcoin 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 May 14, 2019

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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 operations, the Sponsor’s plans and references to the Trust’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors” in our Annual Report. Whether or not actual results and developments will conform to the Sponsor’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Quarterly Report, including the particular risks associated with new technologies such as Bitcoin and blockchain technology;
- 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 governmental 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.

Consequently, all the forward-looking statements made in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Trust’s operations or the value of the Shares. Should one or more of the risks discussed under “Risk Factors” in our Annual Report or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Sponsor’s beliefs, estimates and opinions on the date the statements are made and neither the Trust nor the Sponsor is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Trust, the Sponsor, nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

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

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 will 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, 2018.

“Authorized Participant”—Certain eligible financial institutions that have entered into an agreement with the Trust and the Sponsor concerning the creation 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, 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, units that constitute the assets underlying the Trust’s Shares.

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

“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) calculated in the manner set forth under “Valuation of Bitcoin and Determination of the Trust’s Bitcoin Holdings” in our Annual Report. See also “Management’s Discussion and Analysis — Critical Accounting Policies — Principal Market and Fair Value Determination” 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 for the Trust is based, as calculated in the manner set forth in the “Valuation of Bitcoin and Determination of the Trust’s Bitcoin Holdings” in our Annual 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. See “Overview of the Bitcoin Industry and Market” in our Annual Report.

“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.

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

“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. DTC is a limited purpose trust company organized under New York law, a member of the U.S. Federal Reserve System and a clearing agency registered with the SEC. DTC will act as the securities depository for the Shares.

“DTC Participant”—A direct participant in DTC, such as a bank, broker, dealer or 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.

“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.

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

“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 of Baskets and for the delivery of Bitcoins required for Creation Baskets.

“Quarterly Report”—This Quarterly Report for the three months ended March 31, 2019.

“Rule 144”—Rule 144 under the Securities Act.

“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.

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

“Service Providers”—Collectively, Grayscale Investments, LLC, Continental Stock Transfer & Trust Company, Genesis, TradeBlock, Inc., Xapo Inc. and Digital Currency Group, Inc.

“Shareholder”—Any person that owns Shares.

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

“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.

“Sponsor”—Grayscale Investments, LLC.

“Sponsor-paid Expenses”—The fees and expenses incurred by the Trust in the ordinary course of its affairs that the Sponsor is obligated to assume and pay, 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 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.

“Treasury Regulations”—The regulations, including proposed or temporary regulations, promulgated under the Code.

“Trust”—Grayscale Bitcoin Trust (BTC), 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 amended by Amendment No. 1 thereto and as may be further amended from time to time.

“Trustee”—Delaware Trust Company, 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 Grayscale Bitcoin Trust (BTC). The Trust was previously named Bitcoin Investment Trust, whose name was changed pursuant to a Certificate of Amendment to the Certificate of Trust of Bitcoin Investment Trust filed with the Delaware Secretary of State on January 11, 2019.

The address of the Sponsor is: Grayscale Investments, LLC
250 Park Avenue South
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, 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
New York, New York 10003
Telephone: (212) 668-1427
Facsimile: (212) 937-3645
Email: 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 389637109.

On January 26, 2018, the Trust completed a 91-for-1 Share split (the "Share Split") of the Trust's issued and outstanding Shares. Each 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.

The following table shows the number of the Shares outstanding ¹:

	As of March 31, 2019	As of December 31, 2018	As of December 31, 2017 ²
(i) Number of Shares authorized	Unlimited	Unlimited	Unlimited
(ii) Number of Shares outstanding	217,868,200	206,559,100	174,283,200
(iii) Number of Shares freely tradable (public float)	178,994,957	170,827,797	156,001,664
(iv) Number of beneficial holders owning at least 100 Shares¹	97	115	65
(v) Number of holders of record¹	97	115	65

From January 1, 2017 to March 31, 2019, 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 sold by the Trust 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. From January 1, 2017 to March 31, 2019, 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. ³	High ³	Date	Low ³	Date
Twelve months ended December 31, 2017	Unlimited	7,088,900	44	\$ 4.00	\$ 18.94	12/18/2017	\$ 0.80	1/12/2017
Twelve months ended December 31, 2018	Unlimited	32,275,900	91	\$ 7.50	\$ 15.87	1/5/2018	\$ 3.20	12/16/2018
January 1, 2019 to March 31, 2019	Unlimited	11,309,100	23	\$ 3.69	\$ 3.99	3/29/2019	\$ 3.32	2/7/2019

Item 3. Unaudited interim financial statements.

The Trust’s unaudited interim financial statements as of and for the three months ended March 31, 2019 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.

¹ 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.

² Share amounts have been retroactively adjusted to reflect the 91-for-1 Share Split of the Trust’s issued and outstanding Shares completed on January 26, 2018.

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

Item 4. Management’s discussion and analysis.

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

Trust Overview

The investment objective of the Trust is for the Shares 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. 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 with 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 are 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 and 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. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to an index provided by the Index Provider or, in the absence of such an index, by reference to the cascading set of rules described in "Description of the Trust—The Index and the Bitcoin Index Price" in our Annual Report. 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 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. The value of any such Incidental Rights and/or IR Virtual Currency will be determined on an arm's-length basis. The Trust currently expects that the value of any such Incidental Rights and/or IR Virtual Currency would be determined by reference to an index provided by the Index Provider or, in the absence of such an index, by reference to the cascading set of rules described in "Description of the Trust—The Index and the Bitcoin Index Price" in our Annual Report. If the Trust pays the Additional Trust Expenses in Incidental Rights

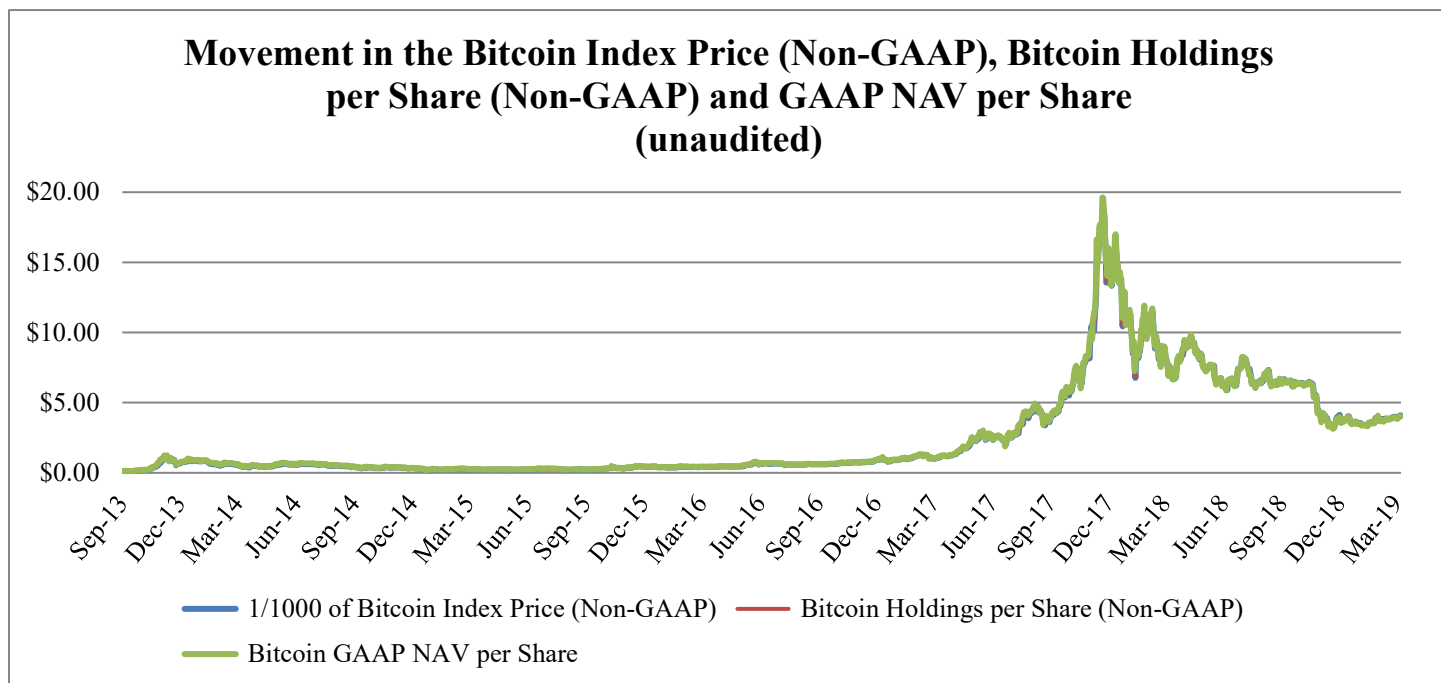
and/or IR Virtual Currency, in whole or in part, the amount of Bitcoin that would otherwise have been used to satisfy such payment will be correspondingly reduced.

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.

Impact of Trust Expenses on the Trust's Bitcoin Holdings

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.

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following chart illustrates the movement in the Trust's Bitcoin Holdings per Share (non-GAAP) (as adjusted for the Share Split for periods prior to January 26, 2018) versus the Bitcoin Index Price (non-GAAP) and the Trust's GAAP NAV per Share (as adjusted for the Share Split for periods prior to January 26, 2018) from September 25, 2013 to March 31, 2019.



For more information on the determination of the Trust's Bitcoin Holdings, see "Grayscale Bitcoin Trust—Valuation of Bitcoin and Determination of the Trust's Bitcoin Holdings" in our Annual Report.

Critical Accounting Policies

Investment Transactions and Revenue Recognition

The Trust considers investment transactions to be the receipt of Bitcoin for Share creations 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 (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.

Principal Market and Fair Value Determination

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 trailing twelve months, (ii) a Bitcoin Exchange's regulatory compliance with applicable federal and state licensing requirements and practices regarding Anti-Money Laundering ("AML") and Know-Your-Customer ("KYC") 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 trailing twelve months. The Trust moves down the list until it reaches a Bitcoin Exchange that has a volume of Bitcoin traded for the 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. 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 AML and KYC 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 Bitcoin Exchanges on the list.

The Trust determines its principal market annually and conducts a quarterly analysis to determine (i) if there have been recent changes to each Bitcoin Exchange's transaction volume in the trailing twelve months, (ii) if any Bitcoin Exchanges have fallen out of, or come into, compliance with applicable regulatory requirements, (iii) if there have been any exchanges that have added Bitcoin/USD pairing, (iv) 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, (v) 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, or (vi) if the principal market is included in the TradeBlock XBX Index.

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 the corresponding Shares to investors.

Investment Company Considerations

The Trust is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, *Financial Services – Investment Companies*. The Trust uses fair value as its method of accounting for Bitcoin in accordance with its classification as an investment company for accounting purposes. 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.

Incidental Rights and IR Virtual Currency

In many circumstances, holders of Bitcoin are not aware of the occurrence of a fork, airdrop or similar event that results in the creation of a new Incidental Right or IR Virtual Currency because such event may not be immediately disclosed or publicized by the third parties responsible for the creation of that new Incidental Right or IR Virtual Currency. The Sponsor therefore believes that the point in time at which the Trust “passively receives” any Incidental Right or IR Virtual Currency is the effective time of the applicable fork, airdrop or similar event (or, if later, the time at which market participants other than the third parties responsible for the creation of the Incidental Right or IR Virtual Currency become aware of the occurrence of the applicable fork, airdrop or similar event).

An Incidental Right or IR Virtual Currency is recognized in the financial statements on the date on which it is passively received by the Trust in its capacity as a holder of Bitcoin as a result of a fork, airdrop or similar event. Incidental Rights and IR Virtual Currencies are carried at fair value until distributed, otherwise transferred or abandoned by the Trust. The Trust determines the fair value of Incidental Rights or IR Virtual Currency by reference to the principal market for such Incidental Rights or IR Virtual Currency. The Trust’s accounting policy for both Incidental Rights and IR Virtual Currency is the same.

The Trust performs a principal market assessment upon receipt of an IR Virtual Currency or Incidental Rights and determines the principal market for such IR Virtual Currency or Incidental Right in a similar manner in which it determines the principal market for Bitcoin.

In making the principal market determination for an IR Virtual Currency or Incidental Right, the Trust determines which exchanges for IR Virtual Currency or Incidental Right have an online platform and publish transaction price and volume data publicly. From this group of exchanges, the Trust looks to those exchanges that (i) have U.S. dollar pairing to allow for U.S. dollar liquidation to U.S. based customers; (ii) have a BitLicense issued by the New York State Department of Financial Services and operate with proper AML and KYC procedures; and (iii) are accessible to the Authorized Participant as a U.S.-based customer and at which the Authorized Participant can legally open an account on the exchange platform. If only one exchange meets all three criteria above, the Trust will select that exchange as the principal market for the IR Virtual Currency or Incidental Right. If multiple exchanges meet all three criteria above, the Trust will determine whether any of the exchanges have significant, notable intra-day price and volume variances from the other exchanges and exclude those exchanges. From the remaining exchanges, the Trust will then select the exchange with the highest trading volume for the U.S. dollar pairing for the preceding twelve months as the principal market for the relevant IR Virtual Currency or Incidental Right. If none of the exchanges meet these initial criteria, the Trust adjusts the criteria and reassesses the group of exchanges until a principal market has been obtained. In the absence of an observable market that can serve as the principal market for the relevant IR Virtual Currency or Incidental Right, the Trust will (i) look to inaccessible known markets with observable market prices for the digital asset or (ii) identify potential market participants

and determine the hypothetical price at which they would trade the IR Virtual Currency or Incidental Right in order to determine a fair value for the IR Virtual Currency or Incidental Right. See Note 2 to the unaudited financial statements attached as an exhibit to this Quarterly Report for more detail on the series of determinations made by the Trust in connection with a principal market determination for IR Virtual Currency or Incidental Rights.

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 for the Three Months Ended March 31, 2019 and 2018

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

	Three Months Ended March 31,	
	2019	2018
Net realized and unrealized gain (loss) on investment in Bitcoin	\$ 88,380	\$ (1,272,570)
Net increase (decrease) in net assets resulting from operations	\$ 84,518	\$ (1,281,803)
Net assets	\$ 877,972	\$ 1,293,918

Net realized and unrealized gain on investment in Bitcoin for the three months ended March 31, 2019 was \$88,380, which includes a realized gain of \$1,844 on the transfer of Bitcoins to pay the Sponsor's Fee and net change in unrealized appreciation on investment in Bitcoin of \$86,536. Net realized and unrealized gain on investment in Bitcoin was driven by Bitcoin price appreciation from \$3,679.42 per Bitcoin as of December 31, 2018 to \$4,094.99 per Bitcoin as of March 31, 2019. Net increase in net assets resulting from operations was \$84,518 for the three months ended March 31, 2019, which consisted of the net realized and unrealized gain on investment in Bitcoin, less the Sponsor's Fee of \$3,862. Net assets increased to \$877,972 at March 31, 2019, a 17% increase for the three-month period. The increase in net assets resulted from the aforementioned Bitcoin price appreciation and the contribution of approximately 11,154 Bitcoin with a value of \$41,832 to the Trust in connection with Share creations during the period, partially offset by the withdrawal of 1,030 Bitcoin to pay the foregoing Sponsor's Fee.

Net realized and unrealized loss on investment in Bitcoin for the three months ended March 31, 2018 was (\$1,272,570), which includes a realized gain of \$5,776 on the transfer of Bitcoins to pay the Sponsor's Fee, net change in unrealized depreciation on the Sponsor's Fee payable of \$606, and net change in unrealized depreciation on investment in Bitcoin of (\$1,278,952). Net realized and unrealized loss on investment in Bitcoin was driven by Bitcoin price depreciation from \$14,168.54 per Bitcoin as of December 31, 2017 to \$7,055.00 per Bitcoin as of March 31, 2018. Net decrease in net assets resulting from operations was (\$1,281,803) for the three months ended March 31, 2018, which consisted of the net realized and unrealized loss on investment in Bitcoin, plus the Sponsor's Fee of \$9,233. Net assets decreased to \$1,293,918 at March 31, 2018, a 48% decrease for the three-month period. The decrease in net assets resulted from the aforementioned Bitcoin price depreciation and the withdrawal of 575 Bitcoin to pay the foregoing Sponsor's Fee, partially offset by the contribution of approximately 8,451 Bitcoin with a value of \$84,338 to the Trust in connection with Share creations during the period.

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 most of the 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.

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 derivative financial instruments and has no foreign operations or long-term debt instruments.

Selected Operating Data (unaudited)

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

	Three Months Ended March 31,	
	2019	2018
Bitcoins:		
Opening Balance	204,277	175,839
Creations	11,154	8,451
Sponsor's Fee, related party	(1,030)	(575)
Closing balance	214,401	183,715
Accrued but unpaid Sponsor's Fee, related party	-	(311)
Net closing balance	214,401	183,404
Number of Shares:		
Opening balance	206,559,100	174,283,200
Creations	11,309,100	8,397,100
Closing balance	217,868,200	182,680,300

	As of March 31,	
	2019	2018
Price of Bitcoin on principal market ¹	\$ 4,094.99	\$ 7,055.00
NAV per Share ²	\$ 4.03	\$ 7.08
Bitcoin Index Price	\$ 4,088.08	\$ 6,990.70
Bitcoin Holdings per Share ³	\$ 4.02	\$ 7.02

For the three months ended March 31, 2019, an additional 11,309,100 Shares (113,091 Baskets) were created in exchange for 11,154 Bitcoins and 1,030 Bitcoins were deducted from the Trust's Bitcoin Holdings and used to pay the Sponsor's Fee.

For the three months ended March 31, 2018, an additional 8,397,100 Shares (83,971 Baskets) were created in exchange for 8,451 Bitcoins and 575 Bitcoins were deducted from the Trust's Bitcoin Holdings and used 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.

As of March 29, 2019 (the last business day on which a Creation Basket could have been originated), the Trust had a net closing balance of approximately 214,425 Bitcoins, with a value of \$869,774,518, based on the Bitcoin Index Price of \$4,056.31 on March 29, 2019 (non-GAAP methodology). As of March 31, 2019, the Trust had a net closing balance of approximately 214,402 Bitcoins, with a value of \$876,490,741, based on the Bitcoin Index Price of \$4,088.08 on March 31, 2019 (non-GAAP methodology). As of March 31, 2019, the Trust had a net closing balance of approximately 214,402 Bitcoins, with a market value of \$877,972,256, based on the principal market (Coinbase Pro) of \$4,094.99 on March 31, 2019.

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.

¹ The Trust performed an assessment of the principal market during the three months ended March 31, 2019 and 2018, and identified the principal market as Coinbase Pro.

² As of March 31, 2019 and 2018, respectively, the NAV per Share was calculated using the fair value of Bitcoin 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.

³ 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. See the section entitled "Grayscale Bitcoin Trust (BTC) – 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 March 31, 2019 were Coinbase Pro, Bittrex, itBit, Kraken and Bitstamp. As of March 29, 2019 (the last business day a Creation Basket could have been originated during the period), the Bitcoin Index Price was \$4,056.31 and the Bitcoin Holdings per Share was \$3.99.

During the period from September 25, 2013 (the first Creation Basket of the Trust) and March 31, 2019 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 straight average was \$2,522.98 and the median was \$653.83. The annual average, high, low and end-of-period Bitcoin prices for the five years ended March 31, 2019, 2018, 2017, 2016 and 2015, and for the period from the inception of the Trust until March 31, 2019, based on the price reported by the Trust's principal market as of 4:00 p.m., New York time, on the applicable date were:

Period	Average	High	Date	Low	Date	End of period	Last business day
Twelve months ended March 31, 2015	\$ 416.78	\$ 666.10	6/3/2014	\$ 184.84	1/14/2015	\$ 242.92	\$ 242.92
Twelve months ended March 31, 2016	\$ 311.91	\$ 469.00	11/4/2015	\$ 216.24	8/24/2015	\$ 416.43	\$ 416.43
Twelve months ended March 31, 2017	\$ 721.53	\$ 1,290.01	3/10/2017	\$ 415.59	4/1/2016	\$ 1,084.70	\$ 1,084.70
Twelve months ended March 31, 2018	\$ 6,307.72	\$ 19,433.21	12/16/2017	\$ 1,082.07	4/1/2017	\$ 7,055.00	\$ 7,337.16
Twelve months ended March 31, 2019	\$ 5,865.26	\$ 9,815.55	5/5/2018	\$ 3,164.61	12/14/2018	\$ 4,094.99	\$ 4,078.82
September 25, 2013 (the first Creation Basket of the Trust) to March 31, 2019	\$ 2,522.98	\$ 19,433.21	12/16/2017	\$ 110.83	10/2/2013	\$ 4,094.99	\$ 4,078.82

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 Offering

In the quarter ended March 31, 2019, the Trust amended its offering to offer Shares on a periodic basis at such times and for such periods as the Sponsor determines in its sole discretion (each such period, an "Offering Period"). The Sponsor may, from time to time and in its sole discretion, halt any Offering Period without providing prior notice.

Amendment to the Trust Agreement

On January 11, 2019, an amendment to the Trust Agreement was made by the Sponsor of the Trust that changed the Trust's name to "Grayscale Bitcoin Trust (BTC)."

Item 8. Exhibits.

Exhibit 1 Unaudited Financial Statements for the Three Months ended March 31, 2019.

Item 9. Issuer's certifications.

Certification

I, Barry E. Silbert, certify that:

1. I have reviewed this Quarterly Report, exhibits, and all notes thereto of Grayscale Bitcoin Trust (BTC);
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: May 14, 2019

/s/ Barry E. Silbert

By: Barry E. Silbert

Title: Chief Executive Officer of
Grayscale Investments, LLC

Certification

I, Simcha Wurtzel, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Grayscale Bitcoin Trust (BTC);
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: May 14, 2019

/s/ Simcha Wurtzel

By: Simcha Wurtzel

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

Exhibit 1

Unaudited Financial Statements for the Three Months Ended March 31, 2019.

FINANCIAL STATEMENTS

**Grayscale Bitcoin Trust (BTC)
For the Three Months Ended March 31, 2019
(Unaudited)**

**Grayscale
Bitcoin Trust (BTC)TM**

Grayscale Bitcoin Trust (BTC)
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Grayscale Bitcoin Trust (BTC)
Statements of Assets and Liabilities
(Unaudited)

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
(Amounts in U.S. dollars, except Share amounts)		
Assets:		
Investment in Bitcoin, at fair value (cost \$427,557,543 and \$387,743,536 as of March 31, 2019 and December 31, 2018, respectively)	\$ 877,972,256	\$ 751,622,174
Total assets	<u>\$ 877,972,256</u>	<u>\$ 751,622,174</u>
Liabilities:		
Sponsor's Fee payable, related party	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>\$ 877,972,256</u>	<u>\$ 751,622,174</u>
Net Assets consists of:		
Paid-in-capital	440,411,124	398,578,756
In-kind distribution of Incidental Rights and IR Virtual Currencies	(157,639,845)	(157,639,845)
Accumulated net investment loss	(50,325,438)	(46,463,000)
Accumulated net realized gain on investment in Bitcoin	37,113,672	35,269,595
Accumulated net realized gain on Incidental Rights and IR Virtual Currencies	157,998,030	157,998,030
Accumulated net change in unrealized appreciation on investment in Bitcoin	450,414,713	363,878,638
	<u>\$ 877,972,256</u>	<u>\$ 751,622,174</u>
Shares issued and outstanding, no par value (unlimited Shares authorized)	<u>217,868,200</u>	<u>206,559,100</u>
Net asset value per Share	<u>\$ 4.03</u>	<u>\$ 3.64</u>

See accompanying notes to unaudited financial statements

Grayscale Bitcoin Trust (BTC)
Schedules of Investment
(Unaudited)

March 31, 2019

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Bitcoin	214,401.56274154	\$ 427,557,543	\$ 877,972,256	100%
Net assets		<u>\$ 427,557,543</u>	<u>\$ 877,972,256</u>	<u>100%</u>

December 31, 2018

	<u>Number of Bitcoin</u>	<u>Cost</u>	<u>Fair Value</u>	<u>% of Net Assets</u>
Investment in Bitcoin	204,277.35165345	\$ 387,743,536	\$ 751,622,174	100%
Net assets		<u>\$ 387,743,536</u>	<u>\$ 751,622,174</u>	<u>100%</u>

See accompanying notes to unaudited financial statements

Grayscale Bitcoin Trust (BTC)
Statements of Operations
(Unaudited)

(Amounts in U.S. dollars)	Three Months Ended March 31,	
	2019	2018
Investment income:		
Investment income	\$ -	\$ -
Expenses:		
Sponsor's Fee, related party	3,862,438	9,232,756
Net investment loss	(3,862,438)	(9,232,756)
Net realized and unrealized gain (loss) from:		
Net realized gain on investment in Bitcoin	1,844,077	5,775,773
Net change in unrealized depreciation on Sponsor's Fee payable	-	606,248
Net change in unrealized appreciation (depreciation) on investment in Bitcoin	86,536,075	(1,278,952,259)
Net realized and unrealized gain (loss) on investment	88,380,152	(1,272,570,238)
Net increase (decrease) in net assets resulting from operations	\$ 84,517,714	\$ (1,281,802,994)

See accompanying notes to unaudited financial statements

Grayscale Bitcoin Trust (BTC)
Statements of Changes in Net Assets
(Unaudited)

	Three Months Ended March 31,	
	2019	2018
(Amounts in U.S. dollars, except change in Shares outstanding)		
Increase (decrease) in net assets from operations:		
Net investment loss	\$ (3,862,438)	\$ (9,232,756)
Net realized gain on investment in Bitcoin	1,844,077	5,775,773
Net change in unrealized depreciation on Sponsor's Fee payable	-	606,248
Net change in unrealized appreciation (depreciation) on investment in Bitcoin	86,536,075	(1,278,952,259)
Net increase (decrease) in net assets resulting from operations	84,517,714	(1,281,802,994)
Increase in net assets from capital share transactions:		
Shares issued	41,832,368	84,338,127
Net increase in net assets resulting from capital share transactions	41,832,368	84,338,127
Total increase (decrease) in net assets from operations and capital share transactions	126,350,082	(1,197,464,867)
Net assets:		
Beginning of period	751,622,174	2,491,383,131
End of period	\$ 877,972,256	\$1,293,918,264
Change in Shares outstanding		
Shares outstanding at beginning of period	206,559,100	174,283,200
Shares issued	11,309,100	8,397,100
Net increase in Shares	11,309,100	8,397,100
Shares outstanding at end of period	217,868,200	182,680,300

See accompanying notes to unaudited financial statements

Grayscale Bitcoin Trust (BTC)

Notes to Unaudited Financial Statements

1. Organization

Grayscale Bitcoin Trust (BTC) (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 (“BTC”) and, from time to time, issues 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 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. 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 pursuant to 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’s Fee as discussed in Note 6.

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 389637109.

Grayscale Bitcoin Trust (BTC)
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 March 31, 2019 and December 31, 2018 and results of operations for the three months ended March 31, 2019 and 2018 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, 2018 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 uses fair value as its method of accounting for Bitcoin in accordance with its classification as an investment company for accounting purposes. 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 these 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's 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

Principal Market and Fair Value Determination

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 trailing twelve months, (ii) a Bitcoin exchange's regulatory compliance with applicable federal and state licensing requirements and practices regarding Anti-Money Laundering ("AML") and Know-Your-Customer ("KYC") 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 trailing twelve months. The Trust moves down the list until it reaches a Bitcoin exchange that has a volume of Bitcoin traded for the 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. 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 AML and KYC 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 (i) if there have been recent changes to each Bitcoin exchange's transaction volume in the trailing twelve months, (ii) if any Bitcoin exchanges have fallen out of, or come into, compliance with applicable regulatory requirements, (iii) if there have been any exchanges that have added Bitcoin/USD pairing, (iv) 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, (v) 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, or (vi) if the principal market is included in the TradeBlock XBX Index (the "Index").

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 the corresponding Shares to investors.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

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's Fee in Bitcoin.

Incidental Rights and IR Virtual Currency

In many circumstances, holders of Bitcoin are not aware of the occurrence of a fork, airdrop or similar event that results in the creation of a new Incidental Right or IR Virtual Currency because such event may not be immediately disclosed or publicized by the third parties responsible for the creation of that new Incidental Right or IR Virtual Currency. The Sponsor, therefore, believes that the point in time at which the Trust "passively receives" any Incidental Right or IR Virtual Currency is the effective time of the applicable fork, airdrop or similar event (or, if later, the time at which market participants other than the third parties responsible for the creation of the Incidental Right or IR Virtual Currency become aware of the occurrence of the applicable fork, airdrop or similar event).

An Incidental Right or IR Virtual Currency is recognized in the financial statements on the date on which it is passively received by the Trust in its capacity as a holder of Bitcoin as a result of a fork, airdrop or similar event. Incidental Rights and IR Virtual Currency are carried at fair value until distributed, otherwise transferred or abandoned by the Trust. The Trust determines the fair value of Incidental Rights or IR Virtual Currency by reference to the principal market for such Incidental Rights or IR Virtual Currency. The Trust's accounting policy for both Incidental Rights and IR Virtual Currency is the same.

Below is a breakdown of the steps that the Trust follows to determine the principal market for Incidental Rights and IR Virtual Currency:

First, the Trust determines which exchanges for Incidental Right or IR Virtual Currency have an online platform and publish transaction price and volume data publicly.

Second, from this group of exchanges, the Trust determines which exchanges: (i) have U.S. dollar pairing to allow for U.S. dollar liquidation to U.S. based customers; (ii) have a BitLicense issued by the New York State Department of Financial Services and operate with proper AML and KYC procedures; and (iii) are accessible to the Authorized Participant as a U.S.-based customer and at which the Authorized Participant can legally open an account on the exchange platform.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

If only one exchange meets all three criteria above, the Trust will select that exchange as the principal market for the relevant Incidental Right or IR Virtual Currency. If multiple exchanges meet all three criteria above, the Trust will determine whether any of the exchanges have significant, notable intra-day price and volume variances from the other exchanges and exclude those exchanges. From the remaining exchanges, the Trust will then select the exchange with the highest trading volume for the U.S. dollar pairing for the trailing twelve months as the principal market for the relevant Incidental Right or IR Virtual Currency. If no exchange meets all three criteria above, the Trust will instead proceed with its analysis, at which point, it no longer requires that the exchange have a BitLicense.

Third, from the group of exchanges, the Trust determines which exchanges (i) have a U.S. dollar pairing; (ii) operate with proper AML and KYC procedures; and (iii) are accessible to the Authorized Participant as a U.S.-based customer and at which the Authorized Participant can legally open an account on the exchange platform.

If only one exchange meets all three criteria above, the Trust will select that exchange as the principal market for the relevant Incidental Right or IR Virtual Currency. If multiple exchanges meet all three criteria above, the Trust will determine whether any of the exchanges have material, notable intra-day price and volume variances from the other exchanges and exclude those exchanges. From the remaining exchanges, the Trust will then select the exchange with the highest trading volume for the U.S. dollar pairing for the trailing twelve months as the principal market for the relevant Incidental Right or IR Virtual Currency.

If no exchange meets all three criteria above, the Trust will proceed with its analysis, at which point it will no longer require that the exchange have a U.S. dollar pairing.

Fourth, from the group of exchanges, the Trust re-runs the analysis in the second and third steps above, disregarding the requirement of having a U.S. dollar pairing and looking instead at the volume of each exchange's Bitcoin pairing.

If no exchange meets the aforementioned criteria, the Trust continues to evaluate the Incidental Right or IR Virtual Currency in accordance with ASC 802. In the absence of an observable market that can serve as the principal market for the relevant Incidental Right or IR Virtual Currency, the Trust will (i) look to inaccessible known markets with observable market prices for the Incidental Right or IR Virtual Currency or (ii) identify potential market participants and determine the hypothetical price at which they would trade the Incidental Right or IR Virtual Currency in order to determine a fair value for the Incidental Right or IR Virtual Currency in accordance with ASC 820.

The Trust accounts for in-kind distributions of Incidental Rights and IR Virtual Currency 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.

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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

2. Summary of Significant Accounting Policies (continued)

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.

	Amount at Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
March 31, 2019				
Assets				
Investment in Bitcoin	\$ 877,972,256	\$ -	\$ 877,972,256	\$ -
December 31, 2018				
Assets				
Investment in Bitcoin	\$ 751,622,174	\$ -	\$ 751,622,174	\$ -

3. Fair Value of Bitcoin

Bitcoin is carried at fair value. As of March 31, 2019, and December 31, 2018, the Trust held 214,401.56274154 and 204,277.35165345 Bitcoin, respectively.

The Trust determined the fair value per Bitcoin to be \$4,094.99 on March 31, 2019, and \$3,679.42 on December 31, 2018 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).

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

3. Fair Value of Bitcoin (continued)

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

	Bitcoin	Fair Value
Balance at January 1, 2018	175,839.08652196	\$ 2,491,383,131
Bitcoin contributed	32,281.46620657	246,150,767
Bitcoin distributed for Sponsor's Fee, related party	(3,843.20107508)	(28,524,092)
Net change in unrealized depreciation on investment in Bitcoin	-	(1,979,766,573)
Net realized gain on investment in Bitcoin	-	22,378,941
Balance at December 31, 2018	204,277.35165345	751,622,174
Bitcoin contributed	11,154.23226455	41,832,368
Bitcoin distributed for Sponsor's Fee, related party	(1,030.02117646)	(3,862,438)
Net change in unrealized appreciation on investment in Bitcoin	-	86,536,075
Net realized gain on investment in Bitcoin	-	1,844,077
Balance at March 31, 2019	214,401.56274154	\$ 877,972,256

4. Creations and Redemptions of Shares

At March 31, 2019 and December 31, 2018, 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 BTC 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 0.0010 of one Bitcoin at March 31, 2019 and December 31, 2018, 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

4. 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 Genesis, the sole Authorized Participant at the time out of concern that the redemption program was in violation of Regulation M under the 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.

In the quarter ended March 31, 2019, the Trust amended its offering to offer Shares on a periodic basis at such times and for such periods as the Sponsor determines in its sole discretion (each such period, an “Offering Period”). The Sponsor may, from time to time and in its sole discretion, halt any Offering Period without providing prior notice.

5. 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

5. 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 March 31, 2019 and December 31, 2018, 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 March 31, 2019 or December 31, 2018.

6. 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 March 31, 2019, and December 31, 2018, 10,982,311 and 10,542,352 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 in the manner set forth in the Trust Agreement (the “Sponsor’s Fee”). The Sponsor’s Fee accrues daily in U.S. dollars and is payable in Bitcoin, monthly in arrears. The amount of Bitcoin payable in respect of each daily U.S. dollar accrual will be determined by reference to the same U.S. dollar value of Bitcoin used to determine such accrual. For purposes of these financial statements, the U.S. dollar value of Bitcoin is determined by reference to the Bitcoin 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 have been excluded from the value of the Trust’s assets for purposes of calculation of the Sponsor’s Fee. No Incidental Rights or IR Virtual Currencies have been distributed in payment of the Sponsor’s Fee during the period ended March 31, 2019.

As partial consideration for 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; the 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

6. 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 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, in satisfaction of such Additional Trust Expenses.

For the three months ended March 31, 2019 and 2018, the Trust incurred Sponsor’s Fees of \$3,862,438 and \$9,232,756, respectively. As of March 31, 2019, and December 31, 2018, there were no accrued and unpaid Sponsor’s Fees. In addition, the Sponsor may pay Additional Trust Expenses on behalf of the Trust, which are reimbursable by the Trust to the Sponsor. For the three months ended March 31, 2019 and 2018, the Sponsor did not pay any Additional Trust Expenses on behalf of the Trust.

7. 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

7. 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.

The Securities and Exchange Commission (the "SEC") has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict. If Bitcoin is determined to be a "security" under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for BTC. For example, it may become more difficult for BTC to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could, in turn, negatively affect the liquidity and general acceptance of BTC and cause users to migrate to other digital assets. As such, any determination that BTC is a security under federal or state securities laws may adversely affect the value of Bitcoin and, as a result, an investment in the Shares.

To the extent that Bitcoin is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act of 1940, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act of 1940. 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.

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.

Incidental Rights and IR Virtual Currencies

During the three months ended March 31, 2018, the Trust distributed the Incidental Rights to Bitcoin SegWit2x by which the Trust came into possession of by virtue of the Trust's investment in Bitcoin. The Trust determined the fair value per Incidental Right of Bitcoin SegWit2X to be \$0 as of the close of business on January 8, 2018, the date in which the Trust declared a distribution and established a record date for the distribution of the Incidental Rights of Bitcoin SegWit2X. 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.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

7. 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.

8. Financial Highlights Per Share Performance

	Three Months Ended March 31,	
	2019	2018
Per Share Data:		
Net asset value, beginning of period	\$ 3.64	\$ 14.30
Net increase (decrease) in net assets from investment operations:		
Net investment loss	(0.02)	(0.05)
Net realized and unrealized gain (loss)	0.41	(7.17)
Net increase (decrease) in net assets resulting from operations	0.39	(7.22)
Net asset value, end of period	\$ 4.03	\$ 7.08
Total return	54.34%	-94.09% ¹
<i>Ratios to average net assets:</i>		
Net investment loss	-2.00%	-2.00%
Expenses	-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 period and assuming redemption on the last day of the period and has been annualized.

¹Total return for the period from January 1, 2018 to March 31, 2018 has been corrected as compared to the previously reported amount and has now been annualized.

Grayscale Bitcoin Trust (BTC)
Notes to Unaudited Financial Statements

9. Indemnifications

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

10. Subsequent Events

As of the close of business on May 10, 2019 the fair value of Bitcoin determined in accordance with the Trust's accounting policy was \$6,376.04 per Bitcoin.

There are no known events that have occurred that require disclosure other than that which has already been disclosed in these notes to the financial statements.