



THE BITCOIN FUND

Class A Units and Class F Units

ANNUAL INFORMATION FORM

For the period ended December 31, 2023

March 30, 2024

TABLE OF CONTENTS

GLOSSARY OF TERMS	1
NAME, FORMATION AND HISTORY OF THE FUND	5
Issue of Units	5
DESCRIPTION OF THE BUSINESS.....	7
Investment Objective and Strategy	7
Investment Restrictions.....	8
Investment Overview	9
Purchasing Bitcoin for the Fund’s Portfolio	12
MANAGEMENT OF THE FUND.....	13
Trustee, Manager, Portfolio Manager and Promoter of the Fund.....	13
Independent Review Committee.....	15
Remuneration of Directors, Officers and Independent Review Committee Members	16
Custodian	16
Sub-Custodian.....	17
CONFLICTS OF INTEREST.....	19
DESCRIPTION OF UNITS OF THE FUND.....	20
The Units.....	20
Purchase for Cancellation	20
Take-over Bids.....	21
Book-Based System	21
Annual Redemptions.....	21
Monthly Redemptions.....	22
Exercise of Redemption Right.....	22
Allocations of Capital Gains to Redeeming Unitholders.....	23
Resale of Units Tendered for Redemption.....	23
Suspension of Redemptions.....	23
DECLARATION OF TRUST	24
Amendment of the Declaration of Trust	24
Meetings of Unitholders	25
Termination of the Fund	26
Information and Reports to Unitholders	26
DISTRIBUTIONS	26
VALUATION.....	27
Calculation of Net Asset Value.....	27
Valuation Policies and Procedures.....	27
MarketVector Bitcoin Benchmark Rate.....	28
Reporting of Net Asset Value.....	28
Suspension of Calculation of Net Asset Value	29

TABLE OF CONTENTS
(continued)

FEES AND OTHER EXPENSES	29
Management Fee.....	29
Ongoing Expenses of the Fund.....	29
INCOME TAX CONSIDERATIONS.....	29
Status of the Fund	30
Taxation of the Fund.....	31
Taxation of Unitholders	32
Composition of Distributions.....	32
Tax Implications of the Fund’s Distribution Policy	33
Disposition of Units	33
Taxation of Capital Gains and Capital Losses.....	33
Taxation of Registered Plans	33
EXCHANGE OF TAX INFORMATION	34
RISK FACTORS	34
Risk Factors Relating to an Investment in the Fund.....	34
Risks Associated with Investing in Bitcoin	40
Risks Associated with the Bitcoin Network	45
Risks Associated with Bitcoin Trading Platforms	48
MATERIAL CONTRACTS	50
CUSTODIAN	51
SUB-CUSTODIAN	51
REGISTRAR AND TRANSFER AGENT.....	51
AUDITOR.....	51
ADMINISTRATOR	51
ADDITIONAL INFORMATION.....	52

GLOSSARY OF TERMS

In this annual information form, the following terms have the meanings set forth below, unless otherwise indicated.

“**Administrator**” means the company appointed from time to time by the Manager to calculate the Net Asset Value of the Fund and the Net Asset Value per Unit, currently SGGG Fund Services Inc.

“**AML Regulation**” means statutes, regulations and other laws enacted by the government of the applicable jurisdiction aimed at the prevention and detection of money laundering and terrorist financing activities.

“**Annual Cut-Off Date**” has the meaning given to it under “Description of Units of the Fund – Annual Redemptions”.

“**Annual Redemption Date**” means the first business day following the 15th day of June in each year.

“**BBR**” means MVIS MarketVector Bitcoin Benchmark Rate, described at <https://marketvector.com/indices/digital-assets/marketvector-bitcoin-benchmark-rate>.

“**bitcoin**” refers to the digital currency that is the native unit of account within the Bitcoin Network.

“**Bitcoin Network**” is the network of computers running the software protocol underlying bitcoin, which maintains the database of bitcoin ownership and facilitates the transfer of bitcoin among parties.

“**Bitcoin Source**” has the meaning given to it under “Investment Overview – Purchasing Bitcoin for the Fund’s Portfolio”.

“**business day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**CDS**” means CDS Clearing and Depository Services Inc. and includes any successor corporation or any other depository subsequently appointed by the Fund as the depository in respect of the Units.

“**CDS Participant**” means a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the Units deposited with CDS.

“**CFTC**” means United States Commodity Futures and Trading Commission.

“**Class A Units**” means the class of transferable, redeemable units of the Fund designated as the “Class A Units”.

“**Class A Redemption Price**” has the meaning given to it under “Description of Units of the Fund – Monthly Redemptions”.

“**Class F Units**” means the class of transferable, redeemable units of the Fund designated as the “Class F Units”.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means (i) the closing price of such security on the principal stock exchange on such Monthly Redemption Date if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the principal stock exchange on such Monthly Redemption Date if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices

of the security traded on a particular day; or (iii) the average of the last bid and the last asking prices of the security on the principal stock exchange on such Monthly Redemption Date if there was not trading on the applicable Monthly Redemption Date.

“**Coinbase**” means Coinbase Custody Trust Company, LLC.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means Tetra Trust Company in its capacity as custodian under the Custodian Agreement.

“**Custodian Agreement**” means the custodianship agreement dated October 11, 2022 between the Manager, in its capacity as manager of 3iQ Bitcoin ETF, 3iQ Ether Staking ETF, the Fund, and The Ether Fund, and the Custodian, as it may be amended from time to time.

“**Cut-Off Date**” has the meaning given to it under “Description of Units of the Fund – Monthly Redemptions”.

“**Declaration of Trust**” means the declaration of trust establishing the Fund dated as of March 31, 2020, as amended on March 8, 2021 and May 14, 2021, as it may be further amended from time to time.

“**Deferred Plan**” means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan or tax-free savings account.

“**Excise Tax Act**” means the *Excise Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**FATF**” means the Financial Action Task Force, an inter-governmental body established to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

“**Fork Asset**” has the meaning given to it under “Risk Factors – Bitcoin’s Blockchain may Temporarily or Permanently Fork and/or Split”.

“**Fund**” means The Bitcoin Fund, a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“**Independent Review Committee**” means the independent review committee of the Fund.

“**Index Licensing Agreement with MVIS**” means the license agreement dated March 31, 2020, as amended on January 29, 2021 and March 15, 2021, between the Manager and MVIS under which the Manager has the right, on and subject to the terms of the Index Licensing Agreement with MVIS, to use the BBR in connection with the creation, offering, listing, trading, marketing and promotion of the Fund, and to use and refer to certain trademarks in connection with the BBR and the Fund.

“**KYC**” means identity verification and recordkeeping procedures under AML Regulation and applicable securities laws.

“**Management Fee**” has the meaning ascribed thereto under “Fees and Other Expenses”.

“**Manager**” means 3iQ Corp., the trustee, manager, portfolio manager and promoter of the Fund, and, if applicable, its successor.

“**Merger**” has the meaning given to it under “Name, Formation and History of the Fund – Issue of Units”.

“**Monthly Cut-Off Date**” has the meaning given to it under “Description of Units of the Fund – Monthly Redemptions”.

“**Monthly Redemption Date**” means the first business day following the 15th day of each month, other than June.

“**MVIS**” means MarketVector Indexes GmbH, an index provider based in Frankfurt, Germany regulated under the EU benchmark regulations.

“**Net Asset Value**” or “**Net Asset Value of the Fund**” means the net asset value of the Fund as determined by subtracting the aggregate liabilities of the Fund from the aggregate value of the assets of the Fund on the date on which the calculation is being made, calculated by the Administrator, as more fully described under “Valuation – Calculation of Net Asset Value”.

“**Net Asset Value per Unit**” means, in respect of a class of Units, the Net Asset Value of the Fund allocated to the Units of such class, divided by the total number of Units of such class outstanding, on the date on which the calculation is being made.

“**NI 81-102**” means National Instrument 81-102 – *Investment Funds*.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least a majority of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**OTC**” means “over the counter”.

“**Redemption Payment Date**” has the meaning given to it under “Description of Units of the Fund – Monthly Redemptions”.

“**Registered Plan**” means a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered education savings plan, a registered disability savings plan, and a tax-free savings account.

“**Registrar and Transfer Agent**” means Computershare Investor Services Inc. or, if applicable, its successor or any other registrar and transfer agent that may be appointed by the Manager from time to time.

“**SIFT Rules**” means the provisions of the Tax Act, including those contained in sections 104, 122 and 122.1 of the Tax Act, which apply to the taxation of a “specified investment flow through trust” and its unitholders.

“**SIFT trust**” means a specified investment flow-through trust for the purposes of the Tax Act.

“**Sub-Custodian**” means Coinbase in its capacity as sub-custodian under the Sub-Custodian Agreement.

“**Sub-Custodian Agreement**” has the meaning given to it under “Management of the Fund – Sub-Custodian”.

“**Tax Act**” means the *Income Tax Act* (Canada), as now or hereafter amended, or successor statutes, and includes regulations promulgated thereunder.

“**Tetra**” means Tetra Trust Company.

“**TSX**” means the Toronto Stock Exchange.

“**United States**” or “**U.S.**” means the United States of America.

“**Unitholders**” means the holders of Units.

“**Units**” means the Class A Units and Class F Units issued by the Fund.

“**Valuation Date**” means each business day.

NAME, FORMATION AND HISTORY OF THE FUND

The Bitcoin Fund (the “**Fund**”) is a closed-end investment fund established as a trust under the laws of the Province of Ontario pursuant to a declaration of trust dated as of March 31, 2020, as amended on March 8, 2021 and May 14, 2021, as it may be further amended from time to time (the “**Declaration of Trust**”). 3iQ Corp. (the “**Manager**”) acts as trustee, manager, portfolio manager and promoter of the Fund and provides certain general management and administrative services required by the Fund. The principal office of the Fund is located at 161 Bay Street, Suite 2700, Toronto, Ontario, M5J 2S1.

The Fund is a non-redeemable investment fund but is not considered to be a mutual fund under the securities legislation of the Provinces and Territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation.

Issue of Units

The Fund is authorized to issue an unlimited number of Class A units (“**Class A Units**”) and Class F units (“**Class F Units**”). The Class A Units and Class F Units are collectively referred to herein as the “**Units**”.

The Class A Units are available to all investors.

The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units are not listed on a stock exchange but the Class F Units offered under a prospectus are reclassified as Class A Units on a one-for-one basis immediately upon the closing of such offering, and (ii) the agents’ fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units.

Class A Units and Class F Units are U.S. dollar denominated and Class A Units are available for purchase in Canadian dollars.

The Fund completed its initial public offering (“**IPO**”) on April 9, 2020, resulting in the listing of 1,491,800 Class A Units on the TSX. In connection with the IPO, the Fund issued 303,675 Class A Units at a price of US\$10.00 per Class A Unit, 153,530 Class F Units at a price of US\$10.00 per Class F Unit and 973,726.5001 Class B Units at a price of US\$10.00 per Class B Unit. The Class B Units were issued to 3iQ Bitcoin Trust in consideration for the assets of 3iQ Bitcoin Trust, which consisted of bitcoin and cash, in connection with the merger of 3iQ Bitcoin Trust and the Fund which was effective as of 5:00 p.m. on April 8, 2020 (the “**Merger**”). Immediately upon closing of the IPO, the Class B Units and Class F Units were reclassified as Class A Units based on the Net Asset Value per Class B Unit or Class F Unit, as applicable, divided by the Net Asset Value per Class A Unit, in each case calculated after payment of the agents’ fees. Accordingly, the 973,726.5001 Class B Units were reclassified as 1,031,294 Class A Units and 153,530 Class F Units were reclassified as 156,831 Class A Units.

The Fund completed a new issue of Units (the “**May Offering**”) on May 8, 2020, resulting in the listing of 4,084,829 Class A Units on the TSX. In connection with the May Offering, the Fund issued 2,655,633 Class A Units at a price of US\$11.87 per Class A Unit and 1,429,196 Class F Units at a price of US\$11.63 per Class F Unit. Immediately upon closing of the May Offering, the Class F Units were reclassified as Class A Units on a one-for-one basis. Accordingly, the 1,429,196 Class F Units were reclassified as 1,429,196 Class A Units.

The Fund completed another new issue of Units (the “**June Offering**”) on June 26, 2020, resulting in the listing of 867,528 Class A Units on the TSX. In connection with the June Offering, the Fund issued

443,500 Class A Units at a price of US\$11.71 per Class A Unit and 424,028 Class F Units at a price of US\$11.47 per Class F Unit. Immediately upon closing of the June Offering, the Class F Units were reclassified as Class A Units on a one-for-one basis. Accordingly, the 424,028 Class F Units were reclassified as 424,028 Class A Units.

On November 5, 2020, the Fund filed a short form base shelf prospectus, as amended by Amendment No. 1 dated January 5, 2021 and Amendment No. 2 dated October 21, 2022 (collectively, the “**Prospectus**”) qualifying the issue of Class A Units and Class F Units in an aggregate principal amount of up to US\$2,000,000,000.

On November 10, 2020, the Fund issued 1,050,000 Class A Units pursuant to a treasury offering. The gross proceeds raised by the Fund were C\$25,200,000.

On November 20, 2020, the Fund issued 2,850,000 Class A Units pursuant to a treasury offering. The gross proceeds raised by the Fund were US\$40,500,000 and C\$22,525,000.

On November 30, 2020, the Fund issued 2,222,300 Class A Units pursuant to a treasury offering. The gross proceeds raised by the Fund were US\$50,001,750.

On December 30, 2020, the Fund announced an at-the-market equity program to allow the Fund to issue Class A Units having an aggregate sale price of up to US\$150,000,000 to the public, at the discretion of the Manager (the “**First ATM Program**”). Sales of Class A Units under the First ATM Program were made by way of “at-the-market distributions” (as defined in National Instrument 44-102 – Shelf Distributions) on the TSX or on any other marketplace in Canada on which the Class A Units were listed, quoted or otherwise traded. The Fund issued an aggregate of 2,966,500 Class A Units under the First ATM Program for aggregate gross proceeds to the Fund of US\$131,610,903. The First ATM Program was terminated by the Manager, in its capacity as manager of the Fund on January 26, 2021.

On January 26, 2021, the Fund announced an additional at-the-market equity program to allow the Fund to issue Class A Units having an aggregate sale price of up to US\$200,000,000 to the public, at the discretion of the Manager (the “**Second ATM Program**”). Sales of Class A Units under the Second ATM Program were made by way of “at-the-market distributions” (as defined in National Instrument 44-102 – Shelf Distributions) on the TSX or on any other marketplace in Canada on which the Class A Units were listed, quoted or otherwise traded. The Fund issued an aggregate of 612,200 Class A Units under the Second ATM Program for aggregate gross proceeds to the Fund of US\$26,864,496. The Second ATM Program was terminated by the Manager, in its capacity as manager of the Fund on June 18, 2021.

On July 13, 2021, the Fund announced an additional at-the-market equity program to allow the Fund to issue Class A Units for an aggregate sale price of up to US\$200,000,000 to the public, at the discretion of the Manager (the “**Third ATM Program**”). Sales of Class A Units under the Third ATM Program were made by way of “at-the-market distributions” (as defined in National Instrument 44-102 – Shelf Distributions) on the TSX or on any other marketplace in Canada on which the Class A Units were listed, quoted or otherwise traded. The Third ATM Program was effective until December 5, 2022. No Class A Units were issued under the Third ATM Program.

On February 25, 2021, the Fund announced it had filed a Notice of Intention to make a normal course issuer bid (“**NCIB**”) to purchase for cancellation up to 2,098,287 Class A Units. Under the NCIB, the Fund was authorized to purchase the Class A Units for cancellation from March 1, 2021 to February 28, 2022, through open market transactions on the TSX and/or any Canadian alternative trading systems on which the Class A Units are traded, based on the prevailing market price. For the year ended December 31, 2021, 150,700 Class A Units (aggregate purchase price being US\$8,309,324) were purchased for

cancellation under the NCIB. For the year ended December 31, 2022, 74,700 Class A Units (aggregate purchase price being US\$2,934,529) were purchased for cancellation under the NCIB.

On February 25, 2022, the Fund announced it had renewed its NCIB, pursuant to which it may purchase for cancellation up to 1,154,519 Class A Units. Under the renewed NCIB, the Fund was authorized to purchase the Class A Units for cancellation from March 1, 2022 to February 28, 2023, through open market transactions on the TSX and/or any Canadian alternative trading systems on which the Class A Units are traded, based on the prevailing market price. For the year ended December 31, 2022, 46,100 Class A Units (aggregate purchase price being US\$1,280,131) were purchased for cancellation under the renewed NCIB. For the year ended December 31, 2023, no Units were purchased for cancellation under the renewed NCIB.

On February 27, 2023, the Fund announced it had renewed its NCIB, pursuant to which it may purchase for cancellation up to 680,633 Class A Units. Under the renewed NCIB, the Fund was authorized to purchase the Class A Units for cancellation from March 1, 2023 to February 29, 2024, through open market transactions on the TSX and/or any Canadian alternative trading systems on which the Class A Units are traded, based on the prevailing market price. For the year ended December 31, 2023, no Units were purchased for cancellation under the renewed NCIB.

On May 14, 2021, the Fund announced that Unitholders would have the option to convert all or part of their Class A Units into units of the 3iQ Bitcoin ETF (the “**ETF**”) in connection with the Fund’s Annual Redemptions.

On May 31, 2021, 7,098,564 Class A Units (the “**2021 Conversion Units**”) were redeemed and units of the ETF (the “**ETF Units**”) were issued. ETF Units valued at US\$292,800,858 were issued on June 1, 2021 as a result of the redemption of the 2021 Conversion Units. Additionally, in connection with the Annual Redemption, 1,971,302 Class A Units were surrendered for in-kind redemption valued at US\$85,001,162 and 189,073 Class A Units were surrendered for cash redemption valued at US\$8,152,695.

On May 31, 2022, 3,591,214 Class A Units (the “**2022 Conversion Units**”) were redeemed and units of the ETF were issued. ETF Units valued at US\$123,642,590 were issued on June 1, 2022 as a result of the redemption of the 2022 Conversion Units. Additionally, in connection with the Annual Redemption, 33,683 Class A Units were surrendered for cash redemption valued at US\$766,392.

On May 31, 2023, 1,407,888 Class A Units (the “**2023 Conversion Units**”) were redeemed and units of the ETF were issued. ETF Units valued at US\$40,292,910 were issued on June 1, 2023 as a result of the redemption of the 2023 Conversion Units.

As of the date hereof, the Fund has issued an aggregate of 4,895,759 Class A Units pursuant to private placements for aggregate gross proceeds to the Fund of US\$120,261,869.

The Fund currently has 6,440,080 Class A Units issued and outstanding.

DESCRIPTION OF THE BUSINESS

Investment Objective and Strategy

The Fund’s investment objectives are to seek to provide holders of Units (“**Unitholders**”) of the Fund with:

- (a) exposure to digital currency bitcoin (“**bitcoin**”) and the daily price movements of the U.S. dollar price of bitcoin; and
- (b) the opportunity for long-term capital appreciation.

To achieve its investment objectives, the Fund invests in long-term holdings of bitcoin, purchased from reputable bitcoin trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in bitcoin.

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager seeks to ensure that the bitcoin trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation.

The Fund does not speculate with regard to short-term changes in bitcoin prices. The Fund will provide investors with the ability to effectively invest in bitcoin without the inconvenience and additional transaction and storage costs associated with a direct investment in bitcoin.

The Fund does not and will not hedge any U.S. dollar currency exposure back to the Canadian dollar.

Leverage

Generally, the Fund does not intend to borrow money or employ other forms of leverage to acquire bitcoin. The Fund may borrow money on a short term basis to acquire bitcoin in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund.

Use of Derivatives

The Manager may use derivative instruments, the underlying interest of which is bitcoin, for non-hedging purposes consistent with the Fund’s investment objectives and investment strategies to gain exposure to bitcoin, subject to its investment restrictions. For example, the Fund may trade in bitcoin futures listed on the Chicago Mercantile Group (CME:BTC) and other commodity futures exchanges regulated by the CFTC. Any trading in derivatives by the Fund is incidental to the Fund’s core investment strategy of investing in the bitcoin. The Fund will not transact in any derivative instrument if, as a result of such transaction, the Fund’s aggregate exposure to derivatives would exceed 5% of the Net Asset Value of the Fund.

Investment Restrictions

The Fund is subject to certain investment restrictions and practices contained in securities legislation, including NI 81-102, that, among other things, limit the assets that the Fund may acquire for its portfolio. The Fund’s investment restrictions are designed in part to ensure the proper administration of the Fund and that the Fund is managed in accordance with these restrictions and practices. The Fund’s investment restrictions may not be changed without approval by resolution passed by at least 66 $\frac{2}{3}$ % of the votes cast by holders of Units voting thereon who attend in person or by proxy and vote at a meeting called for such purpose. See “Declaration of Trust – Amendment of the Declaration of Trust”. The Fund’s investment restrictions provide that the Fund may:

- (a) not invest less than 90% of its total assets in bitcoin;
- (b) not invest in securities of bitcoin related companies, technologies or business ventures;
- (c) purchase debt securities only if such securities are cash equivalents;
- (d) not borrow or enter into any leverage transaction other than as described above under “Investment Objective and Strategy – Leverage”;
- (e) except as set forth under “Investment Objective and Strategy – Use of Derivatives”, not purchase derivatives or enter into derivatives or other transactions;
- (f) not undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” within the meaning of the Tax Act;
- (g) not make or hold any investment that would result in the Fund becoming a “SIFT trust” within the meaning of subsection 122.1(1) of the Tax Act;
- (h) not invest in: (i) any security that is an offshore investment fund property that would require the Fund to include significant amounts in the Fund’s income pursuant to section 94.1 of the Tax Act; or (ii) any interest in a non-resident trust that would require the Fund to include amounts in income in connection with such interest pursuant to sections 91, 94 or 94.2 of the Tax Act;
- (i) not invest in any security that would be a “tax shelter investment” within the meaning of the Tax Act; and
- (j) not invest in any security of an issuer that would be a foreign affiliate of the Fund for purposes of the Tax Act.

The Fund may not invest in securities or assets other than those referred to above. Notwithstanding the foregoing, at the Manager’s discretion, the Fund may be invested in cash or cash equivalents from time to time.

Investment Overview

The Fund invests substantially all of its assets in bitcoin. Bitcoin is a digital asset that is not issued by any government, bank or central organization. Bitcoin is based on the decentralized, open source protocol of the peer-to-peer bitcoin computer network (the “**Bitcoin Network**”), which creates the decentralized public transaction ledger, known as the “blockchain”, on which all bitcoin transactions are recorded. Movement of bitcoin is facilitated by a digital, transparent and immutable ledger, enabling the rapid transfer of value across the internet without the need for centralized intermediaries. The Bitcoin Network software source code includes the protocol that governs the creation of bitcoin and the cryptographic operations that verify and secure bitcoin transactions. It is common practice to refer to Bitcoin with a capital “B” when referring to the protocol or network, and bitcoin with a lowercase “b” when referring to the digital asset. The blockchain is an official record of every bitcoin transaction (including creation or “mining” of new bitcoin) and every bitcoin address associated with a quantity of bitcoin. The Bitcoin Network, and software applications built atop it, can interpret the blockchain to determine the exact bitcoin balance, if any, of any public bitcoin address listed in the blockchain. A bitcoin private key controls the transfer or “spending” of bitcoin from its associated public bitcoin address. A bitcoin “wallet” is a

collection of public bitcoin addresses and their associated private key(s). It is designed such that only the owner of bitcoin can send bitcoin, only the intended recipient of bitcoin can unlock what the sender sent and the transactional validation and bitcoin ownership can be verified by any third party anywhere in the world.

The entire Bitcoin Network can be described using the analogy of a computer. The most basic level of any computer is the hardware that all of the software runs upon. The hardware providers for the Bitcoin Network are called “miners”. Miners buy specialized computational equipment in the form of servers that are composed of primarily application specific integrated circuits (ASICs), and these servers have been constructed entirely for the purpose of verifying bitcoin transactions, building bitcoin’s blockchain and thereby minting new bitcoin.

Miners’ servers run Bitcoin software, which can be thought of as the operating system on top of the hardware, just as personal computers have installed an operating system. Bitcoin software is maintained in the open source model, with the community collaborating on GitHub. GitHub is a platform for software creation, orchestrating the storage, version control and integration of code for different software projects. Bitcoin’s software is available for all developers and non-developers to peruse and discuss. For example, from GitHub one can download the entire source code of Bitcoin software. While there are a few different implementations of Bitcoin software, the one used by most miners is called “Bitcoin Core” and is maintained by over 600 developers. By running similar software on similar hardware the miners have created a basic worldwide computer that operates in sync, despite being geographically distributed.

Just as one may run applications on top of the hardware and operating system of their computer, various companies have built applications that run on top of the hardware and operating system of the Bitcoin Network. Applications include wallets that store users’ bitcoin, exchanges that allow users to swap bitcoin for other currencies, remittances providers that send money to people in other countries and decentralized marketplaces that function similar to an online distributor (e.g., eBay). Accordingly, there is no central company. While Bitcoin’s application ecosystem is still in its early development, the Manager believes that, as more developers and users adopt the platform over time there will be an increasing number of applications, which will provide greater functionality to the system as a whole.

The end user relies on the hardware, operating system, and applications provided by bitcoin miners, developers and companies, respectively. The greater the number of bitcoin users, the greater the incentive will be potentially for miners, developers and companies to continue to develop their systems, which in turn should promote the Bitcoin Network as a whole.

The Manager believes that there are a few key metrics that determine the security of the Bitcoin Network. First, there are the number of nodes connected to the network. A “node” is a computer that is connected directly to the Bitcoin Network. If a node discovers that a block contains an invalid transaction or has otherwise violated the consensus rules, then that block is rejected and not appended to Bitcoin’s blockchain. While some of these nodes are miners, not all of them are miners. Some are there to forward transactions around the network and keep track of Bitcoin’s blockchain while not getting involved with Bitcoin’s proof of work process to create new blocks. Non-mining nodes are referred to as “full nodes”, and many bitcoin companies and enthusiasts run full nodes so that they have their own store of the blockchain, which proves useful for interacting with the network and creates strong redundancy within the system.

The Bitcoin Network is dispersed across the globe. If a nation banned miners from supporting Bitcoin, the majority of the nodes would continue unaffected. If a large segment of miners were to be taken offline, the economics would improve for the remaining miners as they would have less competition, likely leading to an influx of new miners from unaffected geographies.

Another important metric for the security of the Bitcoin Network is the hash rate. A “hash” is the output of a hash function, which takes data of arbitrary length and crunches it into a fixed-length string of alphanumeric characters. As it relates to bitcoin, the “hash rate” is the frequency at which a miner guesses a new solution to create a valid “block hash” (i.e., proof-of-work), which allows a miner to append a new block of transactions to Bitcoin’s blockchain. For single entities, the more mining machines that they own, the higher the hash rate they will control, which will increase their opportunity of finding the next block hash and receiving the block reward of newly minted bitcoin. For the Bitcoin Network as a whole, a higher hash rate signifies more competition amongst the miners, likely dissuading one nefarious group from trying to take over the network in what is commonly referred to as a “51% attack”.

As of January 31, 2024, no single miner or pool controlled more than 29.28% of the Bitcoin Network. In terms of the Herfindahl-Hirschman Index, which is commonly used to measure market concentration, the Bitcoin Network classifies as a competitive industry.

By 2140, the Manager anticipates that the number of bitcoin available to the public will have reached an equilibrium state of 21 million units. This differs from a traditional currency, which does not have a theoretical cap on the amount of the currency that will be circulated to the public.

The “minting” of new bitcoin is part of the mining process. Each time a block is created, the first transaction in the block issues a certain number of bitcoin to the miner who created the block. This transaction is called a “coinbase transaction”. Every 210,000 blocks, or roughly every 4 years, the amount of bitcoin issued to miners in the coinbase transaction is cut in half. This is called “block reward halving” or “halving”.

For example, from the time of launch of the Bitcoin Network on January 3, 2009 up until November 28, 2012, coinbase transactions issued 50 bitcoin to the miner who created the block. Starting from a base of zero bitcoin outstanding, this made the currency highly inflationary. However, on November 28, 2012, the coinbase transaction was switched to 25 bitcoin. This switch was hard wired into Bitcoin’s protocol, so that once the 210,000th block had been mined all subsequent blocks created only issued 25 bitcoin as the miner’s fee transaction. On July 9, 2016, the issuance was cut in half again, to only 12.5 bitcoin per miner’s fee transaction. The most recent halving event occurred on May 11, 2020 when the block reward decreased from 12.5 bitcoin to 6.25 bitcoin, which means that currently there are only 900 newly minted bitcoin issued per day.

User Behavior, Identity, and Adoption

Those wishing to use or hold bitcoin directly must establish a bitcoin wallet. A wallet provides the user with a public key that is used to derive an address for others to send them bitcoin, as well as a private key which is used to unlock balances of the user’s bitcoin to send to others. A bitcoin wallet can be a desktop client, which is a software application running on a computer. It can also be a hardware wallet provided by a company that offers such products. With a desktop client or hardware wallet, the user is in control of the private keys that control the bitcoin they own. Alternatively, consumers may use a hosted bitcoin wallet where a provider protects the private keys, and the consumer accesses their accounts through a web browser or mobile application. Many people who are new to bitcoin make their initial purchases through a hosted bitcoin wallet.

Most wallet providers require customers to establish their true identity as they would if opening an account at a Canadian chartered bank in compliance with applicable AML Regulation and KYC procedures. When a user converts fiat currency into bitcoin, then they also need to connect a bank account or credit card to the wallet, providing another point of connection to the user’s identity. It is a common misconception that users of bitcoin are completely anonymous. If they have passed through the above checks, their identity

may be traced. However, if they have not passed through the above processes, they are pseudonymous, with their identity represented by an alphanumeric string of characters as the wallet address. Since Bitcoin's blockchain is transparent, the actions of pseudonymous users can be tracked, and using network forensics their identity can potentially be unearthed if necessary.

Bitcoin as a Means of Exchange

The use of bitcoin, as a means of exchange, is increasing rapidly throughout the world, particularly in nations where faith in central bank backed fiat currencies (a currency that a government has declared a legal currency) has been unstable, or where necessary banking infrastructure is lacking. Bitcoin makes it possible for users to accept and send global transactions directly from their smart phone, twenty-four hours a day.

Digital Asset Trading Platforms

Digital asset trading platforms operate websites that facilitate the purchase and sale of digital assets such as bitcoin and ether for various government-issued currencies, including the U.S. dollar and the Canadian dollar. Activity on the digital asset trading platforms should not be confused with the process of users sending bitcoin or ether from one address to another bitcoin or ether address.

Digital asset trading platforms generally report publicly on their websites the bid and ask prices for the purchase or sale of digital assets. Although each digital asset trading platform has its own market price, it is expected that most digital asset trading platforms' market prices should be relatively consistent with the digital asset trading platform market average since market participants can choose the digital asset trading platform on which to buy or sell digital assets. Price differentials across digital asset trading platforms may enable arbitrage between digital asset prices on the various digital asset trading platforms and occur most notably between geographies.

Digital asset trading platforms are open 24 hours a day and 365 days of the year. There currently exist globally over 100 digital asset trading platforms. Digital asset trading platforms with the most economically significant trading volume are Binance, Coinbase, Kraken, KuCoin, Gate.io, Bitfinex, OKX, Bybit, Bitstamp, and Gemini. A majority of these digital asset trading platforms employ KYC procedures in compliance with applicable AML Regulation.

Volatility

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

Purchasing Bitcoin for the Fund's Portfolio

The Manager expects that bitcoin will be purchased for the Fund from bitcoin trading platforms and OTC counterparties (each, a "**Bitcoin Source**"). The Manager will conduct due diligence on each proposed Bitcoin Source prior to transacting with such Bitcoin Source in order to confirm its reputation and stability, including by conducting research on the executive officers and significant shareholders of the Bitcoin Source and the regulatory regime, if any, applicable to the Bitcoin Source. The Manager will also confirm that each Bitcoin Source maintains appropriate KYC policies and procedures and will not transact with any person or entity that is on a list of designated persons or entities established and maintained under

applicable AML Regulation in the jurisdiction of the Bitcoin Source. The Manager will ensure that each Bitcoin Source has its head office in a jurisdiction which is a member of the FATF or its global network of FATF-Style Regional Bodies.

The Manager expects that the Fund's Bitcoin Sources will include Coinbase and Cumberland DRW LLC and other regulated trading platforms and OTC counterparties. The Manager also expects that established investment dealers will offer trading of digital assets in the near future. The Manager will consider such broker-dealers as potential Bitcoin Sources at such time.

The Manager will determine where to place the Fund's bitcoin orders based on the price and liquidity available through the Bitcoin Sources with a view to achieving best execution for the Fund. Once a bitcoin order has been executed and allocated to the Fund, the Manager reviews and approves the transaction. Upon approval, the Custodian is notified and payment for the trade is settled. Once the Sub-Custodian receives the bitcoin on behalf of the Fund, the Manager immediately places the bitcoin in cold storage, ensuring that such bitcoin is allocated to the Fund's account on a segregated basis with the Sub-Custodian.

MANAGEMENT OF THE FUND

Trustee, Manager, Portfolio Manager and Promoter of the Fund

3iQ Corp. is the trustee, manager, portfolio manager and promoter of the Fund and provides, or causes to be provided, all administrative services required by the Fund. The Manager may be considered to be a promoter of the Fund within the meaning of applicable securities legislation by reason of its initiative in forming and establishing the Fund.

The Manager was incorporated under the *Canada Business Corporations Act* on July 9, 2012. The Manager's head office is located at 161 Bay Street, Suite 2700, Toronto, Ontario, M5J 2S1.

The Manager also serves as trustee (the "Trustee") and administrator of the Fund pursuant to the Declaration of Trust and as such provides administrative services to the Fund. See "Declaration of Trust".

The Fund has retained the Manager to manage and administer the day-to-day business and affairs of the Fund. The Manager is responsible for providing managerial, administrative and compliance services to the Fund pursuant to the Declaration of Trust, including, without limitation, acquiring or arranging to acquire bitcoin on behalf of the Fund, calculating the Net Asset Value of the Fund and Net Asset Value per Unit of the Fund, net income and net realized capital gains of the Fund, authorizing the payment of operating expenses incurred on behalf of the Fund, preparing financial statements and financial and accounting information as required by the Fund, ensuring that Unitholders are provided with financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time, ensuring that the Fund complies with regulatory requirements and applicable stock exchange listing requirements, preparing the Fund's reports to unitholders and the securities regulatory authorities and negotiating contractual agreements with third-party providers of services, including the Custodian, the Sub-Custodian, the Registrar and Transfer Agent (each as defined herein), the auditor and printers. The Manager may from time to time employ or retain any other person or entity to perform, or to assist the Manager in the performance of management, administrative and advisory services to all or any portion of the Fund's assets and in performing other duties of the Manager as set out in the Declaration of Trust.

Directors and Officers of the Manager

The board of directors of the Manager currently consists of three members. The name, municipality of residence and office with the Manager of each director and senior officer is set out below. The directors do not have a fixed term of office.

<u>Name</u>	<u>Municipality of Residence</u>	<u>Office with the Manager</u>
Frederick T. Pye	Pointe Claire, Quebec	Chairman, Chief Executive Officer and Director
Pascal St-Jean	Ottawa, Ontario	President
John Loeprich	Moffat, Ontario	Chief Financial Officer, Chief Operating Officer and Director
Diana Escobar Bold	Toronto, Ontario	Chief Compliance Officer
Anthony L. Cox	Toronto, Ontario	Executive Vice President and Director

A description of the experience, background relevant to the business of the Fund and information regarding the principal occupations held by the above noted individuals during the past five years is set out below.

Frederick T. Pye

Frederick T. Pye is the Chairman and Chief Executive Officer of 3iQ Corp. Mr. Pye is recognized for creating and promoting creative and unique investment products for the investment industry. Prior to founding 3iQ Corp., Mr. Pye managed private client portfolios with National Bank Financial Inc., Wellington West Capital Inc. and MacDougall, MacDougall & MacTier Inc. Prior to this, Mr. Pye was Founder, President & Chief Executive Officer of Argentum Management and Research Corporation, a company dedicated to managing and distributing quantitative investment portfolios including the first long-short mutual fund in Canada. He was also Senior Vice-President and National Sales Manager of Fidelity Investments Canada and an integral part of the team that saw assets under management rise from C\$80 million to over C\$7.5 billion during his tenure. He also held various positions with Guardian Trust Company, which listed the first Gold Silver and Platinum Certificates on the Montreal Exchange, Ivory and Sime Pembroke, Gordon Private Client Corporation and Marleau, Lemire Securities Inc. Mr. Pye has a Masters in Business Administration.

Pascal St-Jean

Pascal St-Jean is the President of 3iQ Corp. Throughout his career, Mr. St-Jean has focused on the transformation and disruption of industries via rapid scaling of businesses under his leadership. Having successfully created and grown multiple business ventures, Mr. St-Jean was recognized as one of the youngest recipients of Ottawa's Forty Under 40 award. Mr. St-Jean is the co-founder of STAND Advisors where he served as Strategic Advisor and Fractional Executive to over 5% of the Globe and Mail's 500 fastest growing companies in Canada. He is also a founding partner of Futuring, an executive coaching business, and the Chair of TEC Canada. Mr. St-Jean's experience in open-source technologies and

distributed systems led him to invest in cryptocurrency in 2016, and act as an educational resource on digital asset investments to several organizations. Mr. St-Jean has served as a strategic consultant to bitcoin mining start-ups such as Hydra Mining and founded Quasar Strategy, a private multi-strategy bitcoin fund.

John Loeprich

John Loeprich is the Chief Financial Officer and Chief Operating Officer at 3iQ Corp. and is responsible for overseeing all the aspects of operations, finance, as well as assisting with sales & marketing and strategic planning. Mr. Loeprich brings over 40 years of experience in the financial services industry, ranging from public accounting to finance and operations with multi-national corporations to finance and sales and marketing and strategic planning with a number of investment management firms. Mr. Loeprich started his investment industry tenure at Fidelity Investments Canada Ltd. Where he became Chief Financial Officer before starting his own business specializing in assisting companies launch themselves into the mutual fund market. Prior to joining 3iQ Corp., Mr. Loeprich was EVP & CFO at Qwest Investment Fund Management, helping grow the business into a profitable IFM/PM platform. Prior to Qwest, Mr. Loeprich was Senior Vice-President, Partner and head of the Private Client Division at Hillsdale Investment Management, responsible for sales and marketing to investment advisors and high net worth individuals. During his time at Hillsdale, the firm's assets grew from C\$12 million to over C\$500 million. Mr. Loeprich is a chartered Professional accountant, Certified General Accountant and a graduate of the University of Waterloo (Bachelor of Mathematics).

Diana Escobar Bold

Diana Escobar Bold is the Chief Compliance Officer at 3iQ Corp. Ms. Escobar Bold's experience in the Canadian investment industry has focused on compliance with exempt market dealer, investment fund manager and portfolio manager rules and regulations. Ms. Escobar Bold served as the Chief Compliance Officer for Roadmap Capital Inc. for over seven years. Prior to that, Ms. Escobar Bold was Senior Legal Counsel in the Corporate Finance Branch of the Ontario Securities Commission and an associate at a Canadian corporate, securities and business transactions law firm. Ms. Escobar Bold is a member of the Law Society of Ontario and a graduate of Osgoode Hall Law School (Bachelor of Laws).

Anthony L. Cox

Anthony L. Cox has more than 15 years of experience with major accounting firms and over 25 years of experience in the investment fund industry in Canada. Mr. Cox's background includes: eleven years as Vice President and Chief Financial Officer of Spectrum United Mutual Funds Inc. (a wholly-owned subsidiary of SunLife Assurance Company of Canada) from its inception in 1987 to C\$7 billion of assets under management in 1998; eleven years as Director and Chief Operating Officer of NBF Turnkey Solutions Inc. (a wholly-owned subsidiary of National Bank Financial Inc.). Prior to joining 3iQ Corp. as Chief Financial Officer (from May 31, 2017 to June 30, 2018), Mr. Cox was President of Canadian Fund Management Inc. which provided consulting and contract services to investment fund managers. He has been very active in the industry, serving on many Investment Funds Institute of Canada committees. Mr. Cox is a member of the Independent Review Committees of Next Edge Capital funds. He is a CPA, CA and holds the ICD.D designation (ICD.D 2010).

Independent Review Committee

In accordance with NI 81-107, the Manager has appointed an independent review committee comprised of three members, each of whom is independent of the Manager, entities related to the Manager, and the Fund. The Independent Review Committee has engaged Independent Review Inc. to provide an independent secretariat service to assist the Independent Review Committee and provide an independent

secretariat for Independent Review Committee members. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith, and in the best interests of the Fund and to exercise the degree of care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances.

The Independent Review Committee will prepare a report, at least annually, of its activities for Unitholders which will be available on the Manager's website at www.3iQ.ca, or at the Unitholder's request at no cost, by contacting the Manager at (416) 639-2130 or SEDAR at www.sedar.com.

The members of the Independent Review Committee are Gregory Koegl, Eamonn McConnell and William Woods.

Remuneration of Directors, Officers and Independent Review Committee Members

Compensation for members of the Independent Review Committee in respect of the investment funds managed by the Manager and subject to NI 81-107 is currently C\$5,000 per member per annum and C\$6,250 per annum for the chair of the committee, plus applicable taxes in each case.

The fees and other reasonable expenses of members of the Independent Review Committee, as well as premiums for insurance coverage for such members are paid by the Fund and the other funds managed by the Manager, allocated on a pro rata basis. In addition, the Fund and the Manager have agreed to indemnify the members of the Independent Review Committee against certain liabilities. All such Independent Review Committee costs are allocated to the funds on a pro rata basis.

The expenses of the officers and directors of the Manager are paid by the Manager.

Custodian

Tetra Trust Company (the "**Custodian**") is the custodian of the assets of the Fund, pursuant to the Custodian Agreement. The Custodian is a provincially regulated trust company based in Calgary, Alberta and provides services to the Fund from its office in Calgary, Alberta. The Custodian is responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may appoint a sub-custodian from time to time in accordance with NI 81-102.

The Manager, on behalf of the Fund, or the Custodian may terminate the Custodian Agreement upon at least 90 days' written notice. The Manager, on behalf of the Fund, may terminate the Custodian Agreement immediately if the Custodian ceases to be qualified to act as a custodian of the Fund under applicable law. The Custodian may terminate the Custodian Agreement on 60 days' written notice to the Fund in the event that the Custodian has delivered a termination notice to the Sub-Custodian, or is entitled to deliver a termination notice to the Sub-Custodian upon the occurrence of certain termination events, pursuant to the terms of the Sub-Custodian Agreement. The Custodian is entitled to receive fees from the Fund as described under "Fees and Other Expenses – Ongoing Expenses of the Fund" and to be reimbursed for all expenses and liabilities that are properly incurred by the Custodian in connection with the activities of the Fund.

The Custodian, in carrying out its duties concerning the safekeeping of, and dealing with, the portfolio assets of the Fund, is required to exercise (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or (b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in (a).

Sub-Custodian

Coinbase Custody Trust Company (“**Coinbase**” or the “**Sub-Custodian**”) acts as sub-custodian of the Fund in respect of the Fund’s holdings of bitcoin pursuant to a sub-custody agreement between the Manager, in its capacity as manager of 3iQ Bitcoin ETF, 3iQ Ether Staking ETF, the Fund, and The Ether Fund, the Custodian and Coinbase dated October 11, 2022 (the “**Sub-Custodian Agreement**”).

Coinbase is a trust company licensed and regulated by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Fund for assets held outside of Canada in accordance with NI 81-102. Coinbase operates in the U.S., Canada and certain other international jurisdictions.

As a fiduciary under Section 100 of the New York Banking Law, Coinbase is held to specific capital reserve requirements and banking compliance standards. Coinbase is also subject to the laws, regulations and rules of applicable governmental or regulatory authorities, including: money service business regulations under the Financial Crimes Enforcement Network (“**FinCEN**”); U.S. state money transmission laws; laws, regulations, and rules of relevant tax authorities; applicable regulations and guidance set forth by FinCEN; the Bank Secrecy Act of 1970; the USA PATRIOT Act of 2001; AML Regulations as mandated by U.S. federal law and any other rules and regulations regarding anti-money laundering/counter-terrorist financing; issuances from the Office of Foreign Assets Control; the New York Banking Law; and regulations promulgated by the New York State Department of Financial Services from time to time.

Coinbase uses segregated cold storage bitcoin addresses for the Fund which are separate from the bitcoin addresses that Coinbase uses for its other customers and which are directly verifiable via the Bitcoin blockchain. Coinbase will at all times record and identify in its books and records that such bitcoins constitute the property of the Fund. Coinbase will not hold the Fund’s bitcoins in its own name. Coinbase will not sell, loan, hypothecate, pledge or otherwise transfer or encumber the Fund’s bitcoins without the Fund’s instruction. Coinbase, in carrying out its duties concerning the safekeeping of, and dealing with, the Fund’s bitcoins, is required to exercise (a) the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; or (b) at least the same degree of care as they exercise with respect to their own property of a similar kind, if this is a higher degree of care than the degree of care referred to in (a).

Bitcoin Storage, Security Policies and Practices

Bitcoin private keys are stored in two different forms: “hot wallet” storage, whereby the private keys are online and stored within a high security environment, and “cold” storage, where digital currency private keys are stored completely offline. The bitcoin that Coinbase will hold for the Fund will be stored offline in cold storage. When under the purview of Coinbase, bitcoin will only enter “hot” storage in the case of deposits and redemptions, meaning that the bitcoin will only be in “hot” storage for a temporary period and only when appropriate consensus requirements are met by 3iQ Corp. to initiate such a transaction.

Coinbase has adopted the following security policies and practices with respect to digital assets held in cold storage: keys are generated offline and split into redundant shards. The decryption keys for

these shards are stored in secure hardware security modules. The final shards are stored and managed in geo-redundant, physical secure storage lockers within Coinbase's secure facilities. Multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key, eliminating single points of failure; all final key shards are stored offline in air-gapped environments within a diverse network of guarded, monitored and access-controlled facilities that are geographically distributed; multiple levels of physical security and monitoring controls are implemented to safeguard the private keys within storage facilities; and all fund transfers require the coordinated actions of multiple employees.

Coinbase has adopted the following security policies and practices with respect to digital assets held in its hot wallet: hot private keys are managed online within high security environments; operational redundancy is achieved through geographic disbursement of failover storage facilities and hardware, thus protecting against service disruptions and single points of failure; the secure environment can only be accessed via limited programmatic access from pre-defined environments; all human access to the environment is exceptional and requires going through additional authentication mechanisms; and Coinbase offers additional account level protections such as crypto address allowlisting, which allows customers to restrict withdrawals to addresses only included in the customer's allowlist.

Coinbase Anti-Money Laundering Policies

Coinbase has adopted anti-money laundering and sanctions policies for its digital asset exchange and custody service in an effort to maintain a risk-based program for compliance with applicable laws and regulations relating to anti-money laundering in the United States and other countries where it conducts business. This program includes robust internal policies, procedures and controls that combat the attempted use of Coinbase for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in anti-money laundering obligations and requirements, filing of Suspicious Activity Reports with the U.S. Financial Crimes Enforcement Network and annual independent audits of the Coinbase anti-money laundering program.

Website Security

Coinbase has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor hardware authentication consensus for certain actions such as withdrawals; a requirement for strong passwords from its users, which are cryptographically hashed using modern standards; encryption of sensitive user information, both in transit and at rest; the application of rate-limiting procedures to certain account operations such as login attempts to thwart brute force attacks; the transmission of website data over encrypted transport layer security connections; the leveraging of content-security policy and HTTP strict transport security features in modern browsers; partnerships with enterprise vendors to mitigate potential distributed denial-of-service attacks; and the use of separate access controls on internal-only sections of Coinbase's website.

Internal Controls

In addition to the security policies and procedures discussed above, Coinbase has also instituted the following internal controls: multiple consensus participants are required to bring a cold storage wallet online to transfer funds out of cold storage; Coinbase's Chief Executive Officer and President are unable to individually or jointly transfer funds out of cold storage; all cold storage private keys are stored offsite in secure facilities; all employees undergo background checks, and certain employees with privileged

access undergo enhanced background checks; and all remote-access by employees requires multi-factor authentication.

Insurance

As sub-custodian, Coinbase is responsible for securing the bitcoin owned by the Fund.

Coinbase Global, Inc., the parent company of Coinbase, maintains commercial crime insurance coverage that is available to cover losses of customer digital assets custodied in “hot wallets”. To date, Coinbase has never experienced a loss due to unauthorized access from its hot wallet or the cold storage vaults where the Fund’s bitcoin is custodied.

CONFLICTS OF INTEREST

The Manager and its affiliates or associates may be managers or investment managers of trusts or funds that invest in bitcoin. The services of the Manager are not exclusive to the Fund. The Manager may in the future act as the manager or investment advisor to other trusts, funds and companies and may in the future act as the manager or investment advisor to other trusts or funds which invest in bitcoin and which are considered competitors of the Fund. The Manager is entitled to receive the Management Fee in respect of the Fund. See “Management of the Fund – Trustee, Manager, Portfolio Manager and Promoter of the Fund” and “Fees and Other Expenses”.

MVIS is a wholly-owned subsidiary of Van Eck Associates Corporation (“**Van Eck**”) and receives an annual licensing fee based on the Net Asset Value of the Fund in consideration for providing the MVIS MarketVector Bitcoin Benchmark Rate. Van Eck is a shareholder of the parent company of the Manager and may nominate up to two directors to the Board of Directors of such parent company. Van Eck has nominated one director to such Board of Directors. See “Fees and Other Expenses – Ongoing Expenses of the Fund” and “Valuation – Valuation Policies and Procedures”.

Minority shareholders of the Manager and independent advisors of the Manager may be shareholders, directors, officers or employees of Bitcoin Sources which trade bitcoin with the Manager on behalf of the Fund. Trade execution on behalf of the Fund is conducted on a best price basis and no preference is given to bitcoin trading platforms or counterparties in respect of which minority shareholders or independent advisors of the Manager are shareholders, directors, officers or employees.

Minority shareholders of the Manager may invest in Units of the Fund on their own behalf or on behalf of clients or funds managed by them.

Principal Holders of Securities

As of December 31, 2023, 3iQ Digital Holdings Inc. (“**3iQ Holdings**”) owned all of the issued and outstanding shares in the capital of the Manager.

As of December 31, 2023, the directors and executive officers of the Manager owned beneficially or of record, directly or indirectly, or exercised control or direction of shares representing 60.49% of the votes attached to all of the issued and outstanding shares in the capital of 3iQ Holdings.

As of December 31, 2023, to the knowledge of the Manager, no person owned beneficially, directly or indirectly, or exercised control or direction of more than 10% of any class of Units of the Fund.

As of December 31, 2023, the directors and officers of the Manager beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund and the members of the Independent Review Committee beneficially owned, in aggregate, less than 10% of the outstanding Units of the Fund.

DESCRIPTION OF UNITS OF THE FUND

The Units

The Fund is authorized to issue an unlimited number of redeemable units of an unlimited number of classes, each of which represents an equal and undivided beneficial interest in the net assets and net income of the Fund attributable to such class. As of the date hereof, Class A Units and Class F Units are authorized for issuance and only Class A Units are issued and outstanding.

The Class A Units are available to all investors.

The Class F Units are designed for fee-based and/or institutional accounts and differ from the Class A Units in the following ways: (i) Class F Units are not listed on a stock exchange but the Class F Units offered under a prospectus are reclassified as Class A Units on a one-for-one basis immediately upon the closing of such offering, and (ii) the agents' fees payable on the issuance of the Class F Units are lower than those payable on the issuance of the Class A Units.

Class A Units and Class F Units are U.S. dollar denominated and Class A Units are available for purchase in Canadian dollars.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units other than as set out herein. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, Unitholders of record are entitled to receive on a *pro rata* basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario) and the Fund is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

Purchase for Cancellation

The Declaration of Trust provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Unit of a Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the

facilities and under the rules of the stock exchange or such other exchange or market on which the Units are then listed.

The Fund has purchased Class A Units for cancellation pursuant to normal course issuer bids. See “Name, Formation and History of the Fund – Issue of Units” above for further information.

Take-over Bids

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

Book-Based System

Registrations of interests in, and transfers of, the Units will be made only through the book-based system of CDS. Units may be purchased, transferred or surrendered for redemption only through a CDS Participant. All rights of an owner of Units must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units. Upon purchase of any Units, the owner will receive only the customary confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased. References in this annual information form to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in such Units.

The Fund and the Manager will not have any liability for (i) the records maintained by CDS or CDS Participants relating to the beneficial interests in the Units or the book-based accounts maintained by CDS in respect thereof; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS or CDS Participants, including with respect to the rules and regulations of CDS or any action taken by CDS, its participants or at the direction of those participants.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such owner’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Annual Redemptions

Units may be redeemed at the option of Unitholders on the first business day following the 15th day of June in each year (each, an “**Annual Redemption Date**”), subject to the Fund’s right to suspend redemptions in certain circumstances (“**Annual Redemptions**”). Units so redeemed will be redeemed at a redemption price equal to the Net Asset Value per Unit on the Annual Redemption Date, less any costs and expenses associated with the redemption, including commissions incurred by the Fund to fund such redemptions. Units must be surrendered for redemption on or before the 15th day of May preceding the applicable Annual Redemption Date (the “**Annual Cut-Off Date**”). Payment of the proceeds of redemption will be made on or before the 15th business day following the Annual Redemption Date in U.S. dollars or, at the request of a Unitholder who is redeeming at least 20,000 Units, whose request is accepted by the Manager and who has an account with the Fund’s Sub-Custodian, bitcoin, subject to the Fund’s right to suspend redemptions. Unitholders redeeming Units for bitcoin will receive bitcoin with a value equal to the Net Asset Value of the redeeming Unitholder’s Units calculated using the value of the bitcoin as of 4:00

p.m. (Toronto time) on the applicable Annual Redemption Date as determined in accordance with the Declaration of Trust.

In connection with a redemption of Units on an Annual Redemption Date, Unitholders may direct the Manager to apply the cash proceeds of redemption of such Units to the purchase of units of the 3iQ Bitcoin ETF in U.S. dollars.

Monthly Redemptions

Class A Units may be surrendered at the option of Unitholders at any time for redemption on a Monthly Redemption Date (“**Monthly Redemptions**”), subject to certain conditions and, in order to effect such a redemption, the Class A Units must be surrendered for redemption no later than 5:00 p.m. (Toronto time) on the last business day of the month prior to the month of the applicable Monthly Redemption Date (the “**Monthly Cut-Off Date**”, and together with the Annual Cut-Off Date, the “**Cut-Off Date**”). Payment of the proceeds of redemption will be made in U.S. dollars on or before the 15th business day following the Monthly Redemption Date (“**Redemption Payment Date**”). See “Risk Factors – Liquidity Constraints on Bitcoin Markets may Impact the Fund’s Holdings” and “Financial Institutions may Refuse to Support Transactions Involving Bitcoins”.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price (the “**Class A Redemption Price**”) equal to the lesser of: (i) 95% of the Closing Market Price of a Class A Unit; and (ii) the Net Asset Value per Class A Unit on the applicable Monthly Redemption Date less, in each case, any costs and expenses associated with the redemption, including commissions incurred by the Fund. In any event, the Class A Redemption Price will not be an amount that is more than the Net Asset Value per Class A Unit as of the Monthly Redemption Date. Redemption proceeds will be paid in U.S. dollars.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder’s intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable Cut-Off Date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the applicable Cut-Off Date so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the applicable Cut-Off Date.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder’s

instructions will not give rise to any obligations or liability on the part of the Fund, the Fund or the Manager to the CDS Participant or the Unitholder.

Allocations of Capital Gains to Redeeming Unitholders

Pursuant to the Declaration of Trust, the Fund may allocate and designate as payable any capital gains realized by the Fund as a result of any disposition of property of the Fund undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder. The taxable portion of the capital gain so designated must be included in the income of the redeeming Unitholder (as taxable capital gains). Subsection 132(5.31) together with subsection 132(5.3) of the Tax Act (collectively, the “**ATR Rule**”), provide that amounts of taxable capital gains so allocated and designated to redeeming Unitholders will be deductible to the Fund to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the Fund for the year. Any taxable capital gains that are not deductible by the Fund under the ATR Rule may be made payable to non-redeeming Unitholders so that the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions by the Fund to non-redeeming Unitholders (who will be taxable thereon) may be greater than would have been the case in the absence of the ATR Rule.

Resale of Units Tendered for Redemption

The Fund may enter into a recirculation agreement with a recirculation agent pursuant to which such agent will agree to use commercially reasonable efforts to find purchasers for any Units tendered for redemption prior to the relevant Annual Redemption Date or Monthly Redemption Date, provided that the holder of Units so tendered has not withheld consent thereto. Pursuant to such agreement, the Fund may, but will not be obligated to, require the recirculation agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units less any applicable commission, provided that such amount will not be less than the applicable redemption price described above.

Suspension of Redemptions

The Trustee or the Manager may suspend the redemption of Units or payment of redemption proceeds of the Fund in accordance with applicable law or with the prior permission of the securities regulatory authorities, for any period during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

DECLARATION OF TRUST

Pursuant to the Declaration of Trust, the Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Unitholders of the Fund, and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent trustee and manager would exercise in similar circumstances.

The Manager may resign as trustee and manager of the Fund upon 60 days' notice to the Unitholders. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Declaration of Trust and such default has not been cured within 30 days after notice of the same has been given to the Manager, the Unitholders may remove the Manager and appoint a successor trustee and/or manager.

The Manager is entitled to fees for its services as manager under the Declaration of Trust as described under "Fees and Other Expenses". In addition, the Manager and its affiliates and each of their directors, officers, employees and agents will be indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against any of them in the exercise of the Manager's duties under the Declaration of Trust, if they do not result from the Manager's wilful misconduct, bad faith, negligence or breach of its obligations thereunder.

The services of the Manager are not exclusive and nothing in the Declaration of Trust or any agreement prevents the Manager from providing similar services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other business activities.

Amendment of the Declaration of Trust

Except as provided below, the Declaration of Trust may be amended by an Ordinary Resolution approved at a meeting of unitholders duly convened and held in accordance with the provisions in that regard contained in the Declaration of Trust, or by the written consent in lieu of a meeting if there is only one unitholder.

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution (a separate class vote is also required if one class of Units would be affected differently):

- (a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any increase in the Management Fee;
- (c) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (d) any change in the frequency of calculating the Net Asset Value per Unit;
- (e) after the closing of an offering, the issuance of additional Units, including any offering of rights, warrants or options, if permitted by applicable law, to existing Unitholders to

acquire Units, other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the pricing of the offering, as the case may be; (ii) by way of Unit distribution; or (iii) related to the reclassification of Class F Units;

- (f) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (g) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (h) any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Manager is entitled to amend the Declaration of Trust without the consent of, or notice to, Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of Unitholders or restrict any protection for the Manager or increase its responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to the Tax Act or to the interpretation or administration thereof;
- (e) provide added protection or benefit to Unitholders; or
- (f) create new classes of Units from time to time and specify the rights and attributes associated with such Classes, provided that no Unit shall have any priorities over any other Unit.

Meetings of Unitholders

A meeting of the Unitholders voting as a single class (unless the circumstances are such that one class is affected differently in which case the holders of each class of the Fund will vote separately) may be called at any time by the Manager and shall be called by the Manager upon the request of two or more Unitholders holding, in aggregate, at least 25% of the issued and outstanding Units. Except as otherwise required or permitted by law, meetings of Unitholders will be held if called by the Manager or such Unitholders upon written notice of not less than 21 days nor more than 50 days before the meeting. At any meeting of the Unitholders, a quorum shall consist of five or more individuals present in person either

holding personally or representing as proxies not less in aggregate than 10% of the Units outstanding entitled to vote at such meeting. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called at the request of Unitholders, shall be terminated (and not adjourned) and, if otherwise called, shall stand adjourned to such day being not less than three days later and to such place and time as may be appointed by the chairperson of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same. If the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as for the original meeting. Unitholders present in person or represented by proxy will constitute a quorum.

Termination of the Fund

The Manager may, in its discretion, terminate the Fund at any time without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the Fund and/or it would be in the best interests of the Unitholders to terminate the Fund. The Manager will provide at least 30 days' prior notice of such termination to Unitholders by way of press release. Upon such a termination, the Fund will liquidate its portfolio and distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable prior to the termination date, such unliquidated assets in specie rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

Information and Reports to Unitholders

The Fund's fiscal year end is December 31. The Fund will make available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with International Financial Reporting Standards, (ii) interim and annual management reports of fund performance in respect of the Fund and (iii) annual information forms. All such reports are or will be available at www.sedar.com. The Fund will also make available to each Unitholder annually and before March 31 of the following year information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

DISTRIBUTIONS

As of the date hereof, no distributions have been paid to Unitholders and the Fund does not intend to pay distributions to Unitholders in the future.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to Unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a "reinvested distribution". Reinvested distributions by the Fund, net of any required withholding taxes, will be reinvested automatically in additional Units at a price equal to the Net Asset Value per Unit and the Units will be immediately consolidated such that the number of outstanding Units following the distribution will equal the number of Units outstanding prior to the distribution. The tax treatment to Unitholders of reinvested distributions is discussed under the heading "Income Tax Considerations – Taxation of Unitholders".

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its Units, including without restriction in connection with a special distribution or in connection with returns of capital.

VALUATION

Calculation of Net Asset Value

The Net Asset Value of the Fund and the Net Asset Value per Unit is calculated by SGGG Fund Services Inc., in its capacity as administrator (the “**Administrator**”), as at 4:00 pm (Toronto time) on each business day (“**Valuation Date**”). The Fund makes available to the financial press for publication, on a daily basis, the Net Asset Value per Unit. Such amount is also available on the Manager’s website at www.3iQ.ca.

Valuation Policies and Procedures

The Net Asset Value of the Fund on a particular date will be equal to (i) the aggregate fair value of the assets of the Fund less (ii) the aggregate fair value of the liabilities of the Fund. The Net Asset Value of Units for each class of Units on a particular date will be equal to the Net Asset Value of the Fund allocated to the Units of such class, including an allocation of any net realized capital gains or other amounts payable to Unitholders on or before such date. The Net Asset Value of the Fund will be calculated in U.S. dollars. The Net Asset Value per Unit of a class on any day will be obtained by dividing the Net Asset Value of the Fund allocated to the Units of such class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value of the Fund on a Valuation Date, the value of the aggregate assets of the Fund on such Valuation Date will be determined by the Administrator as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, dividend, or other amount receivable (or declared to holders of record of securities owned on a date before the Valuation Date as of which the value of the assets is being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Manager determines to be the fair value thereof;
- (b) the Fund’s bitcoin will be valued based on the MVIS MarketVector Bitcoin Benchmark Rate, described at <https://marketvector.com/indices/digital-assets/marketvector-bitcoin-benchmark-rate> (“**BBR**”) maintained by MarketVector Indexes GmbH (“**MVIS**”), as described below under “MarketVector Bitcoin Benchmark Rate”;
- (c) any market price reported in currency other than U.S. dollars will be translated into U.S. currency at the rate of exchange available from the Administrator on the Valuation Date on which the value of the assets is being determined;
- (d) estimated operating expenses by the Fund shall be accrued to the Valuation Date; and

- (e) the value of any security, property or other assets (including any illiquid investments) to which, in the reasonable opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, no published market exists or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager, in consultation with the Administrator, adopts from time to time.

Each portfolio transaction will be reflected in the calculation of the Net Asset Value per Unit no later than the calculation of Net Asset Value per Unit next made after the date on which the transaction becomes binding. The issue of Units will be reflected in the calculation of Net Asset Value per Unit next made after the issue date for such Units, which may be up to three trading days after the date that the subscription order for such Units is accepted. The exchange or redemption of Units will be reflected in the calculation of the Net Asset Value per Unit next made after the exchange request or redemption request is accepted.

The Net Asset Value per Unit of a class of the Fund is calculated in U.S. dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The Net Asset Value per Unit of a class determined in accordance with the principles set out above may differ from the Net Asset Value per Unit determined under International Financial Reporting Standards.

MarketVector Bitcoin Benchmark Rate

MarketVector® Bitcoin Benchmark Rate, maintained by MVIS, is designed to be a robust price for bitcoin in U.S. dollars. There is no component other than bitcoin in the BBR. The BBR is reviewed by MVIS on a semi-annual basis. MVIS selects the top 5 rated bitcoin trading platforms for inclusion in the BBR based on their Benchmark Rating. All bitcoin trading platforms that provide input data to the calculation of the BBR adhere to AML and KYC regulations, as they are requirements enforced by the benchmark administrator. Further information regarding BBR is available at <https://marketvector.com/indices/digital-assets/marketvector-bitcoin-benchmark-rate>.

The Benchmark ranks more than 165 global digital currency trading platforms through an assessment of their risk profile based on the following factors: legal/regulatory, data provision, security, team/exchange, market quality, KYC/transaction risk, asset quality/diversity and includes a penalty factor for negative events. MarketVector employs a qualitative (due diligence) and quantitative (market quality, based on order book and trade data) approach and uses correlation of volume to volatility and standard deviation of volume as inputs to the analysis.

MVIS is an index provider based in Frankfurt, Germany and regulated as an index administrator by the German Federal Financial Supervisory Authority (BaFin). MVIS has adopted indexing practices and operations for its digital assets indices, including BBR, which comply with the EU benchmark regulations. MVIS's pricing benchmarks are also compliant with International Organisation of Securities Commissions regulations. At this time, there are no guidelines for the calculation of indices that are based on digital assets under the EU benchmark regulations, however MVIS expects to comply with any such guidelines when they are released. MVIS follows the ESMA Regulatory Technical Standards (RTS) in the creation and maintenance of its indices.

Reporting of Net Asset Value

The Net Asset Value per Unit of a class is available to Unitholders at no cost on the Manager's website at www.3iQ.ca posted daily and displaying the date upon which it was calculated. The Manager

will also provide such information at no cost to the Unitholders who so request by calling the Manager at 1(416) 639-2130.

Suspension of Calculation of Net Asset Value

The Manager may suspend the calculation of the Net Asset Value of the Fund and the Net Asset Value per Unit for the whole or any part of a period during which the right to redeem Units is suspended.

FEES AND OTHER EXPENSES

Management Fee

An annual management fee of 1.95% of the Fund's Net Asset Value calculated daily and payable monthly, plus applicable taxes, will be paid to the Manager in respect of each of the Class A Units and the Class F Units of the Fund (the "**Management Fee**"). The Manager manages the day-to-day business and operations of the Fund and provides certain general management and administrative services.

Ongoing Expenses of the Fund

In addition to the Management Fee, and any debt servicing costs, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and expenses will include, without limitation: fees and expenses payable to the Independent Review Committee of the Fund; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in bitcoin; fees payable to the Registrar and Transfer Agent; fees payable to any custodians and/or sub-custodians for the assets of the Fund as well as the fees of the Administrator and other service providers; licensing fee payable to MVIS to license the BBR; expenses relating to the monitoring of the relationships with the Custodian, Sub-Custodian, the Registrar and Transfer Agent and other organizations serving the Fund; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the Units of the Fund may become listed or quoted; securities regulatory authorities' participation fees; the preparation and supervision costs relating to the calculation and publication of the Net Asset Value; costs and expenses of preparing, printing, and mailing financial and other reports to Unitholders, material for Unitholders' meetings and securities regulatory filings; costs and expenses of communication with Unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and Provincial/Territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Tax Act for the Fund and for a prospective investor in the Fund who, for the purpose of the Tax Act at all relevant times, is an individual (other than a trust), is resident in Canada, holds Units of the Fund as capital property, is not affiliated and deals at arm's length with the Fund, and has not entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to Units of the Fund. This summary is based upon the current provisions of the Tax Act and regulations thereunder, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the Manager's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency publicly available prior to the date hereof. This summary does not take into

account or anticipate any other changes in law whether by legislative, administrative or judicial action and it does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the considerations described below.

This summary is of a general nature only and is not exhaustive of all possible income tax considerations. Prospective investors should therefore consult their own tax advisors about their individual circumstances.

This summary assumes that at no time will the Fund be a SIFT trust. Even if units of the Fund are listed or traded on a stock exchange or other public market, provided the Fund only invests in bitcoin, the Fund should not be a SIFT trust; however, no assurance can be given in this regard.

Under the SIFT Rules, trusts or partnerships (defined as “**SIFT trusts**” and “**SIFT partnerships**”, respectively) the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more “non-portfolio properties” (as defined in the Tax Act), are effectively taxed on income and taxable capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation.

The SIFT Rules could affect the Fund and its Unitholders to the extent that the Fund is a SIFT trust to which the SIFT Rules apply, and the Fund earns income from non-portfolio property or taxable capital gains from the disposition of “non-portfolio property”. The Manager believes that the SIFT Rules were not intended to apply to trusts such as the Fund and the Fund is subject to investment restrictions intended to restrict its ability to hold “non-portfolio property”. If the Fund is considered to be a SIFT trust, “non-portfolio earnings” of the Fund will be subject to the tax under the SIFT Rules when such amounts are distributed by the Fund to its Unitholders and such distributions will be treated in the hands of such Unitholders as eligible dividends from a taxable Canadian corporation.

The Fund and its Unitholders are required to compute their income and gains for tax purposes in Canadian dollars. Amounts denominated in another currency generally must be converted into Canadian dollars based on the exchange rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the CRA. Therefore, the amount of income, cost, proceeds of disposition and other amounts in respect of investments that are not Canadian dollar denominated will be affected by fluctuations in the exchange rate of the Canadian dollar against the relevant foreign currency.

Status of the Fund

This summary is based on the assumption that the Fund will comply at all material times with the conditions prescribed in the Tax Act and otherwise so as to qualify as a “mutual fund trust” as defined in the Tax Act. The Fund is expected to qualify as a “mutual fund trust” under the Tax Act at all material times. If the Fund were to not qualify as a “mutual fund trust” for the purposes of the Tax Act for any period of time, the tax considerations could be materially different from those described below.

Provided that the Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units of a class of the Fund continue to be listed on a “designated stock exchange” within the meaning of the Tax Act, such Units will be qualified investments for a tax-free savings account (“**TFSA**”), a first home savings account (“**FHSA**”), a registered retirement savings plan (“**RRSP**”), a registered retirement income fund (“**RRIF**”), a registered disability savings plan (“**RDSP**”), and a registered education savings plan (“**RESP**”, collectively “**Registered Plans**”). However, if the holder of such TFSA, FHSA or RDSP, the subscriber of such RESP, or annuitant under such RRSP or RRIF, as the case may be, holds a “significant

interest” in the Fund, or if such holder, subscriber or annuitant does not deal at arm’s length with the Fund for purposes of the Tax Act, the Units of the Fund will be a “prohibited investment” for such TFSA, FHSA, RDSP, RESP, RRSP or RRIF. If Units of the Fund are a “prohibited investment” for a TFSA, FHSA, RDSP, RESP, RRSP or RRIF that acquires such Units, the holder of the TFSA, FHSA or RDSP, subscriber of the RESP, or annuitant under the RRSP or RRIF will be subject to a penalty tax as set out in the Tax Act. Generally, a holder, subscriber or annuitant will not be considered to have a “significant interest” in the Fund unless the holder, subscriber or annuitant owns 10% or more of the value of the outstanding units of the Fund, either alone or together with persons and partnerships with which the holder, subscriber or annuitant does not deal at arm’s length. Holders of TFSAs, FHSAs and RDSPs, subscribers of RESPs, and annuitants under RRSPs and RRIFs should consult their own tax advisors to ensure Units of the Fund would not be a “prohibited investment” for purposes of the Tax Act in their particular circumstances.

At the date hereof, the assets of a pension plan may be invested in Units provided that the assets of such plan are invested in accordance with the applicable laws and regulations, investment criteria and statement of investment policies and procedures established for such pension plan. However, no purchase of Units should be made solely in reliance on the above general statement. A pension plan wishing to invest in Units should make its own assessment, including by consulting its advisors, of its ability to make such an investment in its particular circumstances.

Taxation of the Fund

The Fund will include in computing its income, taxable distributions received or deemed to be received on assets held by it, the taxable portion of capital gains realized by the Fund on the disposition of assets held by it, and other income. The Declaration of Trust requires that the Fund distribute its net income and net realized capital gains, if any, for each taxation year of the Fund to Unitholders to such an extent that the Fund will not be liable in any taxation year for ordinary income tax (after taking into account any applicable losses of the Fund and any capital gains refunds to which the Fund is entitled). If in a taxation year the income for tax purposes of the Fund exceeds the cash available for distribution by the Fund, the Fund will distribute its income through a payment of reinvested distributions.

The CRA has taken the administrative position that virtual currencies, such as bitcoins, are generally treated as a commodity for purposes of the Tax Act. The CRA has expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. As the Fund intends to be a long-term holder of bitcoin, the Manager anticipates that the Fund will generally treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses) although, depending on the circumstances, the Fund may instead include the full amount in (or deduct the full amount from) income. Generally, the determination of whether or not an event, transaction or transfer related to cryptocurrencies such as bitcoin, including the transfer of same to a centralized crypto-asset exchange and lending platform, constitutes a disposition will be made by the CRA in light of all the facts, the relevant clauses of the contract and the applicable private law. No assurance can be given that the Canadian tax authorities will agree with the position taken by the Fund, in connection with any transactions involving bitcoin, as to whether there is a disposition and as to whether the resulting gain or loss is on account of income or capital. The CRA conducts audit activities related to crypto-assets, and any contrary position taken by Canadian tax authorities may materially and adversely impact the Fund and its Unitholders.

Gains or losses on derivatives entered into by the Fund as a substitute for direct investment will be treated by the Fund on income account. Such gains or losses will be recognized for tax purposes at the time they are realized by the Fund.

If the Fund realizes capital gains as a result of a transfer or disposition of its property undertaken to permit an exchange or redemption of Units by a Unitholder, all or a portion of the amount received by the Unitholder may be designated and treated for income tax purposes as a distribution to the Unitholder out of such capital gains rather than being treated as proceeds of disposition of the Units. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder. The taxable portion of the capital gain in respect of an amount so allocated and designated must be included in the income of the redeeming Unitholder (as taxable capital gains) and may be deductible by the Fund in computing its income to the extent of the redeeming Unitholders' pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the Fund for the year. The portion of taxable capital gains that is not deductible by the Fund under the ATR Rule may be made payable to non-redeeming Unitholders so that the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming Unitholders (who will be taxable thereon) may be greater than would have been the case in the absence of the ATR Rule.

Any losses incurred by the Fund may not be allocated to Unitholders, but may generally be carried forward and back and deducted in computing the taxable income of the Fund in accordance with the detailed rules and limitations in the Tax Act.

The Fund is subject to the suspended loss rules contained in the Tax Act. A loss realized on a disposition of capital property is considered to be a suspended loss when the Fund acquires a property (a "substituted property") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the Fund owns the substituted property 30 days after the original disposition. If a loss is suspended, the Fund cannot deduct the loss until the substituted property is sold and is not reacquired within 30 days before and after the sale, which may increase the amount of net realized capital gains of the Fund to be made payable to its Unitholders.

Taxation of Unitholders

Distributions

A Unitholder will be required to include in the Unitholder's income for tax purposes for any year the amount of net income and net taxable capital gains of the Fund, if any, paid or payable to the Unitholder in the year and deducted by the Fund in computing its income, whether or not such amounts are reinvested in additional Units. The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year and, provided appropriate designations are made by the Fund, will not reduce the adjusted cost base of the Unitholder's Units. Any returns of capital will reduce the Unitholder's adjusted cost base. To the extent that a Unitholder's adjusted cost base would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the Unitholder's adjusted cost base will be nil immediately thereafter. The Fund will designate, to the extent permitted by the Tax Act, the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net taxable capital gains realized or considered to be realized by the Fund. Any such designated amount will be deemed for tax purposes to be realized by Unitholders in the year as a taxable capital gain. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains described below. Any loss of the Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders of the Fund.

Composition of Distributions

Unitholders will be informed each year of the composition of the amounts distributed to them, including amounts in respect of both cash and reinvested distributions. This information will indicate

whether distributions are to be treated as ordinary income, taxable capital gains and returns of capital, as those items are applicable.

Tax Implications of the Fund's Distribution Policy

When a Unitholder acquires Units of the Fund, a portion of the price may reflect income and capital gains of the Fund that have not been realized or distributed. This may particularly be the case near year-end before year-end distributions have been made. When such income and capital gains are distributed by the Fund, they must be taken into account by the Unitholder in computing its income for tax purposes even though such amounts may have been reflected in the price paid by the Unitholder.

Disposition of Units

Upon the actual or deemed disposition of a Unit, including the exchange or redemption of a Unit, a capital gain (or a capital loss) will generally be realized by the Unitholder to the extent that the proceeds of disposition of the Unit exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units held by the Unitholder is the total amount paid for the Units (including brokerage commissions paid), regardless of when the Unitholder bought them, less any returns of capital and less the adjusted cost base of any Units previously disposed of by the Unitholder. For the purpose of determining the adjusted cost base of Units to a Unitholder, when Units are acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property immediately before that time.

Where Units of the Fund are exchanged by the redeeming Unitholder for bitcoin, the proceeds of disposition to the Unitholder of the Units will be equal to the fair market value of the bitcoin so received, plus the amount of any cash received on the exchange, and less any capital gain realized by the Fund as a result of the transfer of the bitcoin which has been designated by the Fund to the Unitholder. If any capital gain realized by the Fund as a result of the transfer of bitcoin on the redemption of Units were designated by the Fund to a redeeming Unitholder, the Unitholder would be required to include in income the taxable portion of the capital gain so designated. The cost for tax purposes of bitcoin acquired by a redeeming Unitholder on the exchange or redemption of Units will generally be the fair market value of the bitcoin at that time.

Taxation of Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder and the amount of any net taxable capital gains realized or considered to be realized by the Fund and designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain. One-half of a capital loss will be an allowable capital loss realized by a Unitholder that will be deducted from taxable capital gains subject to and in accordance with detailed rules in the Tax Act. Capital gains realized by a Unitholder will not qualify for the lifetime capital gains exemption under section 110.6 of the Tax Act.

Taxation of Registered Plans

In general, the amount of a distribution paid or payable to a Registered Plan from the Fund and gains realized by a Registered Plan on a disposition of a Unit will not be taxable under the Tax Act. As is the case for all investments held in Registered Plans, amounts withdrawn from a Registered Plan (other than from a TFSA or a return of contributions from a RESP or certain withdrawals from a RDSP and an FHSA) will generally be subject to tax as ordinary income. To the extent Units of the Fund are exchanged by the redeeming Unitholder for bitcoin, or liquidation of the bitcoin of the Fund is not practicable upon termination of the Fund, any bitcoin received by a Unitholder would not be a qualified investment for

Registered Plans and could result in adverse tax treatment and penalties under the Tax Act if held in a Registered Plan.

EXCHANGE OF TAX INFORMATION

The Fund is required to comply with due diligence and reporting obligations in the Tax Act enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement (the “IGA”). Dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts that they maintain for their clients. Unitholders (and, if applicable, the controlling person(s) of a Unitholder) may be requested to provide information to their dealer to identify U.S. persons holding Units. If a Unitholder, or its controlling person(s), is a “Specified U.S. Person”, as defined under the IGA (including a U.S. citizen who is a resident of Canada), if no such determination has been made but the information provided includes indicia of U.S. status and sufficient evidence to the contrary is not timely provided, or if the Unitholder fails to provide the requested information and indicia of U.S. status are present, then Part XVIII of the Tax Act will generally require information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan. The CRA will then provide that information to the U.S. Internal Revenue Service.

In addition, pursuant to Part XIX of the Tax Act implementing the Organization for Economic Co-operation and Development Common Reporting Standard (the “CRS Rules”), Canadian financial institutions are required to have procedures in place to identify accounts held by tax residents of foreign countries other than the U.S. (“**Reportable Jurisdictions**”) or by certain entities any of whose “controlling persons” are tax residents of Reportable Jurisdictions. The CRS Rules provide that Canadian financial institutions must report certain account information and other personal identifying details of Unitholders (and, if applicable, of the controlling persons of such Unitholders) who are tax residents of Reportable Jurisdictions to the CRA annually. Such information would generally be exchanged on a reciprocal, bilateral basis with Reportable Jurisdictions in which the account holders or such controlling persons are tax resident under the provisions and safeguards of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters or the relevant bilateral tax treaty. Under the CRS Rules, Unitholders will be required to provide such information regarding their investment in the Fund to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan.

RISK FACTORS

An investment in Units will involve a high degree of risk. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units in the Fund. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Fund will meet its investment objectives or otherwise be able to successfully carry out its investment strategy. The Fund’s returns may be unpredictable and an investor should only invest in the Fund as part of an overall investment strategy. There is no assurance that the Fund will make any distributions or earn any positive return, in the short-term or the long-term. Prospective investors should carefully consider the following risk factors before purchasing Units. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and prospective investors should not subscribe unless they can readily bear the consequences of such loss.

Risk Factors Relating to an Investment in the Fund

No Assurance in Achieving Investment Objectives

There is no assurance that the Fund will be able to achieve its investment objectives.

Trading Price of Units

The Units may trade in the market at a discount or a premium to the Net Asset Value per Unit and there can be no assurance that the Units will trade at a price equal to the Net Asset Value per Unit.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss on their investment.

Fluctuations in Net Asset Value, Net Asset Value per Unit and the Value of Bitcoin

The Net Asset Value of the Units will vary according to, among other things, the value of bitcoin included in the Fund's portfolio. The value of the bitcoin will be influenced by factors which are not within the control of the Fund or the Manager, including factors that affect the cryptocurrency markets generally such as general economic and political conditions, fluctuations in interest rates and factors unique to bitcoin.

Concentration Risk

The Fund was created to invest in bitcoin and is not expected to have exposure to any other investments or assets. Other than cash or cash equivalents, the Fund will invest substantially all of its assets in bitcoin. The Net Asset Value per Unit may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the Net Asset Value of the Units.

Use of Leverage

The Fund may borrow money on a short term basis to acquire bitcoin in anticipation of and prior to any follow on offering of Units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund. If the Fund's portfolio suffers a decrease in value, the leverage component will cause a decrease in Net Asset Value of the Fund in excess of that which would otherwise be experienced.

Reliance on the Manager

Unitholders will be dependent on the abilities of the Manager to effectively administer the affairs of the Fund. The Manager depends, to a great extent, on a very limited number of individuals in the administration of its activities as manager of the Fund. The loss of the services of any one of these individuals for any reason could impair the ability of the Manager to perform its duties as manager on behalf of the Fund.

Use of Derivatives

The Fund may use derivative instruments for non-hedging purposes in accordance with its investment restrictions. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. Currently, bitcoin futures are available for trading on the CME, and the Fund's use of derivatives will be limited to trading in such futures, and other futures which may trade on exchanges regulated by the CFTC in the future. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the futures or forward contract terminates, as the case may be. The inability to close out futures and forward positions could also have an adverse impact on the Fund's portfolio.

No Ownership Interest in the Portfolio

An investment in Units does not constitute an investment by Unitholders in the bitcoin, cash and cash equivalents included in the Fund's portfolio. Unitholders will not own the bitcoin or cash or cash equivalents held by the Fund.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Conflicts of Interest

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to certain of the Canadian policies and regulations that apply to open-end mutual funds.

Valuation of the Fund

Valuation of the Fund may involve uncertainties and judgement determinations, and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. The Manager may face a conflict of interest in valuing the bitcoin held by the Fund because the values assigned will affect the calculation of the Management Fee payable by the Fund to it.

Significant Redemptions

The purpose of the annual redemption right is to reduce the extent to which Units trade at a substantial discount and to provide investors with the right to eliminate entirely any trading discount once per year. While the redemption right provides investors the option of annual liquidity (commencing on June 16, 2021), there can be no assurance that it will reduce trading discounts. Furthermore, if a substantial number of Units are redeemed, the number of Units outstanding could be significantly reduced with the effect of decreasing liquidity of the Units in the market. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower Net Asset Value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval. See “Description of Units of the Fund” and “Termination of the Fund”.

Other closed-end funds with annual redemption rights similar to the redemption rights in respect of the Units have experienced significant redemptions on annual redemption dates in the past.

Manager, Custodian and Sub-Custodian Standard of Care

Each of the Manager, the Custodian and the Sub-Custodian are subject to a contractual standard of care in carrying out its duties concerning the Fund (See “Management of the Fund – Custodian”, “Management of the Fund – Sub-Custodian” and “Declaration of Trust”). In the case that the Fund suffers a loss of its bitcoin and each of the Manager, the Custodian and the Sub-Custodian satisfied its respective standard of care, the Fund will bear the risk of loss as with respect to these parties.

Under the terms of the Custodian Agreement, the Custodian is required to exercise the standard of care required by NI 81-102. However, the Custodian will not be liable to the Fund for any loss of the Fund’s bitcoin held by the Sub-Custodian unless such loss is directly caused by the Custodian’s gross negligence, fraud, wilful default, or the breach of its standard of care. In the event of such loss, the Custodian is required to take reasonable steps to enforce such rights as it may have against the Sub-Custodian pursuant to the terms of the Sub-Custodian Agreement and applicable law.

SOC 2 Type 2 Report of the Sub-Custodian

The Sub-Custodian has advised the Manager that a SOC 2 Type 2 Report of its internal controls will be available for review by the auditor of the Fund in connection with the audit of the annual financial statements of the Fund. However, there is a risk that such SOC 2 Type 2 Report of the Sub-Custodian will not be available. In the event that the SOC 2 Type 2 Report is not available, the Manager will request confirmation from the Sub-Custodian in writing to permit the auditor of the Fund to test its internal controls. Although the Manager has received reasonable assurances from the Custodian and the Sub-Custodian that such written confirmation will be provided in the event that a SOC 2 – Type 2 report of the Sub-Custodian is not available, there is a risk that such written confirmation will not be provided and/or that the auditor will not be able to test the internal controls of the Custodian and the Sub-Custodian directly. The Fund has filed an undertaking with applicable securities regulatory authorities that provides that while it remains a reporting issuer, the Fund will obtain from the Sub-Custodian of the bitcoin of the Fund either an SOC 2 – Type 2 report or written confirmation from the Sub-Custodian to permit the auditor of the Fund to test its controls.

In the event that the auditor of the Fund cannot: (i) review a SOC 2 – Type 2 Report of the Sub-Custodian; or (ii) test the internal controls of the Sub-Custodian directly in connection with its audit of the Fund’s annual financial statements, the auditor would not be able to complete its audit of the annual

financial statements of the Fund in accordance with the current guidance of the Canadian Public Accountability Board.

Potential Conflicts of Interest

The Manager and its directors, officers, affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts that invest primarily in the securities held by the Fund or that have similar investment objectives to the Fund.

Although officers, directors and professional staff of the Manager will devote as much time to the Fund as is deemed appropriate to perform their duties, the staff of the Manager may have conflicts in allocating their time and services among the Fund and the other funds managed by the Manager.

Lack of Operating History

The Fund is an investment trust with limited operating history. There can be no assurance that an active public market for the Units will be sustained.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

U.S. Currency Exposure

The Fund’s functional and presentation currency is and the investor’s investment will be made in U.S. dollars. The Fund will purchase bitcoin which is currently denominated in U.S. dollars.

Canadian investors should be aware that the Fund will not hedge the investor’s investment in the Fund against Canadian currency exposure. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar will impact the relative value of an investor’s investment in Canadian dollars. If the value of the Canadian dollar has increased relative to the U.S. dollar, the return on the bitcoin converted into Canadian dollars may be reduced, eliminated or made negative. The opposite can also occur and if it does occur, a Canadian investor and the value of such investor’s investment converted into Canadian dollars may benefit from an increase in the value of the U.S. dollar relative to the Canadian dollar.

Cyber Security Risk

As the use of technology has become more prevalent in the course of business, investment funds like the Fund have become potentially more susceptible to operational risks through breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause the Fund to lose proprietary information or other information subject to privacy laws, suffer data corruption, or lose operational capacity. This in turn could cause the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. Cyber security breaches may involve unauthorized access to the Fund’s digital information systems (e.g. through “hacking” or malicious software coding), but may also result from outside attacks such as denial-of-service attacks (i.e. efforts to make network services unavailable to intended users). In addition, cyber security breaches of the Fund’s third-party service providers (e.g. the Registrar and Transfer Agent, the Custodian and the Sub-Custodian) can also subject the Fund to many of the same risks associated with direct cyber

security breaches. Like with operational risk in general, the Fund has established risk management systems designed to reduce the risks associated with cyber security.

Tax Risk

“Mutual fund trust” status - In order to qualify as a mutual fund trust under the Tax Act, the Fund must comply with various requirements contained in the Tax Act, including to restrict its undertaking to the investment of its funds in property. If the Fund were to cease to qualify as a mutual fund trust (whether as a result of a change in law or administrative practice, or due to its failure to comply with the current Canadian requirements for qualification as a mutual fund trust), it may experience various potential adverse consequences, including: becoming subject to a requirement to withhold tax on distributions made to non-resident Unitholders of any taxable capital gains; Units not qualifying for investment by Registered Plans; and Units ceasing to qualify as “Canadian securities” for the purposes of the election provided in subsection 39(4) of the Tax Act.

“SIFT Rules” - The SIFT Rules apply to trusts that are resident in Canada for the purposes of the Tax Act and that hold one or more “non-portfolio properties” (as defined in the Tax Act) and the units of which are listed or traded on a stock exchange or other public market (“**SIFT Trust**”). Under the SIFT Rules, if the Fund were a SIFT Trust it will generally be subject to tax at rates applicable to a Canadian corporation on income from a non-portfolio property (other than a taxable dividend) and net taxable capital gains realized on the disposition of a non-portfolio property (generally, “non-portfolio earnings” under the Tax Act). Unitholders who receive distributions from the Fund of this income and gain are deemed to receive an eligible dividend from a Canadian corporation for tax purposes. The total of the tax payable by the Fund on its non-portfolio earnings and the tax payable by a Unitholder on the distribution of those earnings will generally be more than the tax that would have been payable in the absence of the tax rules that apply to a SIFT trust. Even if units of the Fund are listed or traded on a stock exchange or other public market, provided the Fund only invests in bitcoin, the Fund should not be a SIFT trust; however, no assurance can be given in this regard.

Treatment of gains and losses on dispositions of bitcoin - The Fund generally will treat gains (or losses) as a result of any disposition of bitcoin as capital gains (or capital losses). Generally, the determination of whether or not an event, transaction or transfer related to cryptocurrencies such as bitcoin, including the transfer of same to a centralized cryptoasset exchange and lending platform, constitutes a disposition will be made by the CRA in light of all the facts, the relevant clauses of the contract and the applicable private law. The CRA has taken the administrative position that virtual currencies, such as bitcoins, are treated as a commodity for income tax purposes. The CRA has also expressed the opinion that gains (or losses) of mutual fund trusts resulting from transactions in commodities should generally be treated for income tax purposes as ordinary income rather than as capital gains, although the treatment in each particular case remains a question of fact to be determined having regard to all the circumstances. If any transactions of the Fund are reported by it on capital account, but are subsequently determined by the CRA to be on income account, there may be an increase in the net income of the Fund, which is automatically distributed by the Fund to its Unitholders under the terms of the Declaration of Trust at the Fund’s taxation year end; with the result that Canadian-resident Unitholders could be reassessed by the CRA to increase their taxable income by the amount of such increase, and non-resident Unitholders potentially could be assessed directly by the CRA for Canadian withholding tax on the amount of net gains on such transactions that were treated by the CRA as having been distributed to them. The CRA could assess the Fund for a failure of the Fund to withhold tax on distributions made by it to non-resident Unitholders that are subject to withholding tax, and typically would do so rather than assessing the non-resident Unitholders directly. Accordingly, any such re-determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. As the Fund may not be

able to recover such withholding taxes from the non-resident Unitholders whose Units are redeemed, payment of any such amounts by the Fund would reduce the Net Asset Value of the Fund.

“Loss restriction event” - If the Fund experiences a “loss restriction event”, it will: (i) be deemed to have a year-end for tax purposes (which would result in an allocation of the Fund’s taxable income at such time to Unitholders so that the Fund is not liable for income tax on such amounts); and (ii) become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, respectively, in the Fund.

“ATR Rule” - Under the ATR Rule, if the Fund qualifies as a mutual fund trust through a taxation year, the Fund could be limited in its ability to claim a deduction in computing its income for amounts of capital gains that are allocated to redeeming or exchanging Unitholders such that the taxable component of distributions to non-redeeming or exchanging Unitholders in the Fund may be higher than it would be in the absence of the ATR Rule. See “Description of Units of the Fund – Allocations of Capital Gains to Redeeming Unitholders”.

Latent Capital Gain in the Fund as a Result of the Merger

In connection with the Merger, the Fund acquired the bitcoin held by 3iQ Bitcoin Trust on a fully tax-deferred basis, at an agreed upon cost per bitcoin equal to the 3iQ Bitcoin Trust’s agreed upon adjusted cost base of the bitcoin (C\$9,248.39 per bitcoin or C\$12,247,850.32 in aggregate), subject to the rules in the Tax Act. At any time when the market price of bitcoin is higher than the adjusted cost base of the bitcoin acquired by the Fund from 3iQ Bitcoin Trust, there will be a latent capital gain on the bitcoin transferred to the Fund at the time of the Merger, which if realized by the Fund will be allocated (net of any available capital losses or other applicable deductions) to all the Unitholders of the Fund for purposes of the Tax Act.

COVID-19 Pandemic

The novel coronavirus (COVID-19) outbreak was characterized as a pandemic by the World Health Organization on March 11, 2020. The outbreak has spread throughout the world, causing companies and various governments to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. The effects of COVID-19 and the measures taken by companies and governments to combat the coronavirus negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of bitcoin. Other future public health emergencies and the measures taken by companies and governments to combat such public health emergencies may also negatively affect asset values and increase volatility in the financial markets, including the market price and volatility of bitcoin. The extent to which COVID-19 or other future public health emergencies may continue to impact, the market price of bitcoin and, in turn, the market price of the Units, is uncertain and cannot be predicted.

Risks Associated with Investing in Bitcoin

Cryptocurrency Risk

Cryptocurrency (notably, bitcoin), often referred to as “virtual currency” or “digital currency”, operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money.

Cryptocurrency operates without the oversight of a central authority or the banks and is not backed by any government. Even indirectly, cryptocurrencies (i.e. bitcoin) may experience high volatility and related investment vehicles may be affected by such volatility. Funds holding cryptocurrency may also trade at a significant premium to net asset value. Cryptocurrency is not legal tender. Federal, state, provincial, territorial or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in North America is still developing. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware which could have an adverse impact on the Net Asset Value of the Units.

Short History Risk

Bitcoin is just over a decade old, which makes it one of the youngest multi-billion dollar assets in the world. Due to this short history, it is not clear how all elements of Bitcoin will unfold over time, specifically with regard to governance between miners, developers and users, as well as the long-term security model as the rate of inflation of bitcoin decreases. Since the Bitcoin community has successfully navigated a considerable number of technical and political challenges since its inception, the Manager believes that it will continue to engineer its way around future challenges. The history of open source software development would indicate that vibrant communities are able to change the software under development at a pace sufficient to stay relevant. Furthermore, in Bitcoin's short life it has amassed computer power that is more than a hundred-fold more powerful than Google, which makes it robust against nefarious actors (<https://www.cryptocoinsnews.com/bitcoin-100-times-powerful-google/>). That said, the continuation of such vibrant communities is not guaranteed, and insufficient software development or any other unforeseen challenges that the community is not able to navigate could have an adverse impact on the Fund's portfolio.

Limited History of the Bitcoin Market

Bitcoin is a new technological innovation with a limited history. There is no assurance that usage of bitcoin and its blockchain will continue to grow. A contraction in use of bitcoin or its blockchain may result in increased volatility or a reduction in the price of bitcoin, which could adversely impact the Net Asset Value of the Units.

Volatility in the Price of Bitcoin

The bitcoin markets are sensitive to new developments, and since volumes are still maturing, any significant changes in market sentiment (by way of sensationalism in the media or otherwise) can induce large swings in volume and subsequent price changes. Such volatility can adversely affect the Net Asset Value of the Units.

The price of bitcoin on public bitcoin trading platforms has a limited history. Bitcoin prices on the bitcoin trading platforms as a whole have been volatile and subject to influence by many factors including the levels of liquidity on bitcoin trading platforms. Even the largest bitcoin trading platforms have been subject to operational interruption (e.g., the temporary halt of Mt. Gox due to distributed denial of service attacks by hackers and/or malware, and its permanent closure in February 2014), limiting the liquidity of bitcoin on the bitcoin trading platform market and resulting in volatile prices and a reduction in confidence in the Bitcoin Network and the bitcoin trading platform market generally.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the public, accounts for anticipated future appreciation in value. The Manager believes that momentum pricing of bitcoin has resulted, and may continue to result, in speculation regarding future appreciation in the value of bitcoin, inflating and making more volatile the value of a bitcoin. As a result,

bitcoin may be more likely to fluctuate in value due to changing investor confidence in future appreciation, which could adversely affect an investment in the Units.

Despite the marked first-mover advantage of the Bitcoin Network over other digital assets, it is possible that another digital asset could become materially popular due to either a perceived or exposed shortcoming of the Bitcoin Network protocol that is not immediately addressed by the bitcoin contributor community or a perceived advantage of an altcoin that includes features not incorporated into bitcoin. If a digital asset obtains significant market share (either in market capitalization, mining power or use as a payment technology), this could reduce bitcoin's market share and have a negative impact on the demand for, and price of, bitcoin and thereby adversely affect the Net Asset Value of the Units.

Potential Decrease in Global Demand for Bitcoin

As a currency bitcoin must serve as a means of exchange, store of value, and unit of account. Many people using Bitcoin as money-over-internet-protocol (MoIP) do so with it as an international means of exchange. Speculators and investors using bitcoin as a store of value then layer on top of means of exchange users, creating further demand. If consumers stop using bitcoin as a means of exchange, or its adoption therein slows, then bitcoin's price may suffer, adversely affecting the Fund.

Investors should be aware that there is no assurance that bitcoin will maintain its long-term value in terms of purchasing power in the future or that the acceptance of bitcoin for payments by mainstream retail merchants and commercial businesses will continue to grow. In the event that the price of bitcoin declines, the Manager expects the Net Asset Value of the Units to decline proportionately. As relatively new products and technologies, bitcoin and the Bitcoin Network have only recently become widely accepted as a means of payment for goods and services by many major retail and commercial outlets, and use of bitcoin by consumers to pay such retail and commercial outlets remains limited. Banks and other established financial institutions may refuse to process funds for Bitcoin transactions, process wire transfers to or from bitcoin trading platforms, bitcoin-related companies or service providers, or maintain accounts for persons or entities transacting in bitcoin. Conversely, a significant portion of bitcoin demand is generated by speculators and investors seeking to profit from the short- or long-term holding of bitcoin. Price volatility undermines bitcoin's role as a medium of exchange as retailers are much less likely to accept it as a form of payment. Market capitalization for bitcoin therefore, as a medium of exchange and payment method, may continue to be low. A lack of expansion by bitcoin into retail and commercial markets, or a contraction of such use, may result in increased volatility which could adversely impact the Net Asset Value of the Units. The Manager believes that, like any commodity, bitcoin will fluctuate in value, but over time will gain a level of acceptance as a store of value, similar to precious metals.

Financial Institutions may refuse to Support Transactions involving Bitcoin

In the uncertain regulatory climate for cryptoassets, including bitcoin, Canadian and/or non-Canadian regulated financial institutions may cease to support transactions involving cryptoassets, including the receipt of cash proceeds from sales of cryptoassets. Should this occur, the Fund would be unable to pay out redemption proceeds within the timeframe set out under "Description of Units of the Fund – Monthly Redemptions".

Limited Insurance

Neither the Fund nor the Custodian will maintain insurance against risk of loss of bitcoin held by the Fund, as such insurance is not currently available in Canada on economically reasonable terms.

The Fund's bitcoins are held by the Sub-Custodian offline in "cold storage". Digital assets held in cold storage are protected by the Sub-Custodian's security measures, which reflect best practices in the cryptoasset custody space. The Fund's bitcoins may also be temporarily held online in a "hot wallet". Coinbase Global, Inc., the parent company of Coinbase, maintains commercial crime insurance that is available to cover losses of customer digital assets custodied in "hot wallets".

See "Management of the Fund – Sub-Custodian – Insurance".

Residency of the Sub-Custodian

The Sub-Custodian is resident outside Canada and all or a substantial portion of its assets are located outside Canada. As a result, anyone seeking to enforce legal rights against it in Canada may find it difficult to do so.

Liability of Unitholders

The Fund is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces and territories as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders could not be made party to legal action in connection with the Fund. However, the Declaration of Trust provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the Fund's property or the obligations or the affairs of the Fund and all such persons are to look solely to the Fund's property for satisfaction of claims of any nature arising out of or in connection therewith and only the Fund's property will be subject to levy or execution. Pursuant to the Declaration of Trust, the Fund will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of the Fund, such Unitholder will be entitled to reimbursement from any available assets of the Fund.

Underlying Value Risk

Bitcoin represents a new form of digital value that is still being digested by society. Its underlying value is driven by its utility as a store of value, means of exchange, and unit of account, and the demand for bitcoin within those use cases. Just as oil is priced by the supply and demand of global markets, as a function of its utility to, for instance, power machines and create plastics, so too is bitcoin priced by the supply and demand of global markets for its own utility within remittances, B2B payments, time-stamping, etc. If these means of valuing bitcoin prove to be fundamentally flawed, then the market may undergo a repricing of bitcoin, which could have an adverse impact on the Fund's portfolio.

Top Bitcoin Holders Control a Significant Percentage of the Outstanding Bitcoin

The top 100 bitcoin addresses hold roughly 15% of the bitcoin currently outstanding. While this concentration has decreased significantly over the years it is still concentrated. If one of these top holders were to exit their bitcoin position it could cause volatility that may adversely affect the Net Asset Value of the Units.

Regulation of Bitcoin

The regulation of bitcoin continues to evolve in North America and within foreign jurisdictions, which may restrict the use of bitcoin or otherwise impact the demand for bitcoin.

Loss of “Private Keys”

The loss or destruction of certain “private keys” (numerical codes required by the Fund to access its bitcoin) could prevent the Fund from accessing its bitcoin. Loss of these private keys may be irreversible and could result in the loss of all or substantially all of an investment in the Fund.

Fund’s Holdings May Become Illiquid

The Fund may not always be able to liquidate its bitcoin at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on bitcoin trading platforms. Unexpected market illiquidity may cause major losses to the holders of bitcoin. The large size of bitcoin that the Fund may acquire increases the risks of illiquidity by both making its bitcoin difficult to liquidate and in liquidating, the Fund may affect bitcoin’s price significantly.

Improper Transfers

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

Uncertain Regulatory Framework

Due to bitcoin’s short history, and its emergence as a new asset class, regulation of bitcoin is still a work in progress. For example, in the United States the Commodity Futures Trading Commission has ruled it a commodity, while the IRS has ruled it a property. The U.S. Securities and Exchange Commission (the “SEC”) and the Canadian Securities Administrators generally take the view that bitcoin is a commodity, however, they have not made a formal statement regarding its classification. Bitcoin meets the definition of “virtual payment instrument” in the Excise Tax Act and, as such, constitutes a “financial instrument” for purposes of the Excise Tax Act. Other jurisdictions, like the European Union, Russia and Japan have moved to treat bitcoin like a currency for taxation purposes, which the Manager believes is likely helping to fuel adoption in those areas. The Manager believes that the bitcoin regulatory situation will continue to evolve to allow for innovation while also protecting consumers. Regulators worldwide are increasingly recognizing the powerful innovation of bitcoin and blockchain technology, and therefore the Manager believes that it is unlikely that a hostile regulatory environment will develop. However, if a hostile regulatory environment were to emerge against bitcoin, it could have an adverse impact on the Net Asset Value of the Units.

Because the cryptoasset markets are largely unregulated today, many marketplaces and OTC counterparties that trade or facilitate trading exclusively in cryptoassets are not subject to registration or licensing requirements with any financial services regulatory body and, therefore, are not directly subject to prescribed KYC, reporting and recordkeeping requirements which apply financial services firms and other “reporting entities” under AML Regulation. The Manager will use all reasonable efforts to confirm

that each exchange and institutional liquidity provider from which the Fund may purchase bitcoin has adopted KYC procedures which reflect industry best practices to seek to ensure compliance with AML Regulation requirements which apply generally in the jurisdictions where they carry on business. In addition, the Sub-Custodian complies with federal and state anti-money laundering laws, as well as Federal trade and economic sanctions. As a Money Services Business registered with FinCEN, the Sub-Custodian must comply with applicable provisions of the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, the laws, regulations and Executive Orders administered by OFAC as well as state regulations enforced by the New York State Department of Financial Services and other state regulators.

Risks Associated with the Bitcoin Network

Dependence on Bitcoin Developers

While many contributors to Bitcoin's software are employed by companies in the industry, most of them are not directly compensated for helping to maintain the protocol. As a result, there are no contracts or guarantees that they will continue to contribute to Bitcoin's software.

Issues with the Cryptography Underlying the Bitcoin Network

Although the Bitcoin Network is the most established digital asset network, the Bitcoin Network and other cryptographic and algorithmic protocols governing the issuance of digital assets represent a new and rapidly evolving industry that is subject to a variety of factors that are difficult to evaluate. In the past, flaws in the source code for digital assets have been exposed and exploited, including flaws that disabled some functionality for users, exposed users' personal information and/or resulted in the theft of users' digital assets. The cryptography underlying bitcoin could prove to be flawed or ineffective, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to take the Fund's bitcoin, which would adversely affect an investment in the Units. Moreover, functionality of the Bitcoin Network may be negatively affected such that it is no longer attractive to users, thereby dampening demand for bitcoin. Even if another digital asset other than bitcoin were affected by similar circumstances, any reduction in confidence in the source code or cryptography underlying digital assets generally could negatively affect the demand for digital assets and therefore adversely affect an investment in the Units.

Disputes on the Development of the Bitcoin Network may lead to Delays in the Development of the Network

There can be disputes between contributors on the best paths forward in building and maintaining Bitcoin's software. Furthermore, the miners supporting the network and companies using it can disagree with the contributors as well, creating greater debate. Therefore, the bitcoin community often iterates slowly upon contentious protocol issues, which many perceive as prudently conservative, while others worry that it inhibits innovation.

Significant Increase in Bitcoin Interest Could Affect the Ability of the Bitcoin Network to Accommodate Demand

One of the most contentious issues within the bitcoin community has been around how to scale the network as user demand continues to rise. The debate goes back to the earliest days of bitcoin. There are many possible solutions, and most of them boil down to different ideologies on how bitcoin should be used. However, it will be important for the community to continue to develop at a pace that meets the demand for transacting in bitcoin, otherwise users may become frustrated and lose faith in the network.

Bitcoin's Blockchain may Temporarily or Permanently Fork and/or Split

The Bitcoin software and protocol are open source. When a modification is released by the developers and a substantial majority of miners consent to the modification, the change is implemented and the Bitcoin Network continues uninterrupted. However, if a change were activated with less than a substantial majority consenting to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “hard fork” (i.e. a split) of the Bitcoin Network (and the blockchain). One blockchain would be maintained by the pre-modified software and the other by the post-modification software. The effect is that both blockchain algorithms would be running parallel to one another, but each would be building an independent blockchain with independent native assets (e.g., bitcoin 1 and bitcoin 2).

Although forks are likely to be addressed by a community-led effort to merge the two groups, such a fork could adversely affect bitcoin's viability. There is a precedent for this occurring, as witnessed with two bitcoin hard forks in 2017. Following long-term debate on how to scale the Bitcoin Network's transaction capacity, on August 1, 2017 the digital currency forked into Bitcoin Classic (BTC) and Bitcoin Cash (BCH). On October 24, 2017, bitcoin further forked to create Bitcoin Gold (BTG). Bitcoin Classic, Bitcoin Cash, and Bitcoin Gold continue to exist today, and though their combined value exceeds the value of the network prior to the fork, future forking events could prove substantially more detrimental to the value of the Bitcoin Network.

In the event that a fork in the Bitcoin blockchain results in: (i) issuance to the Fund of an additional cryptoasset alongside the bitcoin held by the Fund; or (ii) a choice to keep the existing bitcoin or exchange or replace it with a different cryptoasset, the Manager will make the investment decision that it believes is in the best interest of the Fund and the Unitholders at the time.

The Sub-Custodian Agreement provides that the Sub-Custodian may, in its discretion, choose to not support a forked network.

It is ultimately an investment decision of the Manager to determine how the Fund will deal with a fork in the Bitcoin blockchain. There will likely be many factors relevant to such decision, including the value and liquidity of the new/replacement asset (the “**Fork Asset**”) and whether a disposition of such Fork Asset would trigger a taxable event for the Fund. As such, if it was in the best interest of the Fund to receive a Fork Asset or otherwise participate in a fork in the Bitcoin blockchain that is not supported by the Sub-Custodian, the Manager could instruct the Custodian to move the Fund's bitcoin from the Sub-Custodian to an account with another sub-custodian which would support such fork.

The Manager will consult with the auditor of the Fund to ensure that all Fork Assets held by the Fund are properly valued in accordance with International Financial Reporting Standards for the purpose of calculating the Net Asset Value of the Fund. The Manager has confirmed with the auditor of the Fund that in the event of a fork or split of the Bitcoin blockchain (or the blockchain of another Fork Asset held by the Fund), the Fund would not be required to reflect ownership of any resulting Fork Asset on its financial statements until such asset is released by the Sub-Custodian (or the relevant Fork Asset custodian) into the Fund's account.

The Manager will ensure that redeeming Unitholders receive the appropriate redemption price for their Units of the Fund, including in circumstances where a Fork Asset held by the Fund cannot be liquidated due to restrictions imposed by the custodian of the Fork Asset or other market forces. However, the Manager does not guarantee that ultimately the right Fork Asset will be chosen.

Digital assets are also susceptible to “airdrops”, whereby promoters entitle existing holders to claim a certain portion of the new digital asset at no-cost. Since airdrops are both uncertain and unguaranteed, the Fund may not derive any benefit from the airdrops.

Dependence on the Internet

Bitcoin miners (and full nodes) relay transactions to one another via the internet, and when blocks are mined they are also forwarded via the internet. Companies access Bitcoin’s blockchain via the internet, and most customers access these companies via the internet. Thus, the entire system is dependent upon the continued functioning of the internet.

Risk if Entity Gains a 51% Share of the Bitcoin Network

If an entity gains controls over 51% of the compute power (hash rate) the entity could use its majority share to double spend bitcoin. Essentially, the entity would send bitcoin to one recipient, which is confirmed in the existing blockchain, while also creating a shadow blockchain that sends that same bitcoin to another entity under its control. After a period of time, the entity will release its hidden blockchain and reverse previously confirmed transactions, and due to the way mining works, that new blockchain will become the record of truth. This would significantly erode trust in the Bitcoin Network to store value and serve as a means of exchange which may significantly decrease the value of the bitcoin and in turn the Net Asset Value of the Units.

Concentration of Transaction Confirmation Processing Power in China

Due to preferential electricity discounts, there are large mining pools operating in China which have significant sway over the Bitcoin Network. The Chinese government could affect the operations of these miners in a number of ways. First, all traffic to the mining pools must pass through the Great Firewall of China, which means the Chinese government could cut off their connection to the Bitcoin Network. Second, the Chinese government has previously partially banned bitcoin, and there is no guarantee that it won’t attempt to do so in full. If it were to ban bitcoin, it may make mining bitcoin an unpalatable activity to most Chinese miners, which could be detrimental to the Bitcoin Network.

Possible Increase in Transaction Fees

Bitcoin miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners confirm transactions by adding previously unconfirmed transactions to new blocks in the blockchain. Miners are not forced to confirm any specific transaction, but they are economically incentivized to confirm valid transactions as a means of collecting fees. Miners have historically accepted relatively low transaction confirmation fees because miners have very low marginal cost of validating unconfirmed transactions. If miners collude in an anticompetitive manner to reject low transaction fees, then bitcoin users could be forced to pay higher fees, thus reducing the attractiveness of the Bitcoin Network. Bitcoin mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely impact the Net Asset Value of the Units.

Attacks on the Bitcoin Network

The Bitcoin Network is periodically subject to distributed denial of service attacks to clog the list of transactions being tabulated by miners, which can slow the confirmation of authentic transactions. Another avenue of attack would be if a large number of miners were taken offline then it could take some time before the difficulty of the mining process algorithmically adjusts, which would stall block creation

time and therefore transaction confirmation time. Thus far these scenarios have not plagued the network for long or in a systemic manner.

Decrease in Block Reward

The block reward will decrease over time. On May 11, 2020, the block reward reduced from 12.5 to 6.25 bitcoin. The block reward will decrease to 3.125 bitcoin in 2024. As the block reward continues to decrease over time, the mining incentive structure will transition to a higher reliance on transaction verification fees in order to incentivize miners to continue to dedicate processing power to the blockchain. If transaction verification fees become too high, the marketplace may be reluctant to use bitcoin. Decreased demand for bitcoin may adversely affect the Net Asset Value of the Units.

Competitors to Bitcoin

To the extent a competitor to bitcoin gains popularity and greater market share, the use and price of bitcoin could be negatively impacted, which may adversely affect an investment in Units of the Fund. Similarly, bitcoin and the price of bitcoin could be negatively impacted by competition from incumbents in the credit card and payments industries, which may adversely affect the Net Asset Value of the Units.

Significant Energy Consumption to run the Bitcoin Network

Because of the significant computing power required to mine bitcoin, the network's energy consumption as a whole may ultimately be deemed to be or indeed become unsustainable (barring improvements in efficiency which could be designed for the protocol). This could pose a risk to broader and sustained acceptance of the network as a peer-to-peer transactional platform.

Risks Associated with Bitcoin Trading Platforms

Regulation of Bitcoin Trading Platforms

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions. The Manager seeks to ensure that the bitcoin trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation. See "Investment Overview – Purchasing Bitcoin for the Fund's Portfolio".

Limited Operating History of Bitcoin Trading Platforms

Bitcoin trading platforms have a limited operating history. Since 2009 several bitcoin trading platforms have been closed or experienced disruptions due to fraud, failure, security breaches or distributed denial of service attacks. In many of these instances, the customers of such trading platforms were not compensated or made whole for the partial or complete loss of funds held at bitcoin trading platforms. The potential for instability of bitcoin trading platforms and the closure or temporary shutdown of exchanges due to fraud, business failure, hackers, distributed denial of service attacks or malware or government-mandated regulation may reduce confidence in bitcoin, which may adversely affect the Net Asset Value of the Units.

Hacking of Bitcoin Trading Platforms May Have a Negative Impact on Perception of the Security of the Bitcoin Network

While Bitcoin's blockchain has never been compromised by hackers, exchanges frequently have. Bitcoin trading platforms that adhere to best practices are insured, and most of these have not been hacked, or if they have the loss has been minimal. Although there is ample evidence which indicates that almost all of the economic trading volumes in bitcoin occur on the top ten global trading platforms, many of which are regulated by the New York State Department of Financial Services, carry insurance for their hot wallet assets, such exchanges, or other, smaller or less reputable exchanges, may get hacked. Bitcoin's price is at risk if a platform is hacked as it can shake consumer confidence for those that do not understand the difference between a weakness in the platform versus a weakness in bitcoin and its blockchain.

Different Prices of Bitcoin on the Bitcoin Trading Platforms May Adversely Affect the Net Asset Value of the Units

Most platforms operate as isolated pools of liquidity, and so when demand spikes for a specific platform the market price for bitcoin on that platform can also spike, making it trade at a premium to other platforms.

Closure of Bitcoin Trading Platform(s)

Since 2013, a number of bitcoin trading platforms have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such bitcoin trading platforms were not compensated or made whole for the partial or complete losses of their account balances in such bitcoin trading platforms. While smaller bitcoin trading platforms are less likely to have the infrastructure and capitalization that make larger bitcoin trading platforms more stable, larger bitcoin trading platforms are more likely to be appealing targets for hackers and "malware" (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems).

Liquidity Constraints on Bitcoin Markets may Impact the Fund's Holdings

While the liquidity and traded volume of bitcoin are continually growing, they are still maturing assets. The Fund may not always be able to acquire or liquidate its assets at a desired price. It may become difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in the marketplace, including on cryptoasset exchanges. When transacting in the cryptoasset markets, the Fund will be competing for liquidity with other large investors, including speculators, miners and other investment funds and institutional investors.

Unexpected market illiquidity, and other conditions beyond the Manager's control, may cause major losses to the holders of a cryptoasset, including bitcoin. The large position in bitcoin that the Fund may acquire increases the risks of illiquidity by making its bitcoin difficult to liquidate. In addition, liquidation of significant amounts of bitcoin by the Fund may impact the market price of bitcoin.

Risk of Manipulation on Bitcoin Trading Platforms

Bitcoin trading platforms are spot markets in which bitcoin can be exchanged for U.S. dollars. Bitcoin trading platforms are not regulated as securities exchanges or commodity futures exchanges under the securities or commodity futures laws of Canada, the United States or other global jurisdictions.

Some bitcoin trading platforms have been known to permit and/or report artificially high order volumes and/or trading volumes. Bitcoin trading platforms are not required to adopt policies and procedures

for the purpose detecting and preventing manipulative and deceptive trading activities and, in the event that manipulative and deceptive trading activities are detected, bitcoin trading platforms may not have procedures for, or jurisdiction to, sanction or otherwise deter such activities and/or to detect, investigate and prosecute fraud.

The Manager seeks to ensure that the bitcoin trading platforms on which the Fund transacts are reputable, stable and in compliance with AML Regulation. See “Investment Overview – Purchasing Bitcoin for the Fund’s Portfolio”.

Settlement of Transactions on the Bitcoin Network

There is no central clearing house for cash-to-bitcoin transactions. Current practice is for the purchaser of bitcoin to send fiat currency to a bank account designated by the seller, and for the seller to broadcast the transfer of bitcoin to the purchaser’s public bitcoin address upon receipt of the cash. The purchaser and seller monitor the transfer with a transaction identification number that is available immediately upon transfer and is expected to be included in the next block confirmation. When the Fund purchases bitcoin from a Bitcoin Source, there is a risk that the Bitcoin Source will not initiate the transfer on the Bitcoin network upon receipt of cash from the Fund, or that the bank where the Bitcoin Source’s account is located will not credit the incoming cash from the Fund for the account of the Bitcoin Source. The Manager mitigates this risk by transacting with regulated Bitcoin Sources that have undergone due diligence, as described under “Investment Overview – Purchasing Bitcoin for the Fund’s Portfolio” and by confirming the solvency of the Bitcoin Source and the bank designated by each Bitcoin Source based on publicly available information.

MATERIAL CONTRACTS

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust;
- (b) the Custodian Agreement;
- (c) the Sub-Custodian Agreement; and
- (d) the Index Licensing Agreement with MVIS.

The Fund is not sponsored, endorsed, sold or promoted by MVIS. MVIS makes no representation or warranty, express or implied, to the owners of the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly or the ability of BBR to provide a robust rate for bitcoin in U.S. dollars. MVIS’s only direct relationship to the Fund and the Manager is the licensing of certain service marks and trade names of MVIS and of BBR that is determined, composed and calculated by MVIS without regard to the Fund or the Manager. MVIS has no obligation to take the needs of the Fund or the owners of the Fund into consideration in determining, composing or calculating BBR. MVIS is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the Fund to be issued or in the determination or calculation of the equation by which the Fund is to be converted into cash. MVIS has no obligation or liability in connection with the administration, marketing or trading of the Fund.

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VAN ECK SHALL NOT HAVE ANY LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS, AND MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY OWNERS OF THE FUND OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE FUND. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL VAN ECK OR ANY OF ITS AFFILIATES HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES OR LOSSES, EVEN IF NOTIFIED OF THE POSSIBILITY THEREOF.

CUSTODIAN

Tetra Trust Company is the custodian of the assets of the Fund. The Custodian’s offices are located in Calgary, Alberta.

SUB-CUSTODIAN

Coinbase Custody Trust Company acts as sub-custodian of the Fund in respect of the Fund’s holdings of bitcoin. Coinbase is a trust company licensed and regulated by the New York State Department of Financial Services and is qualified to act as a sub-custodian of the Fund for assets held outside of Canada in accordance with NI 81-102. The Sub-Custodian’s offices are located in New York, New York.

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc. acts as registrar and transfer agent for the Units and maintains the securities registers at its office in Toronto, Ontario.

AUDITOR

Raymond Chabot Grant Thornton LLP is the auditor of the Fund. The office of the auditor is located in Montreal, Quebec.

ADMINISTRATOR

SGGG Fund Services Inc. has been engaged to provide certain administrative services to the Fund including calculation of Net Asset Value and Net Asset Value per Unit and related fund accounting services. The principal office of the Administrator is located in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information about the Fund is available in the Fund's financial statements, management reports of fund performance and quarterly portfolio reports. Copies of these documents are available at no cost by calling 1(416) 639-2130 or by emailing the Manager at investors@3iQ.ca.

These documents and other information about the Fund are also available at www.3iQ.ca and www.sedar.com.