

*No securities regulatory authority has expressed an opinion about these securities, and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and, subject to certain exemptions, will not be offered or sold within the United States or to U.S. persons.*



## **THE BITCOIN FUND**

*(established pursuant to a declaration of trust by 3iQ Corp. on 31 March 2020 in accordance with the federal laws of Canada)*

## **MANAGED BY 3IQ CORP.**

*(established as a corporation under the federal laws of Canada and licensed as a fund manager by the Ontario Securities Commission)*

### **Admission of Units issued pursuant to the Program (defined below) to the Official List of Securities of the Dubai Financial Services Authority and Admission to Trading on Nasdaq Dubai**

In connection with the admission of the Units (defined below) issued pursuant to the Program (defined below) to the official list of securities (the “**DFSA Official List**”) maintained by the Dubai Financial Services Authority (the “**DFSA**”) and to trading on the exchange of Nasdaq Dubai Limited (“**Nasdaq Dubai**”), no Units (defined below) issued pursuant to the Program (defined below) have been marketed to, nor made available for purchase by, the public in the United Arab Emirates (the “**UAE**”). This Prospectus (defined below) does not constitute an offer or invitation for any person to subscribe for securities in the Fund (defined below).

On 23 June 2021, the units (the “**Units**”) of the Bitcoin Fund (the “**Fund**”), a fund listed in Canada on the Toronto Stock Exchange (the “**TSX**”) (“**TSX:QBTC.U**”) and managed by 3iQ Corp., (the “**Manager**”) a corporation established in Canada and licensed to carry on ‘fund management’ by the Ontario Securities Commission, were admitted to the DFSA Official List and admitted to trade on the exchange of Nasdaq Dubai, in the form of a secondary listing (the “**Nasdaq Dubai Listing**”).

The base shelf prospectus of the Fund dated 5 November 2020 (the “**Base Shelf Prospectus**”) is attached as Annexure A and the prospectus supplement of the Fund dated 9 July 2021 (the “**Prospectus Supplement**”) is attached as Annexure B and together with this document ([pages i-xi]) (the “**Notice to Investors**”) prepared for the purposes of compliance with the requirements for the Units issued pursuant to the Program (defined below) to be admitted to the DFSA Official List and to be admitted to trading on the exchange of Nasdaq Dubai (together, the “**Prospectus**”), constitute a Fund Prospectus for the purposes of DFSA approval of an offer document relating to a Foreign Fund that complies with the requirements of MKT 6.3 (defined below).

The Prospectus is in connection with the Fund’s “at-the-market distribution” program, approved by the TSX on 25 January 2021, for the issuance of the Units of the Fund on the TSX in such amounts as may be determined in light of market conditions, up to an aggregate sale price of US\$200,000,000, for the 25-month period that the Base Shelf Prospectus remains effective (the “**Program**”).

The Prospectus has been approved by the DFSA under MKT 6.3 (defined below) and is therefore an Approved Prospectus for the purposes of Article 14 of the Markets Law (defined below). The Application has also been made to the DFSA for all Units issued during the 25-month period that the Base Shelf Prospectus remains effective to be admitted to the DFSA Official List and to Nasdaq Dubai for such Units to be admitted to trading on the exchange of Nasdaq Dubai.

The Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 6 of the Markets Rules (defined below).

**The DFSA does not accept responsibility for the content of the information included in the Prospectus, including the accuracy or completeness of such information. The liability for the content of the Prospectus lies with the Issuer of the Prospectus and other Persons, such as Experts, whose opinions are included in the Prospectus with their consent. The DFSA has also not assessed the suitability of the Securities to which the Prospectus relates to any particular investor or type of investor. If you do not**

**understand the contents of this Prospectus or are unsure whether the Securities to which the Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor**

**Nasdaq Dubai accepts no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus.**

**The DFSA has approved the Prospectus under MKT6.3 for purposes of admission to the DFSA Official List and to trading of the Units on Nasdaq Dubai. However, in accordance with MKT6.3 the DFSA has not reviewed the content of the Base Shelf Prospectus or the supplementary prospectus.**

The date of this document is 4 October 2021.

## NOTICE TO INVESTORS

This Prospectus, together with the list of documents incorporated herein, as amended or supplemented (see section headed 'Documents Incorporated By Reference' below), provides certain information relating to the Fund which has been prepared in accordance with:

- DIFC Law No. 2 of 2010 – Collective Investment Law ("**Collective Investment Law**", "**CIL**");
- DIFC Law No. 1 2012 – Markets Law (the "**Markets Law**");
- DFSA Rulebook – Markets Rules Module (the "**Market Rules**", "**MKT**"); and
- DFSA Rulebook – Collective Investment Rules Module (the "**Collective Investment Rules**", "**CIR**").

This Prospectus has been filed with the DFSA and has been made available to the public in accordance with MKT 6.3.2.

This Prospectus relates to the Fund which is a listed fund in Canada on the TSX; a Designated Fund in a Recognized Jurisdiction (as defined in the Market Rules), managed by the Manager, with respect to the admission of the Units issued pursuant to the Program to the DFSA Official List and to trading on the exchange of Nasdaq Dubai.

This Notice to Investors describes certain terms of the Units issued pursuant to the Program and also adds to and updates certain information contained in the Base Shelf Prospectus and Prospectus Supplement and the documents incorporated by reference herein and therein (see section headed 'Documents Incorporated By Reference' below).

Prospective investors should read the whole of this Prospectus and any information incorporated by reference into it, including, in particular, the Risk Factors (page 19 of the Base Shelf Prospectus). In making an investment decision, prospective investors should rely upon their own examination of the Fund and the terms set out in this Prospectus, including the merits and risks involved. Prospective investors should rely exclusively on the information contained in this Prospectus. If you are in any doubt as to the action you should take, you should seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or appropriately authorised independent financial adviser.

## NOTICE TO INVESTORS IN CANADA

The Units have not been approved for distribution by this Prospectus in Canada. The Units may not be offered or sold in Canada during the course of their distribution except pursuant to a prospectus approved by a Canadian regulator or a prospectus exemption.

## RESPONSIBILITY STATEMENT

The Manager and its Directors, whose names appear below accept responsibility for the information contained in this Prospectus and declare that, having taken due care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, accurate, in accordance with the facts and contains no material omissions likely to impact on the accuracy of the information in the Prospectus.

Name and Municipality of Residence	Position	Principal Occupation
Frederick T. Pye Pointe Claire, Quebec	Chairman, Chief Executive Officer and Director of 3iQ Corp.	Chief Executive Officer of 3iQ Corp.
Robert Kidd Toronto, Ontario	President, Chief Operating Officer and Director of 3iQ Corp.	President of 3iQ Corp.
John Loeplich Moffat, Ontario	Chief Financial Officer and Director of 3iQ Corp.	Chief Financial Officer of 3iQ Corp.
Ashley Peters Calgary, Alberta	Chief Compliance Officer of 3iQ Corp.	Chief Compliance Officer of 3iQ Corp.
Tanvir S. Sodhi Vancouver, British Columbia	Vice-President of Operations and Managing Director of 3iQ Corp.	Vice-President of Operations of 3iQ Corp.

Anthony Cox Toronto, Ontario	Executive Vice President of 3iQ Corp.	Financial Executive of 3iQ Corp.
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*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. For the prior 10 years, 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 obtained a Masters in Business Administration from Concordia University and is a member of the Board of the Anglican Funds and the West Island Youth Residence.

*Robert Kidd*

Robert Kidd is the President of 3iQ Corp. Prior 3iQ, he was a consultant to firms in the financial services industry as well the CEO & Director of Logica Ventures Corp. (TSXV:LOG.P) a Capital Pool Company, and a Director of the Gold Miners Split Corp (NEO: GLC, GLC.PR.A). Mr. Kidd was the Chief Executive Officer and Director of Marquest Asset Management Inc. from December 2016 to January 2018. Previously, Mr. Kidd was the Chief Executive Officer, President, and Director of Artemis Investment Management Limited, a Canadian asset management firm. Prior to his appointment as Chief Executive Officer in January of 2016, Mr. Kidd was Vice President, Business Development of Artemis. From January 2009 to May 2014, he was the Chief Executive Officer of Gradient Power Ltd., a private renewable energy developer based in Ontario, and a Vice President of 3iQ Corp. from July 2012 until July 2013. Prior to founding Gradient Power, he was Chairman, Chief Executive Officer, President and a Director of Gatehouse Capital Inc., a manager of closed-end investment trusts from July 2004 to December 2008. From March 1997 to June 2004, Mr. Kidd was a Managing Director of Brenton Reef Capital Inc. and the President, Chief Executive Officer and a Director of Connor, Clark & Lunn Capital Markets Inc. from April 2001 to June 2004. Prior to such time, Mr. Kidd was a Vice-President, Investments of Triax Investment Management Inc., now First Asset Investment Management Inc., from May 1999 to March 2001. Mr. Kidd attended Queen's University in Kingston, Ontario.

*John Loeprich*

John Loeprich is the Chief Financial 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 35 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 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).

*Ashley Peters*

Ashley Peters is the Chief Compliance Officer at 3iQ Corp. Ms. Peters is an experienced Chief Compliance Officer and compliance consultant. Her experience in the Canadian investment industry has focused on compliance with IIROC, MFDA, exempt market dealer, investment fund manager and portfolio manager rules and regulations. Ms. Peters served as the Chief Compliance Officer for Solium Financial and Ross Smith Asset Management. As Chief Compliance Officer and Chief Anti-Money Laundering Officer, Ms. Peters oversaw the launch of the Ross Smith Cryptocurrency Fund. Ms. Peters has held various roles in banking, brokerage and stock plan administration.

Ms. Peters is a past member of various IIAC and IIROC compliance committees and the IIROC Alberta District Council. Ms. Peters has a background in finance and compliance.

*Tanvir S. Sodhi*

Tanvir S. Sodhi is the Vice President of Operations of 3iQ Corp. Prior to joining 3iQ Corp., Mr. Sodhi was Director of Operations at Questrade Wealth Management Inc., where he played an integral role in launching exchange traded funds on the Toronto Stock Exchange. Over the course of his career, Mr. Sodhi has held various roles in the financial services industry including fund administration, product development, operations and compliance. Mr. Sodhi graduated from the University of Windsor with a Bachelor of Arts.

*Anthony Cox*

Anthony Cox has more than 15 years of experience in Canada and the United Kingdom 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 the Independent Review Committees of PIMCO Canada funds, Harvest Portfolios Group of funds and Connor, Clark & Lunn funds. He is a CPA, CA and holds the ICD.D designation (ICD.D 2010).

## INITIAL OFFER

The Fund completed its initial public offering on 9 April 2020 (the "**IPO**"), 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 \$10.00 per Class A Unit, 153,530 Class F Units at a price of \$10.00 per Class F Unit, and 973,726.5001 Class B Units at a price of \$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 BTC and cash, in connection with the merger of 3iQ Bitcoin Trust and the Fund which was effective as of 5:00 p.m. on 8 April 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.

## SUBSEQUENT OFFERS

Since its IPO, the Fund has completed the following further rounds of unit issuance:

- A new issue of Units on 8 May 2020, resulting in the listing of 4,084,829 Class A Units on the TSX ("**May Offering**"). 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.
- A new issue of Units on 26 June 2020 resulting in the listing of 867,528 Class A Units on the TSX ("**June Offering**"). 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.

- Pursuant to the Base Shelf Prospectus, the Fund may offer further tranches of Class A and Class F Units up to an aggregate principal amount of US\$300,000,000 in such amounts as it may determine in light of market conditions over a period of 25 months. The specific terms of offer for each tranche offered pursuant to the Base Shelf Prospectus will be set out in a supplementary prospectus.
  - (a) On 6 November 2020, a supplementary prospectus was released in respect of the distribution of up to 1,050,000 Class A Units at a price of \$24.00 per Class A Unit. The Fund issued Units on 10 November 2020 resulting in the listing of 1,050,000 Class A Units on the TSX (**November Offering 1**). In connection with the November Offering 1, the Fund issued 1,050,000 Class A Units at a price of \$24.00 per Class A Unit.
  - (b) On 17 November 2020, a supplementary prospectus was released in respect of the distribution of up to 2,850,000 Class A Units at a price of \$26.50 and US\$20.25 per Class A Unit. The Fund issued Units on 20 November 2020 resulting in the listing of 2,850,000 Class A Units on the TSX (**November Offering 2**). In connection with the November Offering 2, the Fund issued 2,000,000 Class A Units at a price of US\$20.25 per Class A Unit and 850,000 Class A Units at a price of \$26.50 per Class A Unit.
  - (c) On 25 November 2020, a supplementary prospectus was released in respect of the distribution of up to 2,222,300 Class A Units at a price of US\$22.50 per Class A Unit. The Fund issued Units on 30 November 2020 resulting in the listing of 2,222,300 Class A Units on the TSX (**November Offering 3**). In connection with the November Offering 3, the Fund issued 2,222,300 Class A Units at a price of US\$22.50 per Class A Unit.
  - (d) On 29 December 2020, a supplementary prospectus was released in respect of the distribution of Class A Units having an aggregate sale price of up to \$150,000,000. This supplementary prospectus was released in connection with the establishment by the Fund of an at-the-market equity program.
- On 5 January 2021, the Fund filed an amendment increasing the size of the Units allowed to be offering pursuant to the Base Shelf Prospectus from the above-referenced US\$300,000,000 to US\$2,000,000,000.
  - (e) On 25 January 2021, a supplementary prospectus was released in respect of the distribution of Class A Units having an aggregate sale price of up to US\$200,000,000 (i.e., the Units issued pursuant to the Program). This supplementary prospectus was released in connection with the establishment by the Fund of the Program.
  - (f) On 9 July 2021, the Prospectus Supplement was released in respect of the Fund entering into an ‘equity distribution agreement’ dated 9 July 2021 (the “**Distribution Agreement**”) with Canaccord Genuity Corp. (the “**Agent**”) pursuant to which the Fund may distribute the Units pursuant to the Program from time to time through the Agent, as agent, in accordance with the terms of the Distribution Agreement.

## ANNUAL REDEMPTION AND CONVERSION OPTION

The Fund allows for an annual redemption whereby Units may be redeemed at the option of Unitholders (the “**Annual Redemption Option**”) with effect on the first business day following the 15th day of June in each year (the “**Annual Redemption Date**”) which for 2021 was 16 June 2021. Units must be surrendered for redemption on or before the last business day of the month of May preceding the applicable Annual Redemption Date (the “**Annual Cut-Off Date**”) which for 2021 was 31 May 2021 (see page 44 of the Prospectus).

Pursuant to a press release dated 14 May 2021, the Manager announced that as part of the Annual Redemption Option Unitholders would be given the additional option to convert all or part of their Units into units of the 3iQ CoinShares Bitcoin ETF (TSX: BTCQ, BTCQ.U). The conversion would be effected on a relative net asset value basis.

Pursuant to a press release dated 1 June 2021, the Manager announced the extent of participation in The Bitcoin Fund Annual Redemption. As at the Annual Cut Off Date:

- 1,971,302 Units of the Fund, representing 9.42% of the outstanding Units, were surrendered for in-kind redemption on the Annual Redemption Date;

- 189,073 Units, representing 0.90% of the outstanding Units, were surrendered for cash redemption on the Annual Redemption Date; and
- 7,098,564 Units, representing 33.94% of the outstanding Units, were surrendered for conversion to units of the 3iQ CoinShares Bitcoin ETF.

**As at 3 October 2021, the Fund had 11,631,077 Class A Units issued and outstanding.**

### **PARTICULARS OF THE ADMISSION OF THE UNITS ISSUED PURSUANT TO THE PROGRAM TO TRADING ON THE EXCHANGE OF NASDAQ DUBAI**

It is intended that all Units issued on the TSX pursuant to the Program will be listed and made available *pari passu* to investors on Nasdaq Dubai as they are on the TSX.

For details of the parties responsible for listing and management of the Fund see the section of this Prospectus titled ‘Responsibility Statement’ (page iii of this Notice to Investors).

The ISIN code of the Units to be admitted to the DFSA Official List is CA09175G1046.

It is expected that the Units issued pursuant to the Program will be admitted to the DFSA Official List on [insert]. Units will be available for dealing on Nasdaq Dubai at such times as are specified by Nasdaq Dubai based on the specific Units being issued on the TSX pursuant to the Program and listed on Nasdaq Dubai.

The Fund has not authorised anyone to provide prospective investors with information different from that contained in this Prospectus. The information contained in this Prospectus is accurate only as at the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any sale of the Units.

### **UNITS OFFERED PURSUANT TO ANY FURTHER OFFERING**

Any Units offered and listed pursuant to any further offering of Units by the Manager, including pursuant to any subsequent ‘at-the-market-distribution’ program of the Fund, will also be made available *pari passu* to investors on Nasdaq Dubai as they are on the TSX. Any further offering of Units by the Manager, including pursuant to any subsequent ‘at-the-market-distribution’ program of the Fund, is subject to and on the basis of prior regulatory approval by the DFSA for compliance with applicable DFSA regulations, including in respect of requirements for a DFSA Approved Prospectus and for the admission of the Units to the DFSA Official List of Securities.

### **FORWARD LOOKING STATEMENTS**

Certain statements in this Prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target”, “seek”, “will” and similar expressions to the extent they relate to the Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Manager regarding future results or events. Such forward-looking statements reflect the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Although the forward-looking statements contained in this Prospectus are based upon assumptions that the Manager believes to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

### **THIRD PARTY INFORMATION**

The Issuer confirms that all third-party information in this Prospectus has been accurately reproduced and, so far as it is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## DOCUMENTS INCORPORATED BY REFERENCE

This Notice to Investors is deemed, as of the date hereof, to be incorporated by reference into the Prospectus for the purposes of the distribution of the Units issued pursuant to the Program. The following documents are also incorporated or deemed to be incorporated by reference into the Prospectus:

- Prospectus Supplement (attached as Annexure B);
- Prospectus Supplement dated 22 January 2021;
- Amendment to the Short Form Base Shelf Prospectus dated 5 January 2021;
- Prospectus Supplement dated 29 December 2020;
- Prospectus Supplement dated 25 November 2020;
- Prospectus Supplement dated 17 November 2020;
- Prospectus Supplement dated 6 November 2020; and
- Base Shelf Prospectus (attached as Annexure A).

Under applicable Canadian law, 'Prospectus Supplement' refers to prospectuses that are issued as a supplementary disclosure document to the 'Base Shelf Prospectus'. The Base Shelf Prospectus sets out certain general terms for a tranche offering that will be issued in various portions over a prescribed period with each Prospectus Supplement setting out any terms and particulars that are specific to the relevant portion of the tranche offering (for present purposes, the Program). For the avoidance of doubt, references to 'Prospectus Supplement' are not references to 'Supplementary Prospectus' as that term is defined pursuant to article 18 of the Markets Law 2012 and article 52 of the Collective Investment Law.

All ongoing disclosures made by the Manager and the Fund for the purposes of compliance with the TSX and the Gibraltar stock exchange listings including the above listed prospectuses, as amended, are incorporated by reference into the Prospectus and can be accessed free of charge at [www.sedar.com](http://www.sedar.com) and from the secretary of The Bitcoin Fund at its head office located at 4800-1 King Street West, Box 160, Toronto, Ontario M5H 1A1, or by calling (416) 639-2130.

## DUAL LISTING TRANSFERS AND CLEARING AND SETTLEMENT ON NASDAQ DUBAI

The Manager uses Computershare Investor Services Inc., (“**Computershare**”) as its agent to maintain the Register of Legal Title (“**ROLT**”). A Nasdaq Dubai account holder can deliver the Unit from their account in the Nasdaq Dubai Central Securities Depository (“**CSD**”) to an investor or an agent on the ROLT held by Computershare, including to a participant account within CDS (the Canadian CSD). Similarly, an investor or his agent registered on the ROLT can also transfer Units to his account at the Nasdaq Dubai CSD.

### Account Structure

Nasdaq Dubai Guardian Limited (“**NDGL**”) holds an account, on the Manager’s register through its appointed custodian, Computershare Trust Company N.A. (“**CTCNA**”). At all times, this custody account maintained by CTCNA will reflect the holdings beneficially held for NDGL on the ROLT.

### Transfer of securities from the TSX to Nasdaq Dubai

A CDS participant or holder of Units in registered form on the ROLT (“**Existing Canadian Investors**”) will access either Computershare’s xSettle site or will obtain a Nasdaq Dubai Issuance form from Computershare. Existing Canadian Investors will complete all details on the paper or online instruction as is required for the lodgment of Units into Nasdaq Dubai. At the same time the Existing Canadian Investor shall either (a) where they are a CDS participant, initiate a CDS withdrawal, specifying CTCNA as the recipient of the withdrawn securities or (b) where they are a registered holder, confirm their holder account information and return any relevant documents of title together with the Nasdaq Dubai



Issuance Form. Upon receipt by Computershare, Computershare and CTCNA will screen the information received from the Existing Canadian Investor. If all is in good order, Computershare will complete the transfer the Units from the Existing Canadian Investor to the custody account operated by CTCNA on behalf of Nasdaq Dubai on the ROLT. Any information that is not in good form will be rejected by Computershare or CTCNA (as appropriate) but note that all reasonable efforts will be made by CTCNA to contact the Existing Canadian Investor and have the problem rectified. On the same day, CTCNA will advise Nasdaq Dubai via e-mail of the deposit and full details of the Nasdaq Dubai issuance instructions as provided by the Existing Canadian Investor. If the information is received after 4:00pm. Toronto time, CTCNA will advise Nasdaq Dubai on the next Canadian business day. Upon receipt of the instruction, Nasdaq Dubai will confirm the receipt of the additional securities into its custody account and subsequent to the verification of the same, credit the Nasdaq Dubai CSD account holder's account, as provided, with the corresponding number of securities. Should any of the details provided by the Existing Canadian Investor, via CTCNA, not match Nasdaq Dubai records, Nasdaq Dubai will reject the transfer within 48 hours and will request CTCNA to procure the reversal of the transaction. For all successful credits, Nasdaq Dubai will then inform its account holder of the credit to their account.

### **Transfer of securities from Nasdaq Dubai to the TSX**

A Nasdaq Dubai CSD account holder (“**Existing Dubai Investor**”) will instruct Nasdaq Dubai CSD to debit their account at the CSD and transfer the Units to a name on the ROLT from CTCNA, as custodian, in to the name or CDS participant account of the instructing Existing Dubai Investor. The Nasdaq Dubai CSD account holder will use the prescribed form to instruct this request to Nasdaq Dubai CSD. Nasdaq Dubai will on receipt of this request check for completeness of the request and validate the Nasdaq Dubai details, as well as the requested Canadian register or CDS participant account details. Subsequent to the validations, Nasdaq Dubai will debit the Nasdaq Dubai account holder's account with the securities. On the same day, the Nasdaq Dubai CSD will advise CTCNA, via e-mail of the full details of the intended recipient on the ROLT, by forwarding a copy of the Nasdaq Dubai cancellation form received from the Existing Dubai Investor.

CTCNA will verify the Existing Dubai Investors instruction, as provided by Nasdaq Dubai, and after due validation of the instructions, CTCNA will procure the transfer by Computershare of the securities from the custody account operated by CTCNA to either (a) a CDS participant account (where CTCNA may request the receiving party to initiate a CDS deposit instruction and to supply Computershare with the deposit reference ID) or (b) the full name and address details for the receipt of shares by the Existing Dubai Investor so as to be placed directly in such name in the ROLT where, following the transfer, Computershare would print and issue a Direct Registration System (“**DRS**”) advice by post. Should any of the details provided by Nasdaq Dubai CSD not be sufficient CTCNA will, within 48 hours, reject the instruction and will request Nasdaq Dubai CSD to reverse the transaction. Nasdaq Dubai will at the end of each day, reconcile the nostro balance for the Units with the holdings on the ROLT at Computershare.

### **Clearing and Settlement on Nasdaq Dubai**

Clearing and settlement of trades on Nasdaq Dubai by brokers or custodians may be performed only through members of Nasdaq Dubai that are Clearing Members. Each Clearing Member must hold a securities account with the CSD and a cash account with a designated settlement bank for settlement purposes. Similarly, a custodian needs to hold a securities account with the CSD and a cash account with a settlement bank for settlement of trades. Settlement of securities trading on Nasdaq Dubai is governed by the Business Rules of Nasdaq Dubai.

Units may be held either in accounts opened directly with the CSD by the holders thereof or through custodian omnibus accounts (the custodians of which have accounts opened directly with the CSD) through which the custodian holds as nominee the beneficial interest in the traded Shares on behalf of investors.

The Nasdaq Dubai Business Rules and the DIFC Personal Property Law provide that the Units registered in the name of NDGL are held by NDGL as bare nominee for the owner of the beneficial interest in such Units. The DFSA Markets Rules and the DIFC Personal Property Law also protect the rights of such beneficial owners so as to enable them to exercise all rights attaching to such Units. Arrangements have been put in place, to the extent possible, by the Fund to facilitate the exercise by Unitholders of their rights as holder of the legal title to the Units and to confer upon all persons holding entitlements to Units in the CSD all such rights as enjoyed by NDGL, as holder of the legal title to the Units.

## **LIQUIDITY ARRANGEMENTS**

**The Nasdaq Dubai Listing may be subject to liquidity operations which promote and support liquidity in the Units on Nasdaq Dubai.**

### **Appointment of Liquidity Provider**

The Manager has appointed BH Mubasher Financial Services PSC, a Recognised Member of Nasdaq Dubai holding DFSA Reference Number F004054 (the “**Liquidity Provider**”) for the provision of liquidity in respect of the Units on the Nasdaq Dubai Listing. The Liquidity Provider is a duly registered company under the laws of the UAE authorised by the UAE Securities and Commodities Authority pursuant to licence number 604097 to carry on (i) Securities Brokerage, (ii) Trading in Foreign Markets, (iii) Direct Market Access and (iv) Trading for the Company’s Account and in its Name. The Liquidity Provider has its office at 49<sup>th</sup> floor, Vision Tower, Business Bay, Dubai, UAE.

### **Costs of Liquidity Arrangements**

The Manager has funded the Liquidity Provider’s trading in the Units for an initial amount of USD 500,000 in cash collateral. Thereafter the cash collateral amount may be increased or decreased depending on the demand for liquidity in respect of the Units listed on Nasdaq Dubai. The Liquidity Provider is paid a monthly fee of AED 120,000 for the provision of the liquidity services.

### **The Liquidity Agreement**

The appointment of the Liquidity Provider is made pursuant to an agreement (the “**Liquidity Agreement**”) entered into by the Manager and the Liquidity Provider on 15 June 2021. The key terms of the Liquidity Agreement are as follows:

- Liquidity will be provided in respect of the Units listed on Nasdaq Dubai commencing from the date of listing of the Units on Nasdaq Dubai.
- The Liquidity Agreement has an initial term of six months, renewing automatically on a monthly basis thereafter unless terminated by one or both of the parties.
- The Liquidity Provider will provide liquidity for the Units listed on Nasdaq Dubai by entering two-way daily quotes into the trading system of Nasdaq Dubai at or inside of an agreed maximum spread, minimum quote size and up to a maximum percentage ownership of no more than five per cent (5%) of the outstanding Units.
- The Liquidity Provider will not benefit from the facilities granted to it in connection with the following (i) short-selling the Units without collateral, (ii) exemptions available to it from some disclosures and (iii) exemptions available to it from all or some trading commissions.
- The Liquidity Provider must maintain all licenses and approvals required to provide the liquidity services and must notify the Manager should it become aware of any possibility of being deprived of such licenses/approvals.
- The Liquidity Provider must notify the Manager of all buy and sell trades of the Units it executes on a daily basis.
- The Liquidity Provider must take steps to avoid any conflict of interest arising from it providing liquidity services to another issuer and inform the Manager of any conflict and work with the Manager to resolve the same.
- The Liquidity Provider is liable to the Manager for any damage caused due to a failure of compliance with its obligations under the Agreement and indemnifies the Manager for any losses, costs or expenses it incurs arising out a breach of the Liquidity Agreement by the Liquidity Provider.

- The Liquidity Agreement is governed by the laws of Dubai and the federal laws of the UAE; any dispute is subject to the exclusive jurisdictions of the Courts of the Dubai International Financial Centre.

**ANNEXURE A**

**BASE SHELF PROSPECTUS**

*This short form base shelf prospectus has been filed under legislation in each of the provinces and territories of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be offered for sale and therein only by persons permitted to sell such securities. The Units have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the “1933 Act”) or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities legislation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.*

**Information has been incorporated by reference in this short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of The Bitcoin Fund at its head office located at 4800-1 King Street West, Suite 160, Toronto, Ontario, M5H 1A1, or by calling 1(416) 639-2130, and are also available electronically at [www.sedar.com](http://www.sedar.com).

New Issue

**SHORT FORM BASE SHELF PROSPECTUS**

November 5, 2020



## **THE BITCOIN FUND**

**US\$300,000,000**

**Class A Units and Class F Units**

**The Bitcoin Fund (the “Fund”) invests in the digital currency bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Fund will not be able to meet its investment objectives. An investment in the Fund is not intended as a complete investment program and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. An investment in the Fund is considered high risk.**

During the 25-month period that this short form base shelf prospectus, including any amendments hereto, remains effective, The Bitcoin Fund (the “Fund”) may from time to time offer and issue Class A units (“Class A Units”) and Class F units (“Class F Units”) and together with the Class A Units, the “Units”) in an aggregate principal amount of up to \$300,000,000. Class A Units and Class F Units may be offered in such amount as may be determined in light of market conditions. The specific terms of the Class A Units and Class F Units in respect of which this short form base shelf prospectus is being delivered will be set forth in one or more prospectus supplements (each a “Prospectus Supplement”) to be delivered to purchasers together with this short form base shelf prospectus, and may include, where applicable, the aggregate offered amount, the number of Class A Units and Class F Units offered, the issue price and any terms for redemption at the option of the Fund or the holder. Each such Prospectus Supplement will be incorporated by reference into this short form base shelf prospectus for the purposes of securities legislation as of the date of each such Prospectus Supplement and only for the purposes of the distribution of Class A Units and Class F Units to which such Prospectus Supplement pertains.

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. The Fund seeks 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.

The Fund may sell Class A Units or Class F Units to or through underwriters or dealers or directly to investors or through agents. The Prospectus Supplement relating to the Class A Units or Class F Units offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Class A Units or Class F Units and will set forth the terms of the offering of such Class A Units or Class F Units, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The sale of Class A Units or Class F Units may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be “at-the-market distributions” as defined in National Instrument 44-102 – *Shelf Distributions* (“NI 44-102”), including sales made directly on the Toronto Stock Exchange (the “TSX”) or other existing trading markets for the Class A Units or Class F Units, and as set forth in a Prospectus Supplement for such purpose. The lead underwriter or lead agent or underwriters or agents with respect to the Class A Units or Class F Units sold to or through underwriters will be named in the related Prospectus Supplement.

Subject to applicable laws, in connection with any offering of Class A Units and Class F Units, other than an “at-the-market distribution” of Class A Units and Class F Units, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Sales of Class A Units and Class F Units under an “at-the-market distribution”, if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Class A Units and Class F Units under any “at-the-market” program will be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102. The volume and timing of any “at-the-market distributions” will be determined at the Fund’s sole discretion.

No dealer or agent involved in an “at-the-market distribution”, no affiliate of such a dealer or agent and no person or company acting jointly or in concert with such a dealer or agent may over-allot Class A Units or Class F Units in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Class A Units or Class F Units in connection with an “at-the-market distribution”.

The Class A Units are listed on the TSX and trade in Canadian dollars under the symbol QBTC and in U.S. dollars under the symbol QBTC.U as of the date hereof. On October 20, 2020, the closing price on the TSX of the Class A Units was US\$15.83.

Unless otherwise noted herein, all references to “\$”, “US\$” or “USD” in this short form base shelf prospectus are to the currency of the United States.

There is no guarantee that an investment in the Fund will earn any positive return in the short or long term, nor is there any guarantee that the Net Asset Value per Unit will appreciate or be preserved.

An investment in the Class A Units or the Class F Units involves a degree of risk. It is important for prospective investors to consider the risk factors described in this short form base shelf prospectus. See “*Risk Factors*”.

All shelf information permitted under applicable law to be omitted from this short form base shelf prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this prospectus. Each Prospectus Supplement will be incorporated by reference into this short form base shelf prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Class A Units and Class F Units to which the Prospectus Supplement pertains.

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## GLOSSARY OF TERMS

In this short form base shelf prospectus, the following terms have the meanings set forth below, unless otherwise indicated. Unless otherwise indicated, all references to dollar amounts in this short form base shelf prospectus are to United States dollars.

“**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 the Units of the Fund – Annual Redemptions”.

“**Annual Redemption Date**” means the first business day following the 15th day of June in each year beginning on June 16, 2021.

“**AWS**” has the meaning ascribed given to it under “Organization and Management Details of the Fund – Sub-Custodian”.

“**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 “The Fund - 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 the 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.

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



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

“**Custodian Agreement**” means the custodian agreement entered into on March 31, 2020 between the Manager in its capacity as manager of the 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 the Units of the Fund – Monthly Redemptions”.

“**Declaration of Trust**” means the declaration of trust establishing the Fund dated as of March 31, 2020, as it may be amended from time to time.

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

“**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.

“**Gemini**” means Gemini Trust Company, LLC.

“**HSMs**” has the meaning ascribed given to it under “Organization and Management Details of the Fund – Sub-Custodian”.

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

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

“**Monthly Redemption Date**” means the first business day following the 15th day of each month, other than June, commencing in 2021.

“**MVIBTC**” means the MVIS CryptoCompare Institutional Bitcoin Index, described at: <https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>.

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

“**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.

“**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 44-102**” means National Instrument 44-102 – *Shelf Distributions*.

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

“**OTC**” means “over the counter”.

“**Redemption Payment Date**” has the meaning given to it under “Description of the 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 TSX Trust Company 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 Gemini in its capacity as sub-custodian under the Sub-Custodian Agreement.

“**Sub-Custodian Agreement**” means the sub-custodian agreement between the Custodian, the Fund, and Gemini dated March 31, 2020.

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

“**Tax Proposals**” means all specific proposals to amend the Tax Act or Excise Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**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.

## FORWARD LOOKING STATEMENTS

Certain statements in this prospectus are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target”, “seek”, “will” and similar expressions to the extent they relate to the Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Fund or the Manager regarding future results or events. Such forward-looking statements reflect the Fund’s or the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Some of these risks, uncertainties and other factors are described in this prospectus under the heading “Risk Factors”. Although the forward-looking statements contained in this prospectus are based upon assumptions that the Fund and the Manager believe to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference and form an integral part of this short form base shelf prospectus:

- (a) the annual information form of the Fund dated August 31, 2020 for the period ended July 31, 2020;
- (b) the audited interim financial statements of the Fund, together with the accompanying report of the auditor, as at and for the period ended June 30, 2020; and
- (c) the interim management report of fund performance of the Fund for the period ended June 30, 2020.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this short form base shelf prospectus and prior to the termination of an offering of Class A Units and Class F Units, will be deemed to be incorporated by reference in this short form base shelf prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form base shelf prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form base shelf prospectus.**

Upon a new annual information form, semi-annual or annual financial statements and management report on fund performance being filed with and, where required, accepted by the applicable securities regulatory authorities during the currency of this short form base shelf prospectus, the previous annual information form, semi-annual or annual financial statements and management report on fund performance and all material change reports filed prior to the commencement of the then current fiscal year will be deemed no longer to be incorporated into this short form base shelf prospectus for purposes of future offers and sales of Class A Units and Class F Units hereunder.

A Prospectus Supplement containing the specific terms of an offering of Class A Units and Class F Units will be delivered to purchasers of such Class A Units and Class F Units together with this short form base shelf prospectus and will be deemed to be incorporated into this short form base shelf prospectus as of the date of such Prospectus Supplement but only for purposes of the offering of Class A Units and Class F Units covered by that Prospectus Supplement.

## 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 it may be 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. See “Organization and Management of the Fund – Trustee, Manager, Portfolio Manager and Promoter of the Fund”. The principal office of the Fund is located at 4800-1 King Street West, Box 160, Toronto, Ontario, M5H 1A1.

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 A Units are listed on the TSX and trade in Canadian dollars under the symbol QBTC and in U.S. dollars under the symbol QBTC.U as of the date hereof.

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 any Class F Units offered under this prospectus and a prospectus supplement will be reclassified as Class A Units on a one-for-one basis immediately upon the closing of an offering, and (ii) the agents’ fees payable on the issuance of Class F Units are expected to be lower than those payable on the issuance of Class A Units.

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 \$10.00 per Class A Unit, 153,530 Class F Units at a price of \$10.00 per Class F Unit and 973,726.5001 Class B Units at a price of \$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 \$11.87 per Class A Unit and 1,429,196 Class F Units at a price of \$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 \$11.71 per Class A Unit and 424,028 Class F Units at a price of \$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.

As of October 20, 2020, the Fund has issued an aggregate of 1,130,158 Class A Units pursuant to private placements.

As of October 20, 2020, the Fund currently has 7,541,217 Class A Units issued and outstanding.

## **Investment Objectives**

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.

## **Investment Strategies**

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<sup>2</sup>/<sub>3</sub>% 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. 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 “The Fund - Investment Strategies – Leverage”;
- (e) except as set forth under “The Fund - Investment Strategies – 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 July 31 2020, no single miner or pool controlled more than 18.5% of the Bitcoin Network, though a group of five miners located in China is believed to currently control over 50% of the hash rate 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.

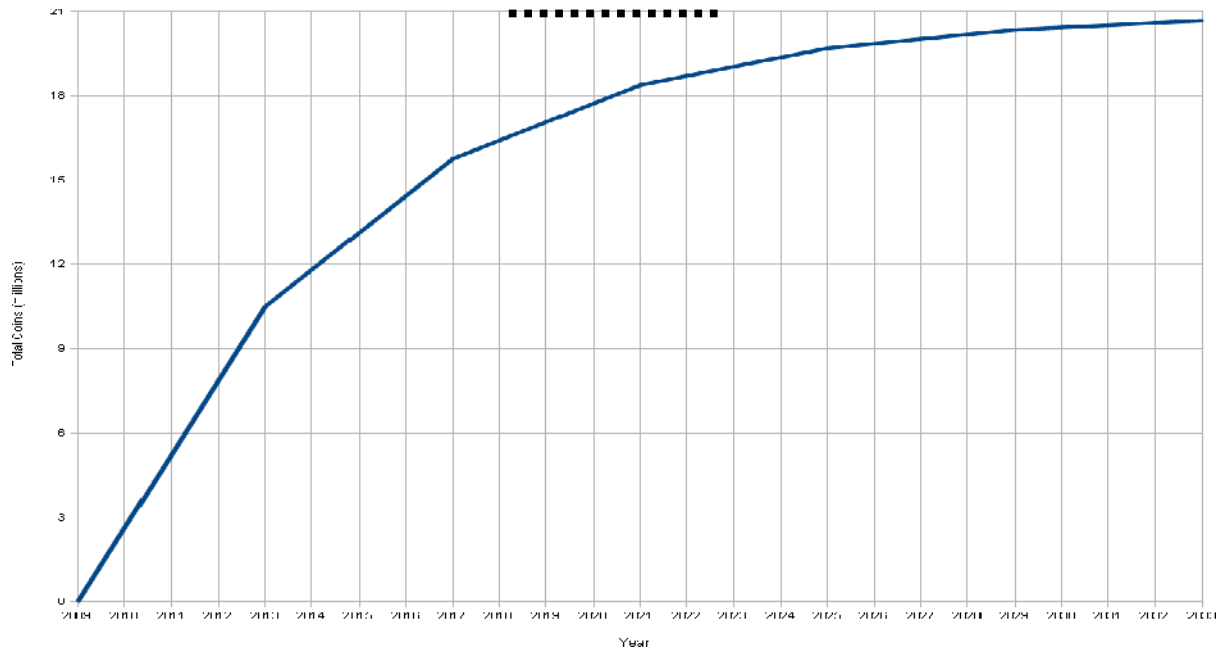
By 2140, the Manager anticipates that the number of bitcoin available to the public will have reached an equilibrium state of 21 million units. This differs from a traditional currency, which does not have a theoretical cap on the amount of the currency that will be circulated to the public.

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 210,000<sup>th</sup> 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.

The estimated supply schedule since the 2009 launch to 2033 is shown in the graph below. The next halving is expected about May 2024 where the number of bitcoin generated by coinbase transactions will fall to 450 per day from the current 900 per day.



Source: 3iQ Corp., data sourced from <https://btcdirect.eu/en-gb/how-many-bitcoins>

### *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.

### *Bitcoin Trading Platforms*

Bitcoin trading platforms operate websites that facilitate the purchase and sale of bitcoin for various government-issued currencies, including the U.S. dollar, Canadian dollar, the euro and the Chinese yuan. Activity on the bitcoin trading platforms should not be confused with the process of users sending bitcoin from one address to another bitcoin address. The latter is an activity that uses bitcoin as a means of exchange and is largely conducted directly using Bitcoin's blockchain, whereas the former is mostly an activity around bitcoin as a store of value and largely occurs within the trade books of exchanges (i.e., off-blockchain).

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

Bitcoin trading platforms are open 24 hours a day and 365 days of the year. There currently exist globally over 100 bitcoin trading platforms. Bitcoin trading platforms with the most economically significant trading volume are Binance, Coinbase, Kraken, Bitfinex, Bitstamp, bitFlyer, Gemini, Bittrex, itBit and Liquid. A majority of these exchanges employ KYC procedures in compliance with applicable AML Regulation.

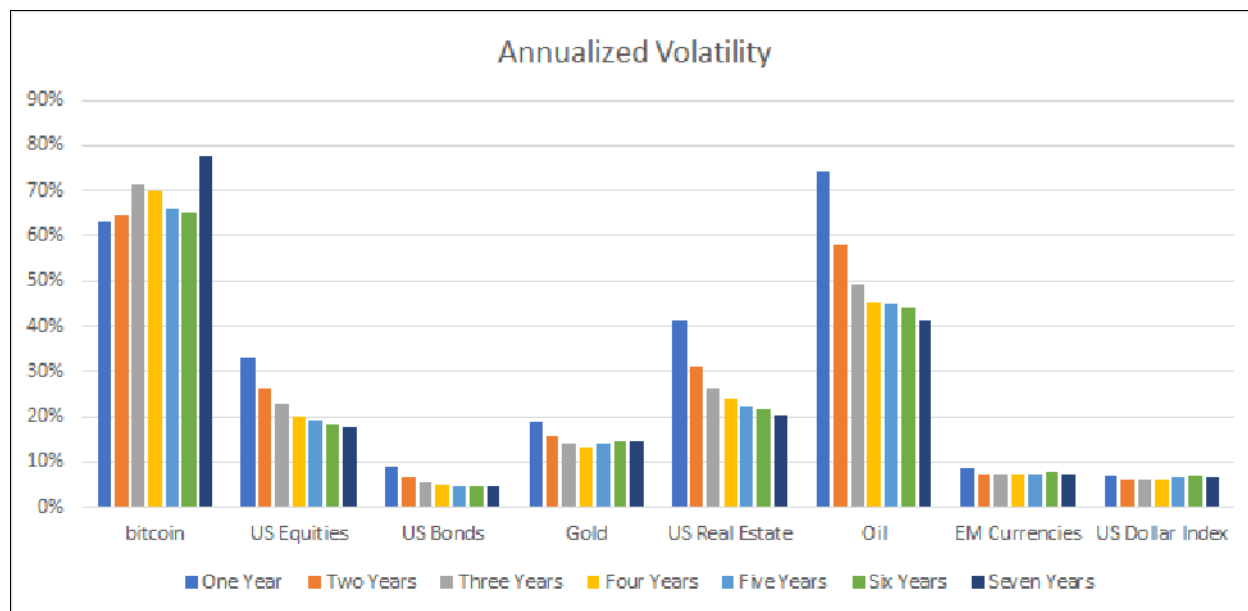
The Chicago Mercantile Group (CME) launched bitcoin futures in the fourth quarter of 2017. The Manager believes that futures trading on exchanges regulated by CFTC has increased liquidity and improves transparency in the bitcoin market. CME bitcoin front month futures volumes exceeded \$37 million of daily volume in the month to May 21, 2020, with open interest averaging \$138 million.

### *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.

As of July 31, 2020, bitcoin's daily volatility has returned to levels in line with its historical average, and is in the range of many technology and resource stocks. The moderation in bitcoin's volatility has been caused by a number of factors: more stable and liquid spot exchanges, greater regulatory approval, broader ownership, and increasingly reliable price discovery data.

While bitcoin's volatility has dropped considerably, on a weekly volatility basis it has still been the most volatile of the broad asset classes over the last six years, as shown below.



**Note:**

(1) Data as of July 31, 2020. Measured by the standard deviation of daily returns.  
Source: 3iQ Corp., data sourced from Bloomberg

**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 Gemini, Genesis Global Trading, Inc., Tagomi, Coinbase Pro and other New York State Department of Financial Services regulated trading platforms and OTC counterparties that are regulated as broker-dealers by the US Securities and Exchange Commission.

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.

**DESCRIPTION OF THE UNITS OF THE FUND**

The following description sets forth certain general terms and provisions of the Class A Units and Class F Units. The particular terms and provisions of the Class A Units and Class F Units offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in such Prospectus Supplement.

## **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 any Class F Units offered under this prospectus and a prospectus supplement will be reclassified as Class A Units on a one-for-one basis immediately upon the closing of an offering, and (ii) the agents' fees payable on the issuance of Class F Units are expected to be lower than those payable on the issuance of Class A Units.

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.

## **Reclassification of Class F Units**

Purchasers who subscribe for Class F Units will be deemed to have requested for the Fund to reclassify such Class F Units as Class A Units immediately upon closing of an offering. Class F Units will be reclassified as Class A Units on a one-for-one basis upon the closing of the offering. Accordingly, investors purchasing Class F Units will upon the closing of the offering become holders of Class A Units. No fractions of Class A Units will be issued upon any reclassification of Class F Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units. After the reclassification of the Class F Units as Class A Units upon the closing of the offering all remaining outstanding units of the Fund will be Class A Units.

## **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.

## **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 prospectus 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.

The Fund has the option to terminate registration of the Units through the book-based system, in which case certificates in fully-registered form for the Units will be issued to beneficial owners of such Units or to their nominees.

## **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"), commencing on June 16, 2021, subject to the Fund's right to suspend redemptions in certain circumstances. 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 last business day of the month 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. See "Risk Factors – Liquidity Constraints on Bitcoin Markets may Impact the Fund's Holdings" and "Financial Institutions may Refuse to Support Transactions Involving Bitcoins".

## **Monthly Redemptions**

Class A Units may be surrendered at the option of Unitholders at any time for redemption on a Monthly Redemption Date, 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 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.

## **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 or the Manager to the CDS Participant or the Unitholder.

### **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 Manager may suspend the redemption of Units or payment of redemption proceeds of the Fund 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 Administrator 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.

## **DISTRIBUTION POLICY**

The Fund does not intend to pay distributions to Unitholders.

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.

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.

### **USE OF PROCEEDS**

Unless otherwise indicated in a Prospectus Supplement, the net proceeds from the sale of Class A Units and Class F Units will be used to acquire bitcoin for the Fund's portfolio in accordance with the investment objectives and investment strategies of the Fund.

### **PLAN OF DISTRIBUTION**

The Fund may sell Class A Units and Class F Units to or through underwriters, dealers or agents and also may sell Class A Units and Class F Units directly to purchasers or through agents. The sale of Class A Units and Class F Units may be affected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at-the-market distributions", including sales made directly on the TSX or other existing trading markets for the Class A Units and Class F Units, and as set forth in the Prospectus Supplement for such purpose.

The distribution of Class A Units and Class F Units may be affected from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers.

In connection with the sale of Class A Units and Class F Units, underwriters or agents may receive compensation from the Fund or from purchasers of Class A Units and Class F Units for whom they may act as agents in the form of concessions or commissions. Underwriters, dealers and agents that participate in the distribution of Class A Units and Class F Units may be deemed to be underwriters and any commissions received by them from the Fund and any profit on the resale of Class A Units and Class F Units by them may be deemed to be underwriting commissions. Any such person that may be deemed to be an underwriter with respect to Class A Units and Class F Units will be identified in the Prospectus Supplement relating to such units.

The Prospectus Supplement relating to the Class A Units and Class F Units offered by the Fund will identify each person who may be deemed to be an underwriter with respect to such Class A Units and Class F Units and will set forth the terms of the offering of such Class A Units and Class F Units, including, to the extent applicable, the offering price, the proceeds to the Fund, the underwriting commissions and any other fees, discounts or concessions to be allowed or reallocated to dealers. The lead underwriter or lead agent or underwriters or agents with respect to the Class A Units and Class F Units sold to or through underwriters will be named in the related Prospectus Supplement. The underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Subject to applicable laws, in connection with any offering of Class A Units and Class F Units, other than an "at-the-market distribution" of Class A Units and Class F Units, the underwriters or agents may over-allot or effect transactions which stabilize or maintain the market price of the Class A Units and/or Class F Units offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

Sales of Class A Units and Class F Units under an "at-the-market distribution", if any, will be made pursuant to an accompanying Prospectus Supplement. Sales of Class A Units and Class F Units under any "at-the-market" program will be made in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102. The volume and timing of any "at-the-market distributions" will be determined at the Fund's sole discretion.

No dealer or agent involved in an "at-the-market distribution", no affiliate of such a dealer or agent and no person or company acting jointly or in concert with such a dealer or agent may over-allot Class A Units or Class F Units in connection with the distribution or may affect any other transactions that are intended to stabilize or maintain the market price of the Class A Units or Class F Units in connection with an "at-the-market distribution".

The Units have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities legislation and these securities may not be offered or sold in the United States or to or for the account of a person in the United States or a U.S. person except in transactions exempt from the

registration requirements of the 1933 Act and applicable state securities legislation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States.

## **ORGANIZATION AND 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 4800-1 King Street West, Suite 160, Toronto, Ontario, M5H 1A1.

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.

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.

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. See "Fees and Expenses".

### **Registrar and Transfer Agent**

TSX Trust Company acts as registrar and transfer agent for the Units and will maintain the securities registers at its office in Toronto, Ontario.

### **Custodian**

Cidel Trust Company is the custodian of the assets of the Fund. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian will be 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).

### **Sub-Custodian**

Gemini Trust Company, LLC acts as sub-custodian of the Fund in respect of the Fund's holdings of bitcoin. Gemini 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.

Gemini will use segregated cold storage bitcoin addresses for the Fund which are separate from the bitcoin addresses that Gemini uses for its other customers and which are directly verifiable via the Bitcoin blockchain. Gemini will at all times record and identify in its books and records that such bitcoins constitute the property of the Fund. Gemini will not loan, hypothecate, pledge or otherwise encumber the Fund's bitcoins without the Fund's instruction. Gemini, in carrying out its duties concerning the safekeeping of, and dealing with, the Fund's bitcoins, is required to take reasonable care and use commercially reasonable efforts in executing its responsibilities under the Sub-Custodian Agreement, and has agreed to adhere to the standard of care required by law, including NI 81-102.

#### *Bitcoin Storage, Security Policies and Practices*

Bitcoin private keys are stored in two different forms: "hot wallet" storage, whereby the private keys are connected to the internet, and "cold" storage, where digital currency private keys are stored completely offline. The bitcoin that Gemini will hold for the Fund will be stored offline in cold storage. When under the purview of Gemini, 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.

Gemini has adopted the following security policies and practices with respect to digital assets held in cold storage: hardware security modules ("HSMs") are used to generate, store and manage cold storage private keys; multi-signature technology is used to provide both security against attacks and tolerance for losing access to a key or facility, eliminating single points of failure; all HSMs are stored in guarded, monitored and access-controlled facilities that are geographically distributed; hardware is sourced from diverse manufacturers to guard against supply-chain risks; and all fund transfers require the coordinated actions of multiple employees.

Gemini has adopted the following security policies and practices with respect to digital assets held in its hot wallet: its hot wallet environment is hosted on Amazon Web Services ("AWS"), which has a proven track record for physical security and internal controls; tiered access-controls are applied to Gemini's production environment to restrict access to employees based on role, following the principle of least-privilege; administrative access to its production environment requires multi-factor authentication; HSMs are used to manage hot wallet keys; it uses the hosted CloudHSM service provided by AWS, which offers dedicated HSMs within the AWS cloud; and it offers additional account level protections such as crypto address whitelisting, which allows customers to restrict withdrawals to addresses only included in the customer's whitelist.

#### *Gemini BSA/AML Program*

Gemini has adopted the Gemini BSA/AML Program for its digital asset exchange and custody service in an effort to maintain the highest possible 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 any attempted use of Gemini for illegal or illicit purposes, including a customer identification program, annual training of all employees and officers in AML Regulation, filing of Suspicious Activity Reports and Currency Transaction Reports with the U.S. Financial Crimes Enforcement Network and annual internal and independent audits of the Gemini BSA/AML Program.

#### *Website Security*

Gemini has implemented certain security policies and practices to enhance security on its website, including through the use of two-factor authentication for certain user 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 Gemini's website.

#### *Internal Controls*

In addition to the security policies and procedures discussed above, Gemini has also instituted the following internal controls: multiple signatories are required to transfer funds out of cold storage; Gemini's Chief Executive Officer and



President are unable to individually or jointly transfer funds out of cold storage; all private keys are stored offsite in secure facilities; all employees undergo criminal and credit background checks, and are subject to ongoing background checks throughout their employment; and all remote-access by employees uses public-key authentication (e.g. no passwords, one-time passwords or other phishable credentials are used).

### **Auditor**

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

### **Administrator**

The Manager has engaged SGGG Fund Services Inc. 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.

## **CALCULATION OF NET ASSET VALUE**

### **Calculation of Net Asset Value**

The Net Asset Value of the Fund and the Net Asset Value per Unit is calculated by the Administrator as at 4:00 pm (Toronto time) on each 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](http://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 MVIBTC maintained by MVIS, as described below under "The MVIS CryptoCompare Institutional Bitcoin Index" (<https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>);
- (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.

### **MVIS CryptoCompare Institutional Bitcoin Index**

The MVIS CryptoCompare Institutional Bitcoin Index, maintained by MVIS, is an index which is intended to track the U.S. dollar price of one bitcoin. It is representative of the bids and offers of market participants to buy or sell bitcoin on those exchanges selected by MVIS, in consultation with the Manager, as bitcoin trading platforms with the most economically significant trading volumes in the world in the bitcoin-USD trading pair, currently: Binance, Coinbase, Kraken, Bitstamp, bitFlyer, Gemini and itBit. MVIS retains discretion to exclude exchanges based on reputational risk concerns. A majority of these exchanges employ KYC procedures in compliance with applicable AML Regulation and several are regulated by the New York State Department of Financial Services under the BitLicence or trust registration.

The index may be viewed at: <https://www.mvis-indices.com/indices/digital-assets/mvis-cryptocompare-institutional-bitcoin>.

MVIBTC is geared towards timeliness and represents an unbiased estimator of the bitcoin price. MVIS is an index provider based in Frankfurt, Germany and regulated as an index administrator by the German Federal Financial Supervisory Authority (BaFin). MVIS had adopted indexing practices and operations for its digital assets indices, including MVIBTC, 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 based upon digital assets under the EU benchmark regulations, however MVIS as a leader in this space is expected to comply with any such guidelines when they are created.

The index for the MVIBTC is calculated by Crypto Coin Comparison Ltd., an independent pricing provider based in the United Kingdom. Any proposal to change the constituents or calculation methodology of the MVIBTC must be approved by the Review Committee of Crypto Coin Comparison Ltd.

### **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.

## **RISK FACTORS**

Certain risk factors relating to the Fund, the Class A Units and the Class F Units are described below. Additional risks and uncertainties not currently known to the Fund, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of

operations of the Fund and the ability of the Fund to make distributions on the Class A Units and the Class F Units, could be materially adversely affected.

### **Risks 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.

#### ***Fluctuation in Value of Bitcoin***

The Net Asset Value of the Units will vary according to 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.

#### ***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.

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. 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 provided the Manager with a SOC 2 Type 2 Report dated January 2, 2020 in respect of its internal controls for the year ended December 31, 2019. 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.

### ***Lack of Operating History***

The Fund is a newly organized 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). CRA has taken the administrative position that 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 Trust Agreement 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 redetermination 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.

### ***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 Outbreak***

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 have negatively affected asset values and increased volatility in the financial markets, including the market price and volatility of bitcoin. At this point, the extent to which the coronavirus may impact, or 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 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 the Units of the Fund – Monthly Redemptions”.

### ***Lack of 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 Gemini offline in “cold storage”. Assets held in cold storage are protected by Gemini’s security measures, which reflect best practices in the payment industry generally and in the cryptoasset space in particular. The Fund’s bitcoins may also be temporarily held online in a Gemini “hot wallet”. Gemini maintains commercial crime insurance in an aggregate amount that is greater than the value of digital assets custodied in its “hot wallet”.

Gemini does not otherwise insure the bitcoins held by it (e.g. bitcoins held in “cold storage”), which is consistent with industry practice for many custodians of bitcoin.

### ***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 115 bitcoin addresses hold roughly 20% 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. On May 17, 2019, the Department of Finance (Canada) introduced proposed amendments to the Excise Tax Act that, if enacted as proposed, would, as of May 18, 2019, treat bitcoin as a “financial instrument” for purposes of the Excise Tax Act. Meanwhile, 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. In some other nations, like China, regulation is evolving constantly. 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 is a reporting entity under the U.S. Bank Secrecy Act and AML Regulation in the U.S. and has adopted the Gemini BSA/AML Compliance Program.

## **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 will support the forked network that requires the greatest total threshold number of hash attempts to mine all existing blocks measured during the 48-hour period following the fork, subject to its ability to, under certain circumstances and in consultation with the New York State Department of Financial Services and its licensing partners, make a good faith determination as to the forked network that is most likely to be supported by the greatest number of users and miners and support that network. The Sub-Custodian may, in its discretion, choose to not support the forked network, in which case the Sub-Custodian may abandon the Fork Asset (as defined below), retain the Fork Asset for itself or allow a one-time withdrawal of the Fork Asset by the Fund. The Sub-Custodian may also choose to support the 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.

### ***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. This tendency is common geographically, with Chinese platforms frequently trading at a premium to platforms in Europe or America.

#### ***Closure of Bitcoin Trading Platform(s)***

Between 2013 and 2019, 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 “Management of the Fund – 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.

## **FEES AND 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 MVIBTC; 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.

## **LEGAL MATTERS**

Unless otherwise specified in the Prospectus Supplement, certain legal matters relating to any offering of Class A Units and Class F Units will be passed upon by Osler, Hoskin & Harcourt LLP, Toronto, Ontario. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, own less than 1% of the outstanding Class A Units or Class F Units of the Fund.

### **EXEMPTIONS AND APPROVALS**

The Fund has applied for and received an exemption under paragraph 2.2(d) of National Instrument 44-101 *Short Form Prospectus Distributions* to allow the Fund to file a short form base shelf prospectus notwithstanding that the Fund has not yet filed current annual financial statements as it has not yet completed a financial year end.

### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories of Canada, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.



**CERTIFICATE OF THE FUND AND THE TRUSTEE AND MANAGER AND PROMOTER OF THE FUND**

Dated: November 5, 2020

This short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation of each of the provinces and territories of Canada.

**3iQ CORP.**  
**(as trustee and manager of The Bitcoin Fund)**

By: (Signed)  
Frederick T. Pye  
President and Chief Executive Officer

By: (Signed)  
John Loeprich  
Chief Financial Officer

**On behalf of the Board of Directors of  
3iQ CORP.**

By: (Signed)  
Howard Atkinson  
Director

By: (Signed)  
Anthony L. Cox  
Director

**3iQ CORP.**  
**(as promoter of The Bitcoin Fund)**

By: (Signed)  
Frederick T. Pye  
President and Chief Executive Officer

# **ANNEXURE B**

## **PROSPECTUS SUPPLEMENT**

*This prospectus supplement together with the short form base shelf prospectus to which it relates dated November 5, 2020, as amended or supplemented, and each document incorporated or deemed to be incorporated by reference herein and in the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.*

**Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated November 5, 2020, as amended from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of The Bitcoin Fund at its head office located at 4800-1 King Street West, Box 160, Toronto, Ontario M5H 1A1, or by calling (416) 639-2130, and are also available electronically at [www.sedar.com](http://www.sedar.com).**

New Issue

**PROSPECTUS SUPPLEMENT  
(To a Short Form Base Shelf Prospectus dated November 5, 2020,  
as amended)**

July 9, 2021



**THE BITCOIN FUND**

**US\$200,000,000**

**Class A Units**

**The Bitcoin Fund (the “Fund”) invests in the digital currency bitcoin. Given the speculative nature of bitcoin and the volatility of the bitcoin markets, there is considerable risk that the Fund will not be able to meet its investment objectives. An investment in the Fund is not intended as a complete investment program and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. An investment in the Fund is considered high risk.**

This prospectus supplement (this “Prospectus Supplement”), together with the short form base shelf prospectus dated November 5, 2020, as amended, qualifies the distribution of Class A Units (the “Class A Units”) of The Bitcoin Fund (the “Fund”) having an aggregate sale price of up to US\$200,000,000 (the “Offering”).

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 it may be amended from time to time (the “Declaration of Trust”).

The Fund seeks to provide Unitholders (as defined herein) 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.

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 Class A Units are available to all investors and are listed on the Toronto Stock Exchange (the “TSX”) and trade in Canadian dollars under the symbol “QBTC” and in U.S. dollars under the symbol “QBTC.U” as of the date hereof. On July 8, 2021, the closing price on the TSX of the Class A Units was C\$43.42 and US\$34.62. The most recently calculated NAV per Class A Unit prior to the pricing of the Offering on July 8, 2021 was US\$36.72 (C\$46.02). The TSX has conditionally approved the listing of the Class A Units offered hereby. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX.

The Fund has entered into an equity distribution agreement dated July 9, 2021 (the “Distribution Agreement”) with Canaccord Genuity Corp. (the “Agent”) pursuant to which the Fund may distribute Class A Units from time to time through the Agent, as agent, in accordance with the terms of the Distribution Agreement. Sales of Class A Units, if any, under this Prospectus Supplement are anticipated to be made in transactions that constitute “at-the-market distributions” as defined in National Instrument 44-102 *Shelf Distributions* (“NI 44-102”), including sales made directly on the TSX or on any other existing trading market for the Class A Units in Canada. The Units will be distributed at the market prices prevailing at the time of the sale. As a result, prices at which Class A Units are sold may vary as between purchasers and during the period of any distribution. In accordance with paragraph 9.3(2)(a) of National Instrument 81-102 *Investment Funds* (“NI 81-102”), the issue price of a Class A Unit will not, as far as reasonably practicable, be a price that causes dilution of the Net Asset Value of the Fund’s other outstanding securities at the time of issue. **There is no minimum amount of funds that must be raised under this Offering. This means that the Offering may terminate after raising only a portion of the Offering amount set out above, or none at all. See “Plan of Distribution”.**

The Fund will pay the Agent compensation for its services in acting as agent in connection with the sale of Units pursuant to the Distribution Agreement not to exceed 3.0% of the gross sale price per Class A Unit sold (the “Commission”).

As agent, the Agent will not engage in any transactions to stabilize or maintain the price of the Class A Units. No Agent or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with the Agent or an underwriter, may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Class A Units or securities of the same class as the Class A Units distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Class A Units that would result in the Agent or underwriter creating an over-allocation position in the Class A Units.

An investment in Class A Units involves a degree of risk. An investment in the Class A Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. It is important for prospective investors to consider the risk factors described in this Prospectus Supplement and the short form base shelf prospectus. See “Risk Factors”.

Subscriptions will be received for the Class A Units offered hereby, subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. A purchaser of Class A Units will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom the Class A Units are purchased. See “Description of the Units of the Fund – Book-Based System” in the accompanying short form base shelf prospectus.

Unless otherwise noted herein, all references to “\$”, “US\$” or “USD” in this Prospectus Supplement are to the currency of the United States and all references to C\$ in this Prospectus Supplement are to the currency of Canada.

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## GLOSSARY OF TERMS

In this Prospectus Supplement, the following terms have the meanings set forth below, unless otherwise indicated.

“**1933 Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time.

“**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.

“**Agent**” means Canaccord Genuity Corp.

“**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 ascribed thereto under “Description of the Units of the Fund – Annual Redemptions”.

“**Annual Redemption Date**” has the meaning ascribed thereto under “Description of the Units of the Fund – Annual Redemptions”.

“**Annual Redemption Price**” has the meaning ascribed thereto under “Description of the Units of the Fund – Annual Redemptions”.

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

“**Bitcoin Network**” has the meaning ascribed thereto under “The Fund – Investment Overview”.

“**Bitcoin Source**” has the meaning ascribed thereto under “The Fund – Investment Overview”.

“**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.

“**Class A Units**” means the transferable, redeemable units of the Fund designated as the “Class A Units” and “Class A Unit” means any one of them.

“**Class A Redemption Price**” has the meaning ascribed thereto under “Description of the 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” and “Class F Unit” means any one of them.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means (a) the closing price of such security on the principal stock exchange (or such other stock exchange on which such security is listed) on such Monthly Redemption Date if there was a trade on the Monthly Redemption Date and the market provides a closing price; (b) the average of the highest and lowest prices of such security on the principal stock exchange (or such other stock exchange on which such security is listed) 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 (c) the average of the last bid and the last asking prices of the security on the principal stock exchange (or such other stock exchange on which such security is listed) on such Monthly Redemption Date if there was not trading on the applicable Monthly Redemption Date.

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

“**CRS Rules**” has the meaning ascribed thereto under “Exchange of Tax Information”.

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

“**Custodian Agreement**” means the custodianship agreement entered into on March 31, 2020 between the Manager in its capacity as manager of the Fund and the Custodian, as it may be amended from time to time.

“**Cut-Off Date**” has the meaning ascribed thereto under “Description of the Units of the Fund – Monthly Redemptions”.

“**Declaration of Trust**” has the meaning ascribed thereto under “The Fund”.

“**December ATM**” has the meaning ascribed thereto under “Prior Sales”.

“**Designated News Release**” has the meaning ascribed thereto under “Documents Incorporated By Reference”.

“**Distribution Agreement**” means the equity distribution agreement dated July 9, 2021 between the Fund, the Manager and the Agent.

“**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.

“**First November Offering**” has the meaning ascribed thereto under “Prior Sales”.

“**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.

“**Gemini**” means Gemini Trust Company, LLC.

“**IGA**” has the meaning ascribed thereto under “Exchange of Tax Information”.

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

“**IPO**” has the meaning ascribed thereto under “The Fund”.

“**January ATM**” has the meaning ascribed thereto under “Prior Sales”.

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

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

“**Monthly Cut-Off Date**” has the meaning ascribed thereto under “Description of the Units of the Fund – Monthly Redemptions”.

“**Monthly Redemption Date**” has the meaning ascribed thereto under “Description of the Units of the Fund – Monthly Redemptions”.

“**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.

“**Net Asset Value per Unit**” and “**NAV 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 44-102**” means National Instrument 44-102 – *Shelf Distributions*.

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

“**Offering**” has the meaning ascribed thereto under “The Fund”.

“**OTC**” means “over the counter”.

“**Prospectus**” means the short form base shelf prospectus of the Fund dated November 5, 2020, as amended or supplemented.

“**Prospectus Supplement**” means this prospectus supplement of the Fund dated July 9, 2021, as amended.

“**RDSP**” has the meaning ascribed thereto under “Eligibility for Investment”.

“**Redemption Payment Date**” has the meaning ascribed thereto under “Description of the 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.

“**Reportable Jurisdiction**” has the meaning ascribed thereto under “Exchange of Tax Information”.

“**RESP**” has the meaning ascribed thereto under “Eligibility for Investment”.

“**RRIF**” has the meaning ascribed thereto under “Eligibility for Investment”.

“**RRSP**” has the meaning ascribed thereto under “Eligibility for Investment”.

“**Second November Offering**” has the meaning ascribed thereto under “Prior Sales”.

“**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 Gemini in its capacity as sub-custodian under the Sub-Custodian Agreement.

“**Sub-Custodian Agreement**” means the sub-custody agreement between the Custodian, the Fund, and Gemini dated March 31, 2020.

“**substituted property**” has the meaning ascribed thereto under “Canadian Federal Income Tax Considerations – Taxation of the Fund”.

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

“**Tax Proposals**” means all specific proposals to amend the Tax Act or *Excise Tax Act* (Canada) publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.



“**TFSA**” has the meaning ascribed thereto under “Eligibility for Investment”.

“**Third November Offering**” has the meaning ascribed thereto under “Prior Sales”.

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

“**Unit**” means a Class A Unit and/or Class F Unit as the case may be.

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

“**Unitholder**” means a holder of Class A Units and/or Class F Units as the case may be.

“**U.S. person**” has the meaning ascribed thereto in Regulation S under the 1933 Act.

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

## **IMPORTANT NOTICE ABOUT INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING SHORT FORM BASE SHELF PROSPECTUS**

This document is in two parts. The first part is the Prospectus Supplement, which describes certain terms of the Class A Units the Fund is offering and also adds to and updates certain information contained in the Prospectus and the documents incorporated by reference herein and therein. The second part is the Prospectus, which provides more general information. The accompanying short form base shelf prospectus is referred to as the “Prospectus” in this Prospectus Supplement.

If the description of the Class A Units varies between this Prospectus Supplement and the Prospectus, you should rely on the information in this Prospectus Supplement.

### **FORWARD LOOKING STATEMENTS**

Certain statements in this Prospectus Supplement are forward-looking statements, including those identified by the expressions “anticipate”, “believe”, “plan”, “estimate”, “expect”, “intend”, “target”, “seek”, “will” and similar expressions to the extent they relate to the Fund and the Manager. Forward-looking statements are not historical facts but reflect the current expectations of the Manager regarding future results or events. Such forward-looking statements reflect the Manager’s current beliefs and are based on information currently available to them. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results or events to differ materially from current expectations including global economic conditions. Although the forward-looking statements contained in this Prospectus Supplement are based upon assumptions that the Manager believes to be reasonable, neither the Fund nor the Manager can assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein were prepared for the purpose of providing prospective investors with information about the Fund and may not be appropriate for other purposes. Neither the Fund nor the Manager assumes any obligation to update or revise them to reflect new events or circumstances, except as required by law.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agent, provided that the Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act or if the Class A Units are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), such Units would be a qualified investment for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), deferred profit sharing plans, registered disability savings plans (“RDSP”), tax-free savings accounts (“TFSA”) and registered education savings plans (“RESP”, and collectively, “Registered Plans”).

However, in the case of a TFSA, a RRSP, a RRIF, a RDSP, and a RESP, if the holder of such TFSA 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 Class A Units will be a “prohibited investment” for such TFSA, RDSP, RESP, RRSP or RRIF. If Class A Units are a “prohibited investment” for a TFSA, RDSP, RESP, RRSP or RRIF that acquires such Units, the holder of the TFSA 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 and RDSPs, subscribers of RESPs, and annuitants under RRSPs and RRIFs should consult their own tax advisors to ensure Class A Units would not be a “prohibited investment” for purposes of the Tax Act in their particular circumstances. See “Canadian Federal Income Tax Considerations – Status of the Fund”.

### **DOCUMENTS INCORPORATED BY REFERENCE**

This Prospectus Supplement is deemed, as of the date hereof, to be incorporated by reference into the Prospectus for the purposes of the distribution of the Class A Units offered hereby. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details.

The following documents filed with the securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference and form an integral part of this Prospectus Supplement and the Prospectus:

- (a) the annual information form of the Fund dated March 31, 2021 for the period ended December 31, 2020;
- (b) the audited annual financial statements of the Fund, together with the accompanying report of the auditor, as at and for the period ended December 31, 2020; and
- (c) the annual management report of fund performance of the Fund for the period ended December 31, 2020.

Any of the documents of the type referred to above, including any material change reports (excluding confidential material change reports), annual information forms, interim and annual financial statements and related management reports of fund performance, business acquisition reports and information circulars filed by the Fund with a securities commission or similar authority in Canada after the date of this Prospectus Supplement and prior to the termination of the Offering, will be deemed to be incorporated by reference in this Prospectus Supplement. In addition, pursuant to Companion Policy 44-102CP – *Shelf Distributions*, if the Fund disseminates a news release in respect of previously undisclosed information that, in the Fund’s determination, constitutes a “material fact” (as such term is defined under applicable Canadian securities laws), the Fund will identify such news release as a “designated news release” for the purposes of the Prospectus Supplement and the Prospectus in writing on the face page of the version of such news release that the Fund files on SEDAR (any such news release, a “Designated News Release”), and any such Designated News Release shall be deemed to be incorporated by reference into the Prospectus Supplement only for the purposes of the Offering.

**Any statement contained in this Prospectus Supplement, the Prospectus or in a document incorporated or deemed to be incorporated by reference in this Prospectus Supplement or the Prospectus shall be deemed to be modified or superseded for the purposes of this Prospectus Supplement or the Prospectus, as the case may be, to the extent that a statement contained in this Prospectus Supplement or in any other subsequently filed document that also is or is deemed to be incorporated by reference in this Prospectus Supplement modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed to be an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement or the Prospectus.**

Copies of the documents incorporated herein by reference may be obtained on request without charge from the Fund at its head office located at 4800-1 King Street West, Box 160, Toronto, Ontario M5H 1A1, or by calling (416) 639-2130, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## THE FUND

The Bitcoin 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 it may be amended from time to time (the “Declaration of Trust”). 3iQ Corp. 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 4800-1 King Street West, Box 160, Toronto, Ontario M5H 1A1.

The Fund is authorized to issue an unlimited number of Class A Units and Class F Units. The Class A Units are listed on the TSX and trade in Canadian dollars under the symbol “QBTC” and in U.S. dollars under the symbol “QBTC.U”. The attributes of the Class A Units and the Class F Units are described under “Description of the Units of the Fund”. As of June 30, 2021, 11,631,077 Class A Units were issued and outstanding.

This Prospectus Supplement qualifies the distribution of Class A Units (the “Class A Units”) of the Fund having an aggregate sale price of up to US\$200,000,000 (the “Offering”). Sales of Class A Units, if any, under this Prospectus Supplement are anticipated to be made in transactions that are deemed to be “at-the-market distributions” as defined in NI 44-102, including sales made directly on the TSX or on any other existing trading market for the Class A Units in Canada. The Class A Units will be distributed at the market prices prevailing at the time of the sale. As a result, prices at which Class A Units are sold may vary as between purchasers and during the period of any distribution.

### Investment Objectives

The Fund’s investment objectives are to seek to provide Unitholders of the Fund with:

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

### Investment Strategies

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 United States Commodity Futures and Trading Commission. 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<sup>2</sup>/<sub>3</sub>% 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. 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 "The Fund – Investment Strategies – Leverage";
- (e) except as set forth under "The Fund – Investment Strategies – 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.

### **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.

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 know-your-client (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 Gemini, Genesis Global Trading, Inc., Tagomi, Coinbase Pro and other New York State Department of Financial Services regulated trading platforms and OTC counterparties that are regulated as broker-dealers by the U.S. Securities and Exchange Commission.

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.

For further information regarding bitcoin (including its supply and volatility), the Bitcoin Network and bitcoin trading platforms, see “The Fund – Investment Overview” in the accompanying Prospectus.

### **CONSOLIDATED CAPITALIZATION**

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, an unlimited number of Class A Units and Class F Units are authorized for issuance.

As of June 30, 2021, 11,631,077 Class A Units and no Class F Units were issued and outstanding.

The Fund may from time to time issue and sell Class A Units, having an aggregate sale price of up to US\$200,000,000 under this Prospectus Supplement. See “Plan of Distribution”.

### **USE OF PROCEEDS**

The net proceeds from the Offering are not determinable at this time. The net proceeds of any given distribution of Class A Units through the Agent in an “at-the-market distribution” will represent the gross proceeds after deducting the applicable compensation payable to the Agent under the Distribution Agreement and the expenses of the distribution. See “Plan of Distribution”.

The net proceeds of the Offering will be invested by the Fund in accordance with the Fund’s investment objectives, investment strategies and investment restrictions. See “The Fund – Investment Objectives”, “The Fund – Investment Strategies” and “The Fund – Investment Restrictions”.

### **DESCRIPTION OF THE 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, an unlimited number of Class A Units and Class F Units are authorized for issuance.

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: (a) Class F Units are not listed on a stock exchange but any Class F Units issued under an offering will be reclassified as Class A Units on a one-for-one basis immediately upon the closing of such offering and (b) any Agent's fees payable on an issuance of Class F Units are expected to be lower than those payable on the issuance of Class A Units.

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.

The Fund does not intend to pay distributions to Unitholders. 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. 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.

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, (a) the trust is a reporting issuer under the *Securities Act* (Ontario); and (b) the trust is governed by the laws of the Province 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.

## **Annual Redemptions**

Units may be redeemed at the option of Unitholders on the first business day following the 15<sup>th</sup> day of June in each year (each, an "Annual Redemption Date"), commencing on June 16, 2021, subject to the Fund's right to suspend redemptions in certain circumstances. 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 redemption ("Annual Redemption Price"). Units must be surrendered for redemption on or before the last business day of the month 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 15<sup>th</sup> business day following the Annual Redemption Date in (i) U.S. dollars or, (ii) 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. In connection with a redemption of Units pursuant to clause (i) above, Unitholders may direct the Manager to apply the Annual Redemption Price for such Units to the purchase from 3iQ CoinShares Bitcoin ETF of Units in U.S. dollars of 3iQ CoinShares Bitcoin ETF. 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) as determined based on the MVIS CryptoCompare Institutional Bitcoin Index maintained by MV Index Solutions GmbH. Any unpaid distribution payable to Unitholders of record on or before the Annual Redemption Date in respect of Units tendered for redemption on such Annual Redemption Date will also be paid on the same day as the redemption proceeds are paid.

For the first Annual Redemption occurring on June 16, 2021, 1,971,302 Units representing 9.42% of the outstanding Units were surrendered for in-kind redemption, 189,073 Units representing 0.90% of the outstanding Units were

surrendered for cash redemption and 7,098,564 Units representing 33.94% of the outstanding Units were surrendered for redemption with redemption proceeds to be applied to the purchase of units of 3iQ CoinShares Bitcoin ETF.

### **Monthly Redemptions**

Class A Units may be surrendered at the option of Unitholders at any time for redemption on the first business day following the 15<sup>th</sup> day of each month, other than June, commencing in 2021 (each, a “Monthly Redemption Date”), 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 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 on or before the 15<sup>th</sup> business day following the Monthly Redemption Date (the “Redemption Payment Date”).

Unitholders surrendering a Class A Unit for redemption will receive a redemption price (the “Class A Redemption Price”) equal to the lesser of: (a) 95% of the Closing Market Price of a Class A Unit; and (b) 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 to fund such redemption. 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.

### **Exercise of Redemption Right**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which the Unitholder holds its 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. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of the Unitholder’s intention to exercise its 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 its Units for redemption and appointed such CDS Participant to act as its 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 or the Manager to the CDS Participant or the Unitholder.

### **Suspension of Redemptions**

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 Administrator 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.

### Book-Based System

Registrations of interests in, and transfers of, the Units will be made only through the book-based system of CDS and no physical certificates will be issued. For further information regarding the book-based system of CDS, see “The Fund – Book-Based System” in the accompanying Prospectus.

### PRIOR SALES

On November 10, 2020, the Fund issued 1,050,000 Class A Units at a price of C\$24.00 per Class A Unit, pursuant to a prospectus supplement dated November 6, 2020 to the Prospectus (the “First November Offering”).

On November 20, 2020, the Fund issued 2,850,000 Class A Units at a price of C\$26.50 (US\$20.25) per Class A Unit, pursuant to a prospectus supplement dated November 17, 2020 to the Prospectus (the “Second November Offering”).

On November 30, 2020, the Fund issued 2,222,300 Class A Units at a price of C\$22.50 per Class A Unit, pursuant to a prospectus supplement dated November 25, 2020 to the Prospectus (the “Third November Offering”).

As of January 21, 2021 the Fund had issued 2,966,000 Class A Units under an earlier at the market distribution pursuant to a prospectus supplement dated December 29, 2020 to the Prospectus (the “December ATM”).

As of June 30, 2021 the Fund had issued 612,200 Class A Units under an earlier at the market distribution pursuant to a prospectus supplement dated January 21, 2021 to the Prospectus (the “January ATM”).

The Fund has issued 4,895,758 Class A Units (aggregate net proceeds equal to US\$120,295,051.76), by way of private placements, between July 1, 2020 and the date hereof.

### TRADING PRICES AND VOLUMES

The following table sets forth the reported high and low sale prices and the trading volume for the Class A Units on the TSX and the high and low NAV of the Class A Units for each of the months indicated.

	NAV – Class A Unit <sup>1</sup> (U.S. dollars)		Market Price – Class A Unit (U.S. dollars)			Market Price – Class A Unit (Canadian dollars)		
	Low	High	Low	High	Volume	Low	High	Volume
<b>2021</b>								
July 1- 8	36.72	38.55	35.14	36.46	252,709	43.72	45.49	253,099
June	35.89	44.55	34.57	42.94	1,803,292	42.05	51.34	2,499,772
May	40.04	64.63	39.32	62.82	4,347,310	46.93	76.79	4,733,614
April	57.15	70.76	55.85	69.79	2,315,916	69.66	87.49	3,494,054
March	53.54	66.44	51.11	64.65	5,021,588	64.13	81.24	5,032,040
February	38.22	62.37	39.23	59.04	5,953,323	50.1	70.81	11,739,820
January	34.79	44.31	35.30	51.50	9,431,295	45.41	65.42	18,248,103
<b>2020</b>								
December	\$20.08	\$32.48	\$20.30	\$40.75	6,939,963	\$25.95	\$51.80	7,340,599
November	\$15.49	\$21.72	\$18.19	\$25.83	6,289,016	\$24.19	\$33.19	5,446,203
October	\$11.99	\$15.51	\$13.48	\$18.80	2,952,521	\$21.96 <sup>2</sup>	\$25.24 <sup>2</sup>	566,346 <sup>2</sup>
September	\$11.42	\$13.62	\$13.49	\$16.31	1,784,873	-	-	-

August	\$12.79	\$14.05	\$13.90	\$18.65	2,309,855	-	-
July	\$10.35	\$12.91	\$10.32	\$14.30	1,227,571	-	-

**Notes:**

(1) NAV data is as reported on the Fund's website.

(2) Commenced trading on October 22, 2020.

Source: TSX InfoSuite

On July 8, 2021, the closing price on the TSX of the Class A Units was C\$43.42 and US\$34.62. The most recently calculated NAV per Class A Unit prior to the pricing of the Offering on July 8, 2021 was US\$36.72 (C\$46.02). As of July 8, 2021, Class A Units were trading at a 5.71% discount to NAV and have traded at an average 6.74% premium to NAV since inception.

## PLAN OF DISTRIBUTION

The Fund has entered into the Distribution Agreement with the Agent under which the Fund may issue and sell from time to time Class A Units having an aggregate sale price of up to US\$200,000,000 in each of the provinces and territories of Canada. Sales of Class A Units, if any, will be made in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102, including sales made by the Agent directly on the TSX or on any other existing trading market for the Class A Units in Canada. Subject to the pricing parameters in a placement notice, the Class A Units will be distributed at the market prices prevailing at the time of the sale. As a result, the price may vary as between purchasers and during the period of distribution. The Fund cannot predict the number of Class A Units that the Fund may sell under the Distribution Agreement on the TSX or any other existing trading market for the Class A Units in Canada, or if any Class A Units will be sold.

The Agent will offer the Class A Units subject to the terms and conditions of the Distribution Agreement on a daily basis or as otherwise agreed upon by the Fund and the Agent. The Fund will designate the maximum number of Class A Units to be sold pursuant to any single placement notice to the Agent. In accordance with paragraph 9.3(2)(a) of NI 81-102, the issue price of a Class A Unit will not, as far as reasonably practicable, be a price that causes dilution of the Net Asset Value of the Fund's other outstanding securities at the time of issue. Subject to the terms and conditions of the Distribution Agreement, the Agent will use its commercially reasonable efforts to sell, on the Fund's behalf, all of the Class A Units requested to be sold by the Fund in a placement notice delivered to the Agent. The Fund may instruct the Agent not to sell Class A Units if the sales cannot be achieved at or above the price designated by the Fund in a particular placement notice.

Either the Fund or the Agent may suspend the Offering upon proper notice to the other party. The Fund and the Agent each have the right, by giving written notice as specified in the Distribution Agreement, to terminate the Distribution Agreement in each party's sole discretion at any time. Pursuant to the Distribution Agreement, the Offering will terminate upon the earlier of: (i) December 5, 2022; (ii) the issuance and sale of all of the Class A Units subject to the Distribution Agreement; and (iii) the termination of the Distribution Agreement as permitted therein.

The Fund will pay the Agent the Commission for its services in acting as agent in connection with the sale of Class A Units pursuant to the Distribution Agreement. The amount of the Commission will not exceed 3.0% of the gross sales price per Class A Unit sold.

The Agent will provide written confirmation to the Fund no later than 2:00 pm on the trading day immediately following the trading day on which it has made sales of the Class A Units under the Distribution Agreement. Each confirmation will include the number of Class A Units sold on such day, the average price of the Class A Units sold on such day, the gross proceeds, the Commission payable by the Fund to the Agent with respect to such sales and the net proceeds payable to the Fund. The Agent will also assist the Fund with such other periodic reporting as may be reasonably requested by the Fund with respect to the sales of Class A Units.

The Fund will disclose the number and average price of the Class A Units sold under this Prospectus Supplement, as well as the gross proceeds, Commission and net proceeds from sales hereunder in the Fund's annual and semi-annual financial statements and management report of fund performance filed on SEDAR, for any periods in which sales of Class A Units occur.

Settlement for sales of Class A Units will occur, unless the parties agree otherwise, on the second trading day on the applicable exchange following the date on which any sales were made in return for payment of the net proceeds to the Fund. There is no arrangement for funds to be received in an escrow, trust or similar arrangement. Sales of Class A Units will be settled through the facilities of CDS or by such other means as the Fund and the Agent may agree.

The Fund has agreed in the Distribution Agreement to provide indemnification and contribution to the Agent against certain liabilities. In addition, the Fund has agreed to pay the reasonable expenses of the Agent in connection with the Offering, pursuant to the terms of the Distribution Agreement. The Agent and its affiliates will not engage in any prohibited transactions to stabilize or maintain the price of the Class A Units in connection with any offer or sales of Units pursuant to the Distribution Agreement. No Agent or underwriter of the at-the-market distribution, and no person or company acting jointly or in concert with the Agent or an underwriter, may, in connection with the distribution, enter into any transaction that is intended to stabilize or maintain the market price of the Class A Units or securities of the same class as the Class A Units distributed under this Prospectus Supplement, including selling an aggregate number or principal amount of Class A Units that would result in the Agent or underwriter creating an over-allocation position in the Class A Units.

This Prospectus Supplement qualifies the distribution of the Class A Units offered hereunder in each of the provinces and territories of Canada.

The total expenses related to the commencement of the Offering to be paid by the Fund excluding the Commission payable to the Agent under the Distribution Agreement, are not expected to exceed \$100,000.

The TSX has conditionally approved the listing of the Class A Units offered hereby. Listing will be subject to the Fund fulfilling all of the listing requirements of the TSX.

This Prospectus Supplement does not constitute an offer to sell or the solicitation of an offer to buy any Class A Units in the United States. The Class A Units offered hereby have not been and will not be registered under the 1933 Act, or any state securities laws, and may not be offered, sold or delivered in the United States, except in transactions exempt from the registration requirements of the 1933 Act and applicable state securities laws. Pursuant to the Distribution Agreement, the Agent has agreed that it will not engage in any “directed selling efforts” (as defined in Regulation S under the 1933 Act) or in any form of “general solicitation” or “general advertising” (as such terms are used in Rule 502(c) of Regulation D under the 1933 Act) in the United States with respect to the Class A Units.

### **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Osler, Hoskin & Harcourt LLP, counsel to the Fund, and Blake, Cassels & Graydon LLP, counsel to the Agent, 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, the Tax Proposals and counsel’s understanding of the current published administrative policies and assessing practices of the CRA 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”. Counsel 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. Counsel is advised that 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.

In the opinion of counsel, provided that the Fund qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units 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 Registered Plans. However, in the case of a TFSA, a RRSP, a RRIF, a RDSP, and a RESP, if the holder of such TFSA 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, RDSP, RESP, RRSP or RRIF. If Units of the Fund are a “prohibited investment” for a TFSA, RDSP, RESP, RRSP or RRIF that acquires such Units, the holder of the TFSA 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 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 bitcoins are 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.

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. The Notice of Ways and Means Motion to implement certain provisions of the 2021 budget and other measures tabled by the Minister of Finance (Canada) on April 28, 2021 proposed amendments to the Tax Act that would, effective for taxation years of the Fund beginning on or after March 19, 2019, deny the Fund a deduction for the portion of a capital gain designated to a Unitholder on a redemption of Units that is greater than the Unitholder's accrued gain on those Units, where the Unitholders' proceeds of disposition are reduced by the designation. If such proposed amendments to the Tax Act are enacted in their current form, any taxable capital gains that would otherwise have been designated to redeeming unitholders may be made payable to the remaining, non-redeeming Unitholders to ensure the Fund will not be liable for non-refundable income tax thereon. Accordingly, the amounts of taxable distributions made to non-redeeming Unitholders of the Fund may be greater than they would have been in the absence of such amendments.

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.

## *Merger*

In connection with the Merger (as defined in the Prospectus), 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.

## **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 investor 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.

## **Taxation of Capital Gains and Capital Losses**

One-half of any capital gain realized by an investor 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 an investor will be included in the investor's income as a taxable capital gain. One-half of a capital loss will be an allowable capital loss realized by an investor that will be deducted from taxable capital gains subject to and in accordance with detailed rules in 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 an RESP or certain withdrawals from an RDSP) will generally be subject to tax. To the extent liquidation of the bitcoin of the Fund is not practicable upon termination of the Fund, any bitcoin received by a Unitholder on such termination would not be a qualified investment for Registered Plans.

## **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 and which have agreed to such bilateral exchange with Canada 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 Class A Units is subject to certain risk factors which prospective investors should consider before purchasing Units. Before deciding to invest in Class A Units, prospective investors should consider carefully the risks set forth in the accompanying Prospectus under “Risk Factors” and in the other documents incorporated by reference in this Prospectus Supplement and the Prospectus, as updated by the Fund’s subsequent filings with securities regulatory authorities in Canada.

## **INTEREST OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon by Osler, Hoskin & Harcourt LLP on behalf of the Fund and Blake, Cassels & Graydon LLP on behalf of the Agent. As of the date hereof, the partners and associates of Osler, Hoskin & Harcourt LLP as a group, and the partners and associates of Blake, Cassels & Graydon LLP as a group, each own less than one percent of the outstanding Class A Units of the Fund.

The auditor of the Fund is Raymond Chabot Grant Thornton LLP, who has prepared an independent auditor’s report dated September 9, 2020 in respect of the interim financial statements of the Fund as at and for the period ended June 30, 2020. Raymond Chabot Grant Thornton LLP has advised that they are independent with respect to the Fund within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

## **TRANSFER AGENT AND REGISTRAR, CUSTODIAN, SUB-CUSTODIAN, AUDITOR AND ADMINISTRATOR**

Computershare Investor Services Inc. is the registrar and transfer agent for the Units.

Cidel Trust Company is the custodian of the assets of the Fund. The Custodian is a federally regulated trust company based in Calgary, Alberta and will provide services to the Fund from its office in Toronto, Ontario. The Custodian is a wholly-owned subsidiary of Cidel Bank Canada, a Schedule II Bank regulated by the Office of the Superintendent of Financial Institutions. The Custodian will be 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).

Gemini Trust Company, LLC acts as sub-custodian of the Fund in respect of the Fund's holdings of bitcoin. The Sub-Custodian 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.

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

SGGG Fund Services Inc. provides 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.

### **PURCHASERS' STATUTORY RIGHTS**

The following is a description of a purchaser's statutory rights in connection with any purchase of Class A Units pursuant to the Offering, which supersedes and replaces the statement of purchasers' rights included in the Prospectus. A purchaser's rights and remedies under applicable securities legislation against the Agent will not be affected by the Agent's decision to effect the distribution directly or through a selling agent.

Securities legislation in some provinces and territories of Canada provides purchasers of securities with the right to withdraw from an agreement to purchase securities and with remedies for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser are not sent or delivered to the purchaser. However, purchasers of the Class A Units distributed under an at-the-market distribution by the Fund do not have the right to withdraw from an agreement to purchase the Class A Units and do not have remedies of rescission or, in some jurisdictions, revisions of the price, or damages for non-delivery of the prospectus, prospectus supplement, and any amendment relating to the Units purchased by such purchaser because the prospectus, prospectus supplement, and any amendment relating to the Class A Units purchased by such purchaser will not be sent or delivered, as permitted under Part 9 of National Instrument 44-102 - *Shelf Distributions*.

Securities legislation in some provinces and territories of Canada further provides purchasers with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contains a misrepresentation. Those remedies must be exercised by the purchaser within the time limit prescribed by securities legislation. Any remedies under securities legislation that a purchaser of the Class A Units distributed under an at-the-market distribution by the Fund may have against the Fund or the Agent for rescission or, in some jurisdictions, revisions of the price, or damages if the prospectus, prospectus supplement, and any amendment relating to securities purchased by a purchaser contain a misrepresentation will remain unaffected by the non-delivery of the prospectus referred to above.

The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.



**CERTIFICATE OF THE AGENT**

: July 9, 2021

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this prospectus supplement as required by the securities legislation of each of the provinces and territories of Canada.

**CANACCORD GENUITY CORP.**

By: "*Michael Shuh*"