

**Bitcoin Investment Trust**  
2017 Grantor Trust Tax Information Statement  
EIN: 46-7019388

The following information is being provided to assist Shareholders of the Bitcoin Investment Trust with reporting of their taxable income and expenses for the period January 1, 2017 through December 31, 2017.

**TAXATION OF THE TRUST**

The Bitcoin Investment Trust is a grantor trust for U.S. federal income tax purposes. As a result, the Trust itself is not subject to U.S. federal income tax. Instead, the Trust's income and expenses "flow through" to the Shareholders.

**TAXATION OF US INDIVIDUAL SHAREHOLDERS**

Shareholders generally will be treated, for U.S. federal income tax purposes, as if they directly owned a pro rata share of the underlying assets held in the Trust. Shareholders also will be treated as if they directly received their respective pro rata shares of the Trust's income and proceeds, and directly incurred their pro rata share of the Trust's expenses. Most state and local tax authorities follow U.S. Income tax rules in this regard. However, Shareholders should contact their own tax advisors as to the state and local tax consequences of ownership of Bitcoin Investment Trust shares.

The Trust holds only bitcoins and, accordingly, received no income during the year.

The Trust paid expenses monthly, as shown in the attached 2017 Expense File. An example illustrating the computation of a Shareholder's share of expenses is provided. The calculation period is monthly.

Because the Trust paid out only a *de minimus* amount of bitcoins for payment of Trust expenses during the year and made no distributions of sale proceeds to its Shareholders, under Treas. Reg. Sec. 1.671-5(c)(2)(iv)(B) neither the Trust nor brokers are required to report the gross proceeds of Trust sales to Shareholders on Form 1099B. In lieu of Form 1099B, this information is contained in the attached 2017 Gross Proceeds File together with an example illustrating how a Shareholder should calculate gain or loss. However, there were distributions in kind related to Bitcoin Cash and Bitcoin Gold (please see the separate tax information statement by Grayscale Investments as Agent on behalf of Shareholders for important information regarding your 2017 individual income taxes).

**GLOSSARY OF TERMS**

Bitcoin Investment Trust - ("The Trust")

Expense File – Summary of monthly Trust expenses per share in USD (page 2)

Gross Proceeds File – Summary of daily value per share (in bitcoin), monthly amount of bitcoin paid to cover trust expenses (in bitcoin), and monthly per share proceeds from bitcoin paid to cover trust expenses (in USD) - (pages 3 - 14)

Pro-Rated Shares – All income and expenses are distributed pro rata based on the actual number of days in the calendar month (see example on page 2)

## BITCOIN INVESTMENT TRUST 2017 EXPENSE FILE

### Summary of Expenses by Month (Details on pages 3-14)

Date	Expenses Per Share (USD)	Expenses Per Share Relating to Bitcoin Forks (USD)	Proceeds Per Share Relating to Bitcoin Forks (USD)
January	0.15460207		
February	0.18340001		
March	0.17146701		
April	0.22267715		
May	0.33068060		
June	0.40721487		
July	0.42461743		
August	0.69730122		
September	0.63281972		
October	0.95065166		
November	1.31999991	0.18161342	0.18161342
December	2.44064828	0.01006261	0.01006261
<b>Total for year</b>	<b>7.93607993</b>	<b>0.19167603</b>	<b>0.19167603</b>

### How to Calculate the Shareholder's Investment Expenses

Identify in the table above the months (full and partial) in which the Shareholder held shares in the Trust. The amount in the column labeled "Expenses Per Share," represents the amount of investment expense paid per share for a full month. For any month in which the shares were not held on each day in such month, the expenses should be pro-rated based on the number of days held (see attached details for each month pages 3-14).

### Example illustrating calculation of a Shareholder's 2017 Bitcoin Investment Trust Investment Expenses

Assume that a Shareholder purchased 200 shares on February 15, 2017 and sold them on October 15, 2017. For the month of February, Shareholder's expenses are \$0.18340001 (See Summary Table above – February Factor) x (14/28) = \$0.09170001 per share. For the months of March through September, the expenses per share are as shown in the summary table above. For the month of October, Shareholder's expenses are \$0.95065166 (See Summary Table above – October Factor) x (15/31) = \$0.45999274. The total expenses for Shareholder are therefore \$3.43847073 per share (sum of all factors from February 15th through October 15th) multiplied by the number of shares held (200), or \$687.69

Total Expenses per Share	\$ 3.43847073
Total Shares	200
Total Expense	<u>\$687.69</u>
(To be reported on Shareholder's Form 1040 Schedule A)	

**BITCOIN INVESTMENT TRUST 2017 GROSS PROCEEDS FILE**

<b>Date</b>	<b>Bitcoin Per Share</b>	<b>Number of Bitcoin Used to Cover Trust Expenses Per Share (in Bitcoin)</b>	<b>Proceeds from Payout of Bitcoin to Cover Trust Expenses Per Share (in USD)</b>	<b>Expenses Incurred Relating to Bitcoin Forks Per Share (in USD)</b>	<b>Proceeds from Transactions Relating to Bitcoin Forks Per Share (in USD)</b>
1/1/2017	0.09366203				
1/2/2017	0.09365690				
1/3/2017	0.09365176				
1/4/2017	0.09364663				
1/5/2017	0.09364150				
1/6/2017	0.09363637				
1/7/2017	0.09363124				
1/8/2017	0.09362611				
1/9/2017	0.09362098				
1/10/2017	0.09361585				
1/11/2017	0.09361072				
1/12/2017	0.09360559				
1/13/2017	0.09360046				
1/14/2017	0.09359533				
1/15/2017	0.09359020				
1/16/2017	0.09358508				
1/17/2017	0.09357995				
1/18/2017	0.09357482				
1/19/2017	0.09356969				
1/20/2017	0.09356457				
1/21/2017	0.09355944				
1/22/2017	0.09355431				
1/23/2017	0.09354919				
1/24/2017	0.09354406				
1/25/2017	0.09353893				
1/26/2017	0.09353381				
1/27/2017	0.09352868				
1/28/2017	0.09352356				
1/29/2017	0.09351843				
1/30/2017	0.09351331				
1/31/2017	0.09350819				
<b>2/1/2017</b>	<b>0.09350306</b>	<b>0.00015788</b>	<b>0.15460207</b>		
2/2/2017	0.09349794				

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2/3/2017	0.09349282				
2/4/2017	0.09348769				
2/5/2017	0.09348257				
2/6/2017	0.09347745				
2/7/2017	0.09347233				
2/8/2017	0.09346720				
2/9/2017	0.09346208				
2/10/2017	0.09345696				
2/11/2017	0.09345184				
2/12/2017	0.09344672				
2/13/2017	0.09344160				
2/14/2017	0.09343648				
2/15/2017	0.09343136				
2/16/2017	0.09342624				
2/17/2017	0.09342112				
2/18/2017	0.09341600				
2/19/2017	0.09341088				
2/20/2017	0.09340576				
2/21/2017	0.09340065				
2/22/2017	0.09339553				
2/23/2017	0.09339041				
2/24/2017	0.09338529				
2/25/2017	0.09338018				
2/26/2017	0.09337506				
2/27/2017	0.09336994				
2/28/2017	0.09336483				
3/1/2017	0.09335971				
<b>3/2/2017</b>	<b>0.09335460</b>	<b>0.00014336</b>	<b>0.18340001</b>		
3/3/2017	0.09334948				
3/4/2017	0.09334437				
3/5/2017	0.09333925				
3/6/2017	0.09333414				
3/7/2017	0.09332902				

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3/8/2017	0.09332391				
3/9/2017	0.09331879				
3/10/2017	0.09330857				
3/11/2017	0.09330857				
3/12/2017	0.09330346				
3/13/2017	0.09329834				
3/14/2017	0.09329323				
3/15/2017	0.09328812				
3/16/2017	0.09328301				
3/17/2017	0.09327790				
3/18/2017	0.09327278				
3/19/2017	0.09326767				
3/20/2017	0.09326256				
3/21/2017	0.09325745				
3/22/2017	0.09325234				
3/23/2017	0.09324723				
3/24/2017	0.09324212				
3/25/2017	0.09323701				
3/26/2017	0.09323191				
3/27/2017	0.09322680				
3/28/2017	0.09322169				
3/29/2017	0.09321658				
3/30/2017	0.09321147				
3/31/2017	0.09320637				
<b>4/1/2017</b>	<b>0.09320126</b>	<b>0.00015846</b>	<b>0.17146701</b>		
4/2/2017	0.09319615				
4/3/2017	0.09319104				
4/4/2017	0.09318594				
4/5/2017	0.09318083				
4/6/2017	0.09317573				
4/7/2017	0.09317062				
4/8/2017	0.09316552				
4/9/2017	0.09316041				
4/10/2017	0.09315531				

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4/11/2017	0.09315020				
4/12/2017	0.09314510				
4/13/2017	0.09313999				
4/14/2017	0.09313489				
4/15/2017	0.09312979				
4/16/2017	0.09312468				
4/17/2017	0.09311958				
4/18/2017	0.09311448				
4/19/2017	0.09310938				
4/20/2017	0.09310427				
4/21/2017	0.09309917				
4/22/2017	0.09309407				
4/23/2017	0.09308897				
4/24/2017	0.09308387				
4/25/2017	0.09307877				
4/26/2017	0.09307367				
4/27/2017	0.09306857				
4/28/2017	0.09306347				
4/29/2017	0.09305837				
4/30/2017	0.09305327				
<b>5/1/2017</b>	<b>0.09304817</b>	<b>0.00015309</b>	<b>0.22267715</b>		
5/2/2017	0.09304307				
5/3/2017	0.09303798				
5/4/2017	0.09303288				
5/5/2017	0.09302778				
5/6/2017	0.09302268				
5/7/2017	0.09301759				
5/8/2017	0.09301249				
5/9/2017	0.09300739				
5/10/2017	0.09300230				
5/11/2017	0.09299720				

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5/12/2017	0.09299210				
5/13/2017	0.09298701				
5/14/2017	0.09298191				
5/15/2017	0.09297682				
5/16/2017	0.09297172				
5/17/2017	0.09296663				
5/18/2017	0.09296154				
<b>5/19/2017</b>	<b>0.09295644</b>	<b>0.00009174</b>	<b>0.17648966</b>		
5/20/2017	0.09295135				
5/21/2017	0.09294625				
5/22/2017	0.09294116				
5/23/2017	0.09293607				
5/24/2017	0.09293098				
5/25/2017	0.09292588				
5/26/2017	0.09292079				
5/27/2017	0.09291570				
5/28/2017	0.09291061				
5/29/2017	0.09290552				
<b>5/30/2017</b>	<b>0.09290043</b>	<b>0.00002547</b>	<b>0.05692544</b>		
5/31/2017	0.09289534				
<b>6/1/2017</b>	<b>0.09289025</b>	<b>0.00004073</b>	<b>0.09726550</b>		
6/2/2017	0.09288516				
6/3/2017	0.09288007				
6/4/2017	0.09287498				
6/5/2017	0.09286989				
6/6/2017	0.09286480				
6/7/2017	0.09285971				
6/8/2017	0.09285462				
6/9/2017	0.09284954				
6/10/2017	0.09284445				
6/11/2017	0.09283936				

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6/12/2017	0.09283427				
6/13/2017	0.09282919				
6/14/2017	0.09284954				
6/15/2017	0.09281901				
6/16/2017	0.09281393				
6/17/2017	0.09280884				
6/18/2017	0.09280376				
6/19/2017	0.09279867				
6/20/2017	0.09279359				
6/21/2017	0.09278850				
<b>6/22/2017</b>	<b>0.09278342</b>	<b>0.00009667</b>	<b>0.26049745</b>		
6/23/2017	0.09277834				
6/24/2017	0.09277325				
6/25/2017	0.09276817				
6/26/2017	0.09276308				
6/27/2017	0.09275800				
6/28/2017	0.09275292				
6/29/2017	0.09274784				
6/30/2017	0.09274275				
7/1/2017	0.09273767				
7/2/2017	0.09273259				
7/3/2017	0.09272751				
7/4/2017	0.09272243				
<b>7/5/2017</b>	<b>0.09271735</b>	<b>0.00005592</b>	<b>0.14671742</b>		
7/6/2017	0.09271227				
7/7/2017	0.09270719				
7/8/2017	0.09270211				
7/9/2017	0.09269703				
7/10/2017	0.09269195				
7/11/2017	0.09268687				
7/12/2017	0.09268179				
7/13/2017	0.09267671				



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7/14/2017	0.09267163				
7/15/2017	0.09266656				
7/16/2017	0.09266148				
7/17/2017	0.09265640				
7/18/2017	0.09265132				
7/19/2017	0.09264625				
<b>7/20/2017</b>	<b>0.09264117</b>	<b>0.00010158</b>	<b>0.26939204</b>		
7/21/2017	0.09263610				
7/22/2017	0.09263102				
7/23/2017	0.09262594				
7/24/2017	0.09262087				
7/25/2017	0.09261579				
7/26/2017	0.09261072				
7/27/2017	0.09260564				
7/28/2017	0.09260057				
7/29/2017	0.09259550				
7/30/2017	0.09259042				
7/31/2017	0.09258535				
<b>8/1/2017</b>	<b>0.09258028</b>	<b>0.00005582</b>	<b>0.15522539</b>		
8/2/2017	0.09257520				
8/3/2017	0.09257013				
8/4/2017	0.09256506				
8/5/2017	0.09255999				
8/6/2017	0.09255491				
8/7/2017	0.09254984				
8/8/2017	0.09254477				
8/9/2017	0.09253970				
8/10/2017	0.09253463				
8/11/2017	0.09252956				
8/12/2017	0.09252449				
<b>8/13/2017</b>	<b>0.09251942</b>	<b>0.00006086</b>	<b>0.24217898</b>		

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8/14/2017	0.09251435				
8/15/2017	0.09250928				
8/16/2017	0.09250421				
8/17/2017	0.09249914				
8/18/2017	0.09249407				
8/19/2017	0.09248901				
8/20/2017	0.09248394				
8/21/2017	0.09247887				
8/22/2017	0.09247380				
8/23/2017	0.09246874				
8/24/2017	0.09246367				
8/25/2017	0.09245860				
8/26/2017	0.09245354				
8/27/2017	0.09244847				
8/28/2017	0.09244340				
8/29/2017	0.09243834				
8/30/2017	0.09243327				
<b>8/31/2017</b>	<b>0.09242821</b>	<b>0.00009628</b>	<b>0.45512224</b>		
9/1/2017	0.09242314				
9/2/2017	0.09241808				
9/3/2017	0.09241302				
9/4/2017	0.09240795				
9/5/2017	0.09240289				
9/6/2017	0.09239783				
9/7/2017	0.09239276				
9/8/2017	0.09238770				
9/9/2017	0.09238264				
9/10/2017	0.09237758				
9/11/2017	0.09237251				
9/12/2017	0.09236745				
9/13/2017	0.09236239				

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9/14/2017	0.09235733				
9/15/2017	0.09235227				
9/16/2017	0.09234721				
9/17/2017	0.09234215				
9/18/2017	0.09233709				
9/19/2017	0.09233203				
9/20/2017	0.09232697				
9/21/2017	0.09232191				
9/22/2017	0.09231685				
9/23/2017	0.09231179				
9/24/2017	0.09230674				
9/25/2017	0.09230168				
9/26/2017	0.09229662				
9/27/2017	0.09229156				
9/28/2017	0.09228651				
<b>9/29/2017</b>	<b>0.09228145</b>	<b>0.00015182</b>	<b>0.63281972</b>		
9/30/2017	0.09227639				
10/1/2017	0.09227134				
10/2/2017	0.09226628				
10/3/2017	0.09226123				
10/4/2017	0.09225617				
10/5/2017	0.09225111				
10/6/2017	0.09224606				
10/7/2017	0.09224101				
10/8/2017	0.09223595				
10/9/2017	0.09223090				
10/10/2017	0.09222584				
10/11/2017	0.09222079				
10/12/2017	0.09221574				
10/13/2017	0.09221068				
10/14/2017	0.09220563				

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10/15/2017	0.09220058				
10/16/2017	0.09219553				
10/17/2017	0.09219047				
10/18/2017	0.09218542				
<b>10/19/2017</b>	<b>0.09218037</b>	<b>0.00006066</b>	<b>0.34179755</b>		
10/20/2017	0.09217532				
10/21/2017	0.09217027				
10/22/2017	0.09216522				
10/23/2017	0.09216017				
10/24/2017	0.09215512				
10/25/2017	0.09215007				
10/26/2017	0.09214502				
10/27/2017	0.09213997				
10/28/2017	0.09213492				
10/29/2017	0.09212987				
10/30/2017	0.09212483				
<b>10/31/2017</b>	<b>0.09211978</b>	<b>0.00009596</b>	<b>0.60885411</b>		
11/1/2017	0.09211473				
11/2/2017	0.09210968				
11/3/2017	0.09210464				
11/4/2017	0.09209959				
11/5/2017	0.09209454				
<b>11/6/2017</b>	<b>0.09208950</b>			<b>0.18161342**</b>	<b>0.18161342**</b>
11/7/2017	0.09208445				
11/8/2017	0.09207940				
11/9/2017	0.09207436				
11/10/2017	0.09206931				
11/11/2017	0.09206427				
<b>11/12/2017</b>	<b>0.09205922</b>	<b>0.00002524</b>	<b>0.15015468</b>		
11/13/2017	0.09205418				
11/14/2017	0.09204914				
11/15/2017	0.09204409				

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11/16/2017	0.09203905				
11/17/2017	0.09203401				
11/18/2017	0.09202896				
11/19/2017	0.09202392				
<b>11/20/2017</b>	<b>0.09201888</b>	<b>0.00004541</b>	<b>0.37414984</b>		
11/21/2017	0.09201384				
11/22/2017	0.09200879				
11/23/2017	0.09200375				
11/24/2017	0.09199871				
11/25/2017	0.09199367				
11/26/2017	0.09198863				
<b>11/27/2017</b>	<b>0.09198359</b>	<b>0.00004234</b>	<b>0.40750013</b>		
11/28/2017	0.09197855				
11/29/2017	0.09197351				
<b>11/30/2017</b>	<b>0.09196847</b>	<b>0.00001817</b>	<b>0.17127134</b>		
<b>12/1/2017</b>	<b>0.09196343</b>	<b>0.00002016</b>	<b>0.21692392</b>		
12/2/2017	0.09195839				
12/3/2017	0.09195335				
<b>12/4/2017</b>	<b>0.09194831</b>	<b>0.00001512</b>	<b>0.17301738</b>	<b>0.01006261**</b>	<b>0.01006261**</b>
<b>12/5/2017</b>	<b>0.09194327</b>	<b>0.00000502</b>	<b>0.05927239</b>		
12/6/2017	0.09193824				
<b>12/7/2017</b>	<b>0.09193320</b>	<b>0.00001004</b>	<b>0.16527562</b>		
<b>12/8/2017</b>	<b>0.09192816</b>	<b>0.00000502</b>	<b>0.07858994</b>		
12/9/2017	0.09192312				
12/10/2017	0.09191809				
<b>12/11/2017</b>	<b>0.09191305</b>	<b>0.00001506</b>	<b>0.26082319</b>		
<b>12/12/2017</b>	<b>0.09190801</b>	<b>0.00001007</b>	<b>0.17648341</b>		
12/13/2017	0.09190298				
12/14/2017	0.09189794				
<b>12/15/2017</b>	<b>0.09189291</b>	<b>0.00001005</b>	<b>0.17835128</b>		
12/16/2017	0.09188787				

**\*\*Please see the separate tax information statement by Grayscale Investments as Agent on behalf of Shareholders for important information regarding your 2017 individual income taxes**

**BITCOIN INVESTMENT TRUST 2017 GROSS PROCEEDS FILE**

<b>Date</b>	<b>Bitcoin Per Share</b>	<b>Number of Bitcoin Used to Cover Trust Expenses Per Share (in Bitcoin)</b>	<b>Proceeds from Payout of Bitcoin to Cover Trust Expenses Per Share (in USD)</b>	<b>Expenses Incurred Relating to Bitcoin Forks Per Share (in USD)</b>	<b>Proceeds from Transactions Relating to Bitcoin Forks Per Share (in USD)</b>
12/17/2017	0.09188284				
<b>12/18/2017</b>	<b>0.09187781</b>	<b>0.00001509</b>	<b>0.28335701</b>		
<b>12/19/2017</b>	<b>0.09187278</b>	<b>0.00000503</b>	<b>0.08952999</b>		
12/20/2017	0.09186775				
12/21/2017	0.09186271				
12/22/2017	0.09185768				
12/23/2017	0.09185264				
12/24/2017	0.09184761				
12/25/2017	0.09184258				
<b>12/26/2017</b>	<b>0.09183755</b>	<b>0.00003521</b>	<b>0.55910671</b>		
<b>12/27/2017</b>	<b>0.09183251</b>	<b>0.00000503</b>	<b>0.07425430</b>		
<b>12/28/2017</b>	<b>0.09182748</b>	<b>0.00000503</b>	<b>0.07008020</b>		
<b>12/29/2017</b>	<b>0.09182245</b>	<b>0.00000503</b>	<b>0.07266095</b>		
<b>12/30/2017</b>	<b>0.09181742</b>	<b>0.00001509</b>	<b>0.19984590</b>		
12/31/2017	0.09181239				
	<b>Total</b>	<b>0.001853494</b>	<b>7.93607991</b>	<b>0.19167603</b>	<b>0.19167603</b>

**Bitcoin Investment Trust Gross Proceeds and Expense Files shows bitcoins per share owned in the Trust, bitcoins paid out, proceeds, and expenses per share in the Trust. You can use this information to calculate your share of Trust expenses, and your gain or loss on sale of bitcoins to pay such expenses.**

**The Trust holds no assets other than bitcoins. Accordingly, when expenses are incurred, Trust assets (i.e. bitcoins) are sold to cover the expenses. The following example illustrates the tax consequences to the shareholder. In Step 1 we discuss how a shareholder would determine their stake in the trust (i.e. how much bitcoin they own). In Step 2 we discuss how much of their stake is sold monthly to cover expenses (and how much bitcoin they still own). In Step 3 we determine the basis of the shareholder in the bitcoin sold. Gain or loss from this sale is determined in relation to the basis of the assets sold. In Step 4 we determine the gain or loss from the sale of the assets and where the gain or loss is reported on the shareholder's tax return. In Step 5 we calculate the shareholder's portion of the trusts expenses. In Step 6 we determine the shareholder's new balance of bitcoin at the end of the year and his or her new cost basis in those bitcoin.**

**The following example is for illustrative purposes only and is not intended to be construed as tax advice. Shareholders should consult a tax professional in the use of their information on their respective tax returns.**

**Example: Shareholder XYZ purchases 200 Trust shares on 2/10/2017 at a price of \$995.99 per share for a total purchase price of \$199,198. Shareholder XYZ had no other purchases or sales of Trust shares during 2017 and held the shares for the remainder of 2017.**

**Step 1: Identify the shareholder's pro rata ownership of bitcoins.**

Locate the Bitcoin Per Share amount on Shareholder XYZ's purchase date of 2/10/2017 in the gross proceeds file. In this example the number is 0.09345696. This represents the number of bitcoin per share on that date.

For Shareholder XYZ, the total amount of bitcoins owned for its 2/10/2017 purchase is 18.69139200 (0.09345696 per share multiplied by 200 shares purchased on 2/10/2017.)

Note: This step should be completed for each date on which Trust shares were purchased.

**Step 2: Calculate the bitcoins paid out from Shareholder XYZ's account during 2017 to pay expenses**

The bitcoins paid out per share during 2017 includes the cumulative amounts of all bitcoin payouts for the period which includes the day after the purchase date of 2/10/2017 through the day before payout date.

During 2017 the amount of bitcoins paid out after the 2/10/2017 purchase date is 0.00164443 per share. This is determined by taking the total amount of bitcoins per share paid out in 2017 (0.00185351) and subtracting the amount of bitcoin paid out prior to the purchase (0.00015788 from January plus (10/28 multiplied by 0.00014336) from February). Then multiply this number (0.00164443) by the number of shares owned (200) for a total of 0.32888600 bitcoins paid to cover trust expenses.

**Step 3: Calculate Shareholder's cost basis in bitcoin paid out from Shareholder's account**

Total bitcoin payout (Step 2)	0.32888600	
	-----	X \$ 199,198
Bitcoin acquired (Step1)	18.69139200	
Cost basis of bitcoin payout	\$3,505.01	

**Step 4: Calculate Shareholder's gain or loss on bitcoin payout for each lot purchased**

Identify all proceeds per share received by the Trust after Shareholder XYZ's 2/10/2017 purchase date. During 2017, monthly payouts for the period 2/11/2017 through 12/31/2017 generated proceeds per share of \$7.71597786 (total proceeds of payout of bitcoin for the year, 7.93607993, less 0.22010207, which is the proceeds of payouts made prior to purchase (0.15460207 from January plus 0.06550000 from the first ten days in February). Therefore, Shareholder XYZ's gain or loss is determined as follows:

Total Proceeds: \$7.71597786 per share X 200 shares	\$1,543.20
Less: Total cost basis of bitcoin payout (Step 3)	<u>(3505.01)</u>
Total Reportable Gain/(Loss)	<u>\$ (1961.81)</u>

(To be Reported on Shareholder's Form 1040 Schedule D)

**Step 5: Calculate Shareholder's investment expenses**

Identify all expenses per share paid by the Trust after Shareholder XYZ's 2/10/2017 purchase date. During 2017, the expenses were paid monthly and for the period of 2/11/2017 through 12/31/2017 amounted to \$7.71597786 per share. Therefore, Shareholder XYZ's investment expenses are as follows:

Total Expenses per Share	\$ 7.71597786
Total Shares	<u>200</u>
Total Expense	<u>\$1,543.20</u>

(To be reported on Shareholder's Form 1040 Schedule A)

See also the example included in the 2017 Expense File.

**Step 6: Calculate Shareholder's Adjusted Bitcoin Held and Cost Basis**

Bitcoins Purchased on 2/10/2017 (Step 1)	18.69139200
Less: bitcoins payout during 2017 (Step 2)	0.32888600
Adjusted Shareholder's bitcoins at 12/31/2017	<u>18.36250600</u>
Original Purchase Cost on 2/10/2017	\$199,198.00
Less: Cost of bitcoin payout during 2017 (Step3)	<u>3,505.01</u>
Adjusted Shareholder's basis at 12/31/2017	<u>\$195,692.99</u>



Shareholder's adjusted bitcoins and adjusted cost calculated in Step 6 are his/her adjusted bitcoins and adjusted basis for the 2/10/2017 purchase at the end of 12/31/2017.

Shareholders with several purchases should calculate gain, loss and adjusted basis separately for each purchased lot and then sum up the results of each lot to arrive at the net reportable gain or loss and the total investment expenses. Shareholders who purchased their shares prior to 2017, and made no other purchases, should calculate their adjusted cost basis, using the gross proceeds information for the relevant years, by following the same steps as in the example above. The adjusted cost basis at 12/31/2016 should be used as the beginning cost for 2017 instead of the original purchase cost. Shareholders with an additional purchase in 2017 will have two cost lots to account for in 2017. The calculation of gains and losses will be affected by the cost basis method used to account for the sales.

**Grayscale Investments, LLC,**  
As Agent on Behalf of Shareholders of Record of Bitcoin Investment Trust  
as of November 6, 2017 and December 4, 2017  
2017 Tax Information Statement

**Glossary of Terms**

Bitcoin Investment Trust - ("The Trust")

Expense and Proceeds File – Summary of Trust expenses and proceeds relating to bitcoin forks per share in USD (below)

Sponsor – Grayscale Investments, LLC

Agent – Grayscale Investments, LLC

Shareholders of Record – Shareholders of the Bitcoin Investment Trust on the record dates of distribution for Bitcoin Cash and Bitcoin Gold (November 6, 2017 and December 4, 2017 respectively)

**Expense and Proceeds File**

**Summary of Expenses and Proceeds on Record Dates**

<b>Record Date</b>	<b>Expenses Per Share Relating to Bitcoin Forks (USD)</b>	<b>Proceeds Per Share Relating to Bitcoin Forks (USD)</b>
<b>November 6, 2017</b>	<b>0.18161342</b>	<b>0.18161342</b>
<b>December 4, 2017</b>	<b>0.01006261</b>	<b>0.01006261</b>
<b>Total For Year</b>	<b>0.19167603</b>	<b>0.19167603</b>

## **Bitcoin Cash and Bitcoin Gold Forks**

During 2017, Bitcoin underwent two hard forks, thereby creating two new blockchains now called Bitcoin Cash (“BCH”) and Bitcoin Gold (“BTG”) respectively. As a result of these forks, the Trust incurred several expenses including consultations with the Trust’s professional advisors and third-party service providers to determine an appropriate approach to handling the fork assets that would maximize shareholder value while ensuring the Trust’s continued treatment as a grantor trust for U.S. federal income tax purposes. These expenses are divisible to the grantors on a per share basis. (See below for more information on allocating the expenses).

The Sponsor paid these expenses and was repaid by the Trust in kind with the new BCH and BTG tokens. As with the ordinary expenses of the Trust, this results in a deemed sale of the tokens and gains should be recognized on those sales on a per share basis. (See below for more information on allocating the proceeds).

The Trust further declared a distribution and established a record date for the distribution of BCH held by the Trust to shareholders of record as of the close of business on November 6, 2017. The Trust declared a distribution and established a record date for the distribution of BTG held by the Trust to shareholders of record as of the close of business on December 4, 2017.

On those dates, the Trust distributed the BCH and BTG to the Shareholders of Record and transferred the BCH and BTG to Grayscale acting as Agent on behalf of the Shareholders of Record in the sale of the tokens. The BCH was then sold by Grayscale acting as Agent for the Shareholders of Record, and the proceeds were distributed to the Shareholders. The BTG tokens were not sold until 2018. (See below for more information on allocating the proceeds of the sale of BCH).

## **How to Calculate Additional Shareholder Expenses**

As stated above, in 2017 the Trust incurred expenses relating to the forks. The BCH fork expenses amounted to \$339,381. These expenses are divisible to the grantors on a per share basis. The expense per share for this fork is \$0.18161342 (see Expense and Proceeds File, page 1). The BTG fork expenses amounted to \$18,804. The expense per share for this fork is \$0.01006261 (see Expense and Proceeds File, page 1). A shareholder of record on those dates must multiply their shares by the expense per share to arrive at their share of those expenses.

### **Example:**

Shareholder XYZ purchases 200 Trust shares on 2/10/2017 at a price of \$995.99 per share for a total purchase price of \$199,198. Shareholder XYZ had no other purchases or sales of Trust shares during 2017 and held the shares for the remainder of 2017.

Since Shareholder XYZ is Shareholder of Record on both of the Record Dates (November 6, 2017 and December 4, 2017), the shareholder will add the expenses per share from each fork (\$0.18161342 for BCH and \$0.01006261 for BTG, totaling \$0.19169403) and multiply that by the number of shares held at the time of the forks (200). This results in a total expense of \$38.34.

(To be reported on Shareholder’s 1040, Schedule A)

### **How to Calculate Additional Shareholder Gain or Loss Related to Investment Forks**

To determine the proceeds on the payment of the additional expenses, identify the proceeds per share from the deemed sales of the BCH and BTG, and multiply those proceeds by the number of shares held. The proceeds are then reduced by the cost basis of the BCH and BTG to arrive at the reportable gain on the transaction.

In the example referenced above, the proceeds per share are \$0.19169403 (\$0.18161342 for BCH and \$0.01006261 for BTG, see Expense and Proceeds File, page 1). This is multiplied by the 200 shares held on the record dates for a total proceeds of \$38.34.

We have determined the fair market value of BCH and BTG as of the dates of their respective forks to be zero. As such the tokens have a zero basis and the entire proceeds are a reportable gain.

This determination of zero basis is based on the principal market value of the coins on those dates. However, it is possible that you, your tax advisor, or the IRS may disagree with this assessment. We urge all shareholders to consult with their advisors to determine the appropriate course of action for them.

Since the holding period of the BCH was shorter than one year, this gain can be considered short-term in character. Following this characterization, the gain should be reported on the Shareholder's 1040, Schedule D.

Please consult your tax preparer for further instruction on the treatment of this gain.

### **How to Calculate Gain or Loss on the Sale of BCH by Grayscale Investments**

As stated above, the BCH tokens were transferred to Grayscale Investments as Agent on behalf of the Shareholders of Record in the sale of those tokens. On November 6, 2017 Grayscale sold the tokens and generated a total proceeds of \$104,857,600. This amounts to \$56.11259164 per share.

As a Shareholder of Record on the distribution date, Shareholder XYZ should multiply his 200 shares by the proceeds per share for a total proceeds of \$11,222.52. These proceeds should be reduced by the Shareholder's cost basis in the BCH, which we have determined to be zero for the same reason as stated above. As a result the entire proceeds are recognized as a gain and should be reported on the Shareholder's 1040, Schedule D.