

ETHEREUM CLASSIC INVESTMENT TRUST

A Delaware Trust

Sponsored by

Grayscale Investments, LLC
636 Avenue of the Americas
New York, New York 10011
Telephone: (212) 668-1427
Facsimile: (212) 937-3645

Primary Standard Industrial Code: 6221

OTC MARKETS GROUP INFORMATION AND DISCLOSURE STATEMENT

Shares Representing Common Units of Fractional Undivided Beneficial Interest
No Par Value Per Share
Unlimited Shares Authorized
3,646,400 Shares Issued and Outstanding as of December 31, 2017

OTCQX: ETCG

Grayscale Investments, LLC (the “Sponsor”), on behalf of Ethereum Classic Investment Trust (the “Trust”), is responsible for the content of this Information and Disclosure Statement (the “Disclosure Statement”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. Premier marketplace. The information contained in this Disclosure Statement has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.

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

Dated as of April 30, 2018

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Exhibit 2	Second Amended and Restated Declaration of Trust and Trust Agreement of Ethereum Classic Investment Trust, dated as of February 28, 2018.

Cautionary Note Regarding Forward-Looking Statements

This Disclosure Statement contains “forward-looking statements” with respect to the Trust’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Disclosure Statement that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Trust’s operations, the Sponsor’s plans and references to the Trust’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors.” Whether or not actual results and developments will conform to the Sponsor’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Disclosure Statement, including the particular risks associated with new technologies such as Ethereum Classic and blockchain;
- the inability to redeem Shares;
- the economic conditions in the ETC industry and market;
- general economic, market and business conditions;
- the use of technology by us and our vendors, including the Key Maintainer, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Disclosure Statement are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Sponsor anticipates will be realized or, even if substantially realized, that they

will result in the expected consequences to, or have the expected effects on, the Trust's operations or the value of the Shares. Should one or more of these risks discussed in "Risk Factors" or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Sponsor's beliefs, estimates and opinions on the date the statements are made and neither the Trust nor the Sponsor is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Trust, the Sponsor, nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

Glossary

In this Disclosure Statement, each of the following terms has the meaning assigned to it here:

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

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

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

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

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

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

“Authorized Participant Self-Administered Account” — An ETC wallet address that is recognized by the Sponsor and the Key Maintainer as belonging to the Authorized Participant.

“Backup Contingency” — The Backup Maintainer’s receipt of (i) a notice in writing from the Trust certifying the Trust’s inability to reasonably effect transactions involving the ETC Account or (ii) a court order that states that the Trust is unable to reasonably effect transactions involving the ETC Account and identifies a Restore Party, which court order the Backup Maintainer believes, in good faith and after confirming with legal counsel, is valid.

“Backup Factor” — A Security Factor of the ETC Account held by a Backup Maintainer that, alone, is insufficient to effect transfers from the ETC Account but together with other Security Factors in existence and not held by the Backup Maintainer will allow transfers from the Account.

“Backup Maintainer” — Persons who are engaged by the Sponsor to assist in the maintenance of the Trust’s ETC.

“Backup Security Factor Agreements” — The backup security factor agreements entered into between the Trust and each Backup Maintainer providing for the security of the Trust’s ETC through a multi-factor security system.

“Basket” — A block of 100 Shares.

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

“Bitcoin” or “XBT” — A decentralized digital currency that is issued by, and transmitted through, a digital protocol using cryptographic security known as the Bitcoin network.

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

“CEA” — Commodity Exchange Act of 1936, as amended.

“CFTC”—The U.S. Commodity Futures Trading Commission, an independent agency with the mandate to regulate commodity futures and option markets in the United States.

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

“Covered Person” — As defined in the section “Description of the Trust Documents—Description of the Trust Agreement —Fiduciary and Regulatory Duties of the Sponsor.

“Creation Basket” — Basket of Shares issued by the Trust in exchange for the transfer of the Total Basket ETC Amount required for each such Creation Basket.

“DCG” — Digital Currency Group, Inc.

“Distributor” — Genesis, or any other person from time to time, who is engaged by the Sponsor to assist in the distribution of the Shares.

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

“ERISA” — Employee Retirement Income Security Act of 1974, as amended.

“ETC” or “Ethereum Classic” — Ethereum Classic tokens, which are a type of digital currency based on an open-source cryptographic protocol existing on the Ethereum Classic Network, comprising units that constitute the assets underlying the Trust’s Shares. See “Overview of the ETC Industry and Market.”

“ETC Account” — An account holding the Trust’s ETC which, in the discretion of the Sponsor, could be an on-blockchain hot or cold wallet or a collection of accounts or sub-accounts maintained by one or more security vendors engaged by the Trust that represent or relate to on-blockchain ETC accounts that hold the Trust’s ETC.

“ETC Benchmark Exchange” — An ETC Exchange that represents at least 10% of the aggregate trading volume of the ETC during the last 30 consecutive calendar days and that to the knowledge of the Sponsor are in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures, of such ETC Exchange’s applicable jurisdiction; If there are fewer than three individual ETC Benchmark Exchanges each of which represent at least 10% of the aggregate trading volume on the ETC Exchange Market during the last 30 consecutive calendar days, then the ETC Benchmark Exchanges that will serve as the basis for the ETC Index Price calculation will be those ETC Benchmark Exchanges that meet the above-described requirements, as well as one or more additional ETC Exchanges, as selected by the Sponsor, that has had a monthly trading volume of at least 1,000,000 ETC during the last 30 consecutive calendar days.

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

“ETC Exchange Market” — The global exchange market for the trading of ETC, which consists of transactions on electronic ETC Exchanges.

“ETC Holdings” — The aggregate value, expressed in U.S. Dollars, of the Trust’s assets (other than U.S. Dollars or other fiat currency), less its liabilities (which include estimated accrued but unpaid fees and expenses), calculated in the manner set forth under “Valuation of ETC and Definition of the Trust’s ETC Holdings.” See also “Key Operating Metrics” for a description of the Trust’s NAV.

“ETC Holdings Fee Basis Amount” — The amount on which the Sponsor’s Fee is based, as calculated in the manner set forth under “Valuation of ETC and Definition of ETC Holdings.”

“ETC Index Price” — The U.S. Dollar value of an ETC derived from the ETC Exchanges that are reflected in the Index, calculated at 4:00 p.m., New York time, on each business day. See “Overview of the ETC Industry and Market—ETC Value—The Index and the ETC Index Price” for a description of how the ETC Index Price is calculated.

“ETH” — Ether tokens, which are a type of digital currency based on an open source cryptographic protocol existing on the Ethereum Network. See “Overview of the ETC Industry and Market.”

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

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

“Evaluation Time” — Each business day at 4:00 p.m., New York time, or as soon thereafter as practicable.

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

“FDIC” — The Federal Deposit Insurance Corporation.

“FinCEN” — The Financial Crimes Enforcement Network, a bureau of the U.S. Department of the Treasury.

“FINRA” — The Financial Industry Regulatory Authority, Inc., which is the primary regulator in the United States for broker-dealers, including Authorized Participants.

“GAAP” — United States Generally Accepted Accounting Principles

“Independent Auditor” — Friedman LLP.

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

“ICO” — Initial coin offering.

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

“Index”— The TradeBlock ECX Index.

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

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

“Initial Purchasers” — Genesis, Barry E. Silbert and North Island LLC, the purchasers of the initial Baskets.

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

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

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

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

“IRS” — The U.S. Internal Revenue Service, a bureau of the U.S. Department of the Treasury.

“Key Maintainer” — Ledger SAS, who is engaged by the Sponsor to assist in the maintenance of the Trust’s ETC.

“Key Maintenance Agreement” — The key maintenance agreement entered into by the Trust and the Key Maintainer providing for the security of the Trust’s ETC through a multi-factor security system.

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

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

“Mt. Gox” — Mt. Gox K.K., formerly a Japan-based Bitcoin exchange.

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

“NYDFS” — The New York State Department of Financial Services.

“NYDTF” — The New York State Department of Taxation and Finance.

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

“OTCQX Fees” — The fees outlined by Part 5 of the OTCQX Rules for U.S. Companies, as amended from time to time.

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

“Protected Coins” — ETC held in the ETC Account.

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

“Restore Party” — The person or party that the Trust or a court with jurisdiction, as applicable, has chosen to receive the Backup Factors after a Backup Contingency.

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

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

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

“Security Factor” — A password, key or phrase that, together with other Security Factors, allows transfers of ETC.

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

“Shareholder” — Any person that owns Shares.

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

“SIPC” — The Securities Investor Protection Corporation.

“Sponsor” — Grayscale Investments, LLC.

“Sponsor-paid Expenses”— The fees and expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, that the Sponsor is obligated to assume and pay, including the Marketing Fee; the Administrator Fee, if any; fees payable to the Key Maintainer, the Backup Maintainers and any other security vendor engaged by the Trust; the Transfer Agent Fee; the Trustee fee; the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year; ordinary-course legal fees and expenses; audit fees; regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act; printing and mailing costs; costs of maintaining the Trust’s website; and applicable license fees.

“Sponsor’s Fee” — A fee, payable in ETC which accrues daily in U.S. Dollars at an annual rate of 3.0% of the ETC Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day, provided that for a day that is not a business day, the calculation will be based on the most recently calculated ETC Holdings Fee Basis Amount, as adjusted to reflect the calculation of the Sponsor’s Fee for all days prior to the relevant calculation date.

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

“Total Basket ETC Amount” — With respect to any creation or redemption order, the applicable Basket ETC Amount multiplied by the number of Baskets being created or redeemed.

“Transfer Agency and Service Agreement” — The agreement between the Sponsor and the Transfer Agent which sets forth the obligations and responsibilities of the Transfer Agent with respect to transfer agency services and related matters.

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

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

“Trust” — The Ethereum Classic Investment Trust, a Delaware statutory trust, formed on April 18, 2017 under the DSTA and the pursuant to the Trust Agreement.

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

“Trustee” — Delaware Trust Company, a Delaware trust company, is the Delaware trustee of the Trust.

“Turing-complete” — Any system or programming language capable of running any algorithm, no matter how complex, if given the necessary time and memory required, assuming that such algorithm is, in fact, computable.

“U.S.” — United States.

“U.S. Dollar,” “USD” or “\$” — United States Dollar or Dollars.

PART A. GENERAL COMPANY INFORMATION

Item 1. The Exact Name of the Issuer and Its Predecessor (if any).

The name of the trust is the Ethereum Classic Investment Trust.

Item 2. The Address of the Issuer's Principal Executive Offices.

The address of the Sponsor is: Grayscale Investments, LLC
636 Avenue of the Americas
New York, New York 10011

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

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

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

Investor relations contact: Michael Sonnenshein
Grayscale Investments, LLC
636 Avenue of the Americas
New York, New York 10011
Telephone: (212) 668-1427
Facsimile: (212) 937-3645
Email: info@grayscale.co

Item 3. The Jurisdiction(s) and Date of the Issuer's Incorporation or Organization.

The Trust was formed as a statutory trust in the State of Delaware on April 18, 2017.

PART B. SHARE STRUCTURE

Item 4. The Exact Title and Class of Securities Outstanding.

The only class of securities outstanding is common units of fractional undivided beneficial interest (“**Shares**”), which represent ownership in the Trust. The Trust’s trading symbol on the OTCQX is “ETCG” and CUSIP number for the Trust’s Shares is 297644106.

Item 5. Par or Stated Value and Description of the Security.

A. Par or Stated Value

The Shares represent units of fractional undivided beneficial interest in and ownership of the Trust and have no par value.

B. Common or Preferred Stock

The Trust is authorized to issue an unlimited number of Shares. The Trust issues Shares only in Baskets (a Basket being a block of 100 Shares) and only upon the order of an Authorized Participant. The Shares represent common units of fractional undivided beneficial interest in, and ownership of, the Trust and have no par value.

The Shares may be purchased from the Trust or redeemed on a continuous basis, but only upon the order of Authorized Participants and only in blocks of 100 Shares, or Baskets. The Trust creates and redeems the Shares on a continuous basis, but only in Baskets. Initially, each Share represented one ETC. As of February 28, 2018, each Share represented 0.97 of one ETC. Shareholders that are not Authorized Participants may not purchase from the Trust (or, if then permitted, redeem) Shares or Baskets.

Description of Limited Rights; Voting by Shareholders

The Shares do not represent a traditional investment and should not be viewed as similar to “shares” of a corporation operating a business enterprise with management and a board of directors. A Shareholder will not have the statutory rights normally associated with the ownership of shares of a corporation. Each Share is transferable, is fully paid and non-assessable and entitles the holder to vote on the limited matters upon which Shareholders may vote under the Trust Agreement. For example, Shareholders do not have the right to elect directors and will not receive dividends. The Shares do not entitle their holders to any conversion or pre-emptive rights or, except as discussed below, any redemption rights or rights to distributions.

The Shareholders take no part in the management or control of the Trust, and have no voice in the operation of the business of the Trust. Under the Trust Agreement, Shareholders have limited voting rights. For example, in the event that the Sponsor withdraws, a majority of the Shareholders may elect and appoint a successor sponsor to carry out the affairs of the Trust. In addition, no amendments to the Trust Agreement that materially adversely affect the interests of Shareholders may be made without the vote of at least a majority (over 50%) of the Shares (not

including any Shares held by the Sponsor or its affiliates). However, the Sponsor may make any other amendments to the Trust Agreement in its sole discretion without Shareholder consent provided that the Sponsor provides 20 days' notice of any such amendment.

Redemption of Shares

Redemptions of Shares are currently not permitted and the Trust is unable to redeem Shares. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. ***The Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.***

Even if such relief is sought, no assurance can be given as to the timing of such relief or that such relief will be granted. If such relief is granted and the Sponsor approves a redemption program, the Shares will be redeemable only in accordance with the provisions of the Trust Agreement and the relevant Participant Agreement. See “Risk Factors—Risk Factors Related to the Trust and the Shares—The arbitrage mechanism intended to keep the price of the Shares closely linked to the ETC Index Price may not function properly due to multiple factors and the Shares may trade at a discount to, or premium over, the ETC Holdings per Share” and “Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares.”

Transfer Restrictions

The Shares are restricted securities that may not be resold except in transactions exempt from registration under the Securities Act and state securities laws and any such transaction must be approved by the Sponsor. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void *ab initio*. ***A minimum one year holding period will apply to all Shares purchased.***

No assurances are given that after the one year holding period, there will be any market for the resale of Shares, or, if there is such a market, as to the price at such Shares may be sold into such a market.

On a monthly basis, the Trust will aggregate the Shares that have been held over a year by non-affiliates of the Trust to assess whether the Rule 144 transfer restriction legends may be removed. Any Shares that qualify for the removal of the Rule 144 transfer restriction legends are presented to outside counsel, who may instruct the Transfer Agent to remove the transfer restriction legends from the Shares, allowing the Shares to then be resold without restriction. The outside counsel requires that certain representations be made, providing that:

- the Shares subject to each sale have been held for more than a year by the selling Shareholder;
- the Shareholder is the sole beneficial owner of the Shares;

- the Sponsor is aware of no circumstances in which the Shareholder would be considered an underwriter or engaged in the distribution of securities for the Trust;
- none of the Shares are subject to any agreement granting any pledge, lien, mortgage, hypothecation, security interest, charge, option or encumbrance;
- none of the identified selling Shareholders is an affiliate of the Sponsor;
- the Sponsor consents to the transfer of the Shares; and
- outside counsel and the Transfer Agent can rely on the representations.

In addition, because the Trust Agreement prohibits the transfer or sale of Shares without the prior written consent of the Sponsor, the Sponsor must provide a written consent that explicitly states that it irrevocably consents to the transfer and resale of the Shares. Once the transfer restriction legends have been removed from a Share and the Sponsor has provided its written consent to the transfer of that Share, no consent of the Sponsor is required for future transfers of that particular Share.

Book-Entry Form

Shares will be held primarily in book-entry form by the Transfer Agent. The Sponsor or its delegate will direct the Transfer Agent to credit the number of Creation Baskets (or, if the Trust receives the required permissions and the Sponsor subsequently decides to commence a redemption program, debit the number of Redemption Baskets) to the applicable Authorized Participant. The Transfer Agent will issue Creation Baskets (and, if permitted, cancel Redemption Baskets). Transfers will be made in accordance with standard securities industry practice. The Sponsor may issue Shares in certificated form in limited circumstances in its discretion.

Distributions

Pursuant to the terms of the Trust Agreement, the Trust may make distributions on the Shares in cash or in kind, including in such form as is necessary or permissible for the Trust to facilitate Shareholders' access to any Incidental Rights or to virtual currencies underlying such Incidental Rights.

In addition, if the Trust is terminated and liquidated, the Sponsor will distribute to the Shareholders any amounts of the cash proceeds of the liquidation remaining after the satisfaction of all outstanding liabilities of the Trust and the establishment of reserves for applicable taxes, other governmental charges and contingent or future liabilities as the Sponsor will determine. See "Description of the Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust." Shareholders of record on the record date fixed by the Transfer Agent for a distribution will be entitled to receive their pro rata portions of any distribution.

Item 6. The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized.

As of December 31, 2017, the Trust had unlimited Shares authorized. As of December 31, 2017, there were 3,646,400 Shares issued and outstanding.

The following table shows the number of the Shares outstanding:

	As of December 31, 2017
(i) Number of shares authorized	Unlimited
(ii) Number of shares outstanding	3,646,400
(iii) Number of shares freely tradable (public float)	0
(iv) Number of holders of record	147

Item 7. The Name and Address of the Transfer Agent.

The Trust's transfer agent is Continental Stock Transfer & Trust Company (the "**Transfer Agent**"). The Transfer Agent's address is 1 State Street, 30th Floor, New York, New York 10004, and its telephone number is (212) 509-4000. Continental Stock Transfer & Trust Company is registered under the Securities Exchange Act and is regulated by the SEC.

PART C. BUSINESS INFORMATION

Item 8. The Nature of the Issuer's Business.

A. Business Development

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

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

Trust Objective

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

At this time, the Trust is not operating a redemption program for Shares and therefore Shares are not redeemable by the Trust. In addition, the Trust may halt creations for extended periods of time. As a result, the value of the Shares of the Trust may not approximate, and if traded on any Secondary Market, the Shares may trade at a substantial premium over, or discount to, the value of the ETC held by the Trust, less the Trust's expenses and other liabilities. This is because Authorized Participants may not be able to take advantage of arbitrage opportunities created when the market value of the Shares deviates from the value of the Trust's

ETC Holdings per Share, which may cause the Shares to trade at a substantial premium to the value of ETC held by the Trust. For a discussion of risks relating to the current unavailability of a redemption program, see “Risk Factors—Risk Factors Related to the Trust and the Shares—If Authorized Participants are able to purchase or sell large aggregations of ETC in the open market at prices that are different than the ETC Index Price, the arbitrage mechanism intended to keep the price of the Shares closely linked to the ETC Index Price may not function properly and the Shares may trade at a discount or premium to the ETC Holdings per Share” and “Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares.”

Strategy Behind the Shares

The Shares are intended to offer investors an opportunity to participate in ETC markets through an investment in securities. As of February 28, 2018, each Share represented 0.97 of one ETC. The logistics of accepting, transferring and safekeeping of ETC are dealt with by the Sponsor, the Key Maintainer and the Backup Maintainers, and the related expenses are built into the price of the Shares. Therefore, Shareholders do not have additional tasks or costs over and above those generally associated with investing in any other privately placed security.

The Shares are intended to provide institutional and retail investors with a simple and cost-effective means, with minimal credit risk, of gaining investment benefits similar to those of directly holding ETC. The Shares offer an investment that is:

- *Easily Accessible and Relatively Cost Efficient.* Investors in the Shares can also directly access ETC markets through the ETC Exchange Market. The Sponsor believes that investors will be able to more effectively implement strategic and tactical asset allocation strategies that use ETC by using the Shares instead of directly purchasing and holding ETC, and for many investors, transaction costs related to the Shares will be lower than those associated with the direct purchase, storage and safekeeping of ETC.
- *Minimal Credit Risk.* The Shares represent an interest in actual ETC owned by the Trust. The Trust’s ETC are not subject to borrowing arrangements with third parties or to counterparty or credit risks.
- *Safekeeping System.* The Key Maintainer and the Backup Maintainers have been appointed to, together with the Sponsor, secure the Trust’s ETC through a multi-factor security system that prevents the Sponsor, Trust, Key Maintainer or Backup Maintainers from having the unilateral ability to transfer the Trust’s ETC. The hardware, software, administration and continued technological development that are used by the Sponsor, the Key Maintainer and the Backup Maintainers may not be available or cost-effective for many investors.

The Trust differentiates itself from competing digital currency financial vehicles, to the extent that such digital currency financial vehicles may develop, in the following ways:

- *Directly Held ETC.* The Trust directly owns actual ETC held on the Blockchain, with the security facilitated by the Sponsor, Key Maintainer and Backup Maintainers. The direct ownership of ETC is not subject to counterparty or credit risks. This may differ from other digital currency financial vehicles that provide ETC exposure through other means, such as the use of financial or derivative instruments.
- *Sponsor's Fee.* The Sponsor's Fee is a competitive factor that may influence an investor's decision to purchase Shares.

1. The form of organization of the issuer.

The Trust is a Delaware statutory trust.

2. The year that the issuer (or any predecessor) was organized.

The Trust was formed on April 18, 2017.

3. The issuer's fiscal year end date.

The Trust's fiscal year end date is December 31.

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.

The Trust has not been in, and is not in the process of, any bankruptcy, receivership or any similar proceeding since its inception.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.

The Trust has not undergone any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets since its inception.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments.

The Trust has not experienced any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Trust to make payments since its inception.

7. Any change of control.

The Trust has not experienced any change of control since its inception.

8. Any increase of 10% or more of the same class of outstanding equity securities.

The Trust has experienced increases of more than 10% of the same class of outstanding equity securities since inception of the Trust (April 18, 2017). The Trust is an investment trust that has no limit on the number of shares that can be issued. The Trust publishes the total number of shares outstanding as of the end of each month on the Sponsor's website at www.grayscale.co.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

There are no past or pending stock splits, stock dividends, recapitalizations, mergers, acquisitions, spin-offs, or reorganizations since the Trust's inception.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.

There has not been any delisting of the Trust's securities by any securities exchange or deletion from the OTC Bulletin Board.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

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

B. Business of Issuer.

OVERVIEW OF THE ETC INDUSTRY AND MARKET

Introduction to ETC and the Ethereum Classic Network

ETC is a digital asset that is issued by, and transmitted through, the decentralized, open source protocol of the peer-to-peer Ethereum Classic Network. The Ethereum Classic Network is a decentralized network of computers that run applications on a custom-built public blockchain that enables developers to create markets, store registries of debts or promises, represent the ownership of property, and move funds in accordance with conditional instructions, all without the involvement of a middle man or counterparty. No single entity owns or operates the Ethereum Classic Network, the infrastructure of which is collectively maintained by a decentralized user base. The blockchain allows people to exchange tokens of value, called ETC. ETC can be used to pay for goods and services, including computational power on the Ethereum Classic Network, or it can be converted to fiat currencies, such as the U.S. Dollar, at rates determined on cryptocurrency exchanges or in individual end-user-to-end-user transactions under a barter system. Furthermore, the Ethereum Classic Network also allows users to write and put on the network smart contracts—that is, general-purpose code that executes on every computer in the network and can instruct the transmission of information and value based on a sophisticated set of logical conditions. The Ethereum Classic Network also allows users to create additional digital currencies. Smart contract operations are executed on the blockchain and cost ETC. The Ethereum Classic Network is one of a number of projects intended to expand blockchain use beyond just a peer-to-peer money system.

The Ethereum Classic Network is the rebranded version of the original Ethereum Network, which was created by Vitalik Buterin and initially developed by the Ethereum Foundation. A beta version of the Ethereum Network’s live blockchain was publicly launched in July 2015, and the initial production version was launched in March 2016. 60,000,000 ETH were pre-sold to early Ethereum Network contributors in 2014 and 12,000,000 ETH were created for the benefit of a development fund focused on the development of the Ethereum Network, which included early contributors and developers and the Ethereum Foundation. In July 2016, the Ethereum Network experienced what is referred to as a permanent hard fork that resulted in two slightly different versions of its blockchain: Ethereum and Ethereum Classic.

In April 2016, a blockchain solutions company known as Slock.it announced the launch of a decentralized autonomous organization, known as “**The DAO**” on the Ethereum Network. The DAO was designed as a decentralized crowdfunding model, in which anyone could contribute ether (“**ETH**”) tokens to The DAO in order to become a voting member and equity stakeholder in the organization. Members of The DAO could then make proposals about different projects to pursue and put them to a vote. By committing to profitable projects, members would be rewarded based on the terms of a smart contract and their proportional interest in The DAO. As of May 27, 2016, \$150 million, or approximately 14% of all ETH outstanding, was contributed to, and invested, in The DAO.

On June 17, 2016, an anonymous hacker exploited The DAO smart contract code to syphon approximately \$60 million, or 3.6 million ETH, into a segregated account. Upon the news of the breach, the price of ETH was quickly cut in half, as investors liquidated their holdings and members of the Ethereum community worked to determine a solution.

In the days that followed, several attempts were made to retrieve the stolen funds and secure the Ethereum Network. However, it soon became apparent that direct interference with the protocol (i.e., a hard fork) might be necessary. The argument for the hard fork was that it would create an entirely new version of the Ethereum blockchain, erasing any record of the theft, and restoring the stolen funds to their original owners. The counterargument was that it would be antithetical to the core principle of immutability, thus compromising a key driver of value for the entire system.

The decision over whether or not to hard fork the Ethereum blockchain was put to a vote amongst Ethereum community members. Holders of less than 6% of the ETH in circulation voted on the matter over a narrow 12-day period, raising questions about whether the decision was truly democratic. On July 15, 2016, a hard fork specification was implemented by the Ethereum Foundation. On July 20, 2016, the Ethereum Network completed the hard fork, and a new version of the blockchain, without recognition of the theft, was born.

After the hard fork, many believed that the original version of the Ethereum blockchain would dissipate entirely. However, a group of miners continued to mine the original Ethereum blockchain for philosophical and economic reasons. On July 20, 2016, the original Ethereum protocol was rebranded as Ethereum Classic, and its native token as Ethereum Classic (“**ETC**”), preserving the untampered transaction history (including The DAO theft).

Following the hard fork of Ethereum into ETH and ETC, each holder of ETH automatically received an equivalent number of ETC tokens. Therefore, the 72,000,000 ETH, which have been rebranded under the token ETC, were created in connection with the crowd funding pre-sale in 2014. All additional ETC have been and will be created through the mining process.

ETC are also created for the miners of a block in the blockchain on a going forward basis for verifying transactions. Mining is the act of using a computer to run computations designed to help build the next block in the Ethereum Classic Blockchain. As a computer solves a complex computational calculation related to the building of a block, its owner is rewarded with ETC tokens. The file includes all blocks that have been solved by miners and is updated to include new blocks as they are solved. See “Overview of the ETC Industry and Market—Creation of New ETC.” As each newly solved block refers back to and “connects” with the immediately prior solved block, the addition of a new block adds to the blockchain in a manner similar to a new link being added to a chain. As each new block records outstanding ETC transactions, and outstanding transactions are settled and validated through such recording, the blockchain represents a complete, transparent and unbroken history of all transactions of the Ethereum Classic Network. Each ETC transaction is broadcast to the Ethereum Classic Network and recorded in the blockchain.

ETC is used to pay for transaction fees and computational services (i.e., smart contracts) on the Ethereum Classic Network; clients of the platform use ETC to pay for the computational power of the machines executing the requested operations. It is an incentive designed to ensure that developers write quality applications (because wasteful code costs more) and that the network remains economically viable (by compensating people for their contributed resources).

ETC is stored or reflected on a digital transaction ledger known as a blockchain, which is a digital file stored in a decentralized manner on the computers of each Ethereum Classic Network user. The Ethereum Classic Network software source code includes the protocols that govern the creation of ETC and the cryptographic system that secures and verifies ETC transactions. The Ethereum Classic Network and its software programs determine the exact ETC balance, if any, of any public ETC address listed in the blockchain as having taken part in a transaction on the Ethereum Classic Network. The Ethereum Classic Network utilizes the blockchain to evidence the existence of ETC in any public ETC address. A private key controls the transfer or “spending” of ETC from its associated public ETC address. An ETC wallet is a collection of private keys and their associated public ETC addresses.

The Ethereum Classic Network is decentralized and does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of ETC. Rather, ETC is created and allocated by the Ethereum Classic Network protocol through a “mining” process subject to a strict, well-known issuance schedule. It is estimated that the supply will level off near 210 million ETC by the year 2070 with a capped maximum of 230 million ETC that can ever enter circulation. The value of ETC is determined by the supply of and demand for ETC on the ETC Exchanges or in private end-user-to-end-user transactions.

Overview of the Ethereum Classic Network’s Operations

In order to own, transfer or use ETC, a person generally must have internet access to connect to the Ethereum Classic Network. ETC transactions may be made directly between end-users without the need for a third-party intermediary. To prevent the possibility of double-spending ETC, a user must notify the Ethereum Classic Network of the transaction by broadcasting the transaction data to its network peers. The Ethereum Classic Network provides confirmation against double-spending by memorializing every transaction in the blockchain, which is publicly accessible and transparent. This memorialization and verification against double-spending is accomplished through the Ethereum Classic Network mining process, which adds “blocks” of data, including recent transaction information, to the blockchain.

Brief Description of ETC Transfers

Prior to engaging in ETC transactions, a user generally must first install on its computer or mobile device an Ethereum Classic Network software program that will allow the user to generate a private and public key pair associated with an ETC address (analogous to an ETC account), commonly referred to as a “wallet.” The Ethereum Classic Network software program and the ETC address also enable the user to connect to the Ethereum Classic Network and engage in the transfer of ETC with other users. The computer of a user that downloads a version of the Ethereum Classic Network software program will become a “node” on the Ethereum

Classic Network that assists in validating and relaying transactions from other users. Each Ethereum Classic Network address consists of a “public key” and a “private key.”

In an ETC transaction, the ETC recipient must provide its public address, or wallet, which serves as a routing number for the recipient on the blockchain, to the party initiating the transfer. This activity is analogous to a recipient for a transaction in a fiat currency providing a routing address in wire instructions to the payor so that cash may be wired to the recipient’s account. The recipient, however, does not make public or provide to the sender its related private key. The payor approves the transfer to the address provided by the recipient by “signing” the transaction request from the recipient with the private key of the address from where the payor is transferring the ETC. The recipient, however, does not provide to the sender its related private key.

Neither the recipient nor the sender reveal their public addresses’ private key in a transaction, because the private key authorizes access to, and transfer of, the funds in that address to other users. Therefore, if a user loses his private key, the user may permanently lose access to the ETC contained in the associated address. Likewise, ETC is irretrievably lost if the private key associated with them is deleted and no backup has been made. When sending ETC, a user’s Ethereum Classic Network software program must validate the transaction with the associated private key. The resulting digitally validated transaction is sent by the user’s Ethereum Classic Network software program to the Ethereum Classic Network to allow transaction confirmation. The private key serves as validation that the transaction has been authorized by the holder of the Ethereum Classic Network’s public address.

Some ETC transfers are conducted “off-blockchain,” and are therefore not recorded in the Ethereum Classic Blockchain. Some “off-blockchain transactions” involve the transfer of control over, or ownership of, a specific digital wallet holding ETC or the reallocation of ownership of certain ETC in a pooled-ownership digital wallet, such as a digital wallet owned by an ETC Exchange. Information and data regarding off-blockchain transactions are generally not publicly available in contrast to on-blockchain transactions, which are publicly recorded on the Ethereum Classic Blockchain. Off-blockchain transactions are not truly ETC transactions in that they do not involve the transfer of transaction data on the Ethereum Classic Network and do not reflect a movement of ETC between addresses recorded in the Ethereum Classic Blockchain. Off-blockchain transactions are subject to risks as any such transfer of ETC ownership is not protected by the protocol behind the Ethereum Classic Network or recorded in and validated through the blockchain mechanism.

Summary of an ETC Transaction

In an on-blockchain ETC transaction between two parties, the following circumstances must be in place: (i) the party seeking to send ETC must have an Ethereum Classic Network public address, and the Ethereum Classic Network must recognize that public address as having sufficient ETC for the transaction; (ii) the receiving party must have an Ethereum Classic Network public address; and (iii) the spending party must have internet access with which to send its spending transaction.

Next, the receiving party must provide the spending party with its public address and allow the Blockchain to record the sending of ETC to that public address.

After the provision of a recipient's Ethereum Classic Network public address, the spending party must enter the address into its Ethereum Classic Network software program along with the number of ETC to be sent. The number of ETC to be sent will typically be agreed upon between the two parties based on a set number of ETC or an agreed upon conversion of the value of fiat currency to ETC. Since every computation on the Ethereum Classic Network requires the payment of ETC, there is a transaction fee involved with the transfer, which is based on computation complexity and not on the value of the transfer and is paid by the payor with a fractional number of ETC.

After the entry of the Ethereum Classic Network address, the number of ETC to be sent and the transaction fees, if any, to be paid, will be transmitted by the spending party. The transmission of the spending transaction results in the creation of a data packet by the spending party's Ethereum Classic Network software program, which is transmitted onto the decentralized Ethereum Classic Network, resulting in the distribution of the information among the software programs of users across the Ethereum Classic Network for eventual inclusion in the Blockchain.

As discussed in greater detail below in "Overview of the ETC Industry and Market—Creation of New ETC," Ethereum Classic Network miners record transactions when they solve for and add blocks of information to the Blockchain. When a miner solves for a block, it creates that block, which includes data relating to (i) the solution to the block, (ii) a reference to the prior block in the Blockchain to which the new block is being added and (iii) transactions that have occurred but have not yet been added to the Blockchain. The miner becomes aware of outstanding, unrecorded transactions through the data packet transmission and distribution discussed above.

Upon the addition of a block included in the Blockchain, the Ethereum Classic Network software program of both the spending party and the receiving party will show confirmation of the transaction on the Blockchain and reflect an adjustment to the ETC balance in each party's Ethereum Classic Network public address, completing the ETC transaction. Once a transaction is confirmed on the Blockchain, it is irreversible.

Smart Contracts

A smart contract is a collection of code (its functions) and data (its state) that resides at a specific address on the blockchain. Contract accounts are able to pass messages between themselves as well as doing Turing complete computation. Contracts live on the blockchain in an Ethereum Classic-specific binary format called Ethereum Virtual Machine bytecode. Smart contracts can interact with other contracts, execute or instruct action, store data, and send ETC to others. Contracts are defined by their creators, but their execution, and by extension the services they offer, is provided by the Ethereum Classic Network itself.

Creation of New ETC

Initial Creation of ETC

The initial creation of ether (ETH) was in connection with a crowd funding transaction in 2014 in which 60,000,000 ETH were pre-sold. Another 12,000,000 ETH were given to the development fund, most of it going to early contributors and developers and the remaining amount to the Ethereum Foundation. Following the hard fork, holders of ETH automatically received an equivalent number of ETC tokens. Therefore, it can be said that of the total outstanding ETC, 72,000,000 were created in connection with the 2014 pre-sale. All additional ETC have been and will be created through the mining process.

Mining Process

The Ethereum Classic Network is kept running by computers all over the world. In order to reward the computational costs of both processing the contracts and securing the network by validating transactions, there is a reward that is given to the computer that was able to create the latest block on the chain. Every 15 seconds, on average, a new block is added to the Blockchain with the latest transactions processed by the network and the computer that generated this block will be awarded five ETC. Due to the nature of the algorithm for block generation, this process (generating a “proof of work”) is guaranteed to be random and rewards are given in proportion to the computational power of each machine.

The process by which ETC is “mined” results in new blocks being added to the Blockchain and new ETC tokens being issued to the miners. Computers on the Ethereum Classic Network engage in a set of prescribed complex mathematical calculations in order to add a block to the Blockchain and thereby confirm ETC transactions included in that block’s data.

To begin mining, a user can download and run Ethereum Classic Network mining software, which, like regular Ethereum Classic Network software programs, turns the user’s computer into a “node” on the Ethereum Classic Network that validates blocks. Each block contains the details of some or all of the most recent transactions that are not memorialized in prior blocks, as well as a record of the award of ETC to the miner who added the new block. Each unique block can be solved and added to the Blockchain by only one miner. Therefore, all individual miners and mining pools on the Ethereum Classic Network are engaged in a competitive process of constantly increasing their computing power to improve their likelihood of solving for new blocks. As more miners join the Ethereum Classic Network and its processing power increases, the Ethereum Classic Network adjusts the complexity of the block-solving equation to maintain a predetermined pace of adding a new block to the Ethereum Classic Blockchain approximately every fifteen seconds. A miner’s proposed block is added to the Ethereum Classic Blockchain once a majority of the nodes on the Ethereum Classic Network confirms the miner’s work. Miners that are successful in adding a block to the Ethereum Classic Blockchain are automatically awarded ETC for their effort and may also receive transaction fees paid by transferors whose transactions are recorded in the block. This reward system is the method by which new ETC enter into circulation to the public.

Modifications to the ETC Protocol

ETC is an open source project with no official developer or group of developers that controls the Ethereum Classic Network. However, the Ethereum Classic Network's development is overseen by a core group of developers. The core developers are able to access and can alter the Ethereum Classic Network source code and, as a result, they are responsible for quasi-official releases of updates and other changes to the Ethereum Classic Network's source code. The release of updates to the Ethereum Classic Network's source code does not guarantee that the updates will be automatically adopted. Users and miners must accept any changes made to the Ethereum Classic Network source code by downloading the proposed modification of the Ethereum Classic Network's source code. A modification of the Ethereum Classic Network's source code is effective only with respect to the Ethereum Classic users and miners that download it. If a modification is accepted by only a percentage of users and miners, a division in the Ethereum Classic Network will occur such that one network will run the pre-modification source code and the other network will run the modified source code. Such a division is known as a "fork." See "Risk Factors—The acceptance of Ethereum Classic Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Ethereum Classic Network could result in a "fork" in the Blockchain, resulting in the operation of two separate networks." Consequently, as a practical matter, a modification to the source code becomes part of the Ethereum Classic Network only if accepted by participants collectively having most of the processing power on the Ethereum Classic Network.

Core development of the ETC source code has increasingly focused on modifications of the Ethereum Classic Network protocol to increase speed and scalability and also allow for non-financial, next generation uses. The Trust's activities will not directly relate to such projects, though such projects may utilize ETC as tokens for the facilitation of their non-financial uses, thereby potentially increasing demand for ETC and the utility of the Ethereum Classic Network as a whole. Conversely, projects that operate and are built within the Blockchain may increase the data flow on the Ethereum Classic Network and could either "bloat" the size of the Ethereum Classic Blockchain or slow confirmation times. At this time, such projects remain in early stages and have not been materially integrated into the Ethereum Classic Blockchain or Ethereum Classic Network.

Limits on ETC Supply

Recognizing the need for a robust economic framework that balances the long-term interests of investors, developers, and business operators alike, key stakeholders in the Ethereum Classic community announced their commitment to implement a new monetary model on March 1, 2017, which became effective in December 2017.

Similar to the policy for Bitcoin, the new policy was built on the fundamental economic principle that the value of an asset is a function of its utility and its scarcity. As such, it establishes a hard cap on the total ETC issuance. The current miner reward of five ETC per block will be reduced by 20% at block number five million, and another 20% every five million blocks thereafter. A block of transactions is confirmed on the Ethereum Classic Network approximately every 15 seconds. Due to slight variations in the block reward rate, it is anticipated that the total

supply of ETC will reach approximately 210 million by 2070 with a capped maximum of 230 million. As of February 28, 2018, approximately 5.5 million blocks have been mined, setting the total ETC outstanding at approximately 100 million.

ETC Value

ETC Exchange Valuation

The value of ETC is determined by the value that various market participants place on ETC through their transactions. The most common means of determining the value of an ETC is by surveying one or more ETC Exchanges where ETC is traded publicly and transparently (e.g., Poloniex, Kraken or Bitfinex).

ETC Exchange Public Market Data

On each online ETC Exchange, ETC is traded with publicly disclosed valuations for each executed trade, measured by one or more fiat currencies such as the U.S. Dollar or Euro or by the widely used cryptocurrency Bitcoin. Additionally, there are over-the-counter dealers or market makers that transact in ETC. The below table reflects the trading volume (in ETC) and market share of the U.S. Dollar-ETC and ETC-XBT trading pairs of each of the ETC Exchanges eligible for inclusion in the Index from April 24, 2017 (date of the first Creation Basket of the Trust) to December 31, 2017, using data reported by each ETC Exchange:

Ethereum Classic Exchanges included in the Index for the period from April 18, 2017 (inception of the Trust) through December 31, 2017	Volume (ETC)	Market Share
Bitfinex	154,490,636	88.51%
Total U.S. Dollar-ETC trading pair	154,490,636	88.51%
 Ethereum Classic Exchanges included in the Index for the period from April 18, 2017 (inception of the Trust) through December 31, 2017	 Volume (ETC)	 Market Share
Bitfinex	62,634,479	18.55%
Kraken ¹	29,105,410	8.62%
Poloniex	192,711,488	57.06%
Total ETC-XBT trading pair	284,451,377	84.23%

¹ Kraken ETC-XBT trading pair was included in the Index up until October 20, 2017. The Kraken ETC-XBT pair was removed from the Index due to inconsistencies in trade data timestamps.

Forms of Attack Against the Ethereum and Ethereum Classic Networks

All networked systems are vulnerable to various kinds of attacks. As with any computer network, the Ethereum and Ethereum Classic Networks contains certain flaws.

A leaderless, decentralized autonomous organization on the pre-fork Ethereum Network, known as The DAO, was previously hacked. The DAO was formed using a series of smart contracts on the Ethereum Network for the purpose of allowing participants to make investments based on direct voting. It was designed to operate like a venture capital fund empowering its members to fund projects on the Ethereum Network. The DAO raised over \$150 million in ether from the sale of DAO tokens to more than 11,000 members in a crowdfunding transaction. While The DAO was in the process of addressing certain public identified vulnerabilities in its smart contract code, an unknown hacker diverted 3.6 million of the ETC The DAO raised from the sale of its tokens.

In response to this loss, select stakeholders agreed to create a new “hard fork” on the Ethereum Network blockchain which returned the lost ether to the investors in The DAO. The hard fork was the result of a significant change to the underlying Ethereum protocol, which created new rules for the system. In order for Ethereum clients to transition to the new version of the blockchain, they needed to upgrade their Ethereum Network software. Those clients which did not update their software were seen as supporting the original, or Ethereum Classic Network. The decentralized nature of blockchain systems makes a hard fork upgrade more difficult because hard forks in a blockchain require cooperation and communication with the community, as well as with the developers of the various Ethereum clients in order for the transition to go smoothly.

In creating the hard fork, the intent was to have all users of the Ethereum Network migrate to the new version of the protocol, which would result in the ETH held by the hacker in the old blockchain being rendered useless. However, a number of users have continued to support and develop the old blockchain, now referred to as Ethereum Classic, to mine tokens that are now referred to as ETC. ETC is now traded on several cryptocurrency exchanges.

In addition, the Ethereum Network has been subjected to a number of denial of service attacks, which has led to temporary delays in block creation and in the transfer of ETH. Any similar attacks on the Ethereum Classic Network that impact the ability to transfer ETC could have a material adverse effect on the price of ETC and the value of an investment in the Shares.

Market Participants

Miners

Miners range from ETC enthusiasts to professional mining operations that design and build dedicated machines and data centers, including mining pools, which are groups of miners that act

cohesively and combine their processing to solve blocks. When a pool solves a new block, the pool operator receives the ETC and, after taking a nominal fee, splits the resulting reward among the pool participants based on the processing power each of them contributed to solve for such block. Mining pools provide participants with access to smaller, but steadier and more frequent, ETC payouts. See “—Creation of New ETC.”

Investment and Speculative Sector

This sector includes the investment and trading activities of both private and professional investors and speculators. Historically, larger financial services institutions are publicly reported to have limited involvement in investment and trading in digital assets, although the participation landscape is beginning to change.

Retail Sector

The retail sector includes users transacting in direct peer-to-peer ETC transactions through the direct sending of ETC over the Ethereum Classic Network. The retail sector also includes transactions in which consumers pay for goods or services from commercial or service businesses through direct transactions or third-party service providers, although the use of ETC as a means of payment is still developing and has not been accepted in the same manner as Bitcoin due to ETC’s relative infancy and because ETC has a slightly different purpose than Bitcoin.

Service Sector

This sector includes companies that provide a variety of services including the buying, selling, payment processing and storing of ETC. Poloniex, Kraken, and Bitfinex are three of the largest ETC Exchanges by volume traded that meet the Index Provider’s eligibility criteria. Ledger SAS, the Key Maintainer for the Trust, is a multi-service security technology company that provides digital wallets that store ETC for users. As the Ethereum Classic Network continues to grow in acceptance, it is anticipated that service providers will expand the currently available range of services and that additional parties will enter the service sector for the Ethereum Classic Network.

Competition

More than 1,500 other digital assets have been developed since the inception of Bitcoin, currently the most developed digital asset because of the length of time it has been in existence, the investment in the infrastructure that supports it, and the network of individuals and entities that are using Bitcoin in transactions. While ETC has enjoyed some success in its limited history, the aggregate value of outstanding ETC is much smaller than that of Bitcoin and may be eclipsed by the more rapid development of other digital assets.

Government Oversight

As digital currencies such as ETC have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies (including FinCEN, SEC, CFTC,

FINRA, the Consumer Financial Protection Bureau (“CFPB”), the Department of Justice, the Department of Homeland Security, the Federal Bureau of Investigation, the IRS and state financial institution regulators) have been examining digital currencies, with particular focus on the extent to which digital currencies can be used to launder the proceeds of illegal activities or fund criminal or terrorist enterprises and the safety and soundness of exchanges or other service providers that take custody of digital currencies for users. Many of these state and federal agencies have issued consumer advisories regarding the risks posed to investors in digital currencies. In addition, federal and state agencies, and other regulatory bodies in other countries have issued rules or guidance about the treatment of digital currency transactions or requirements for businesses engaged in digital currency activity. In addition, the SEC, U.S. state securities regulators and several foreign governments have issued warnings that digital currencies sold in ICOs may be classified as securities and that both those digital currencies and ICOs may be subject to securities regulations. Additionally, U.S. state and federal, and foreign regulators and legislatures have taken action against digital currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from digital currency activity with respect to digital currencies. Ongoing and future regulatory actions may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate.

In 2013 guidance, FinCEN took the position that any administrator or exchanger of convertible digital currencies must register with FinCEN as a money transmitter and must comply with the anti-money laundering regulations applicable to money transmitters. FinCEN subsequently issued several interpretive letters clarifying which entities would be considered administrators or exchangers and which would be considered mere “users” not subject to registration. In 2015, FinCEN, working in coordination with the U.S. Attorney’s Office for the Northern District of California, assessed a \$700,000 fine against Ripple Labs for violating several requirements of the Bank Secrecy Act by acting as a money services business and selling XRP without registering with FinCEN, and by failing to implement and maintain an adequate anti-money laundering program. In 2017, FinCEN assessed a \$110 million fine against BTC-E, a now defunct digital currency, for similar violations. The requirement that exchangers that do business in the United States register with FinCEN and comply with anti-money laundering regulations may increase the cost of buying and selling digital currencies and therefore may adversely affect their price.

In 2015, the NYDFS finalized a rule that requires most businesses involved in digital currency business activity in or involving New York, excluding merchants and consumers, to apply for a license, commonly known as a BitLicense, from the NYDFS and to comply with anti-money laundering, cyber security, consumer protection, and financial and reporting requirements, among others. As an alternative to the BitLicense in New York, firms can apply for a charter to become limited purpose trust companies qualified to engage in digital currency business activity.

Other states have considered regimes similar to the BitLicense (for example, a bill in California would impose a similar regime), or have required digital currency businesses to register with their states as money transmitters, such as Washington and Georgia, which results

in digital currency businesses being subject to requirements similar to those of NYDFS' BitLicense regime. Certain state regulators, such as the Texas Department of Banking, Kansas Office of the State Bank Commissioner and the Illinois Department of Financial and Professional Regulation, have found that mere transmission of Bitcoin, without activities involving transmission of fiat currency, does not constitute money transmission requiring licensure. New Hampshire has similarly passed into law a bill that exempts persons who engage solely in the transmission of virtual currency from the state's money transmission regulations. The North Carolina Commissioner of Banks has issued guidance providing that North Carolina's money transmission regulations only apply to the transmission of digital currency and not its use. Legislation has been passed in Wyoming that allows exempt tokens issued on an open blockchain from Wyoming's money transmitter and securities laws, as long as the token has not been marketed as an investment and is exchangeable for goods or services.

The inconsistency in applying money transmitting licensure requirements to certain businesses may make it more difficult for these businesses to provide services, which may affect consumer adoption of digital currencies and their price. In an attempt to address these issues, the Uniform Law Commission passed a model law in July 2017, the Uniform Regulation of Virtual Currency Businesses Act, which has many similarities to the BitLicense and features a multistate reciprocity licensure feature, wherein a business licensed in one state could apply for accelerated licensure procedures in other states. It is still unclear, however, how many states, if any, will adopt some or all of the model legislation.

The SEC has not asserted regulatory authority over the Ethereum Classic Network or trading or ownership in ETC and has not expressed the view that these digital currencies should be classified or treated as securities for purposes of U.S. federal securities laws. However, the SEC has commented on Bitcoin and Bitcoin-related market developments and has taken action against investment schemes involving Bitcoin. For example, in the SEC's recent review of proposed rule changes to list and trade shares of certain Bitcoin-related investment vehicles on public markets, it has stated that the Bitcoin markets are not properly regulated. The SEC asserts that this results in the public markets' inability to enter into surveillance-sharing agreements that help address concerns regarding fraudulent or manipulative acts and practices. Additionally, the SEC recently determined that tokens issued by The DAO, are securities under the U.S. securities laws. The SEC reasoned that the unregistered sale of digital currency tokens can, in certain circumstances, including ICOs, be considered illegal public offering of securities. The SEC could make a similar determination with respect to digital tokens distributed in other ICOs or token sales.

If the SEC were to determine that ETC is a security, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under U.S. federal securities laws, including the Investment Company Act and, with respect to the Sponsor, the Investment Advisers Act.

The CFTC treats digital currencies as "commodities" under the Commodity Exchange Act, thereby asserting jurisdiction over futures, swaps, and other CFTC-regulated derivatives that reference digital currencies. The CFTC has not, to date, taken the view that digital currencies are a "commodity interest," which is defined under the Commodity Exchange Act to include futures,

swaps, and other derivatives based on commodities. Commodity interests are subject to CFTC regulation and thus, if one or more digital currencies were to be deemed a commodity interest by the CFTC, the Trust and the Sponsor would be subject to additional regulatory and compliance requirements under the Commodity Exchange Act and CFTC regulations, including additional periodic report and disclosure standards and requirements. Moreover, the Sponsor may be required to operate the Trust as a commodity pool operator or a commodity trading adviser registered with the CFTC through the National Futures Association. Such additional registrations may result in extraordinary expenses of the Trust, and adversely impact the value of the Shares. If the Sponsor determined not to comply with such additional regulatory and registration requirements, the Sponsor would dissolve and liquidate the Trust. Any such termination could result in the liquidation of the Trust's digital currencies at a time that is disadvantageous to a holder of the Shares.

Additionally, digital currencies currently face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China, the United Kingdom, Australia, Japan, Russia, Israel, Poland, India, Hong Kong, Canada and Singapore. While certain governments have issued guidance as to how to treat ETC, most regulatory bodies have not yet issued official statements regarding their intention to regulate or determinations on regulation of digital currencies, user or networks.

Germany, where the Ministry of Finance declared in 2013 digital currencies such as ETC to be "Rechnungseinheiten" (a form of private money that is recognized as a unit of account, but not recognized in the same manner as fiat currency), was early to issue such guidance. In October 2015, the European Court of Justice ruled that digital currency transactions throughout the European Union should be treated as a traditional currency transactions and not be subject to value-added tax. In addition, members of the European Parliament and the European Commission have proposed but have not yet adopted expansions of the EU's Anti-Money Laundering Directive to include digital currencies that would allow individual EU countries to identify holders of digital currency by their digital currency addresses.

In China, a December 2013 government notice classified digital currencies as "virtual commodities," and not legal tender. The same notice restricted the existing banking and payment industries from using digital currencies, limiting the scope of the operations of digital currencies exchanges in one of the largest digital currencies markets. In January 2017, in response to informal guidance received from the People's Bank of China (the "**PBoC**") concerning the creation of tighter anti-money laundering and foreign exchange controls, the largest China-based digital currency exchanges—BTCC, Huobi and OKCoin—adjusted their terms to pause or limit loan and borrowing services. These three exchanges later introduced a 2% fixed-rate transaction fee for all digital currency buy and sell orders, with similar measures soon adopted by many of China's smaller digital currency exchanges. Digital currency withdrawals were also halted on BTCC, Huobi and OKCoin. In March 2017, the PBoC reaffirmed its commitment to regulating digital currency exchanges and indicated the possibility of licensing a number of qualified exchanges. More recently, certain Chinese exchanges have since been shut down by the Chinese government. There remains significant uncertainty regarding the Chinese government's future actions with respect to the regulation of digital currency and digital currency exchanges. These

events have substantially reduced trading volume on Chinese exchanges. In the United Kingdom, Her Majesty's Treasury announced in 2016 its plan to apply the U.K.'s anti-money laundering regulations to digital currency exchange firms, but not to wallet services that do not offer fiat-to-digital exchange functionality.

The Australian government announced in 2016 its plan to update its anti-money laundering laws to apply to digital currency exchanges, following an inquiry by the government into the country's tax treatment and regulation of Bitcoin. In August 2017, the Australian Ministry of Justice released draft legislation building on this initiative that would, among other things, introduce regulation of digital currency exchanges and the possibility of imprisonment as a penalty for operating an unlicensed exchange.

In Japan, regulations went into effect in April 2017 that recognize digital currencies as a legal method of payment and require market participants, including exchanges, to meet certain compliance requirements and be subject to oversight by the Financial Services Agency, a Japanese regulator.

On December 28, 2017, the South Korean government announced measures to ban the opening of anonymous digital currency accounts, which went into effect beginning on January 30, 2018. Those measures also provide the government with the authority to close digital currency exchanges that do not comply with specified KYC processes. The Chinese and South Korean governments have also banned ICOs, and there are reports that Chinese regulators have taken action to shut down a number of China-based digital currency exchanges. There remains significant uncertainty regarding the Chinese government's future actions with respect to the regulation of digital currency and digital currency exchanges.

Russian regulators indicated in April 2017 their plan to recognize digital currencies as a legitimate financial instrument by 2018, as part of the government's broader efforts to tackle money laundering, standing in sharp contrast with the government's previous attempts to ban the conversion of ETC and other "money surrogates" into fiat currency and impose criminal penalties for such violations. In September 2017, the Bank of Russia released a statement that it would not yet admit digital currencies for trading on official exchanges or for use in clearing and settlement infrastructure.

The government of Israel and the Israel Tax Authority decided in January 2017 to apply capital gains tax to sales of ETC and other digital currencies.

The Polish National Bank and Poland's Financial Supervision Commission issued a joint statement in July 2017 clarifying that digital currencies are not legal tender in Poland and warning that investing in digital currencies carries risks such as price volatility and fraud and that financial institutions should avoid doing business with digital currency exchanges because of money laundering and terrorist financing risks.

Regulatory bodies in some countries such as India have thus far declined to exercise regulatory authority when afforded the opportunity, although an Indian intergovernmental body submitted a report to the Indian Ministry of Finance in August 2017 proposing possible steps

towards regulation of digital currencies. At the other extreme, in 2014, Ecuador, Bolivia, and Bangladesh banned the use of digital currencies.

A number of foreign jurisdictions have, like the SEC, recently opined on the sale of digital currency tokens including through ICOs. The Canadian Securities Administrators issued in August 2017 a staff notice stating that they had found many instances in which digital currency tokens issued through ICOs constituted securities for the purposes of Canadian securities laws. The Monetary Authority of Singapore issued in August 2017 a statement that some digital currency token sales may qualify as securities offerings under Singapore's securities laws, followed by a notice warning prospective investors of the risks associated with unregulated digital currency token sales. The PBoC issued in September 2017 a statement on ICOs, finding that they are unauthorized and illegal public financing activity and ordering digital currency token issuances to stop immediately and listed a number of restrictions on businesses doing business related to tokens or token issuances. In September 2017, Hong Kong's Securities and Futures Commission (the "**SFC**") released a statement that digital tokens offered in an ICO may fall under the definition of securities, and that as a result, dealing in or advising on the digital tokens, or managing or marketing a fund investing in such digital tokens, may constitute a regulated activity requiring registration with the SFC. The SFC's statement also noted that the anonymous basis on which digital tokens involved in ICOs are transacted or held pose money laundering and terrorist financing risks. In February 2018, the Swiss Financial Market Supervisory Authority ("**FINMA**") published ICO guidelines, which categorized tokens into three categories. A token may fall under one or more of the categories set forth below:

- *Payment tokens*, which are akin to regular cryptocurrencies which do not have further functions or external links to other developmental projects;
- *Utility tokens*, which are intended to provide digital access to an application or service; and
- *Asset tokens*, which represent assets such as participations in real physical underlyings, companies, or earnings streams, or an entitlement to dividends or interest payments.

Payment tokens will not be treated as securities, but compliance with anti-money laundering regulations is required. Utility tokens will not be treated as securities only if their sole purpose is to confer digital access rights to an application or service and if the utility token can already be used in this way at the point of issue. If a utility token functions solely or partially as an investment in economic terms, FINMA will treat such tokens as securities. Asset tokens will be considered securities.

Various foreign jurisdictions have, and may continue to, in the near future, adopt laws, regulations or directives that affect the Ethereum Classic Network, the Ethereum Classic Exchange Market, and their users, particularly Digital Asset Exchanges and service providers that fall within such jurisdictions' regulatory scope. For example, on December 28, 2017, the South Korean government announced measures to ban the opening of anonymous digital currency accounts, which went into effect beginning on January 30, 2018. Those measures also provide the government with the authority to close digital currency exchanges that do not comply

with specified know-your-customers (“**KYC**”) processes. The Chinese and South Korean governments have also banned ICOs and there are reports that Chinese regulators have taken action to shut down a number of China-based digital currency exchanges. Further, on January 11, 2018 the South Korean Justice Minister announced that it was preparing a bill to ban trading in all cryptocurrencies (although the Ministry of Finance has disputed such a ban) and on January 19, 2018, a Chinese news organization reported that the People’s Bank of China had ordered financial institutions to stop providing banking or funding to “any activity related to cryptocurrencies.” There remains significant uncertainty regarding the South Korean and Chinese governments’ future actions with respect to the regulation of digital currency and digital currency exchanges. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital assets generally or any one digital asset in particular by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the digital asset economy in the European Union, China, Japan, Russia and the United States and globally, or otherwise negatively affect the value of digital asset generally or any one digital asset in particular. See “Risk Factors—Risk Factors Related to the Regulation of the Trust and the Shares—Regulatory changes or actions may alter the nature of an investment in the Shares or restrict the use of ETC or the operation of the Ethereum Classic Network or the ETC Exchange Market in a manner that adversely affects an investment in the Shares.”

The effect of any future regulatory change on the Trust or ETC is impossible to predict, but such change could be substantial and adverse to the Trust and the value of the Shares.

Not a Regulated Commodity Pool

The Trust will not trade, buy, sell or hold ETC derivatives, including ETC futures contracts, on any futures exchange. The Trust is authorized solely to take immediate delivery of actual ETC. The Sponsor does not believe the Trust’s activities are required to be regulated by the CFTC under the CEA as a “commodity pool” under current law, regulation and interpretation. The Trust will not be operated by a CFTC-regulated commodity pool operator because it will not trade, buy, sell or hold ETC derivatives, including ETC futures contracts, on any futures exchange. Investors in the Trust will not receive the regulatory protections afforded to investors in regulated commodity pools, nor may the COMEX division of the New York Mercantile Exchange or any futures exchange enforce its rules with respect to the Trust’s activities. In addition, investors in the Trust will not benefit from the protections afforded to investors in ETC futures contracts on regulated futures exchanges.

ETHEREUM CLASSIC INVESTMENT TRUST

Description of the Trust

The Trust is a Delaware Statutory Trust that was formed on April 18, 2017 by the filing of the Certificate of Trust with the Delaware Secretary of State in accordance with the provisions of the Delaware Statutory Trust Act. The Trust operates pursuant to the Trust Agreement.

In general, the Trust will hold only ETC and is expected from time to time to issue Baskets in exchange for ETC and, subject to the Trust's obtaining regulatory approval from the SEC to operate an ongoing redemption program and the consent of the Sponsor, to distribute ETC in connection with redemptions of Baskets. The investment objective of the Trust is for the Shares to reflect the value of ETC held by the Trust, determined by reference to the ETC Index Price, less the Trust's expenses and other liabilities. The Sponsor believes that, for many investors, the Shares will represent a cost-effective and convenient investment relative to a direct, outright investment in ETC. The foregoing notwithstanding, the redemption of Shares is not currently contemplated and the Trust does not currently operate a redemption program. In addition, the Trust may from time to time halt creations of Shares. As a result, there can be no assurance that the value of the Shares, if traded on any Secondary Market, will reflect the value of the ETC held by the Trust, and the Shares may trade at a substantial premium over, or a substantial discount to, the value of the ETC held by the Trust.

The Shares represent units of fractional undivided beneficial interest in, and ownership of, the Trust. The Trust is passive and is not managed like a corporation or an active investment vehicle. The Trust's ETC are held in a blockchain account, the security of which is facilitated by the Sponsor, the Key Maintainer, the Backup Maintainers and any other security vendor engaged by the Trust. The Trust's ETC will be transferred out of the ETC Account only in the following circumstances: (i) transferred to pay the Sponsor's Fee or any Additional Trust Expenses, (ii) distributed in connection with the redemption of Baskets (subject to the Trust's obtaining regulatory approval from the SEC to operate an ongoing redemption program and the consent of the Sponsor), (iii) sold on an as-needed basis to pay Additional Trust Expenses or (iv) sold on behalf of the Trust in the event the Trust terminates and liquidates its assets or as otherwise required by law or regulation. Assuming that the Trust is treated as a grantor trust for U.S. federal income tax purposes, each delivery or sale of ETC by the Trust to pay the Sponsor's Fee or any Additional Trust Expenses will be a taxable event for Shareholders. See "U.S. Federal Income Tax Consequences—Tax Consequences to U.S. Holders."

The Trust is not registered as an investment company under the Investment Company Act and the Sponsor believes that the Trust is not required to register under the Investment Company Act. The Trust will not hold or trade in commodity futures contracts or other derivative contracts regulated by the CEA, as administered by the CFTC. The Sponsor believes that the Trust is not a commodity pool for purposes of the CEA, and that neither the Sponsor nor the Trustee is subject to regulation as a commodity pool operator or a commodity trading adviser in connection with the operation of the Trust.

The Trust expects to create (and, should the Trust commence a redemption program, redeem) Shares from time to time but only in Baskets. A Basket equals a block of 100 Shares. The number of outstanding Shares is expected to increase and decrease from time to time as a result of the creation (and, should the Trust commence a redemption program, redemption) of Baskets. The creation or, if permitted, redemption of Baskets will require the delivery to the Trust, or the distribution by the Trust, as applicable, of the number of ETC represented by the Baskets being created or redeemed. The creation and redemption of a Basket will be made only in exchange for the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional ETC represented by each Basket being created or redeemed, the number of which is determined by dividing (x) the number of ETC owned by the Trust at 4:00 p.m., New York time, on the relevant trade date, after deducting the number of ETC representing the U.S. Dollar value of accrued but unpaid fees and expenses of the Trust (converted using the ETC Index Price at such time, and carried to the eighth decimal place) by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one ETC (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100.

As of February 28, 2018, each Share currently represented approximately 0.97 of one ETC. Each Share in the initial Baskets represented approximately one (1.0) ETC. The number of ETC required to create or, if permitted, to redeem a Basket is expected to gradually decrease over time due to the transfer or sale of the Trust's ETC to pay the Sponsor's Fee and any Additional Trust Expenses. The Trust will not accept or distribute cash in exchange for Baskets, other than upon its dissolution. Authorized Participants may sell to other investors the Shares they purchase from the Trust only in transactions exempt from registration under the Securities Act. For a discussion of risks relating to the unavailability of a redemption program, see "Risk Factors—Risk Factors Related to the Trust and the Shares—If Authorized Participants are able to purchase or sell large aggregations of ETC in the open market at prices that are different than the ETC Index Price, the arbitrage mechanism intended to keep the price of the Shares closely linked to the ETC Index Price may not function properly and the Shares may trade at a discount or premium to the ETC Holdings per Share" and "Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares."

The Sponsor will determine the Trust's ETC Holdings (which is the aggregate U.S. Dollar value of the Trust's assets, as calculated using the ETC Index Price, less the U.S. Dollar value of its expenses and other liabilities) on each business day as of 4:00 p.m., New York time, or as soon thereafter as practicable. The Sponsor will also determine the ETC Holdings per Share, which equals the ETC Holdings of the Trust divided by the number of outstanding Shares. Each business day, the Sponsor will publish the Trust's ETC Holdings and ETC Holdings per Share on the Trust's website, <https://grayscale.co/ethereum-classic-investment-trust/>, as soon as practicable after the Trust's ETC Holdings and ETC Holdings per Share have been determined by the Sponsor. See "Valuation of ETC and Definition of ETC Holdings."

The Trust's assets will consist solely of ETC, Incidental Rights, IR Virtual Currency, proceeds from the sale of ETC, Incidental Rights and IR Virtual Currency pending use of such cash for payment of Additional Trust Expenses or distribution to the Shareholders and any rights of the Trust pursuant to any agreements, other than the Trust Agreement, to which the Trust is a

party. Each Share will represent a proportional interest, based on the total number of Shares outstanding, in each of the Trust's assets as determined in the case of ETC by reference to the ETC Index Price, less the Trust's expenses and other liabilities (which include accrued but unpaid fees and expenses). The Sponsor expects that the market price of the Shares will fluctuate over time in response to the market prices of ETC. In addition, because the Shares will reflect the estimated accrued but unpaid expenses of the Trust, the number of ETC represented by a Share will gradually decrease over time as the Trust's ETC are used to pay the Trust's expenses. The Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's ETC Holdings or the ETC Holdings per Share.

Investors may obtain on a 24-hour basis ETC pricing information from various financial information service providers or Ethereum Classic Network information sites such as Tradeblock.com or CoinCap.io. The spot prices and bid/ask spreads for ETC may also be available directly from ETC Exchanges. As of the date of this Disclosure Statement, the constituent ETC Exchanges of the Index were Poloniex and Bitfinex. Kraken ETC-XBT trading pair was included in the Index up until October 20, 2017. The Kraken ETC-XBT pair was removed from the Index due to inconsistencies in trade data timestamps.

The Trust has no fixed termination date.

Valuation of ETC and Determination of the Trust's ETC Holdings

The Sponsor will evaluate the ETC held by the Trust and determine the ETC Holdings of the Trust in accordance with the relevant provisions of the Trust Documents. The following is a description of the material terms of the Trust Documents as they relate to valuation of the Trust's ETC and the ETC Holdings calculations.

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

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

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

In the event that the Sponsor determines that the primary methodology used to determine the ETC Index Price is not an appropriate basis for valuation of the Trust’s ETC, the Sponsor will utilize the cascading set of rules as described in “Overview of the ETC Industry Market—ETC Value—The Index and the ETC Index Price.” In addition, in the event that the Trust holds any Incidental Rights and/or IR Virtual Currency, the Sponsor may, in its discretion, include the value of such Incidental Rights and/or IR Virtual Currency in the determination of the Trust’s ETC Holdings, provided that the Sponsor has determined in good faith a method for assigning an objective value to such Incidental Rights and/or IR Virtual Currency. At this time, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust’s ETC Holdings or the ETC Holdings per Share.

The Sponsor will publish the ETC Index Price, the Trust’s ETC Holdings and the ETC Holdings per Share on the Trust’s website as soon as practicable after its determination by the Sponsor. If the ETC Holdings and ETC Holdings per Share have been calculated using a price per ETC other than the ETC Index Price for such Evaluation Time, the publication on the Trust’s website will note the valuation methodology used and the price per ETC resulting from such calculation.

In the event of a hard fork of the Ethereum Classic Network, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine, in good faith, which peer-to-peer network, among a group of incompatible forks of the Ethereum Classic Network, is generally accepted as ETC and should therefore be considered “ETC” for the Trust’s purposes. The Sponsor will base its determination on a variety of then relevant factors, including (but not limited to) the following: (i) the Sponsor’s beliefs regarding expectations of the core developers of ETC, users, services, businesses, miners and other constituencies and (ii) the actual continued acceptance of, mining power on, and community engagement with the Ethereum Classic Network.

The Shareholders may rely on any evaluation furnished by the Sponsor. The determinations that the Sponsor makes will be made in good faith upon the basis of, and the Sponsor will not be liable for any errors contained in, information reasonably available to it. The Sponsor will not be liable to the Authorized Participants, the Shareholders or any other person for errors in judgment. However, the preceding liability exclusion will not protect the Sponsor against any liability resulting from gross negligence, willful misconduct or bad faith in the performance of its duties.

Incidental Rights and IR Virtual Currency

From time to time, the Trust may come into possession of Incidental Rights and/or IR Virtual Currency by virtue of its ownership of ETC, generally through a fork in the Blockchain, an airdrop offered to holders of ETC or other similar event. Pursuant to the terms of the Trust Agreement, the Trust may take any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, unless such action would adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes or otherwise be prohibited by the Trust Agreement. These actions include selling Incidental Rights and/or IR Virtual Currency and distributing the cash proceeds to Shareholders or distributing Incidental Rights and/or IR Virtual Currency in kind to Shareholders, or to an agent acting on behalf of the Shareholders if such distribution would otherwise be infeasible. The Trust may also use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee and Additional Trust Expenses, if any, as discussed below under "—Trust Expenses." However, the Trust does not expect to take any Incidental Rights or IR Virtual Currency it may hold into account for purposes of determining the Trust's ETC Holdings or the ETC Holdings per Share.

With respect to any fork, airdrop or similar event, the Sponsor may, in its discretion, decide to cause the Trust to distribute the Incidental Rights or IR Virtual Currency in kind to an agent of the Shareholders for resale by such agent, or to irrevocably abandon the Incidental Rights or IR Virtual Currency. In the case of a distribution in kind, the Shareholders' agent would attempt to sell the Incidental Rights or IR Virtual Currency, and if the agent is able to do so, remit the cash proceeds to Shareholders. There can be no assurance as to the price or prices for any Incidental Rights or IR Virtual Currency that the agent may realize, and the value of the Incidental Rights or IR Virtual Currency may increase or decrease after any sale by the agent. In the case of abandonment, the Trust would not receive any direct or indirect consideration for the Incidental Rights or IR Virtual Currency and thus the value of the Shares will not reflect the value of the Incidental Rights or IR Virtual Currency.

The Trust intends to inform the Key Maintainers that it will adopt a policy to abandon, on a prospective basis, as of any date on which the Trust creates Shares, any Incidental Rights or IR Virtual Currency to which it would otherwise be entitled as of such date and with respect to which it has not taken any other action on or prior to such date.

The Index and the ETC Index Price

The Index is designed to have limited exposure to the interruption of individual ETC Exchanges by collecting transaction data from top ETC Exchanges in real-time. The Index Provider evaluates the data of each ETC Exchange to determine whether it will be included in the Index, and if so, its weighting on the Index. The weighting considers recent- and long-term trading volumes at each Exchange and the variance in price across all data points over a 24-hour period starting at 4:00 p.m. New York time. The Index is designed to limit exposure to trading or price distortion of any individual ETC Exchange that experiences periods of unusual activity or limited liquidity by discounting, in real-time, anomalous price movements at individual ETC Exchanges.

The Sponsor believes the Index calculation methodology provides a more accurate picture of ETC price movements than a simple average of ETC Exchange spot prices, and that the weighting of ETC prices on the constituent ETC Exchanges limits the inclusion of data that is influenced by temporary price dislocations that may result from technical problems or limited liquidity.

The Index Provider reviews and periodically updates which ETC Exchanges are included in the Index by utilizing a methodology that is guided by the International Organization of Securities Commissions principles for financial benchmarks. Specifically, the Index Provider looks at the following considerations: liquidity in the ETC/Bitcoin and ETC/U.S. Dollar markets, trading volume that represents a minimum of total ETC/Bitcoin and ETC/U.S. Dollar trading volumes, programmatic trading of the ETC/Bitcoin and ETC/U.S. Dollar spot prices, ETC Exchange data reliability, lack of restrictions on deposits and/or withdrawals of ETC, lack of restrictions on deposits and/or withdrawals of U.S. Dollars and U.S. domicile, publicly known ownership entity, compliance with relevant regulations (e.g., anti-money laundering and know-your-customer procedures) and the discretion of the Index Provider's analysts. The Index Provider does not currently include data from over-the-counter markets or derivatives platforms in the Index. The Index Provider may change the trading venues that are used to calculate the Index or otherwise change the way in which the Index is calculated at any time. The Index Provider does not have any obligation to consider the interests of the Sponsor, the Trust, the Shareholders, or anyone else in connection with such changes. The Index Provider is not required to publicize or explain the changes or to alert the Sponsor to such changes.

The Trust will value its ETC for operational and non-GAAP purposes by reference to the ETC Index Price. The ETC Index Price is the value of an ETC as represented by the Index, calculated at 4:00 p.m., New York time, on each business day. The Index Provider develops, calculates and publishes the Index on a continuous basis using the volume-weighted price at the ETC Benchmark Exchanges, as selected by the Index Provider.

The Sponsor will use the following cascading set of rules to calculate the ETC Index Price. For the avoidance of doubt, the Sponsor will employ the below rules sequentially and in the order as presented below, should one or more specific rule(s) fail:

1. ETC Index Price = The price set by the Index Provider as of 4:00 p.m., New York time, on the valuation date. If the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate ETC price, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the ETC Index Price directly from the Index Provider. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate ETC price, then the Sponsor will employ the next rule to determine the ETC Index Price.
2. ETC Index Price = The volume-weighted average ETC price for the immediately preceding 24-hour period at 4:00 p.m., New York time, on the trade date as published by a third party's public data feed that is reasonably reliable, subject to the requirement that such data is calculated based upon a volume-weighted price obtained

- from the major ETC exchanges (the “**Source**”). Subject to the next sentence, if the Source becomes unavailable (e.g., data sources from the Source for ETC prices become unavailable, unwieldy or otherwise impractical for use) or if the Sponsor determines in good faith that the Source does not reflect an accurate ETC price, then the Sponsor will, on a best efforts basis, contact the Source in an attempt to obtain the relevant data. If after such contact the Source remains unavailable after such contact or the Sponsor continues to believe in good faith that the Source does not reflect an accurate ETC price, then the Sponsor will employ the next rule to determine the ETC Index Price.
3. ETC Index Price = The volume-weighted average price as calculated by dividing the sum of the total volume of ETC transactions in U.S. Dollar by the total volume of transactions in ETC, in each case for the immediately preceding 24-hour period as of 4:00 p.m., New York time, on the trade date as published by a third party’s public data feed that is reasonably reliable, subject to the requirement that such data is calculated based upon a volume-weighted price obtained from the major ETC exchanges (the “**Second Source**”). Subject to the next sentence, if the Second Source becomes unavailable (e.g., data sources from the Second Source become unavailable, unwieldy or otherwise impractical for use) or if the Sponsor determines in good faith that the Second Source does not reflect an accurate ETC price, then the Sponsor will, on a best efforts basis, contact the Second Source in an attempt to obtain the relevant data. If after such contact the Second Source remains unavailable after such contact or the Sponsor continues to believe in good faith that the Second Source does not reflect an accurate ETC price, then the Sponsor will employ the next rule to determine the ETC Index Price.
 4. ETC Index Price = The volume-weighted average price as calculated by dividing the sum of the total volume of ETC transactions in U.S. Dollar by the total volume of transactions in ETC, in each case for the immediately preceding 24-hour period as of 4:00 p.m., New York time, on the trade date on the ETC benchmark exchanges that represent at least 10% of the aggregate trading volume of the ETC Exchange Market during the last 30 consecutive calendar days and that to the knowledge of the Sponsor are in substantial compliance with the laws, rules and regulations, including any anti-money laundering and know-your-customer procedures (collectively, “**ETC Benchmark Exchanges**”). If there are fewer than three individual ETC Benchmark Exchanges each of which represent at least 10% of the aggregate trading volume on the ETC Exchange Market during the last 30 consecutive calendar days, then the ETC Benchmark Exchanges that will serve as the basis for the ETC Index Price calculation will be those ETC Benchmark Exchanges that meet the above-described requirements, as well as one or more additional ETC Exchanges, as selected by the Sponsor, that has had a monthly trading volume of at least 1,000,000 ETC during the last 30 consecutive calendar days.

The Sponsor will review the composition of the exchanges that comprise the ETC Benchmark Exchanges at the beginning of each month in order to ensure the accuracy of such composition.

Subject to the next sentence, if one or more of the ETC Benchmark Exchanges become unavailable (e.g., data sources from the ETC Benchmark Exchanges of ETC prices becomes unavailable, unwieldy or otherwise impractical for use) or if the Sponsor determines in good faith that one or more ETC Benchmark Exchanges do not reflect an accurate ETC price, then the Sponsor will, on a best efforts basis, contact the ETC Benchmark Exchange that is experiencing the service outages in an attempt to obtain the relevant data. If after such contact one or more of the ETC Benchmark Exchanges remain unavailable after such contact or the Sponsor continues to believe in good faith that one or more ETC Benchmark Exchanges do not reflect an accurate ETC price, then the Sponsor will employ the next rule to determine the ETC Index Price.

5. ETC Index Price = The Sponsor will use its best judgment to determine a good faith estimate of the ETC Index Price.

In the event of a fork, the Index Provider may calculate the ETC Index Price based on a virtual currency that the Sponsor does not believe to be the appropriate asset that is held by the Trust. In this event, the Sponsor has full discretion to use a different index provider or calculate the ETC Index Price itself using its best judgment.

Creation and Redemption of Shares

The Trust is currently unable to redeem Shares. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. ***The Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.***

The Trust will issue Shares to Authorized Participants from time to time, but only in one or more Baskets (with a Basket being a block of 100 Shares). The Trust will not issue fractions of a Basket. The creation (and, should the Trust commence a redemption program, redemption) of Baskets will be made only in exchange for the delivery to the Trust, or the distribution by the Trust, of the number of whole and fractional ETC represented by each Basket being created (or, should the Trust commence a redemption program, redeemed), which is determined by dividing (x) the number of ETC owned by the Trust at 4:00 p.m., New York time, on the trade date of a creation or redemption order, after deducting the number of ETC representing the U.S. Dollar value of accrued but unpaid fees and expenses of the Trust (converted using the ETC Index Price at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one ETC (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100 (the “**Basket ETC Amount**”). All questions as to the calculation of the Basket ETC Amount will be conclusively determined by the Sponsor and will be final and binding on all persons interested in the Trust. The Basket ETC Amount multiplied by the number of Baskets being created or

redeemed is the “Total Basket ETC Amount.” The number of ETC represented by a Share will gradually decrease over time as the Trust’s ETC are used to pay the Trust’s expenses. Each Share represents approximately 0.98 of one ETC as of December 31, 2017.

From time to time, the Trust may create and issue Baskets to persons other than Authorized Participants in exchange for a deposit of the Total Basket ETC Amount into the Trust’s ETC Account; *provided* that the Trust will create and issue Baskets directly to a person other than an Authorized Participant only if such person has signed a purchase agreement with the Trust and only if the Sponsor has determined in good faith that such creation and issuance does not otherwise conflict with the terms of the Trust Agreement or with applicable law.

In the future, Authorized Participants may be the only persons that may place orders to create (and, should the Trust commence a redemption program, redeem) Baskets. Each Authorized Participant must (i) be a registered broker-dealer, (ii) enter into a Participant Agreement with the Sponsor and (iii) own an ETC wallet address that is recognized by the Sponsor and the Key Maintainer as belonging to the Authorized Participant (an “**Authorized Participant Self-Administered Account**”). An Authorized Participant may act for its own account or as agent for investors who have entered into a subscription agreement (each such agreement, a “**Subscription Agreement**”) with the Authorized Participant (each such investor, an “**Investor**”). An investor that enters into a Subscription Agreement with an Authorized Participant subscribes for Shares by submitting a purchase order and paying a subscription amount to the Authorized Participant. At this time, subscription amounts may be paid only in cash.

Shareholders who are not Authorized Participants will only be able to redeem their Shares through an Authorized Participant.

The creation of Baskets requires the delivery to the Trust of the Total Basket ETC Amount. The redemption of Baskets, if permitted, requires the distribution by the Trust of the Total Basket ETC Amount, and Shareholders who are not Authorized Participants will be able to redeem their Shares only through an Authorized Participant.

The Participant Agreement provides the procedures for the creation and, if permitted, redemption of Baskets and for the delivery of the whole and fractional ETC required for such creations and, if permitted, redemptions. The Participant Agreement and the related procedures attached thereto may be amended by the Sponsor and the relevant Authorized Participant. Under the Participant Agreement, the Sponsor has agreed to indemnify each Authorized Participant against certain liabilities, including liabilities under the Securities Act.

Authorized Participants do not pay a transaction fee to the Trust in connection with the creation or, if permitted, redemption of baskets, but there may be transaction fees associated with the validation of the transfer of ETC by the Ethereum Classic Network. Authorized Participants who deposit ETC with the Trust in exchange for Baskets will receive no fees, commissions or other form of compensation or inducement of any kind from either the Sponsor or the Trust, and no such person has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

The following description of the procedures for the creation and redemption of Baskets is only a summary and investors should refer to the relevant provisions of the Trust Agreement and the form of Participant Agreement for more detail.

Creation Procedures

On any business day, an Authorized Participant may order one or more Creation Baskets from the Trust by placing a creation order with the Sponsor no later than 4:00 p.m., New York time, which the Sponsor will accept or reject. By placing a creation order, an Authorized Participant agrees to transfer the Total Basket ETC Amount from the Authorized Participant Self-Administered Account to the ETC Account.

All creation orders are accepted (or rejected) by the Sponsor on the business day on which the relevant creation order is placed. If a creation order is accepted, the Sponsor will calculate the Total Basket ETC Amount on the same business day, which will be the trade date, and will communicate the Total Basket ETC Amount to the Authorized Participant. The Authorized Participant must transfer the Total Basket ETC Amount to the Trust no later than 6:00 p.m., New York time, on the trade date. The expense and risk of delivery, ownership and safekeeping of ETC will be borne solely by the Authorized Participant until such ETC have been received by the Trust.

Following receipt of the Total Basket ETC Amount, the Transfer Agent will credit the number of Shares to the account of the Investor on behalf of which the Authorized Participant placed the creation order by no later than 6:00 p.m., New York time, on the trade date. The Authorized Participant may then transfer the Shares directly to the relevant Investor.

Redemption Procedures

Redemptions of Shares are currently not permitted and the Trust is unable to redeem Shares. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. ***The Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program.*** For a discussion of risks relating to the Trust's inability to redeem Shares, see "Risk Factors—Risk Factors Related to the Trust and the Shares—If Authorized Participants are able to purchase or sell large aggregations of ETC in the open market at prices that are different than the ETC Index Price, the arbitrage mechanism intended to keep the price of the Shares closely linked to the ETC Index Price may not function properly due to multiple factors and the Shares may trade at a discount to, or premium over, the ETC Holdings per Share" and "Risk Factors—Risk Factors Related to the Trust and the Shares—The restrictions on transfer and redemption may result in losses on an investment in the Shares."

If permitted, the procedures by which an Authorized Participant can redeem one or more Baskets will mirror the procedures for the creation of Baskets. On any business day, an Authorized Participant may place a redemption order no later than 4:00 p.m., New York time, which the Sponsor will accept or reject. By placing a redemption order, an Authorized Participant agrees to deliver to the Sponsor the Baskets to be redeemed through the book-entry

system to the Trust. The redemption procedures do not allow a Shareholder other than an Authorized Participant to redeem Shares.

All redemption orders are accepted (or rejected) by the Sponsor on the business day on which the relevant redemption order is placed. If a redemption order is accepted, the Sponsor will calculate the Total Basket ETC Amount on the same business day, which will be the trade date, and will communicate the Total Basket ETC Amount to the Authorized Participant. The Sponsor will then direct the Transfer Agent to debit the account of the Investor on behalf of which the Authorized Participant placed the redemption order the number of Redemption Baskets ordered no later than 6:00 p.m., New York time, on the trade date.

Following receipt of confirmation by the Transfer Agent that the Redemption Baskets have been debited, the Sponsor or its delegates will (by utilizing their own Security Factors and sending valid instruction to the Key Maintainer) send the Authorized Participant the Total Basket ETC Amount by no later than 6:00 p.m., New York time, on the trade date.

Suspension or Rejection of Orders and Total Basket ETC Amount

The creation or, if permitted, redemption of Shares may be suspended generally, or refused with respect to particular requested creations or redemptions, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Sponsor or its delegates make it for all practical purposes not feasible to process such creation orders or redemption orders. The Sponsor may reject an order or, after accepting an order, may cancel such order by rejecting the Total Basket ETC Amount, in the case of creations, or the Baskets to be redeemed, in the case of redemptions, if (i) such order is not presented in proper form as described in the Participant Agreement, (ii) the transfer of the Total Basket ETC Amount, in the case of creations, comes from an account other than an Authorized Participant Self-Administered Account or (iii) the fulfillment of the order, in the opinion of counsel, might be unlawful, among other reasons. None of the Sponsor or its delegates will be liable for the suspension, rejection or acceptance of any creation order, redemption order or Total Basket ETC Amount.

In particular, upon the Trust's receipt of any Incidental Rights and/or IR Virtual Currency in connection with a fork, an airdrop or similar event, the Sponsor will suspend creations and redemptions until it is able to cause the Trust to sell or distribute such Incidental Rights and/or IR Virtual Currency.

None of the Sponsor or its delegates will be liable for the suspension, rejection or acceptance of any creation order, redemption order or Total Basket ETC Amount.

Tax Responsibility

Authorized Participants or, if Shares are issued directly to persons other than Authorized Participants, such persons, are responsible for any transfer tax, sales or use tax, stamp tax, recording tax, value-added tax or similar tax or governmental charge applicable to the creation (or, should the Trust commence a redemption program, redemption) of Baskets, regardless of whether such tax or charge is imposed directly on the Authorized Participant or other person, and

agree to indemnify the Sponsor and the Trust if the Sponsor or the Trust is required by law to pay any such tax, together with any applicable penalties, additions to tax or interest thereon.

Trust Expenses

The Trust's only ordinary recurring expense is expected to be the Sponsor's Fee. The Sponsor's Fee will accrue daily in U.S. Dollars at an annual rate of 3.0% of the ETC Holdings Fee Basis Amount as of 4:00 p.m., New York time, on each day; provided that for any day that is not a business day, the Sponsor's Fee will accrue in U.S. Dollars at a rate of 3.0% of the most recently calculated ETC Holdings Fee Basis Amount, as adjusted to reflect the calculation of the Sponsor's Fee for all days prior to the relevant calculation date. This dollar amount for each daily accrual will then be converted to ETC by reference to the same ETC Index Price used to determine such accrual. The Sponsor's Fee is payable to the Sponsor in ETC monthly in arrears.

To cause the Trust to pay the Sponsor's Fee, the Sponsor will, by instructing the Key Maintainer and Backup Maintainers as necessary, withdraw from the ETC Account the number of ETC equal to the accrued but unpaid Sponsor's Fee and transfer such ETC to the Sponsor's account monthly in arrears.

If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may also pay the Sponsor's Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights to the Sponsor at a value to be determined pursuant to such agreement, in which case, the amount of ETC that otherwise have been used to satisfy such payment will be correspondingly reduced. However, the Trust may use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not conflict with the terms of the Trust Agreement. The Sponsor, from time to time, may temporarily waive all or a portion of the Sponsor's Fee in its discretion for stated periods of time. Presently, the Sponsor does not intend to waive any of the Sponsor's Fee. In addition, in order to assist in the development of the Ethereum Classic Network, the Sponsor intends, but is not obligated, to direct up to one-third of the Sponsor's Fee (or an annual rate of 1.0% of the daily ETC Holdings of the Trust) towards initiatives that support the development, marketing and other community efforts relating to the Ethereum Classic Network at the sole discretion of the Sponsor for the first three years of the Trust's operations.

After the Trust's payment of the Sponsor's Fee to the Sponsor, the Sponsor may elect to convert the ETC received as payment of the Sponsor's Fee into U.S. Dollars. The rate at which the Sponsor converts such ETC to U.S. Dollars may differ from the rate at which the relevant Sponsor's Fee was determined. The Trust will not be responsible for any fees and expenses incurred by the Sponsor to convert ETC received in payment of the Sponsor's Fee into U.S. Dollars.

As partial consideration for its receipt of the Sponsor's Fee, the Sponsor has assumed the obligation to pay the Sponsor-paid Expenses. The Sponsor has not assumed the obligation to pay Additional Trust Expenses. If Additional Trust Expenses are incurred, the Sponsor (i) will withdraw from the ETC Account (or other applicable account) ETC, Incidental Rights and/or IR

Virtual Currency in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust (or its delegate) to convert such ETC, Incidental Rights and/or IR Virtual Currency into U.S. Dollars or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver such ETC, Incidental Rights and/or IR Virtual Currency in kind, at a value to be determined pursuant to an agreement with the relevant payee, in satisfaction of such Additional Trust Expenses. However, the Trust may use Incidental Rights or IR Virtual Currency to pay Additional Trust Expenses only if doing so does not conflict with the terms of the Trust Agreement.

Impact of Trust Expenses on the Trust's ETC Holdings

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

RISK FACTORS

You should consider carefully the risks described below before making an investment decision. You should also refer to the other information included in this Disclosure Statement, including the Trust's financial statements and related notes thereto. See "Glossary of Defined Terms" for the definition of certain capitalized terms used in this Disclosure Statement.

Risk Factors Related to the Ethereum Classic Network and ETC

The Ethereum Classic Network is in the early stages of development.

The Ethereum Classic Network and the software used to operate the Ethereum Classic Network are in their early stages of development. The version of the Blockchain currently in existence on the Ethereum Classic Network was launched in July 2016. As a result, the Ethereum Classic Network is not as mature or sophisticated as the older, more established Bitcoin network.

Moreover, the code that sets forth the Ethereum Classic Network's protocol is informally managed by a group of professional software engineers working full time on Ethereum Classic projects, known as the ETCDEV Team, a development team hired by IOHK, known as the Grothendieck Team, and other independent contributors to protocol development (the "Developers"). The constituents of the Developers can change over time, largely based on self-determined participation. The Developers can propose amendments to the Ethereum Classic Network's source code. Proposals for amendments and related discussions take place on online forums including GitHub.com, Discord, Slack and Reddit. To the extent that a significant majority of the users and miners on the Ethereum Classic Network install such software upgrade(s), the Ethereum Classic Network would be subject to new protocols and software that may adversely affect the value of ETC and an investment in the Shares.

ETC has experienced, and we expect will experience in the future, sharp fluctuations in value. Given the infancy of the Ethereum Classic Network's development, parties may be unwilling to transact in ETC, which would dampen the growth, if any, of the Ethereum Classic Network.

Due to the limited history of digital currencies and the rapidly evolving nature of the digital currency market, it is not possible to know all the risks involved in making an investment in ETC, and new risks may emerge at any time.

Digital currencies have been in existence for a short period of time and have only gained commercial acceptance within the past decade. As a result, there is little to no data on their long-term investment potential. As digital currencies, including ETC, continue to develop there may be additional risks to investors in the Trust which are impossible to predict as of the date of this Disclosure Statement. This uncertainty makes an investment in the Trust very risky.

A determination that ETC is a "security" may adversely affect the value of ETC and an investment in the Shares, and result in potentially extraordinary, nonrecurring expenses to the Trust or termination of the Trust.

If ETC is determined to be a “security” under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for ETC as a digital asset. For example, it may become more difficult for ETC to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could in turn negatively affect the liquidity and general acceptance of ETC and cause users to migrate to other digital assets. As such, any determination that ETC is a security under federal or state securities laws may adversely affect the value of the ETC and, as a result, an investment in the Shares.

To the extent that ETC is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including under the Investment Company Act, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act. See “Risk Factors—Risks Relating to the Regulation of the Trust and the Shares—Regulatory changes or interpretations could cause the Trust and the Sponsor to register and comply with new regulations, resulting in potentially extraordinary, nonrecurring expenses to the Trust.” If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust’s ETC at a time that is disadvantageous to Shareholders.

The loss or destruction of a private key required to access an ETC may be irreversible. The Trust’s loss of access to its private keys or its experience of a data loss relating to the Trust’s ETC could adversely affect an investment in the Shares.

ETC are controllable only by the possessor of both the unique public key and private key relating to the local or online digital wallet in which the ETC are held. While the Ethereum Classic Network requires a public key relating to a digital wallet to be published when used in a spending transaction, private keys must be safeguarded and kept private in order to prevent a third party from accessing the ETC held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, the Trust will be unable to access the ETC held in the related digital wallet and the private key will not be capable of being restored by the Ethereum Classic Network. Any loss of private keys relating to digital wallets used to store the Trust’s ETC could adversely affect an investment in the Shares. For more information regarding the safeguarding of the Trust’s private keys, see “Safety of the Trust’s ETC.”

Although there is currently a limited supply of ETC, it is expected to increase.

The initial creation of ETH was in connection with a crowd funding transaction in 2014 in which 60,000,000 ETH were pre-sold. Another 12,000,000 ETH were given to a development fund focused on the development of the Ethereum Network, which included early contributors and developers and the Ethereum Foundation. Following the hard fork of Ethereum into ETH and ETC, each holder of ETH automatically received an equivalent number of ETC tokens. Therefore, the 72,000,000 ETH, which have been rebranded under the token ETC, were created in connection with the crowd funding pre-sale in 2014. All additional ETC have been and will be created through the mining process.

In order to further the development of Ethereum Classic, in December 2017, the community implemented a monetary policy that balances the long-term interests of investors, developers and business operators. This monetary policy was outlined as part of an Ethereum Classic Improvement Proposal and capped the number of ETC to 230 million. The increase of ETC over time will fundamentally change the available supply of ETC, and consequently the price of ETC.

The creation and exchange of ETC as a cryptocurrency are not the sole purposes of the Ethereum Classic Network.

The Ethereum Classic Network is a digital asset-powered decentralized ledger protocol. It is a general-purpose, global blockchain that can govern both financial and non-financial types of applications within a Turing-complete virtual ecosystem. In its essence, the Ethereum Classic Network enables decentralized business logic, also known as “smart contracts,” represented as computer code that can be programmed to transmit both data and value if certain conditions are met. Smart contracts are capable of automatically enforcing the terms of a given agreement among a number of parties. Smart contract code can define strict rules and consequences in the same way that a traditional legal document would, stating the obligations, benefits and penalties which may be due to either party in various circumstances. Unlike a traditional contract, it can also take information as an input, process that information through the rules set out in the contract, and execute any actions required of it as a result. Given this alternate capability, the Ethereum Classic Network does not have the same single focus on being a medium of exchange as the Bitcoin network and the Ethereum Classic Network’s lack of focus on using ETC as a medium of exchange may have an adverse impact on Ethereum Classic’s further expansion.

Acceptance of the Ethereum Classic Network and other digital asset systems are subject to a variety of factors that are difficult to evaluate.

The further development and acceptance of the Ethereum Classic Network and other cryptographic and algorithmic protocols governing the issuance of transactions in ETC and other digital currencies, which represent a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of the Ethereum Classic Network may adversely affect an investment in the Shares.

The use of digital currencies such as ETC to, among other things, buy and sell goods and services, is part of a new and rapidly evolving industry that employs digital assets based upon a computer-generated mathematical and/or cryptographic protocol. ETC is not a unique part of this industry. The growth of this industry in general, and the Ethereum Classic Network in particular, is subject to a high degree of uncertainty. The factors affecting the further development of this industry, include, but are not limited to:

- continued worldwide growth in the adoption and use of ETC and other digital currencies;
- government and quasi-government regulation of ETC and other digital assets and their use, or restrictions on or regulation of, access to and operation of the Ethereum Classic Network or similar digital currency networks;

- regulatory enforcement actions, including, but not limited to, legal persecution of ETC merchants and public prosecution of prominent figures in the ETC community;
- changes in consumer demographics and public tastes and preferences;
- the maintenance and development of the open-source software protocol of the Ethereum Classic Network and other digital currency networks;
- the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies;
- general economic conditions and the regulatory environment relating to digital assets; and
- negative consumer perception of ETC specifically and cryptocurrencies generally.

The Trust is not actively managed and, although the Sponsor intends, but is not obligated, to direct up to one-third of the Sponsor's Fee (or an annual rate of 1.0% of the daily ETC Holdings of the Trust) towards initiatives that support the development, marketing and other community efforts relating to the Ethereum Classic Network, the Trust will not have any formal strategy relating to the development of the Ethereum Classic Network. Furthermore, the Sponsor cannot be certain as to the impact of the expansion of its ETC holdings on the digital asset industry and the Ethereum Classic Network. A decline in the popularity or acceptance of the Ethereum Classic Network would harm the price of the Shares.

Because ETC is not currently accepted as a means of payment by retail and commercial outlets, the price of ETC is largely determined by speculators and miners, thus contributing to price volatility that could adversely affect an investment in the Shares.

As a relatively new digital asset and technology, ETC and the Ethereum Classic Network have not yet been accepted as a means of payment for goods and services by retail and commercial outlets. ETC demand is currently generated by speculators and investors seeking to profit from the short- or long-term holding of ETC and those that mine ETC on the Ethereum Classic Network. The price volatility of ETC undermines its ability to serve as a medium of exchange, as retailers are much less likely to accept it as a form of payment. ETC may never serve as a medium of exchange and payment method. A lack of expansion of the use of ETC in retail and commercial markets may result in increased volatility or a reduction in the value of ETC, either of which could adversely affect an investment in the Shares.

If a malicious actor or botnet obtains control of more than 50% of the processing power on the Ethereum Classic Network, or otherwise obtains control over the Ethereum Classic Network through its influence over Developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect an investment in the Shares or the ability of the Trust to operate.

If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the

processing power dedicated to mining on the Ethereum Classic Network, it may be able to alter the Blockchain on which the Ethereum Classic Network and most ETC transactions rely by constructing fraudulent blocks or preventing certain transactions from completing in a timely manner, or at all. The malicious actor or botnet could also control, exclude or modify the ordering of transactions. Although the malicious actor or botnet would not be able to generate new ETC or transactions using such control, it could “double-spend” its own ETC (i.e., spend the same ETC in more than one transaction) and prevent the confirmation of other users’ transactions for so long as it maintained control. To the extent that such malicious actor or botnet did not yield its control of the processing power on the Ethereum Classic Network or the Ethereum Classic community did not reject the fraudulent blocks as malicious, reversing any changes made to the Blockchain may not be possible. Further, a malicious actor or botnet could create a flood of transactions in order to slow down the Ethereum Classic Network.

Although there are no known reports of malicious activity or control of the Blockchain achieved through controlling over 50% of the processing power on the Ethereum Classic Network, it is possible that certain mining pools may have exceeded the 50% threshold. The possible crossing of the 50% threshold indicates a greater risk that a single mining pool could exert authority over the validation of ETC transactions, and this risk is heightened if over 50% of the processing power on the network falls within the jurisdiction of a single governmental authority. For example, it is believed that more than 50% of the processing power on the Bitcoin network is located in China. Because the Chinese government has subjected digital currencies to heightened levels of scrutiny recently, reportedly forcing several digital currency exchanges to shut down (see “Risk Factors—It may be illegal now, or in the future, to acquire, own, hold, sell or use ETC in one or more countries, and ownership of, holding or trading in Shares may also be considered illegal and subject to sanctions” below), there is a risk that the Chinese government could also achieve control over more than 50% of the processing power on the Bitcoin network. To the extent that similar events occur on the Ethereum Classic Network and the Ethereum Classic ecosystem, including if the Developers and the administrators of mining pools do not act to ensure greater decentralization of ETC mining processing power, the feasibility of a malicious actor obtaining control of the processing power on the Ethereum Classic Network will increase, which may adversely affect an investment in the Shares.

A malicious actor may also obtain control over the Ethereum Classic Network through its influence over Developers by gaining direct control over a Developer or an otherwise influential programmer. To the extent that the ETC ecosystem does not grow, the probability that a malicious actor may be able obtain control of the processing power on the Ethereum Classic Network in this manner will remain a risk.

If the award of ETC for solving blocks and the transaction fees for recording transactions are not sufficiently high to incentivize miners, miners may cease expending processing power to solve blocks and confirmations of transactions on the Blockchain could be slowed temporarily.

A reduction in the processing power expended by miners on the Ethereum Classic Network could increase the likelihood of a malicious actor or botnet obtaining control.

Miners generate revenue from both newly created ETC, known as a “block reward,” and from fees taken upon verification of transactions.

If the award of new ETC for solving blocks declines and transaction fees are not sufficiently high, miners may not have an adequate incentive to continue mining ETC and may cease their mining operations. Miners ceasing operations would reduce the collective processing power on the Ethereum Classic Network, which would adversely affect the confirmation process for transactions (i.e., temporarily decreasing the speed at which blocks are added to the Blockchain until the next scheduled adjustment in difficulty for block solutions) and make the Ethereum Classic Network more vulnerable to a malicious actor or botnet obtaining control in excess of 50% of the processing power on the Ethereum Classic Network, which would allow such actor or botnet to manipulate the Blockchain and hinder transactions. Any reduction in confidence in the confirmation process or processing power of the Ethereum Classic Network may adversely affect an investment in the Shares.

In order to incentivize miners to continue to contribute processing power to the Ethereum Classic Network, the Ethereum Classic Network may either formally or informally transition from a set reward to transaction fees earned upon solving for a block. If miners demand higher transaction fees for recording transactions in the Blockchain or a software upgrade automatically charges fees for all transactions, the cost of using ETC may increase and the marketplace may be reluctant to accept ETC. Existing users may be motivated to switch from ETC to another digital currency or back to fiat currency. Decreased use and demand for ETC may adversely affect their value and result in a reduction in the ETC Index Price and the price of the Shares.

To the extent that any miners cease to record transactions in solved blocks, transactions that do not include the payment of a transaction fee will not be recorded on the Blockchain until a block is solved by a miner who does not require the payment of transaction fees. Any widespread delays in the recording of transactions could result in a loss of confidence in the Ethereum Classic Network, which could adversely affect an investment in the Shares.

To the extent that any miners cease to record transactions in solved blocks, such transactions will not be recorded on the Blockchain until a block is solved by a miner who does not require the payment of transaction fees. Currently, there are no known incentives for miners to elect to exclude the recording of transactions in solved blocks. However, to the extent that any such incentives arise (for example, a collective movement among miners or one or more mining pools forcing ETC users to pay transaction fees as a substitute for, or in addition to, the award of new ETC upon the solving of a block), miners could delay the recording and confirmation of a significant number of transactions on the Blockchain. If such delays became systemic, it could result in greater exposure to double-spending transactions and a loss of confidence in the Ethereum Classic Network, which could adversely affect an investment in the Shares.

Miners could act in collusion to raise transaction fees, which may adversely affect the usage of the Ethereum Classic Network.

Miners, functioning in their transaction confirmation capacity, collect fees for each transaction they confirm. Miners validate unconfirmed transactions by adding the 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. If miners collude in an anticompetitive manner to reject low transaction fees, then ETC users could be forced to pay higher fees, thus reducing the attractiveness of the Ethereum Classic Network. Mining occurs globally and it may be difficult for authorities to apply antitrust regulations across multiple jurisdictions. Any collusion among miners may adversely affect the attractiveness of the Ethereum Classic Network and may adversely affect an investment in the Shares or the ability of the Trust to operate.

Digital asset networks face significant scaling challenges and efforts; and attempts to increase the volume of transactions may not be effective.

Many digital currency networks, including the Ethereum Classic Network, face significant scaling challenges due to the fact that public blockchains generally face a tradeoff regarding security and scalability. One means through which public blockchains achieve security is decentralization, meaning that no intermediary is responsible for securing and maintaining these systems. For example, a greater degree of decentralization generally means a given digital asset network is less susceptible to manipulation or capture. In practice, this typically means that every single node on a given digital asset network is responsible for securing the system by processing every transaction and maintaining a copy of the entire state of the network. However, as these digital asset networks are currently designed, there is an inherent tradeoff between security and scalability because decentralization limits the number of transactions a given blockchain can process to the limitations of a single fully participating node in the network.

As of February 28, 2018, the Ethereum Classic Network could handle, on average, 20 transactions per second. As the use of digital currency networks increases without a corresponding increase in throughput of the networks, average fees and settlement times can increase significantly.

As corresponding increases in throughput lag behind growth in the use of digital asset networks, average fees and settlement times may increase considerably. The Ethereum Classic Network has been, at times, at capacity, which has led to increased transaction fees. Since January 1, 2017, ETC transaction fees have increased from less than \$0.01 per ETC transaction, on average, to a high of \$0.09 per transaction on February 15, 2018, on average. As of February 28, 2018, ETC transaction fees stood at approximately \$0.02 per ETC transaction, on average. Increased fees and decreased settlement speeds could preclude certain uses for digital assets (e.g., micropayments), and can reduce demand for and the price of digital assets, which could adversely impact an investment in the Shares.

Increased fees and decreased settlement speeds could preclude certain use cases for digital currencies (e.g., micropayments), and can reduce demand for and the price of digital currencies, which could adversely impact an investment in the shares.

Many developers are actively researching and testing scalability solutions for public Blockchains that do not necessarily result in lower levels of security or decentralization (e.g., off-chain payment channels like Bitcoin's Lightning Network, sharding, or off-chain computations). However, there is no guarantee that any of the mechanisms in place or being explored for increasing the scale of settlement of Ethereum Classic Network transactions will be effective, or how long it will take for it to become effective, which could adversely impact an investment in the shares.

To the extent that the profit margins of ETC mining operations are not high, ETC miners are more likely to immediately sell ETC earned by mining in the ETC Exchange Market, resulting in a reduction in the price of ETC that could adversely affect an investment in the Shares.

Over the past several years, digital currency mining operations have evolved from individual users mining with computer processors, graphics processing units and first generation ASIC (application-specific integrated circuit) machines. Currently, new processing power brought onto the Ethereum Classic Network is predominantly added by incorporated and unincorporated "professionalized" mining operations. Professionalized mining operations may use proprietary hardware or sophisticated machines acquired from manufacturers. They require the investment of significant capital for the acquisition of this hardware, the leasing of operating space (often in data centers or warehousing facilities), incurring electricity costs and the employment of technicians to operate the mining farms. Expenses and liabilities require professionalized mining operations to more immediately sell ETC earned from mining operations on the ETC Exchange Market. The immediate selling of newly mined ETC would increase the supply of ETC on the ETC Exchange Market, creating downward pressure on the price of ETC.

The extent to which the value of ETC mined by a professionalized mining operation exceeds the allocable capital and operating costs determines the profit margin of such operation. A professionalized mining operation may be more likely to sell a higher percentage of its newly mined ETC rapidly if it is operating at a low profit margin, and it may partially or completely cease operations if its profit margin is negative. In a low profit margin environment, a higher percentage of the new ETC mined each day will be sold into the ETC Exchange Market more rapidly, thereby reducing ETC prices. Lower ETC prices will result in further tightening of profit margins, particularly for professionalized mining operations with higher costs and more limited capital reserves, creating a network effect that may further reduce the price of ETC until mining operations with higher operating costs become unprofitable and remove mining power from the Ethereum Classic Network. The network effect of reduced profit margins resulting in greater sales of newly mined ETC could result in a reduction in the price of ETC that could adversely affect an investment in the Shares.

The acceptance of Ethereum Classic Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Ethereum Classic Network could result in a “fork” in the Blockchain, resulting in the operation of two separate networks.

Although the Ethereum Classic Network is informally managed by the Developers, any individual can download the Ethereum Classic Network software and make any desired modifications, which are proposed to users and miners on the Ethereum Classic Network through software downloads and upgrades, typically posted to the ETC development forum on GitHub.com. A substantial majority of miners and ETC users must consent to such software modifications by downloading the altered software or upgrade; otherwise, the modifications do not become a part of the Ethereum Classic Network.

If less than a substantial majority of users and miners consent 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” of the Ethereum Classic Network, with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of ETC running in parallel, yet lacking interchangeability. The Trust would be expected to hold equivalent amounts of each prong following any such fork. For example, in August 2017, Bitcoin “forked” into Bitcoin and a new digital currency, Bitcoin Cash, as a result of a several-year dispute over how to increase the rate of transactions that the Bitcoin network can process. Further hard forks of Bitcoin could affect demand for Bitcoin or other digital currencies and could adversely affect an investment in the Shares.

Forks may occur after a significant security breach. For example, in June 2016, in the previously mentioned description of The DAO, an anonymous hacker exploited a smart contract running on the Ethereum Network to syphon approximately \$60 million of ETH into a segregated account. In response to the hack, most participants in the Ethereum community elected to adopt a “hard fork” that effectively reversed the hack. However, a minority of users continued to develop the old Blockchain, now referred to as “Ethereum Classic” with the digital asset on that Blockchain now referred to as Ether Classic, or ETC. ETC remains traded on several digital asset exchanges.

A fork may also occur as a result of an unintentional or unanticipated software flaw in the various versions of otherwise compatible software that users run. Such a fork could lead to users and miners abandoning the digital asset with the flawed software and could adversely affect a digital currency’s viability. It is possible, however, that a substantial number of users and miners could adopt an incompatible version of the digital asset while resisting community-led efforts to merge the two chains. This could result in a permanent fork, as in the case of Ether and Ethereum Classic.

Furthermore, a hard fork can lead to new security concerns. For example, when the Ethereum and Ethereum Classic networks split in July 2016, replay attacks, in which transactions from one network are rebroadcast to nefarious effect on the other network, plagued Ethereum exchanges through at least October 2016. A digital asset exchange announced in July 2016 that it had lost 40,000 Ether Classic, worth about \$100,000 at that time, as a result of replay attacks. Another

possible result of a hard fork is an inherent decrease in the level of security. After a hard fork, it may become easier for an individual miner's or mining pool's hashing power to exceed 50% of the processing power of the digital asset network, thereby making digital assets that rely on proof-of-work more susceptible to attack. See “—Risk Factors Related to Ethereum Classic Network and ETC—If a malicious actor or botnet obtains control of more than 50% of the processing power on the Ethereum Classic Network, or otherwise obtains control over the Ethereum Classic Network through its influence over Developers or otherwise, such actor or botnet could manipulate the Blockchain to adversely affect an investment in the Shares or the ability of the Trust to operate.”

A fork in the network of a particular digital currency could adversely affect an investment in the Shares or the ability of the Trust to operate.

Shareholders may not receive the benefits of any forks or “airdrops.”

In addition to forks, a digital currency may become subject to a similar occurrence known as an “airdrop.” In an airdrop, the promoters of a new digital currency announce to holders of another digital currency that they will be entitled to claim a certain amount of the new digital currency for free.

Shareholders may not receive the benefits of any forks, the Trust may not choose, or be able, to participate in an airdrop, and the timing of receiving any benefits from a fork or an airdrop is uncertain. We refer to the right to receive any such benefit as an “Incidental Right” and any such virtual currency acquired through an Incidental Right as “IR Virtual Currency.” There are likely to be operational, tax, securities law, regulatory, legal and practical issues that significantly limit, or prevent entirely, Shareholders’ ability to realize a benefit, through their interests in the Trust, from any such Incidental Rights or IR Virtual Currency. For instance, the Security Providers may not agree to provide access to the IR Virtual Currency. In addition, the Sponsor may determine that there is no safe or practical way to custody the IR Virtual Currency, or that trying to do so may pose an unacceptable risk to the Trust’s holdings in ETC, or that the costs of taking possession and/or maintaining ownership of the IR Virtual Currency exceed the benefits of owning the IR Virtual Currency. Additionally, laws, regulation or other factors may prevent Shareholders from benefitting from the Incidental Right or IR Virtual Currency even if there is a safe and practical way to custody and secure the IR Virtual Currency. For example, it may be illegal to sell or otherwise dispose of the Incidental Right or IR Virtual Currency, or there may not be a suitable market into which the Incidental Right or IR Virtual Currency can be sold (immediately after the fork or airdrop, or ever).

The Sponsor intends to evaluate each fork or airdrop on a case-by-case basis in consultation with the Trust’s legal advisors, tax consultants, and Security Providers, and may decide to abandon any Incidental Rights or IR Virtual Currency resulting from a hard fork or airdrop should any of the above circumstances occur or for any other reason should the Sponsor conclude, in its discretion, that such abandonment is in the best interests of the Trust. Any inability to realize the economic benefit of a hard fork or airdrop could adversely impact an investment in the Shares.

In the event of a hard fork of the Ethereum Classic Network, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine which network should be considered “ETC” for the Trust’s purposes, and in doing so may adversely affect the value of the Shares.

In the event of a hard fork of the Ethereum Classic Network, the Sponsor will, if permitted by the terms of the Trust Agreement, use its discretion to determine, in good faith, which peer-to-peer network, among a group of incompatible forks of the Ethereum Classic Network, is generally accepted as ETC and should therefore be considered “ETC” for the Trust’s purposes. The Sponsor will base its determination on a variety of then relevant factors, including, but not limited to, the Sponsor’s beliefs regarding expectations of the Core Developers of ETC, users, services, businesses, miners and other constituencies, as well as the actual continued acceptance of, mining power on, and community engagement with, the Ethereum Classic Network. There is no guarantee that the Sponsor will choose the currency that is, or ultimately becomes, the more valuable fork, and the Sponsor’s decision may adversely affect the value of the Shares. The Sponsor may also disagree with investors, security vendors and the Index Provider on what is generally accepted as ETC and should therefore be considered “ETC.” See “Risk Factors—The acceptance of Ethereum Classic Network software patches or upgrades by a significant, but not overwhelming, percentage of the users and miners in the Ethereum Classic Network could result in a “fork” in the Blockchain, resulting in the operation of two separate networks. There can be no assurance regarding whether or when Shareholders will receive any benefits with respect to the product of a fork that the Sponsor determines should not be treated as “ETC” for the Trust’s purposes. See “Risk Factors—Shareholders may not receive the benefits of any forks or “airdrops.”

Smart contracts are a new technology and ongoing development may magnify initial problems, cause volatility on the networks that use smart contracts and reduce interest in them, which could have an adverse impact on the value of digital assets that deploy smart contracts.

Smart contracts are computer protocols that facilitate the negotiation or performance of a contract and are a new technology. Since smart contracts typically cannot be stopped or reversed, vulnerabilities in their programming can have damaging effects. For example, a vulnerability in the smart contracts underlying The DAO, a distributed autonomous organization for venture capital funding, allowed an attack by a hacker to syphon approximately \$60 million worth of ETH from The DAO’s accounts into a segregated account. In the aftermath of the theft, certain developers and core contributors pursued a “hard fork” of the Ethereum Network in order to erase any record of the theft. Despite these efforts, the price of ETH dropped approximately 35% in the aftermath of the attack and subsequent hard fork. In addition, in July 2017, a vulnerability in a smart contract for a multi-signature wallet software developed by Parity led to a \$30 million theft of ETH, and in November 2017, a new vulnerability in Parity’s wallet software led to roughly \$160 million worth of ETH being indefinitely frozen in an account. Initial problems and continued problems with the deployment and development of smart contracts may have an adverse effect on the value of ETH and other digital assets that rely on smart contract technology.

A disruption of the internet may affect the use of ETC and subsequently the value of the Shares.

Many digital assets, including ETC, are dependent upon the internet. A significant disruption in internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of digital currencies. In particular, some variants of digital currency have been subjected to a number of denial-of-service attacks, which have led to temporary delays in block creation and in the transfer of the currency. While in certain cases in response to an attack, an additional "hard fork" has been introduced to increase the cost of certain network functions, the relevant network continues to be the subject of additional attacks. Moreover, it is possible that as digital currencies increase in value, they may become bigger targets for hackers and subject to more frequent hacking and denial-of-service attacks.

Digital currencies are also susceptible to border gateway protocol hijacking, or BGP hijacking. Such an attack can be a very effective way for an attacker to intercept traffic en route to a legitimate destination. BGP hijacking affects the way different nodes and miners are connected to one another to isolate portions of them from the remainder of the network, which could lead to a risk of the network allowing double-spending and other security issues. If BGP hijacking occurs on a digital currency network such as the Ethereum Classic Network, participants may lose faith in the security of ETC in particular or digital currencies in general, which could affect the value of ETC and consequently the value of the Shares.

Any future attacks that affect the ability to transfer ETC could have a material adverse effect on the price of the ETC and the value of an investment in the Shares.

The open-source structure of the Ethereum Classic Network protocol means that the Developers and other contributors are generally not directly compensated for their contributions in maintaining and developing the Ethereum Classic Network protocol. A failure to properly monitor and upgrade the Ethereum Classic Network protocol could damage the Ethereum Classic Network and an investment in the Shares.

The Ethereum Classic Network operates based on an open-source protocol maintained by the Developers and other contributors largely on the GitHub resource section dedicated to ETC development. As the Ethereum Classic Network protocol is not sold and its use does not generate revenues for its development team, the Developers are generally not compensated for maintaining and updating the Ethereum Classic Network protocol. Consequently, there is a lack of financial incentive for developers to maintain or develop the Ethereum Classic Network and the Developers may lack the resources to adequately address emerging issues with the Ethereum Classic Network protocol. Although the Ethereum Classic Network is currently supported by the Developers, there can be no guarantee that such support will continue or be sufficient in the future. Additionally, some development and developers are funded by companies whose interests may be at odds with other participants in the Ethereum Classic Network or with investors' interests. To the extent that material issues arise with the Ethereum Classic Network protocol and the Developers and open-source contributors are unable to address the issues adequately or in a timely manner, the Ethereum Classic Network and an investment in the Shares may be adversely affected.

Lack of clarity in the governance of the Ethereum Classic Network may lead to ineffective decision-making that slows development or prevents a network from overcoming important obstacles.

Governance of the Ethereum Classic Network is by voluntary consensus and open competition. ETC has no central decision-making body or clear manner in which participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may stymie ETC's utility and ability to grow and face challenges, both of which might require solutions and directed effort to overcome problems, especially long-term problems. To the extent lack of clarity in governance of digital currency systems leads to ineffective decision-making that slows development and growth, the value of the Shares may be adversely effected.

If the source code or cryptography underlying the Ethereum Classic Network proves to be flawed or ineffective, malicious actors may be able to take the Trust's ETC, which would adversely affect an investment in the Shares.

In the past, flaws in the source code for digital currencies have been exposed and exploited. Several errors and defects have been publicly found and corrected, including those that disabled some functionality for users and exposed users' personal information. Discovery of flaws in, or exploitations of, the source code that allow malicious actors to take or create money in contravention of known network rules have occurred. In addition, the cryptography underlying ETC 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 Trust's ETC, which would adversely affect an investment in the Shares. Even if another digital currency other than ETC were affected, any reduction in confidence in the source code or cryptography underlying digital currencies generally could negatively affect the demand for digital currencies and therefore adversely affect an investment in the Shares.

Due to the limited history of digital currencies and the rapidly evolving nature of the digital currency market, it is not possible to know all the risks involved in making an investment in ETC, and new risks may emerge at any time.

Digital currencies have gained commercial acceptance within the past decade and, as a result, there is little to no data on their long-term investment potential. Potential changes to ETC may expose investors in the Trust to additional risks which are impossible to predict as of the date of this Disclosure Statement. This uncertainty makes an investment in the Trust very risky.

Risk Factors Related to the ETC Exchange Market and the Index

The value of the Shares relates directly to the value of the ETC held by the Trust and fluctuations in the price of ETC could materially and adversely affect an investment in the Shares.

The Shares are designed to mirror as closely as possible the performance of the price of ETC, as measured by the Index, and the value of the Shares relates directly to the value of the ETC held by the Trust, less the Trust's liabilities (including estimated accrued but unpaid fees and expenses). Using a composite reference rate of volume-weighted trading data, the Index is derived from the transaction prices on electronic market places where exchange participants may first use fiat currency to trade, buy and sell ETC based on bid-ask trading (a "**ETC Exchange**"). The Index uses Bitcoin and U.S. Dollar-denominated trading data from qualified ETC Exchanges as determined by the standardized eligibility criteria in the Index governance principles. The price of ETC has fluctuated widely since trading commenced in July 2016, and may continue to experience significant fluctuations. Several factors may affect the ETC Index Price, including, but not limited to:

- Total ETC in existence (estimated at approximately 100 million as of February 28, 2018 according to CoinMarketCap.com);
- The adoption of, and demand for, ETC, which will be influenced by retail merchants' and commercial businesses' acceptance of ETC as payment for goods and services (if it occurs at all), the security of online ETC Exchanges and digital wallets that hold ETC, the perception that the use and holding of ETC is safe and secure, the lack of regulatory restrictions on the use of ETC and the reputation of ETC for illicit use;
- The use of the Ethereum Classic Network as a smart contracts platform;
- Global supply of ETC in circulation, which is influenced by similar factors as global ETC demand, in addition to fiat currency needs by miners (for example, to invest in equipment or pay electricity bills) and taxpayers who may liquidate ETC holdings around tax deadlines to meet tax obligations;
- Investors' expectations with respect to the rate of inflation of fiat currencies;
- Investors' expectations with respect to the rate of inflation of ETC;
- Interest rates;
- Currency exchange rates, including the rates at which ETC may be exchanged for fiat currencies;
- Fiat currency withdrawal and deposit policies of ETC Exchanges and liquidity of such ETC Exchanges;
- Interruptions in service from or failures of major digital currency exchanges;

- Cyber theft of ETC from online ETC wallet providers, or news of such theft from such providers, or from individuals' ETC wallets;
- Security breaches or hacks, resulting in leaks of user information;
- Consumer preferences and perceptions of ETC or digital assets generally;
- Investment and trading activities of large investors, including private and registered funds, that may directly or indirectly invest in ETC;
- A “short squeeze” resulting from speculation on the price of ETC, if aggregate short exposure exceeds the number of Shares available for purchase;
- An active derivatives market for ETC;
- Monetary policies of governments, trade restrictions, currency devaluations and revaluations and regulatory measures or enforcement actions, if any, that restrict the use of ETC as a form of payment or the purchase of ETC;
- Regulatory measures, if any, that restrict the use of ETC as a form of payment or the purchase of ETC on the ETC Market;
- The availability and popularity of businesses that provide ETC-related services;
- The maintenance and development of the open-source software protocol of the Ethereum Classic Network;
- Increased competition from other forms of cryptocurrency or payment services;
- Global or regional political, economic or financial conditions, events and situations;
- Expectations among ETC economy participants that the value of ETC will soon change; and
- Fees associated with processing an ETC transaction and the speed at which ETC transactions are settled.

If ETC markets continue to be subject to sharp fluctuations, you may experience losses if you need to sell your Shares at a time when the price of ETC is lower than it was when you made your prior investment. Even if you are able to hold Shares for the long-term, your Shares may never generate a profit, since ETC markets have historically experienced extended periods of flat or declining prices, in addition to sharp fluctuations.

In addition, investors should be aware that there is no assurance that ETC will maintain its value in the long or intermediate term. In the event that the price of ETC declines, the Sponsor expects the value of an investment in the Shares to decline proportionately.

Competition from the emergence or growth of other digital assets or methods of investing in ETC could have a negative impact on the price of ETC and adversely affect an investment in the Shares.

ETC is the fourteenth largest digital asset by market capitalization, behind Bitcoin and others. As of February 28, 2018, there were over 1,500 alternate digital assets (“altcoins”) tracked by CoinMarketCap.com, having a total market capitalization of approximately \$448.80 billion (including the approximately \$3.5 billion market capitalization of ETC), as calculated using market prices and total available supply of each digital asset. This included digital assets using a “proof of work” mining structure similar to ETC, and those using a “proof of stake” transaction verification system that is different than ETC’s mining system (e.g., Peercoin, Bitshares and NXT). In addition, the Ethereum Classic Network faces competition from alternative smart contracts platforms, such as the Ethereum Network. Many consortiums and financial institutions are also researching and investing resources into private or permissioned smart contracts platforms rather than open platforms like the Ethereum Classic Network. Competition from the emergence or growth of alternative digital assets and smart contracts platforms, such as Ethereum, QTUM, EOS, Lisk, Neo and Stratis, could have a negative impact on the demand for, and price of, ETC and thereby adversely affect an investment in the Shares. Investors may invest in ETC through means other than an investment in Shares, including through direct investments in ETC and other potential financial vehicles, possibly including securities backed by or linked to ETC and digital currency financial vehicles similar to the Trust. Market and financial conditions, and other conditions beyond the Sponsor’s control, may make it more attractive to invest in other financial vehicles or to invest in ETC directly, which could limit the market for Shares and reduce the liquidity of the Shares. In addition, to the extent digital currency financial vehicles other than the Trust tracking the price of ETC are formed and represent a significant proportion of the demand for ETC, large purchases or redemptions of the securities of these digital currency financial vehicles, or private funds holding ETC, could negatively affect the ETC Index Price, the ETC Holdings and the price of the Shares.

The value of ETC as represented by the ETC Index Price may be subject to momentum pricing due to speculation regarding future appreciation in value, leading to greater volatility that could adversely affect an investment in the Shares.

Momentum pricing typically is associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. The ETC Index Price is determined using data from various ETC Exchanges, over-the-counter markets and derivatives platforms. The Sponsor believes that momentum pricing of ETC has resulted, and may continue to result, in speculation regarding future appreciation in the value of ETC, inflating and making the ETC Index Price more volatile. As a result, ETC may be more likely to fluctuate in value due to changing investor confidence, which could affect future appreciation or depreciation in the ETC Index Price and could adversely affect an investment in the Shares.

The Index is an average composite reference rate calculated using volume-weighted trading price data from various ETC Exchanges chosen by the Index Provider. Pricing on any ETC

Exchange in the ETC Exchange Market can be volatile and can adversely affect an investment in the Shares.

The Index has a limited history and is an average composite reference rate that is based on volume-weighted trading price data from various ETC Exchanges chosen by the Index Provider. The data inputs are drawn from the application programming interface of various ETC Exchanges and include trade time, price and volume. The Index Provider selects which ETC Exchanges to include in the Index based on currency-denomination, liquidity and such other factors, such as the availability of data, as the Index Provider may deem material. The Index Provider reviews the eligibility of ETC Exchanges periodically, and not less frequently than quarterly. As of the date of this Disclosure Statement, the eligible ETC Exchanges selected by the Index Provider include Poloniex and Bitfinex. Kraken ETC-XBT trading pair was included in the Index up until October 20, 2017. The Kraken ETC-XBT pair was removed from the Index due to inconsistencies in trade data timestamps. These Exchanges reflect both U.S. Dollar and Bitcoin trading pairs. The calculation of the Index at 4:00 p.m., New York time, on each business day will be used as the ETC Index Price for the calculation of the Trust's ETC Holdings, which, for the avoidance of doubt, is a non-GAAP measure. See "Overview of the Ethereum Classic Industry and Market—ETC Value."

The price of ETC on public ETC Exchanges has a very limited history. During such history, ETC prices on the ETC Exchange Market as a whole, and on ETC Exchanges individually, have been volatile and subject to influence by many factors including the levels of liquidity on ETC Exchanges. Even the largest ETC Exchanges, including certain of the constituent ETC Exchanges included in the Index, have been subject to operational interruption, limiting the liquidity of ETC on the ETC Exchange Market and resulting in volatile prices and a reduction in confidence in the Ethereum Classic Network and the ETC Exchange Market. The trading prices of many digital assets, including ETC, have experienced extreme volatility in recent periods and may continue to do so. In light of steep increases in the value of certain digital assets, including ETC, over the course of 2017, multiple market observers have asserted that digital assets are currently experiencing a "bubble." If these observers are correct, trading prices for many of the most popular digital assets, including ETC, could experience steep declines in value and the Shares could lose all or substantially all of their value.

Furthermore, because the number of ETC Exchanges is limited, the ETC Index will necessarily be composed of a limited number of ETC Exchanges. If an ETC Exchange were subjected to regulatory, volatility or other pricing issues, the Index Provider would have limited ability to remove such ETC Exchange from the ETC Index, which could skew the price of ETC as represented by the ETC Index. Trading on a limited number of ETC Exchanges may result in less favorable prices and decreased liquidity of the Shares and, therefore, could have an adverse effect on the Trust and Shareholders.

The Index is designed to have limited exposure to ETC Exchange interruption by utilizing transaction data from the high-volume Bitcoin and U.S. Dollar-denominated ETC Exchanges, measured over the prior 24-hour period. The Index is also designed to limit exposure to trading or price distortion on ETC Exchanges experiencing periods of unusual activity or limited

liquidity by discounting, in real-time, anomalous price movement at individual exchanges. The Sponsor believes the Index calculation methodology provides a more accurate picture of ETC price movements than a simple average of ETC Exchange prices, and that the inclusion of only the highest volume ETC Exchanges during the calculation period limits the likelihood that included data is influenced by temporary price dislocations that may result from technical problems or limited liquidity on otherwise eligible exchanges. The Index Provider periodically reviews which ETC Exchanges are used to calculate the ETC Index Price using considerations such as depth of liquidity, compliance with applicable legal and regulatory requirements, data availability, U.S. domicile and acceptance of U.S. Dollar deposits.

The price of ETC on public ETC Exchanges may also be impacted by policies on or interruptions in the deposit or withdrawal of fiat currency into or out of larger ETC Exchanges. On large ETC Exchanges, users may buy or sell ETC for fiat currency or transfer ETC to other wallets. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of fiat currency deposits by users into ETC Exchanges may reduce demand on such ETC Exchanges, resulting in a reduction in the ETC price on such ETC Exchange. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of fiat currency withdrawals by users from ETC Exchanges may reduce supply on such ETC Exchanges, resulting in an increase in the ETC price on such ETC Exchange. To the extent that fees for the transfer of ETC either directly or indirectly occur between ETC Exchanges, the impact on ETC prices of operational limits on fiat currency deposits and withdrawals may be reduced by “exchange shopping” among ETC Exchange users. For example, a delay in U.S. Dollar withdrawals on one site may temporarily increase the price on such site by reducing supply (i.e., sellers transferring ETC to another ETC Exchange without operational limits in order to settle sales more rapidly), but the resulting increase in price will also reduce demand because bidders on ETC will follow increased supply on other ETC Exchanges not experiencing operational limits. To the extent that users are able or willing to utilize or arbitrage prices between more than one ETC Exchange, exchange shopping may mitigate the short-term impact on, and volatility of, ETC prices due to operational limits on the deposit or withdrawal of fiat currency into or out of larger ETC Exchanges.

Despite efforts to ensure accurate pricing on a volume-weighted basis, the ETC Index Price, and the price of ETC generally, remains subject to volatility experienced by the ETC Exchanges. Such volatility can adversely affect an investment in the Shares.

Due to the unregulated nature and lack of transparency surrounding the operations of ETC Exchanges, the marketplace may lose confidence in ETC Exchanges, upon which the Trust is dependent.

The ETC Exchanges on which ETC trade are relatively new and, in some cases, unregulated. Furthermore, while many prominent ETC Exchanges provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance, many ETC Exchanges do not provide this information. As a result, the marketplace may lose confidence in ETC Exchanges, including prominent exchanges that handle a significant volume of ETC trading.

Over the past several years, many digital asset exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of such digital asset exchanges were not compensated or made whole for the partial or complete losses of their account balances in such digital asset exchanges. While smaller digital asset exchanges are less likely to have the infrastructure and capitalization that make larger digital asset exchanges more stable, larger digital asset exchanges are more likely to be appealing targets for hackers and malware and may be more likely to be targets of regulatory enforcement action. For example, the collapse of Mt. Gox, which filed for bankruptcy protection in Japan in late February 2014, indicated that even the largest digital asset exchanges could be subject to abrupt failure with consequences for both users of a digital asset exchange and the digital asset industry as a whole. In particular, in the two weeks that followed the February 7, 2014 halt of Bitcoin withdrawals from Mt. Gox, the value of one Bitcoin fell on other exchanges from around \$795 on February 6, 2014 to \$578 on February 20, 2014. Additionally, in January 2015, Bitstamp announced that approximately 19,000 Bitcoin had been stolen from its operational or “hot” wallets. Further, in August 2016, it was reported that almost 120,000 Bitcoins worth around \$78 million were stolen from Bitfinex, a large Bitcoin exchange. The value of Bitcoin immediately decreased over 10% following reports of the theft at Bitfinex. In July 2017, the Financial Crimes Enforcement Network (“**FinCEN**”) assessed a \$110 million fine against BTC-E, a now defunct digital currency exchange, for facilitating crimes such as drug sales and ransomware attacks. In addition, in December 2017, Yopian, the operator of Seoul-based cryptocurrency exchange Youbit, suspended digital asset trading and filed for bankruptcy following a hack that resulted in a loss of 17% of Yopian’s assets. Following the hack, Youbit users were allowed to withdraw approximately 75% of the digital assets in their exchange accounts, with any potential further distributions to be made following Yopian’s pending bankruptcy proceedings. In addition, in January 2018, the Japanese digital asset exchange, Coincheck, was hacked, resulting in losses of approximately \$535 million, and in February 2018, the Italian digital asset exchange, Bitgrail, was hacked, resulting in approximately \$170 million in losses.

A lack of stability in the ETC Exchange Market and the closure or temporary shutdown of ETC Exchanges due to fraud, business failure, hackers or malware or government-mandated regulation may reduce confidence in the Ethereum Classic Network and result in greater volatility in the ETC Index Price. Furthermore, the closure or temporary shutdown of ETC Exchanges, including in particular any ETC Exchange included in the Index, due to fraud, business failure, hackers or malware, or government-mandated regulation may result in a loss of confidence in the Trust’s ability to determine its ETC Holdings on a daily basis. These potential consequences of an ETC Exchange’s failure could adversely affect an investment in the Shares.

Since there is no limit on the number of ETC that the Trust may acquire, the Trust itself, as it grows, may have an impact on the supply and demand of ETC that ultimately may affect the price of the Shares in a manner unrelated to other factors affecting the global market for ETC.

The Trust Agreement places no limit on the number of ETC the Trust may hold. Moreover, the Trust may issue an unlimited number of Shares, subject to registration requirements, and therefore acquire an unlimited number of ETC in existence at any point in time. Additionally,

new or existing investment vehicles like the Trust or large speculative investors may acquire large positions in ETC. The global market for ETC is characterized by supply and demand constraints that generally are not present in the markets for commodities or other assets such as gold and silver. The Ethereum Classic Network's mathematical protocols under which ETC are created or "mined" permit the creation of a limited, predetermined number of ETC not to exceed 230 million. Furthermore, the rate of creation or issuance of ETC cannot be increased ahead of the protocol's schedule. As of February 28, 2018, approximately 100 million ETC had been created.

If the number of ETC acquired by the Trust, other investment vehicles or speculative investors is large enough relative to global ETC supply and demand, further in-kind creations and redemptions of Shares, if permitted, could have an impact on the supply of and demand for ETC in a manner unrelated to other factors affecting the global market for ETC. Such an impact could affect the ETC Index Price, which would directly affect the price of future Baskets created or redeemed by the Trust and, if the Shares were traded on a Secondary Market in the future, the price at which Shares are traded.

As of February 28, 2018, the Trust held approximately 3,602,511 ETC that it acquired in the sale of Baskets, representing approximately 3.6% of the total ETC in existence. The Trust and the Sponsor cannot provide any assurance that increased ETC Holdings by the Trust in the future will have no long-term impact on the ETC Index Price, thereby affecting Share trading prices.

A possible "short squeeze" due to a sudden increase in demand for the Shares that largely exceeds supply may lead to price volatility in the Shares.

Investors may purchase Shares to hedge existing ETC or other digital currencies, commodity or currency exposure or to speculate on the price of ETC. Speculation on the price of ETC may involve long and short exposures. To the extent that aggregate short exposure exceeds the number of Shares available for purchase (for example, in the event that, if redemptions are permitted, large redemption requests by Authorized Participants dramatically affect Share liquidity), investors with short exposure may have to pay a premium to repurchase Shares for delivery to Share lenders. Those repurchases may, in turn, dramatically increase the price of the Shares until additional Shares are created through the creation process. This is often referred to as a "short squeeze." A short squeeze could lead to volatile price movements in the Shares that are not directly correlated with the price of ETC.

Purchasing activity in the ETC Exchange Market associated with Basket creations or selling activity following Basket redemptions, if permitted, may affect the ETC Index Price and Share trading prices, adversely affecting an investment in the Shares.

Purchasing activity associated with acquiring ETC required for the creation of Baskets may increase the market price of ETC on the ETC Exchange Market, which will result in higher prices for the Shares. Increases in the market price of ETC may also occur as a result of the purchasing activity of other market participants. Other market participants may attempt to benefit from an increase in the market price of ETC that may result from increased purchasing activity

of ETC connected with the issuance of Baskets. Consequently, the market price of ETC may decline immediately after Baskets are created.

The Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program. If, however, regulatory approval is obtained in the future, the selling activity associated with sales of ETC withdrawn from the Trust in connection with the redemption, if permitted, of Baskets may decrease the market price of ETC on the ETC Exchange Market, which will result in lower prices for the Shares. Decreases in the market price of ETC may also occur as a result of sales in Secondary Markets by other market participants. If the ETC Index Price declines, the trading price of the Shares will generally also decline.

The ETC Index Price may be affected by the sale of other digital currency financial vehicles that invest in and track the price of ETC.

To the extent digital currency financial vehicles other than the Trust tracking the price of ETC are formed and represent a significant proportion of the demand for ETC, large redemptions of the securities of these digital currency financial vehicles, or private funds holding ETC, could negatively affect the ETC Index Price, the ETC Holdings and the price of the Shares.

Political or economic crises may motivate large-scale sales of ETC, which could result in a reduction in the ETC Index Price and adversely affect an investment in the Shares.

As an alternative to fiat currencies that are backed by central governments, digital assets such as ETC, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. Nevertheless, political or economic crises may motivate large-scale acquisitions or sales of ETC either globally or locally. Large-scale sales of ETC would result in a reduction in the ETC Index Price and adversely affect an investment in the Shares.

Failure of funds that hold digital assets or that have exposure to digital assets through derivatives to receive SEC approval to list their shares on exchanges could adversely affect an investment in the Shares.

There have been a growing number of attempts to list on national securities exchanges the shares of funds that hold digital assets or that have exposures to digital assets through derivatives. These investment vehicles attempt to provide institutional and retail investors exposure to markets for digital assets and related products. The SEC has repeatedly denied such requests. On January 18, 2018, the SEC's Division of Investment Management outlined several questions that sponsors would be expected to address before it would consider granting approval for funds holding "substantial amounts" of cryptocurrencies or "cryptocurrency-related products." The questions, which focus on specific requirements of the Investment Company Act of 1940, generally fall into one of five key areas: valuation, liquidity, custody, arbitrage and potential manipulation. The SEC has not explicitly stated whether each of the questions set forth would also need to be addressed by entities with similar products and investment strategies that instead pursue registered offerings under the Securities Act, although such entities would need to

comply with the registration and prospectus disclosure requirements of the Securities Act. Furthermore, the Sponsor recently withdrew its application with the SEC to list the Bitcoin Investment Trust, an entity affiliated with the Trust, on a national security exchange. Requests to list the shares of other funds on national securities exchanges have also been submitted to the SEC. Exchange-listed digital asset fund shares would create more opportunities for institutional and retail investors to invest in the digital asset market. If exchange-listing requests are not approved by the SEC and the outstanding requests are ultimately denied by the SEC, increased investment interest by institutional or retail investors could fail to materialize, which could reduce the demand for digital assets generally and therefore adversely affect an investment in the Shares.

Risk Factors Related to the Trust and the Shares

As the Sponsor and its management have limited history of operating an investment vehicle like the Trust, their experience may be inadequate or unsuitable to manage the Trust.

The past performances of the Sponsor's management in other investment vehicles, including their experiences in the digital asset and venture capital industries, are no indication of their ability to manage an investment vehicle such as the Trust. If the experience of the Sponsor and its management is inadequate or unsuitable to manage an investment vehicle such as the Trust, the operations of the Trust may be adversely affected.

Furthermore, the Sponsor is currently engaged in the management of other investment vehicles which could divert their attention and resources. If the Sponsor were to experience difficulties in the management of such other investment vehicles that damaged the Sponsor or its reputation, it could have an adverse impact on the Sponsor's ability to continue to serve as Sponsor for the Trust.

The value of the Shares could decrease if unanticipated operational or trading problems arise.

The mechanisms and procedures governing the creation, redemption and offering of the Shares and storage of ETC have been developed specifically for this product. There may be unanticipated problems or issues with respect to the mechanics of the Trust's operations and the trading of the Shares that could have an adverse effect on an investment in the Shares, including the Trust's unavailability of a redemption program. In addition, although the Trust is not actively "managed" by traditional methods, to the extent that unanticipated operational problems or issues arise, the Sponsor's past experience and qualifications may not be suitable for solving these problems or issues.

If Authorized Participants are able to purchase or sell large aggregations of ETC in the open market at prices that are different than the ETC Index Price or are unable to create and redeem Shares on an ongoing basis, the arbitrage mechanism intended to keep the price of the Shares closely linked to the ETC Index Price may not function properly and the Shares may trade at a discount to, or premium over, their ETC Holdings per Share.

The Trust relies on arbitrage opportunities resulting from differences between the price of the Shares and the price of ETC to keep the price of the Shares closely linked to the ETC Index Price. If Authorized Participants are unable to redeem the Shares, as is the case as of the date of this Disclosure Statement, or if the Trust halts creations for an extended period of time, this arbitrage mechanism is unlikely to function properly and the value of the Shares of the Trust may not approximate, and the Shares may trade at a substantial premium over, or discount to, the value of the ETC held by the Trust, less the Trust's expenses and other liabilities, if traded on any Secondary Market.

Moreover, even if a redemption program is authorized, this arbitrage mechanism may not function properly if the Fund experiences operational difficulties with the order process or if Authorized Participants are required to purchase or sell large aggregations of ETC in the open market at prices that are materially higher or lower than the ETC Index Price. Authorized Participants may purchase or sell ETC on public or private markets not included among the ETC Exchanges included in the Index, and such transactions may take place at prices materially higher or lower than the ETC Index Price. Furthermore, while the Index provides Bitcoin and U.S. Dollar-denominated composite reference rates for the price of ETC based on the volume-weighted price of an ETC on certain constituent ETC Exchanges at any given time, the prices on each individual ETC Exchange are not necessarily equal to the value of an ETC as represented by the Index.

The price of ETC on an individual ETC Exchange could in the future be materially higher or lower than the ETC Index Price.

In addition, under the Trust Agreement, the Sponsor may suspend or reject creation or, if permitted, redemption orders, as applicable, for a variety of permitted reasons under certain circumstances. The creation and, if permitted, redemption of Baskets may also encounter unanticipated difficulties, including, but not limited to, technical difficulties such as the disruption of the timely transfer of ETC to and from the Trust's accounts. To the extent orders are suspended, rejected or otherwise disrupted, potential market participants may not be willing or able to take advantage of any potential arbitrage opportunities and the arbitrage mechanism may fail to closely link the price of the Shares to the value of the underlying ETC, as measured using the ETC Index Price. If this is the case, the liquidity of the Shares may decline and the price of the Shares may fluctuate independently of the ETC Index Price and may fall.

If the processes of creation and, if permitted, redemption of Baskets encounter any unanticipated difficulties, the opportunities for arbitrage transactions intended to keep the

price of the Shares closely linked to the ETC Index Price may not exist and, as a result, the price of the Shares may fall.

If the creation and redemption of the Shares encounter any unanticipated difficulties, including, but not limited to, the Trust's inability in the future to obtain regulatory approvals for the offer and sale of additional Shares, potential market participants who would otherwise be willing to purchase or redeem Baskets to take advantage of any arbitrage opportunity arising from discrepancies between the price of the Shares and the price of the underlying ETC may not take the risk that, as a result of those difficulties, they may not be able to realize the profit they expect. If this is the case, the liquidity of Shares may decline and the price of the Shares may fluctuate independently of the ETC Index Price and may fall.

The Sponsor could experience unforeseen difficulties in operating and maintaining key elements of the Trust's technical infrastructure.

The ETC Account has been designed specifically to provide security for the Trust's assets, and may be expanded, updated and altered from time to time. Any effort to expand, update or alter the security system is likely to be complex, and unanticipated delays in the completion of these projects may lead to unanticipated project costs, operational inefficiencies or vulnerabilities to security breaches. In addition, there may be problems with the design or implementation of the ETC Account or with an expansion or upgrade thereto that are not evident during the testing phases of design and implementation, and that may only become apparent after the Trust has utilized the infrastructure. This could further expose the Trust to operational inefficiencies or vulnerabilities. Any issues relating to the performance and effectiveness of the security procedures used by the Sponsor, the Key Maintainer and the Backup Maintainers to protect the ETC Account, such as algorithms, codes, passwords, multiple signature systems, encryption and telephone call-backs (together, the "**Security Procedures**"), may have an adverse impact on an investment in the Shares.

The Trust's internal systems rely on Security Procedures jointly implemented by the Sponsor, the Key Maintainer and the Backup Maintainers that are technical and complex. In addition, the responsibilities of these parties depend on the ability of the agreed upon Security Procedures to protect the storage, acceptance and distribution of data relating to ETC and the digital wallets into which the Trust transfers such ETC. The Security Procedures may not protect against all errors, software flaws (i.e., bugs) or vulnerabilities. Defects in the Security Procedures may only be discovered after a failure in the safekeeping and storage of the Trust's ETC, which could result in the theft, loss or damage of the Trust's assets. Any such theft, loss or damage of the Trust's ETC would have a negative impact on the value of the Shares for which the Trust may have no recourse or means of recovery.

It is not uncommon for businesses in the digital currency industry to experience large losses due to fraud and breaches of their security systems. For example, in September 2015, the global Bitcoin payment agent, BitPay, lost approximately \$1.8 million of Bitcoin due to a hacker's fraudulent impersonation of BitPay's CFO, whereby the hacker was able to access the CFO's email account and successfully request BitPay's custodian to transfer funds. Businesses in the digital currency industry are subject to similar threats.

The Sponsor may need to quickly find and appoint a replacement Key Maintainer, which could pose a challenge to the safekeeping of the Trust's ETC.

The Sponsor could decide to replace Ledger SAS as Key Maintainer. Transferring key maintenance responsibilities to another party will likely be complex and could subject the Trust's ETC to the risk of loss during the transfer, which could have a negative impact on the performance of the Shares or result in loss of the Trust's assets.

The Sponsor may not be able to find a party willing to serve as the Key Maintainer under the same terms as the current Key Maintenance Agreement. To the extent that Sponsor is not able to find a suitable party willing to serve as the Key Maintainer, the Sponsor may be required to terminate the Trust and liquidate the Trust's ETC. In addition, to the extent that the Sponsor finds a suitable party but must enter into a modified Key Maintenance Agreement that is less favorable for the Trust or Sponsor, an investment in the Shares could be adversely affected.

The Trust's, the Sponsor's, the Key Maintainer's and the Backup Maintainers' ability to adopt technology in response to changing security needs or trends poses a challenge to the safekeeping of the Trust's ETC.

ETC Exchanges and large holders of ETC must adapt to technological change in order to secure and safeguard client accounts. While the Sponsor believes the Security Procedures in place have been reasonably designed to safeguard the Trust's ETC from theft, loss, destruction or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats. As technological change occurs, the security threats to the Trust's ETC will likely adapt and previously unknown threats may emerge. Furthermore, the Sponsor believes that the Trust may become a more appealing target of security threats as the size of the Trust's assets grows. To the extent that the Trust, the Sponsor, the Key Maintainer or any Backup Maintainer is unable to identify and mitigate or stop new security threats or otherwise adapt to technological change in the digital asset industry, the Trust's ETC may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of the Shares or result in loss of the Trust's assets.

Security threats to the ETC Account could result in the halting of Trust operations, the suspension of redemptions (if a redemption program has been authorized by the Sponsor and approved by the SEC), and a loss of Trust assets or damage to the reputation of the Trust, each of which could result in a reduction in the price of the Shares.

Security breaches, cyber-attacks, computer malware and computer hacking attacks have been a prevalent concern in relation to digital currencies. Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could result in loss of the Trust's assets or otherwise adversely affect the Trust's affairs. Digital currency exchanges or key maintainers may in particular be at risk of cyber security breaches orchestrated or funded by state actors. It has been reported, for instance, that South Korean digital currency exchanges have been subject to cybersecurity attacks by North Korean state actors with the intent of stealing

digital currencies, possibly with the intention of evading international economic sanctions. Any breach of the Trust's infrastructure could result in damage to the Trust's reputation and reduce demand for the Shares, resulting in a reduction in the price of the Shares. Furthermore, the Sponsor believes that, as the Trust's assets grow, it may become a more appealing target for security threats such as hackers and malware. Furthermore, cybersecurity attacks orchestrated or funded by state actors may be particularly difficult to defend against because of the resources that state actors have at their disposal.

The Sponsor believes that the Security Procedures, including multi-factor redundancy, segregation and offline data storage protocols (i.e., the maintenance of data on computers and/or storage media that is not directly connected to or accessible from the internet and/or networked with other computers, also known as "cold storage") are reasonably designed to safeguard the Trust's ETC from theft, loss, destruction or other issues relating to hackers and technological attack. Nevertheless, the Security Procedures cannot guarantee the prevention of any loss due to a security breach, software defect or act of God that may be borne by the Trust, absent fraud, gross negligence, willful misconduct or bad faith on the part of the Sponsor, the Key Maintainer, any Backup Maintainer or their agents.

The Security Procedures and operational infrastructure may be breached due to the actions of outside parties, error or malfeasance of an employee of the Sponsor, Key Maintainer, any Backup Maintainer, or otherwise, and, as a result, an unauthorized party may obtain access to the ETC Account, private keys, data or ETC. Additionally, outside parties may attempt to fraudulently induce employees of the Sponsor, Key Maintainer or any Backup Maintainer to disclose sensitive information in order to gain access to the Trust's infrastructure. As the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, or may be designed to remain dormant until a predetermined event and often are not recognized until launched against a target, the Sponsor may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of the ETC Account occurs, the market perception of the effectiveness of the Trust could be harmed, which could result in a reduction in the price of the Shares.

The Backup Maintainers may be acting as Backup Maintainers to trusts or other investment vehicles sponsored or managed by the Sponsor other than the Trust. In the event of a Backup Contingency with respect to another trust or other investment vehicle, under the Trust's Backup Security Factor Agreements with the Backup Maintainers, the Backup Maintainers have the right to temporarily access, but not the right to use, the Backup Factor for the Trust. After such a Backup Contingency, the Backup Maintainers are required to re-secure the Trust's Backup Factor, and do not have further rights to access to the Trust's Backup Factor until a subsequent Backup Contingency. While ordinarily more than the Backup Factors are required to transfer any of the Trust's ETC, during the period following a Backup Contingency until the Backup Factors for the Trust are re-secured, the security risk to the ETC Account may be heightened.

In the event of a security breach of the ETC Account, the Trust may cease operations, suspend redemptions (if a redemption program has been authorized by the Sponsor and approved

by the SEC) or suffer a reduction in assets, the occurrence of each of which could result in a reduction in the price of the Shares.

A loss of confidence or breach in the Trust's security and technology policies may adversely affect the Trust and the value of an investment in the Shares.

The Trust, Sponsor, Key Maintainer and Backup Maintainers and each of their agents will take measures to protect the Trust and its ETC from unauthorized access, damage or theft. However, it is possible that the Security Procedures in place may not prevent the improper access to, or damage or theft of the Trust's ETC. A security breach could harm the Trust's reputation or result in the loss of some or all of the Trust's ETC, which represent the Trust's only asset. A resulting perception that the Security Procedures do not adequately protect the Trust's ETC could result in a loss of current or potential Shareholders, reducing demand for, and price of, the Shares.

ETC transactions are irrevocable and stolen or incorrectly transferred ETC may be irretrievable. As a result, any incorrectly executed ETC transactions could adversely affect an investment in the Shares.

Similar to other cryptocurrency-powered blockchain protocols like Bitcoin, ETC transactions are not reversible without the consent and active participation of the recipient of the transaction. Once a transaction has been verified and recorded in a block that is added to the Blockchain, an incorrect transfer of ETC or a theft of ETC generally will not be reversible and the Trust may not be capable of seeking compensation for any such transfer or theft. Although the Trust's transfers of ETC will regularly be made to or from the ETC Account, it is possible that, through computer or human error, or through theft or criminal action, the Trust's ETC could be transferred from the Trust's ETC Account in incorrect amounts or to unauthorized third parties, or to uncontrolled accounts.

Such events have occurred with other digital currencies in the past. For example, in September 2014, the Chinese Bitcoin exchange Huobi announced that it had sent approximately 900 Bitcoins and 8,000 Litecoins (worth approximately \$400,000 at the prevailing market prices at the time) to the wrong customers, although it claimed that many customers returned the Bitcoins and Litecoins. To the extent that the Trust is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Trust's ETC through error or theft, the Trust will be unable to revert or otherwise recover incorrectly transferred Trust ETC. The Trust will also be unable to convert or recover Trust's ETC transferred to uncontrolled accounts. To the extent that the Trust is unable to seek redress for such error or theft, such loss could adversely affect an investment in the Shares.

The Trust's ETC may be subject to loss, damage, theft or restriction on access.

There is a risk that some or all of the Trust's ETC could be lost, stolen or destroyed. The Sponsor believes that the Trust's ETC held in the ETC Account will be an appealing target to hackers or malware distributors seeking to destroy damage or steal the Trust's ETC. Although the Trust uses Security Procedures with various elements such as multi-factor redundancy,

segregation and cold storage to minimize the risk of loss, damage and theft, none of the Sponsor, Key Maintainer or Backup Maintainers can guarantee the prevention of such loss, damage or theft, whether caused intentionally, accidentally or by an act of God. Access to the Trust's ETC could also be restricted by natural events (such as an earthquake or flood) or human actions (such as a terrorist attack). Any of these events may adversely affect the operations of the Trust and, consequently, an investment in the Shares.

The Shareholders' limited rights of legal recourse against the Trust, Trustee, Sponsor, Transfer Agent, Key Maintainer and Backup Maintainers expose the Trust and its Shareholders to the risk of loss of the Trust's ETC for which no person is liable.

In addition, the Trust does not insure the Trust's ETC. Shareholders cannot be assured that the Sponsor, the Key Maintainer or the Backup Maintainers will maintain adequate insurance or any insurance with respect to the Trust's ETC. Shareholders' recourse against the Trust, Trustee, Sponsor, Key Maintainer and Backup Maintainers under New York law governing their roles in facilitating the security of the Trust's ETC is limited. Similarly, the Shareholders' recourse against the Sponsor and the Transfer Agent for the services they provide to the Trust, including those relating to the provision of instructions relating to the movement of ETC, is limited. Consequently, a loss may be suffered with respect to the Trust's ETC for which no person is liable in damages. Further, there is no third-party insurance to cover any loss that may be suffered with respect to the Trust's Bitcoins. Bitcoins held by the Trust are not subject to FDIC or SIPC protections.

ETC held by the Trust are not subject to FDIC or SIPC protections.

The Trust is not a banking institution or otherwise a member of the Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC") and, therefore, deposits held with or assets held by the Trust are not subject to the protections enjoyed by depositors with FDIC or SIPC member institutions. The undivided interests in the Trust's ETC represented by Shares in the Trust are not insured directly by the Trustee or the Sponsor.

Lack of a custodian or party that holds exclusive access to the Trust's ETC on the Trust's behalf, and the Key Maintainer's and Backup Maintainers' limited liability under the Key Maintenance Agreement and Backup Security Factor Agreements, respectively, may impair the ability of the Trust to recover losses relating to its ETC.

There is no custodian or other party that is solely responsible for securing the Trust's ETC or that has exclusive control over the Trust's ETC. The lack of such a party may limit the Trust's ability to recover losses relating to its ETC. In addition, because the security of the Trust's ETC is facilitated by multiple parties, it may be difficult for the Trust to prove that any particular party—such as the Key Maintainer—caused a loss, which could limit the Trust's ability to recover losses relating to its ETC. Under the Key Maintenance Agreement, the Key Maintainer's liability is capped at the greater of \$1 million or 10% of the loss caused by and directly attributable to a breach of the Key Maintainer's obligations under the Key Maintenance Agreement. Under the Key Maintenance Agreement, the Key Maintainer will not be liable for any delay in performance or any non-performance of any of its obligations under the Key

Maintenance Agreement by reason of any cause beyond its reasonable control, including acts of God, war or terrorism. The Key Maintainer will also not be liable for any system failure or third-party penetration of the ETC Account, unless such system failure or third-party penetration is the result of its gross negligence, bad faith or willful misconduct. Similarly, the liability of the Backup Maintainers is also significantly limited, for example to situations in which the Backup Maintainer has engaged in willful misconduct. As a result, the recourse of the Trust or the shareholder, under New York law, is limited.

The Trust may not have adequate sources of recovery if its ETC are lost, stolen or destroyed.

If the Trust's ETC are lost, stolen or destroyed under circumstances rendering a party liable to the Trust, the responsible party may not have the financial resources sufficient to satisfy the Trust's claim. For example, as to a particular event of loss, the only source of recovery for the Trust might be limited to the Key Maintainer, Backup Maintainers or, to the extent identifiable, other responsible third parties (for example, a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of the Trust.

The Trust may be required, or the Sponsor may deem it appropriate, to terminate and liquidate at a time that is disadvantageous to Shareholders.

If the Trust is required to terminate and liquidate, or the Sponsor determines in accordance with the terms of the Trust Agreement that it is appropriate to terminate and liquidate the Trust, such termination and liquidation could occur at a time that is disadvantageous to Shareholders, such as when the Actual Exchange Rate of ETC is lower than the ETC Index Price was at the time when Shareholders purchased their Shares. In such a case, when the Trust's ETC are sold as part of the Trust's liquidation, the resulting proceeds distributed to Shareholders will be less than if the Actual Exchange Rate were higher at the time of sale. See "Description of the Trust Documents—Description of the Trust Agreement—The Trustee—Termination of the Trust" for more information about the termination of the Trust, including when the termination of the Trust may be triggered by events outside the direct control of the Sponsor, the Trustee or the Shareholders.

The Trust Agreement includes provisions that limit Shareholders' voting rights and restrict Shareholders' right to bring a derivative action.

Under the Trust Agreement, Shareholders have limited voting rights and the Trust will not have regular Shareholder meetings and take no part in the management or control of the Trust. Accordingly, Shareholders do not have the right to authorize actions, appoint service providers or take other actions as may be taken by shareholders of other trusts or companies where shares carry such rights. The Shareholders' limited voting rights give almost all control under the Trust Agreement to the Sponsor and the Trustee. The Sponsor may take actions in the operation of the Trust that may be adverse to the interests of Shareholders and may adversely affect an investment in the Shares.

Moreover, pursuant to the terms of the Trust Agreement, Shareholders' statutory right under Delaware law to bring a derivative action (i.e., to initiate a lawsuit in the name of the Trust in

order to assert a claim belonging to the Trust against a fiduciary of the Trust or against a third-party when the Trust's management has refused to do so) is restricted. The Trust Agreement provides that in addition to any other requirements of applicable law, no Shareholder will have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not affiliates of one another and (ii) collectively hold at least 10.0% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding. Therefore, the Trust Agreement limits the likelihood that a Shareholder could successfully assert a derivative action.

The Sponsor is solely responsible for determining the value of the ETC Holdings and ETC Holdings per Share, and any errors, discontinuance or changes in such valuation calculations may have an adverse effect on the value of the Shares.

The Sponsor will determine the Trust's ETC Holdings and ETC Holdings per Share on a daily basis as soon as practicable after 4:00 p.m., New York time, on each business day. The Sponsor's determination is made utilizing data from the operations of the Trust and the ETC Index Price, calculated at 4:00 p.m., New York time, on such day. To the extent that the ETC Holdings or ETC Holdings per Share are incorrectly calculated, the Sponsor may not be liable for any error and such misreporting of valuation data could adversely affect an investment in the Shares.

Extraordinary expenses resulting from unanticipated events may become payable by the Trust, adversely affecting an investment in the Shares.

In consideration for the Sponsor's Fee, the Sponsor has contractually assumed the Sponsor-paid Expenses, which are certain operational and periodic expenses of the Trust. See "Activities of the Trust—Trust Expenses." Extraordinary expenses, such taxes and governmental charges or expenses relating to litigation, regulatory enforcement or investigation matters, or incurred in connection with any Incidental Rights or IR Virtual Currency, of the Trust are not assumed by the Sponsor and are instead borne by the Trust. The Sponsor will cause the Trust to either (i) sell ETC, Incidental Rights and/or IR Virtual Currency held by the Trust or (ii) deliver ETC, Incidental Rights and/or IR Virtual Currency in kind to pay Trust expenses not assumed by the Sponsor on an as-needed basis. Accordingly, the Trust may be required to sell or otherwise dispose of ETC, Incidental Rights or IR Virtual Currency at a time when the trading prices for those assets are depressed. The sale or other disposition of assets of the Trust in order to pay extraordinary expenses could have a negative impact on the value of the Shares for several reasons. These include the following factors:

- The Trust is not actively managed and no attempt will be made to protect against or take advantage of fluctuations in the prices of ETC, Incidental Rights or IR Virtual Currency when it sells ETC, Incidental Rights or IR Virtual Currency to pay Additional Trust Expenses. Consequently, if the Trust incurs expenses in U.S. Dollars, the Trust's ETC, Incidental Rights or IR Virtual Currency may be sold at a time when the values of the disposed assets are low, resulting in a negative impact on the value of the Shares.

- Because the Trust does not generate any income, every time that it pays expenses it will deliver ETC, Incidental Rights or IR Virtual Currency to the Sponsor or sell ETC, Incidental Rights or IR Virtual Currency. Any sales of the Trust's assets in connection with the payment of expenses will decrease the amount of the Trust's assets represented by each Share each time the Trust's assets are sold or transferred to the Sponsor.
- Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, each delivery or sale of ETC, Incidental Rights or IR Virtual Currency by the Trust to pay the Sponsor's Fee and/or Additional Trust Expenses will be a taxable event to beneficial owners of Shares. Thus, the Trust's payment of expenses could result in beneficial owners of Shares incurring tax liability without an associated distribution from the Trust. Any such tax liability could adversely affect an investment in the Shares. See "U.S. Federal Income Tax Consequences."

The Trust's delivery or sale of ETC to pay expenses or other operations of the Trust could result in Shareholders' incurring tax liability without an associated distribution from the Trust.

Assuming that the Trust is treated as a grantor trust for U.S. federal income tax purposes, each delivery of ETC by the Trust to pay the Sponsor's Fee or other expenses and each sale of ETC by the Trust to pay Additional Trust Expenses will be a taxable event to beneficial owners of Shares. Thus, the Trust's payment of expenses could result in beneficial owners of Shares incurring tax liability without an associated distribution from the Trust. Any such tax liability could adversely affect an investment in the Shares. See "U.S. Federal Income Tax Consequences."

The value of the Shares will be adversely affected if the Trust is required to indemnify the Sponsor, the Trustee, the Transfer Agent, the Key Maintainer or any Backup Maintainer under the Trust Documents.

Under the Trust Documents, each of the Sponsor, the Trustee, the Transfer Agent, the Key Maintainer and the Backup Maintainers has a right to be indemnified by the Trust for certain liabilities or expenses that it incurs without gross negligence, bad faith or willful misconduct on its part. Therefore, the Sponsor, Trustee, Transfer Agent, the Key Maintainer or any Backup Maintainer may require that the assets of the Trust be sold in order to cover losses or liability suffered by it. Any sale of that kind would reduce the Trust's ETC Holdings and the value of the Shares.

Intellectual property rights claims may adversely affect the Trust and an investment in the Shares.

The Sponsor is not aware of any intellectual property rights claims that may prevent the Trust from operating and holding ETC, Incidental Rights or IR Virtual Currency; however, third parties may assert intellectual property rights claims relating to the operation of the Trust and the mechanics instituted for the investment in, holding of and transfer of ETC, Incidental Rights or

IR Virtual Currency. Regardless of the merit of an intellectual property or other legal action, any legal expenses to defend or payments to settle such claims would be extraordinary expenses and be borne by the Trust through the sale of the Trust's ETC, Incidental Rights or IR Virtual Currency. Additionally, a meritorious intellectual property rights claim could prevent the Trust from operating and force the Sponsor to terminate the Trust and liquidate the Trust's ETC, Incidental Rights or IR Virtual Currency. As a result, an intellectual property rights claim against the Trust could adversely affect an investment in the Shares.

Risk Factors Related to the Regulation of the Trust and the Shares

Shareholders do not have the protections associated with ownership of shares in an investment company registered under the Investment Company Act, the protections associated with an investment adviser registered under the Investment Advisers Act or the protections afforded by the CEA.

The Investment Company Act is designed to protect investors by preventing insiders from managing investment companies to their benefit and to the detriment of public investors, such as: the issuance of securities having inequitable or discriminatory provisions; the management of investment companies by irresponsible persons; the use of unsound or misleading methods of computing earnings and asset value; changes in the character of investment companies without the consent of investors; and investment companies from engaging in excessive leveraging. To accomplish these ends, the Investment Company Act requires the safekeeping and proper valuation of fund assets, restricts greatly transactions with affiliates, limits leveraging, and imposes governance requirements as a check on fund management.

The Trust is not registered as an investment company under the Investment Company Act and the Sponsor believes that the Trust is not required to register under such act. Consequently, Shareholders do not have the regulatory protections provided to investors in investment companies.

The Trust does not invest in securities, so the Sponsor will not be acting as a registered investment adviser in providing services to the Trust. As such, neither the Trust nor an investor in the Trust will have the protections afforded by the Investment Advisers Act. For example, in managing the Trust, the Sponsor will not be subject to the Investment Advisers Act's requirements with respect to the custody of client assets or transactions with affiliates.

The Trust will not hold or trade in commodity futures contracts regulated by the CEA, as administered by the CFTC. Furthermore, the Sponsor believes that the Trust is not a commodity pool for purposes of the CEA, and that neither the Sponsor nor the Trustee is subject to regulation by the CFTC as a commodity pool operator or a commodity trading advisor in connection with the operation of the Trust. Consequently, Shareholders will not have the regulatory protections provided to investors in CEA-regulated instruments or commodity pools.

The restrictions on transfer and redemption may result in losses on an investment in the Shares.

The Shares may not be resold except in transactions exempt from registration under the Securities Act and state securities laws, and any such transaction must be approved in advance by the Sponsor. Any attempt to sell Shares without the approval of the Sponsor in its sole discretion will be void ab initio. See “Description of the Shares—Transfer Restrictions” for more information.

At this time the Sponsor is not accepting redemption requests from Shareholders. Therefore, unless the Trust is permitted to, and does, establish a Share redemption program, investors will be unable to (or could be significantly impeded in attempting to) sell or otherwise liquidate investments in the Shares, which could have a material adverse impact on an investment in the Shares.

Investors should consider an investment in the Shares to be an illiquid investment and should invest only if prepared to hold the Shares indefinitely. Furthermore, because we do not have the ability to redeem Shares until given authorization by the SEC, the Shares could trade below the Trust’s ETC Holdings per Share due to the fact that investors cannot currently realize any increase in the value of the Trust’s ETC through redemption. Therefore, the Trust may not meet its objective for investment, which is to provide investors a cost-effective and convenient way to invest in ETC while avoiding the complication of directly holding ETC.

Regulatory changes or actions may alter the nature of an investment in the Shares or restrict the use of ETC or the operation of the Ethereum Classic Network or the ETC Exchange Market in a manner that adversely affects an investment in the Shares.

While regulation of digital currency is still nascent, as ETC and other digital currencies have grown in both popularity and market size, the U.S. Congress and a number of U.S. federal and state agencies have been examining digital currency networks and exchange markets. Many of these state and federal agencies have issued consumer advisories regarding the risks posed by ETC and other digital currencies to investors. In addition, U.S. federal and state agencies, and regulatory bodies in other countries have issued rules or guidance about the treatment of digital currency transactions or requirements for businesses engaged in digital currency activity.

In 2013 guidance, FinCEN took the position that any administrator or exchanger of convertible digital currencies must register with FinCEN as a money transmitter and must comply with the anti-money laundering regulations applicable to money transmitters. In 2015, FinCEN assessed a \$700,000 fine against Ripple Labs for violating several requirements of the Bank Secrecy Act by acting as a money services business, or an MSB, and selling XRP without registering with FinCEN, and by failing to implement and maintain an adequate anti-money laundering program. In 2017, FinCEN assessed a \$110 million fine against BTC-E, a now defunct digital currency exchange, for similar violations. The requirement that exchangers that do business in the United States register with FinCEN and comply with anti-money laundering regulations may increase the cost of buying and selling ETC and therefore may adversely affect their price.

The SEC and CFTC have also taken various actions to clarify their treatment of digital currencies, including tokens, or businesses involved in certain types of digital-currency business. The SEC has taken the view that some virtual currencies, especially those sold in ICOs, may be securities within the meaning of the U.S. securities laws. See “Risk Factors Related to the Regulation of the Trust and the Shares—Recently, the SEC determined that DAO tokens are to be treated as securities for purposes of the U.S. federal securities laws. This could increase the likelihood that the SEC determines that other digital currencies should be classified or treated as securities, and result in regulation of one or more digital currencies under the U.S. federal securities laws, which could adversely affect an investment in the Shares.” Additionally, the CFTC has taken the view that ETC and other virtual currencies are commodities for purposes of the Commodity Exchange Act. Most of the CFTC’s rules and requirements apply to commodity interests (i.e., commodity futures, options and swaps). For example, the CFTC has granted registrations as swap execution facilities and derivatives clearing organizations to certain entities intending to facilitate trading in ETC derivatives. Additionally, the CFTC has brought enforcement actions against unregistered futures exchange merchants and exchanges facilitating ETC derivative transactions. However, the CFTC also has authority to take action against fraud and manipulation in the spot ETC market, not just the derivatives markets.

Similarly, many countries outside the United States have enacted regulatory regimes or taken enforcement actions with respect to digital currencies. See “Risk Factors Related to the Regulation of the Trust and the Shares—It may be illegal now, or in the future, to acquire, own, hold, sell or use ETC in one or more countries, and ownership of, holding or trading in Shares may also be considered illegal and subject to sanctions.”

Ongoing and future regulatory actions, including future increases in the taxation rates on ETC and other digital currencies, may alter, perhaps to a materially adverse extent, the nature of an investment in the Shares or the ability of the Trust to continue to operate.

Recently, the SEC determined that DAO tokens are to be treated as securities for purposes of the U.S. federal securities laws. This could increase the likelihood that the SEC determines that other digital currencies should be classified or treated as securities, and result in regulation of one or more digital currencies under the U.S. federal securities laws, which could adversely affect an investment in the Shares.

In 2016, promoters of The DAO, an unincorporated virtual organization, commenced an ICO, selling tokens to investors in exchange for Ether, raising approximately \$150 million. The DAO was created by a German company called Slock.it, and was designed to allow holders of DAO tokens to vote on projects that The DAO would fund, with any profits flowing to token-holders. Slock.it marketed The DAO as the first instance of a decentralized autonomous organization, powered by smart contracts on a blockchain platform. Ultimately, but unrelated to the issue examined by the SEC, a hacker siphoned off over \$50 million of The DAO’s value. The community’s decision to unwind the theft spawned a new virtual currency alongside Ether, ETC.

On July 25, 2017, the SEC published Release No. 81207 titled, “Report of Investigation Pursuant to Section 21(a) of the Securities Exchange Act of 1934: The DAO” in which the SEC reasoned that The DAO tokens were unregistered securities. Though declining to take

enforcement action against The DAO, the SEC used the opportunity to warn others engaged in similar ICO activities that an unregistered sale of Blockchain tokens can, depending on the circumstances, be an illegal public offering of securities. Simultaneously, the SEC issued a bulletin warning investors about such ICOs. The SEC could rely on the same logic to come to the conclusion that other digital currencies sold in ICOs should be classified as securities.

The SEC's DAO report also indicated that exchanges that facilitate trading in digital currencies that are securities must generally be registered national securities exchanges. Should a digital currency exchange or other service provider determine that certain digital currencies are or may soon be determined by the SEC to be securities, the exchange may delist such digital currencies. Additionally, there may be enforcement actions against current U.S. and foreign digital currency exchanges doing business in the United States that facilitate trading in digital currencies that are securities, which could decrease the prices for all digital currencies and as a result impact the value of the Shares. If the SEC were to determine, or if there is an expectation that the SEC may determine, that a particular digital currency is a security, the price of that digital currency could significantly decrease, which could also lead to decreases in the prices of other digital currencies as well. The SEC's determination or a market expectation of the SEC's determination that any digital currency is a security could adversely affect the market price of ETC and thus an investment in the Shares.

Regulatory limitations on ICOs may negatively impact digital currency ecosystems and adversely affect the value of the Shares.

ICOs often accept digital currencies as payment for coins, bolstering demand for digital currencies. The SEC's action with respect to The DAO could have a chilling effect on future ICOs. While the SEC has not taken enforcement action against The DAO, as noted above, the SEC published a bulletin warning investors about such ICOs. If the SEC clarifies or if market participants conclude that many ICOs violate federal or state securities, money transmitter, or digital currency business activity laws, the number of ICOs may decrease and coins already issued as part of ICOs may face uncertain regulatory futures. In addition, a number of foreign jurisdictions have, like the SEC, recently opined on the sale of digital currency tokens including through ICOs. China has banned ICOs entirely and other jurisdictions have opined that ICOs may constitute securities offerings subject to local securities regulations, which could similarly affect the number of ICOs and coins already issued as part of ICOs. Because ICOs and interest in them may increase demand for all digital currencies, including ETC, these developments may decrease demand for ETC and could negatively impact digital currency ecosystems, which could adversely affect the performance of the Trust and could adversely affect the value of an investment in the Shares.

It may be illegal now, or in the future, to acquire, own, hold, sell or use ETC in one or more countries, and ownership of, holding or trading in Shares may also be considered illegal and subject to sanctions.

Digital currencies currently face an uncertain regulatory landscape in many foreign jurisdictions such as China, the European Union, the United Kingdom, Australia, Japan, Russia, Israel, Poland, India, Hong Kong, Canada and Singapore.

In 2017, the largest China-based ETC Exchanges introduced a 2% fixed rate transaction fee for all ETC buy and sell orders. Chinese regulators have taken action to shut down China-based ETC Exchanges, and a number of ETC Exchanges have announced they will be closing or moving operations. There remains significant uncertainty regarding the Chinese government's future actions with respect to the regulation of digital currency and digital currency exchanges, and the Sponsor believes that this uncertainty has had and will continue to have an adverse effect on the price of digital currencies and therefore the value of an investment in the Shares.

Since October 2015 in the European Union, digital currency transactions have been treated as traditional currency transactions and have not been subject to value added tax. In Russia, regulators announced plans to recognize digital currencies as legitimate financial instruments by 2018, but announced in September 2017 that they would not yet allow digital currencies to be traded on official exchanges or to be used in clearing and settlement infrastructure. In China, a government notice classified digital currencies as "virtual commodities," and not legal tender in 2013. In April 2017, Japanese regulators recognized digital currencies as a legal method of payment and required market participants to meet certain compliance requirements and be subject to oversight by the Financial Services Agency. Israel applied capital gains tax to sales of digital currencies in 2017. Ecuador, Bolivia, and Bangladesh, on the other hand, have banned the use of digital currencies. See "Overview of the ETC Industry and Market – Government Oversight" below.

Most regulatory bodies have not yet issued official statements regarding determinations on regulation of digital currencies, users or networks. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the digital currencies. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of digital currencies by users, merchants and service providers outside the United States and may therefore impede the growth or sustainability of the digital currency economy in these jurisdictions as well as in the United States and elsewhere, or otherwise negatively affect the value of digital currencies.

Additionally, U.S. state and federal, and foreign regulators and legislatures have taken action against digital currency businesses or enacted restrictive regimes in response to adverse publicity arising from hacks, consumer harm, or criminal activity stemming from digital currency activity. The value of digital currencies could thus be impacted by such adverse publicity.

If regulatory changes or interpretations of an Authorized Participant's, the Trust's or the Sponsor's activities require the regulation of an Authorized Participant, the Trust or the Sponsor as a money service business under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act or as a money transmitter or digital currency business under state regimes for the licensing of such businesses, an Authorized Participant, the Trust or the Sponsor may be required to register and comply with such regulations, which could result in extraordinary, recurring and/or nonrecurring expenses to the Authorized Participant,

Trust or Sponsor or increased commissions for the Authorized Participant's clients, thereby reducing the liquidity of the Trust.

To the extent that the activities of any Authorized Participant, the Trust or the Sponsor cause it to be deemed a “money services business” under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act, such Authorized Participant, Trust or Sponsor may be required to comply with FinCEN regulations, including those that would mandate the Authorized Participant to implement anti-money laundering programs, make certain reports to FinCEN and maintain certain records. Similarly, the activities of an Authorized Participant, the Trust or the Sponsor may require it to be licensed as a money transmitter or as a digital currency business, such as under NYDFS’ BitLicense scheme.

Such additional regulatory obligations may cause the Authorized Participant, the Trust or the Sponsor to incur extraordinary expenses. If the Authorized Participant, Trust or Sponsor decide to seek the required licenses, there is no guarantee that they will timely receive them. The Authorized Participant may also instead decide to terminate its role as Authorized Participant of the Trust, or the Sponsor may decide to terminate the Trust. Termination by the Authorized Participant may decrease the liquidity of the Trust, which may adversely affect the value of the Shares, and any termination of the Trust in response to the changed regulatory circumstances may be at a time that is disadvantageous to the Shareholders.

Genesis, an Authorized Participant and affiliate of the Trust, applied for a license under the “BitLicense” scheme by the August 2015 deadline but has not yet had its application approved or denied by the NYDFS. If its license application is rejected or if the NYDFS attaches onerous conditions to the approval of the license, Genesis may not be able to continue to act as the Authorized Participant or may cause the Authorized Participant to incur extraordinary expenses, possibly increasing the levels of the commissions that the Authorized Participant charges its clients in a material and adverse manner.

Banks may not provide banking services, or may cut off banking services, to businesses that provide digital currency-related services or that accept digital currencies as payment, which could damage the public perception and the utility of digital currencies, including ETC, as a payment system, which could decrease the price of ETC and adversely affect an investment in the Shares.

A number of companies that provide digital currency-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital currency -related companies or companies that accept digital currencies for a number of reasons, such as perceived compliance risks or costs. The difficulty that many businesses that provide digital currency-related services have and may continue to have in finding banks willing to provide them with bank accounts and other banking services may be currently decreasing the usefulness of digital currencies, including ETC, as a payment system and harming public perception of digital currencies, including ETC, or could decrease its usefulness and harm its public perception in the future. Similarly, the usefulness of digital currencies as payment systems and the public

perception of digital currencies, including ETC, could be damaged if banks were to close the accounts of many or of a few key businesses providing digital currency-related services. This could decrease the price of ETC and therefore adversely affect an investment in the Shares.

Trading on digital currency exchanges outside the United States may not be subject to U.S. regulation, and may be less reliable than U.S. exchanges. Because of the lack of regulation, such non-U.S. exchanges may have a greater potential for manipulation which could adversely impact the value of the Shares.

Some of the Trust's trading may be conducted on digital currency exchanges outside the United States. Such exchanges may not view themselves as being subject to regulation by any U.S. governmental agency. In addition, trading on such exchanges may involve certain risks not applicable to trading on U.S. exchanges. For instance, certain foreign markets may be more susceptible to disruption than U.S. exchanges. These factors could adversely affect the performance of the Trust.

Any potential manipulation of digital currency exchanges may affect the value of the Shares. Such manipulation may take various forms, including malicious actors successfully double spending digital currencies or employing other fraudulent schemes with a greater success rates than they would otherwise achieve on a U.S.-regulated exchange. See "Overview of the ETC Industry and Market—Forms of Attack Against the Ethereum Classic Network" below.

Regulatory changes or interpretations relating to the custody of digital currency could require the Trust, Sponsor, Key Maintainer and/or any Backup Maintainer to be required to apply for licenses, and could subject these parties to investigations and penalties, which could adversely affect an investment in the Shares.

The Trust, Sponsor, Key Maintainer and Backup Maintainers believe that because of the multi-factor security system and the terms of the agreements governing their use of their security factors, none of them are required to apply for a BitLicense from the NYDFS or register as a money transmitter or party engaged in digital currency business activity (or equivalent designation) under state law in any other state in which the Trust operates. In the event that regulatory changes or interpretations would require such registrations or licenses, there may be extraordinary, nonrecurring expenses to the Trust. The Sponsor may also decide to terminate the relationship with the Key Maintainer or Backup Maintainer or terminate the Trust. Any termination of the relationship with the Key Maintainer or Backup Maintainer or termination of the Trust in response to the changed regulatory circumstances may be at a time that is disadvantageous to Shareholders. The Sponsor may not be able to find a successor Key Maintainer or Backup Maintainer that has the appropriate licenses.

Regulatory changes or interpretations could cause the Trust and the Sponsor to register and comply with new regulations, resulting in potentially extraordinary, nonrecurring expenses to the Trust.

Current and future legislation, CFTC and SEC rulemaking and other regulatory developments may impact the manner in which ETC are treated for classification and clearing

purposes. In particular, ETC may be classified by the CFTC as a “commodity interest” under the CEA or may be classified by the SEC as a “security” under U.S. federal securities laws. As of the date of this Disclosure Statement, the Sponsor is not aware of any rules that have been proposed to regulate ETC as a commodity interest or a security. Unlike Bitcoin, ETC were issued in connection with a crowd-funding transaction for the Ethereum Foundation, which could increase the risk that the SEC views ETC as a security. Although the CFTC has repeatedly confirmed that it views Bitcoin and other virtual currencies as commodities under the Commodity Exchange Act and several U.S. federal district courts have recently held for certain purposes that other digital currencies such as ETC are currency or a form of money, these rulings are not definitive and the Sponsor and the Trust cannot be certain as to how future regulatory developments will impact the treatment of ETC under the law. In the face of such developments, the required registrations and compliance steps may result in extraordinary, nonrecurring expenses to the Trust. If the Sponsor decides to terminate the Trust in response to the changed regulatory circumstances, the Trust may be dissolved or liquidated at a time that is disadvantageous to Shareholders.

To the extent that ETC is deemed to fall within the definition of a “commodity interest” under the CEA, the Trust and the Sponsor may be subject to additional regulation under the CEA and CFTC regulations. The Sponsor may be required to register as a commodity pool operator or commodity trading advisor with the CFTC and become a member of the National Futures Association and may be subject to additional regulatory requirements with respect to the Trust, including disclosure and reporting requirements. These additional requirements may result in extraordinary, recurring and/or nonrecurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust’s ETC at a time that is disadvantageous to Shareholders.

To the extent that ETC are deemed to fall within the definition of a security under U.S. federal securities laws, the Trust and the Sponsor may be subject to additional requirements under the Investment Company Act and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act. Such additional registration may result in extraordinary, recurring and/or non-recurring expenses of the Trust, thereby materially and adversely impacting the Shares. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust’s ETC at a time that is disadvantageous to Shareholders.

The treatment of the Trust for U.S. federal income tax purposes is uncertain.

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

Because of the evolving nature of digital currencies, it is not possible to predict potential future developments that may arise with respect to digital currencies, including forks, airdrops and other similar events. Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, certain future developments could render it impossible, or impracticable, for the Trust to continue to be treated as a grantor trust for such purposes.

The Trust intends to inform the Key Maintainers that it will adopt a policy to abandon, on a prospective basis, as of any date on which the Trust creates Shares, any Incidental Rights or IR Virtual Currency to which it would otherwise be entitled as of such date and with respect to which it has not taken any other action on or prior to such date. There can be no complete assurance that this prospective abandonment will be treated as effective for U.S. federal income tax purposes. If the Trust were treated as owning any asset other than ETC as of any date on which it creates Shares, it would likely cease to qualify as a grantor trust for U.S. federal income tax purposes.

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

The treatment of ETC for U.S. federal income tax purposes is uncertain.

As discussed in the section entitled “U.S. Federal Income Tax Consequences—Uncertainty Regarding the U.S. Federal Income Tax Treatment of Digital Currency” below, assuming that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes, each beneficial owner of Shares will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the ETC (and, if applicable, any Incidental Rights and/or IR Virtual Currency) held in the Trust. Due to the new and evolving nature of digital currencies and a general absence of clearly controlling authority with respect to digital currencies, many significant aspects of the U.S. federal income tax treatment of digital currency are uncertain. On March 25, 2014, the Internal Revenue Service (“**IRS**”) released a notice (the “**Notice**”) discussing certain aspects of the treatment of digital currencies for U.S. federal income tax purposes. In the Notice, the IRS stated that, for U.S. federal income tax purposes, (i) digital currency is “property” that is not currency and (ii) digital currency may be held as a capital asset. There can be no assurance, however, that the IRS will not alter its position with respect to digital

currency in the future or that a court would uphold the treatment set forth in the Notice. In addition, legislation has been introduced that likely would, if enacted, cause digital currency to be treated as currency for U.S. federal income tax purposes. If digital currency were properly treated as currency for U.S. federal income tax purposes, gains recognized on the disposition of digital currency, and on a disposition of Shares, would constitute ordinary income, and losses recognized on the disposition of digital currency, and on a disposition of Shares, could be subject to special reporting requirements applicable to “reportable transactions.”

The Notice does not address other significant aspects of the U.S. federal income tax treatment of digital currency, including: (i) whether digital currency is properly treated as a “commodity” for U.S. federal income tax purposes and (ii) whether and how a holder of digital currency acquired at different times or at varying prices may designate, for U.S. federal income tax purposes, which units of the digital currency are transferred in a subsequent sale, exchange or other disposition. The Notice addressed only digital currency that is “convertible virtual currency,” defined as digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency. It is conceivable that certain IR Virtual Currency the Trust may receive in the future in connection with its ownership of ETC would not be within the scope of the Notice. The Notice also does not address the U.S. federal income tax treatment of a “fork” or “airdrop” of digital currency or other similar occurrence, and it is possible that such an occurrence would be treated as a taxable event, even if the Trust does not claim the relevant IR Virtual Currency.

Prospective investors are urged to consult their tax advisers regarding the substantial uncertainty regarding the tax consequences of an investment in the Trust and in digital currencies in general.

Future developments regarding the treatment of digital currency for U.S. federal income tax purposes could adversely affect an investment in the Shares.

As discussed above, many significant aspects of the U.S. federal income tax treatment of digital currency, such as ETC, are uncertain, and it is unclear what guidance on the treatment of digital currency for U.S. federal income tax purposes may be issued in the future. It is possible that any such guidance would have a negative effect on the prices of digital currency, including on the price of ETC in the ETC Exchange Market, and therefore may have an adverse effect on the value of the Shares.

Because of the evolving nature of digital currencies, it is not possible to predict potential future developments that may arise with respect to digital currencies, including “forks,” “airdrops” and other similar events. Such developments may result in uncertain tax consequences and may increase the uncertainty with respect to the treatment of digital currencies more generally. Certain future developments could render it impossible, or impracticable, for the Trust to continue to be treated as a grantor trust for U.S. federal income tax purposes.

Future developments in tax treatment of digital currencies for tax purposes other than U.S. federal income tax purposes could adversely affect an investment in the Shares.

The New York State Department of Taxation and Finance (“NYDTF”) has issued guidance regarding the application of New York State tax law to digital currencies such as ETC. The NYDTF determined that New York State would follow the Notice with respect to the treatment of digital currencies for state income tax purposes. Furthermore, the NYDTF took the position that digital currencies such as ETC are a form of “intangible property,” with the result that the purchase and sale of ETC for fiat currency is not subject to New York state sales tax (although exchanges of ETC for other goods and services may be subject to sales tax under barter transaction treatment). The New Jersey Division of Taxation has issued similar guidance, while the taxing authorities of various states other than New York and New Jersey have issued guidance exempting the acquisition and/or disposition of digital currencies from sales tax.

It is unclear what further guidance on the treatment of digital currencies for state tax purposes may be issued in the future. If a state does not follow the Notice, or issues other guidance with respect to digital currency, such state’s treatment of digital currency may have negative consequences, including the imposition of a greater tax burden on investors in digital currency or the imposition of a greater cost on the acquisition and disposition of digital currency generally. Any such treatment may have a negative effect on prices of digital currency, including on the price of ETC in the ETC Exchange Market, and therefore may adversely affect the value of the Shares.

The treatment of digital currencies for tax purposes by non-U.S. jurisdictions may differ from the treatment of digital currencies by the IRS or any state. If a foreign jurisdiction imposes onerous tax burdens on ETC users, or imposes sales or value-added tax on purchases and sales of ETC for fiat currency, such actions could result in decreased demand for ETC in such jurisdiction, which could adversely affect the price of ETC and the value of the Shares.

Risk Factors Related to Potential Conflicts of Interest

Potential conflicts of interest may arise among the Sponsor or its affiliates and the Trust. The Sponsor and its affiliates have no fiduciary duties to the Trust and its Shareholders other than as provided in the Trust Agreement, which may permit them to favor their own interests to the detriment of the Trust and its Shareholders.

The Sponsor will manage the affairs of the Trust. Conflicts of interest may arise among the Sponsor and its affiliates, including the Index Provider, the Authorized Participants and the Initial Purchasers on the one hand, and the Trust and its Shareholders, on the other hand. As a result of these conflicts, the Sponsor may favor its own interests and the interests of its affiliates over the Trust and its Shareholders. These potential conflicts include, among others, the following:

- The Sponsor has no fiduciary duties to, and is allowed to take into account the interests of parties other than, the Trust and its Shareholders in resolving conflicts of interest;

- The Trust has agreed to indemnify the Sponsor and its affiliates pursuant to the Trust Agreement;
- The Sponsor is responsible for allocating its own limited resources among different clients and potential future business ventures, to each of which it owes fiduciary duties;
- The Sponsor's staff also services affiliates of the Sponsor and their respective clients and cannot devote all of its, or their, respective time or resources to the management of the affairs of the Trust;
- The Sponsor, its affiliates and their officers and employees are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with the Trust;
- There is an absence of arm's-length negotiation with respect to certain terms of the Trust, and, where applicable, there has been no independent due diligence conducted with respect to this Disclosure Statement;
- Several employees of the Sponsor and the Sponsor's parent company, Digital Currency Group, Inc., are FINRA-registered representatives who maintain their licenses through Genesis;
- Barry E. Silbert, the Chief Executive Officer of the Sponsor, acts as an advisor to the Index Provider and owns approximately 0.5% of the Index Provider's voting equity;
- Digital Currency Group, Inc., the sole member and parent company of the Sponsor, and Genesis, the only acting Authorized Participant as of the date of this Disclosure Statement, owns (i) approximately 1.9% of the Index Provider's voting equity and owns warrants representing approximately 1.1% of the Index Provider's voting equity and (ii) approximately 1.0% of the Key Maintainer's voting equity;
- North Island LLC, an Initial Purchaser, is the family office of Glenn Hutchins, who serves as a member of the board of Digital Currency Group, Inc.;
- Digital Currency Group, Inc. has investments in a large number of digital currencies and companies involved in the digital currency ecosystem, including exchanges and custodians. Digital Currency Group, Inc.'s positions on changes that should be adopted in the Ethereum Classic Network could be adverse to positions that would benefit the Trust or its shareholders. Additionally, before or after a hard fork, Digital Currency Group, Inc.'s position regarding which fork, among incompatible forks of ETC, should be considered the "true" ETC, could be adverse to positions that would most benefit the Trust;
- The Sponsor decides whether to retain separate counsel, accountants or others to perform services for the Trust;

- The Sponsor and the Authorized Participant, Distributor and Marketer are affiliated parties that share a common parent company, Digital Currency Group, Inc.;
- Genesis, the only acting Authorized Participant, the Distributor and the Marketer, is also an Initial Purchaser and own more than 50% of the Trust shares;
- While the Index does not currently utilize data from over-the-counter markets or derivatives platforms, it may decide to include pricing data from such markets or platforms in the future, which could include the affiliated Authorized Participant or Distributor and Marketer; and
- The Sponsor or an affiliate of the Sponsor may enter into contracts with the Trust, which are not required to be negotiated at arm's length; and
- The Sponsor may appoint an agent to act on behalf of the Shareholders, including in connection with the distribution of any Incidental Rights and/or IR Virtual Currency, which agent may be the Sponsor or an affiliate of the Sponsor.

In addition, there may be conflicts of interest involving the Backup Maintainers, such as investment in them by the Sponsor, the Sponsor's affiliates or their executive officers or other service relationships between the Backup Maintainer and the Trust, the Sponsor or the Sponsor's affiliates. To maintain the security of the Trust's ETC, the identity of the Backup Maintainers and details of potential conflicts that could identify the Backup Maintainers are not being disclosed.

By investing in the Shares, investors agree and consent to the provisions set forth in the Trust Agreement. See "Description of the Trust Documents—Description of the Trust Agreement."

For a further discussion of the conflicts of interest among the Sponsor, the Distributor, the Marketer, the Authorized Participant, the Index Provider, the Trust and others, see "Conflicts of Interest."

Affiliates of the Sponsor may invest in or trade ETC without regard to the interests of the Trust or its Shareholders.

Affiliates of the Sponsor have substantial direct investments in ETC. Such affiliates of the Sponsor are permitted to manage such investments, taking into account their own interests, without regard to the interests of the Trust or its Shareholders. Affiliates of the Sponsor may obtain exposure to ETC through investment in the Shares.

To the extent that any substantial investment in ETC is initiated, materially increased or materially reduced, such investment can affect the ETC Index Price. The initiation of, or material increases in, a substantial investment in ETC may result in an increase in the ETC Index Price. A material reduction in a substantial investment may result in a decrease in the ETC Index Price, having a negative impact on the value of Shares. See "Conflicts of Interest—Proprietary Trading/Other Clients."

Shareholders cannot be assured of the Sponsor's continued services, the discontinuance of which may be detrimental to the Trust.

Shareholders cannot be assured that the Sponsor will be willing or able to continue to serve as sponsor to the Trust for any length of time. If the Sponsor discontinues its activities on behalf of the Trust and a substitute sponsor is not appointed, the Trust will terminate and liquidate the ETC held by the Trust.

Appointment of a substitute sponsor will not guarantee the Trust's continued operation, successful or otherwise. Because a substitute sponsor may have no experience managing a digital currency financial vehicle, a substitute sponsor may not have the experience, knowledge or expertise required to ensure that the Trust will operate successfully or to continue to operate at all. Therefore, the appointment of a substitute sponsor may not necessarily be beneficial to the Trust or an investment in the Shares and the Trust may terminate. See "Conflicts of Interest—The Sponsor."

The Key Maintainer and Backup Maintainers owe no fiduciary duties to the Trust or the Shareholders, are not required to act in best interests of the Trust or Sponsor and could resign or be removed by the Sponsor, which would trigger early termination of the Trust.

The Key Maintainer and Backup Maintainers are not trustees for, and owe no fiduciary duties to, the Trust or the Shareholders. In addition, the Key Maintainer and Backup Maintainers have no duty to continue to act for the Trust. The Key Maintainer and any Backup Maintainer can terminate their roles for any reason whatsoever upon the notice period provided under the Key Maintenance Agreement and the Backup Security Factor Agreements, respectively. The Key Maintainer and any Backup Maintainer may also be terminated by the Trust for any reason whatsoever upon the notice periods provided in these agreements.

Shareholders may be adversely affected by the lack of independent advisers representing investors in the Trust.

The Sponsor has consulted with counsel, accountants and other advisers regarding the formation and operation of the Trust. No counsel has been appointed to represent an investor in connection with the offering of the Shares. Accordingly, an investor should consult his, her, or its own legal, tax and financial advisers regarding the desirability of an investment in the Shares. Lack of such consultation may lead to an undesirable investment decision with respect to investment in the Shares.

TRADEBLOCK ECX INDEX

The Trust values its ETC by reference to the “ETC Index Price,” which is the U.S. Dollar value of an ETC derived from the selected trading venues (“**ETC Exchanges**”) included in the TradeBlock ECX Index (the “**Index**”). The ETC Index Price is calculated by applying a weighting algorithm to the price and volume of all ETC data from the ETC Exchanges for the immediately preceding 24-hour period as of 4:00 p.m., New York time, on each business day. The ETC Index Price is calculated using non-GAAP methodology and is not used in the Trust’s financial statements.

Description of the Index

The Index is a Bitcoin and U.S. Dollar-denominated composite reference rate for the price of ETC based on the volume-weighted price at trading venues selected by TradeBlock, Inc. (the “**Index Provider**”). Trading venues used to calculate the Index may include ETC Exchanges, over-the-counter markets or derivatives platforms. The Index Provider includes trading venues on the Index using standardized eligibility criteria such as depth of liquidity, compliance with applicable legal and regulatory requirements and data availability. See “Risk Factors— Risk Factors Related to the ETC Exchange Market—The Index is an average composite reference rate calculated using volume-weighted trading price data from various ETC Exchanges chosen by the Index Provider. Pricing on any ETC Exchange in the ETC Exchange Market can be volatile and can adversely affect an investment in the Shares.”

To calculate the ETC Index Price, trade data is cleansed and compiled in such a manner as to algorithmically reduce the impact of anomalistic or manipulative trading. This is accomplished by adjusting the weight of each data input based on price deviation relative to the observable set of data for the relevant trading venue, as well as recent and long-term trading volume at each venue relative to the observable set for the relevant trading venues. The Index Provider formally reevaluates the weighting algorithm quarterly, but maintains discretion to change it in extreme circumstances which could necessitate immediate updates to the algorithm or included exchanges.

Index rate data and the description of the Index are based on information publicly available at the Index Provider’s website at <https://tradeblock.com/markets/ecx/>. None of the information on the Index Provider’s website is incorporated by reference into this Disclosure Statement.

The Index Provider may change the trading venues that are used to calculate the Index or otherwise change the way in which the Index is calculated based on its periodic review of trading venues and its discretion described above.

If the Index becomes unavailable, or if the Sponsor determines in good faith that the Index does not reflect an accurate ETC price, then the Sponsor will, on a best efforts basis, contact the Index Provider to obtain the ETC Index Price directly from the Index Provider. If after such contact the Index remains unavailable or the Sponsor continues to believe in good faith that the Index does not reflect an accurate ETC price, then the Sponsor will employ a cascading set of

rules to determine the ETC Index Price, as described in “Overview of the ETC Industry and Market—ETC Value—The Index and the ETC Index Price.”

Certain Relationships

The Index Provider and the Sponsor have entered into an index license agreement (the “**Index License Agreement**”) governing the Sponsor’s use of the Index for calculation of the ETC Index Price. The Index Provider may adjust the calculation methodology for the Index without notice to, or consent of, the Trust or its Shareholders. Under the Index License Agreement, the Sponsor pays a monthly fee and a fee based on the ETC Holdings of the Trust to the Index Provider in consideration of its license to the Sponsor of Index-related intellectual property.

Barry E. Silbert, the founder of Digital Currency Group, Inc. and an officer of the Sponsor, acts as an advisor to the Index Provider and owns approximately 0.5% of the Index Provider’s voting equity.

Digital Currency Group, Inc., the sole member and parent company of the Sponsor owns approximately 1.9% of the Index Provider’s voting equity and owns warrants representing approximately 1.1% of the Index Provider’s voting equity.

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion addresses the material U.S. federal income tax consequences of the ownership of Shares. This discussion does not describe all of the tax consequences that may be relevant to a beneficial owner of Shares in light of the beneficial owner's particular circumstances, including tax consequences applicable to beneficial owners subject to special rules, such as:

- financial institutions;
- dealers in securities or commodities;
- traders in securities or commodities that have elected to apply a mark-to-market method of tax accounting in respect thereof;
- persons holding Shares as part of a hedge, "straddle," integrated transaction or similar transaction;
- Authorized Participants (as defined below);
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar;
- entities or arrangements classified as partnerships for U.S. federal income tax purposes;
- real estate investment trusts;
- regulated investment companies; and
- tax-exempt entities, including individual retirement accounts.

This discussion applies only to Shares that are held as capital assets and does not address alternative minimum tax consequences or consequences of the Medicare contribution tax on net investment income.

If an entity or arrangement that is classified as a partnership for U.S. federal income tax purposes holds Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares and partners in those partnerships are urged to consult their tax advisers about the particular U.S. federal income tax consequences of owning Shares.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations as of the date hereof, changes to any of which subsequent to the date hereof may affect the tax consequences described herein. For the avoidance of doubt, this summary does not discuss any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Prospective investors are urged to consult their tax advisers about the application of the U.S. federal income tax laws to their particular

situations, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Tax Treatment of the Trust

The Sponsor intends to take the position that the Trust is properly treated as a grantor trust for U.S. federal income tax purposes. Assuming that the Trust is a grantor trust, the Trust will not be subject to U.S. federal income tax. Rather, each beneficial owner of Shares will be treated as directly owning its *pro rata* share of the Trust's assets and a *pro rata* portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Shares.

Because of the evolving nature of digital currencies, it is not possible to predict potential future developments that may arise with respect to digital currencies, including forks, airdrops and other similar events. Assuming that the Trust is a grantor trust for U.S. federal income tax purposes, certain future developments could render it impossible, or impracticable, for the Trust to continue to be treated as a grantor trust for such purposes.

The Trust intends to inform the Key Maintainers that it will adopt a policy to abandon, on a prospective basis, as of any date on which the Trust creates Shares, any Incidental Rights or IR Virtual Currency to which it would otherwise be entitled as of such date and with respect to which it has not taken any other action on or prior to such date. There can be no complete assurance that this prospective abandonment will be treated as effective for U.S. federal income tax purposes. If the Trust were treated as owning any asset other than ETC as of any date on which it creates Shares, it would likely cease to qualify as a grantor trust for U.S. federal income tax purposes.

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

The remainder of this discussion is based on the assumption that the Trust will be treated as a grantor trust for U.S. federal income tax purposes.

Uncertainty Regarding the U.S. Federal Income Tax Treatment of Digital Currency

Each beneficial owner of Shares will be treated for U.S. federal income tax purposes as the owner of an undivided interest in the ETC (and any Incidental Rights and/or IR Virtual Currency) held in the Trust. Due to the new and evolving nature of digital currencies and a general absence of clearly controlling authority with respect to digital currencies, many significant aspects of the U.S. federal income tax treatment of digital currency are uncertain. On March 25, 2014, the IRS released a Notice discussing certain aspects of the treatment of digital currencies, such as ETC, for U.S. federal income tax purposes. In the Notice, the IRS stated that, for U.S. federal income tax purposes, (i) digital currency is property that is not currency and (ii) digital currency may be held as a capital asset. There can be no assurance, however, that the IRS will not alter its position with respect to digital currency in the future or that a court would uphold the treatment set forth in the Notice. In addition, legislation has been introduced that likely could, if enacted, cause digital currency to be treated as currency for U.S. federal income tax purposes. If digital currency were properly treated as currency for U.S. federal income tax purposes, gains recognized on the disposition of digital currency, and on a disposition of Shares, would constitute ordinary income, and losses recognized on the disposition of digital currency, and on a disposition of Shares, could be subject to special reporting requirements applicable to “reportable transactions.” The remainder of this discussion is based on the assumption that digital currency is properly treated for U.S. federal income tax purposes as property that is not currency.

The Notice does not address other significant aspects of the U.S. federal income tax treatment of digital currency, including: (i) whether digital currency is properly treated as a “commodity” for U.S. federal income tax purposes and (ii) whether and how a holder of digital currency acquired at different times or at varying prices may designate, for U.S. federal income tax purposes, which of the units of digital currency are transferred in a subsequent sale, exchange or other disposition. It is unclear what guidance on the treatment of digital currency for U.S. federal income tax purposes may be issued in the future.

Prospective investors are urged to consult their tax advisers regarding the substantial uncertainty regarding the tax consequences of an investment in the Trust and ETC.

Incidental Rights and IR Virtual Currency

It is possible that, in the future, the Trust will hold Incidental Rights and/or IR Virtual Currency that it receives in connection with its investment in ETC. The uncertainties with respect to the treatment of digital currency for U.S. federal income tax purposes, described above, apply to Incidental Rights and IR Virtual Currency, as well as to ETC. Moreover, the Notice addressed only digital currency that is “convertible virtual currency,” defined as digital currency that has an equivalent value in fiat currency or that acts as a substitute for fiat currency. It is conceivable that certain IR Virtual Currency the Trust may receive in the future would not be within the scope of the Notice. The discussion that follows assumes that any Incidental Right or IR Virtual Currency is properly treated for U.S. federal income tax purposes as property that may be held as a capital asset.

In general, it is expected that the Trust would receive Incidental Rights and IR Virtual Currency as a consequence of a “fork”, an “airdrop” or a similar event related to its ownership of ETC. The Notice does not address the U.S. federal income tax treatment of a fork, airdrop or similar event. It is possible that the Trust’s receipt of Incidental Rights or IR Virtual Currency in connection with a fork, airdrop or similar event would be a taxable event, giving rise to taxable income for the Shareholders, even if the Trust does not claim the relevant IR Virtual Currency. It is also not clear whether any portion of the tax basis of the ETC held in the Trust would be apportioned to any Incidental Right or IR Virtual Currency received by the Trust and, if so, how that apportionment would be done. Moreover, the Trust’s receipt of Incidental Rights or IR Virtual Currency may give rise to other tax issues. The possibility that the Trust will receive Incidental Rights and/or IR Virtual Currency thus increases the uncertainties and risks with respect to the U.S. federal income tax consequences of an investment in Shares.

The Trust may distribute Incidental Rights or IR Virtual Currency, or cash from the sale of Incidental Rights or IR Virtual Currency, to the Shareholders. Alternatively, the Trust may form a liquidating trust to which it contributes Incidental Rights or IR Virtual Currency and distribute interests in the liquidating trust to the Shareholders. Any such distribution will not be a taxable event for a U.S. Holder (as defined below). A U.S. Holder’s tax basis in the Incidental Rights or IR Virtual Currency distributed, whether directly or through the medium of a liquidating trust, will be the same as the U.S. Holder’s tax basis in the distributed assets immediately prior to the distribution, and the U.S. Holder’s tax basis in its *pro rata* share of the Trust’s remaining assets will not include the amount of such basis. As noted above, if a U.S. Holder holds Shares at the time the Trust acquires any Incidental Rights or IR Virtual Currency, it is not clear how the U.S. Holder’s basis in its *pro rata* share of any Incidental Rights or IR Virtual Currency will be determined. Immediately after any such distribution, the U.S. Holder’s holding period with respect to the distributed Incidental Rights or IR Virtual Currency will be the same as the U.S. Holder’s holding period with respect to the distributed assets immediately prior to the distribution. A subsequent sale of the distributed Incidental Rights or IR Virtual Currency will generally be a taxable event for a U.S. Holder.

For simplicity of presentation, the remainder of this discussion assumes that the Trust will hold only ETC. However, the principles set forth in the discussion below apply to all of the assets that the Trust may hold at any time, including Incidental Rights and IR Virtual Currency, as well as ETC. Without limiting the generality of the foregoing, each beneficial owner of Shares generally will be treated for U.S. federal income tax purposes as owning an undivided interest in any Incidental Rights and/or IR Virtual Currency held in the Trust, and any transfers or sales of Incidental Rights and/or IR Virtual Currency by the Trust (other than distributions by the Trust, as described in the preceding paragraph) will be taxable events to Shareholders with respect to which Shareholders will generally recognize gain or loss in a manner similar to the recognition of gain or loss on a taxable disposition of ETC, as described below.

Tax Consequences to U.S. Holders

As used herein, the term “U.S. Holder” means a beneficial owner of a Share for U.S. federal income tax purposes that is:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or of any political subdivision thereof; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

For U.S. federal income tax purposes, each U.S. Holder will be treated as owning an undivided interest in the ETC held in the Trust and will be treated as directly realizing its *pro rata* share of the Trust's income, gains, losses and deductions. When a U.S. Holder purchases Shares for cash, the U.S. Holder's initial tax basis in its *pro rata* share of the ETC held in the Trust will be equal to the amount paid for the Shares. **This discussion assumes that each U.S. Holder will acquire all of its Shares for cash on the same date and at the same price per Share. U.S. Holders that acquire, or contemplate acquiring, multiple lots of Shares at different times or prices are urged to consult their tax advisers regarding their tax bases and holding periods in their *pro rata* shares of the ETC held in the Trust.**

When the Trust transfers ETC to the Sponsor as payment of the Sponsor's Fee, or sells ETC to fund payment of any Additional Trust Expenses, each U.S. Holder will be treated as having sold its *pro rata* share of those ETC for their fair market value at that time (which, in the case of ETC sold by the Trust, generally will be equal to the cash proceeds received by the Trust in respect thereof). As a result, each U.S. Holder will recognize gain or loss in an amount equal to the difference between (i) the fair market value of the U.S. Holder's *pro rata* share of the ETC transferred and (ii) the U.S. Holder's tax basis for its *pro rata* share of the ETC transferred. Assuming that ETC are not treated as currency for U.S. federal income tax purposes, any such gain or loss will be short-term capital gain or loss if the U.S. Holder has held its Shares for one year or less and long-term capital gain or loss if the U.S. Holder has held its Shares for more than one year. A U.S. Holder's tax basis in its *pro rata* share of any ETC transferred by the Trust generally will be determined by multiplying the tax basis of the U.S. Holder's *pro rata* share of all of the ETC held in the Trust immediately prior to the transfer by a fraction the numerator of which is the amount of ETC transferred and the denominator of which is the total amount of ETC held in the Trust immediately prior to the transfer. Immediately after the transfer, the U.S. Holder's tax basis in its *pro rata* share of the ETC remaining in the Trust will be equal to the tax basis of its *pro rata* share of the ETC held in the Trust immediately prior to the transfer, less the portion of that tax basis allocable to its *pro rata* share of the ETC transferred.

U.S. Holders' *pro rata* shares of the expenses incurred by the Trust will be treated as "miscellaneous itemized deductions" for U.S. federal income tax purposes. As a result, for taxable years beginning after December 31, 2017 and before January 1, 2026, a non-corporate U.S. Holder's share of these expenses will not be deductible for U.S. federal income tax purposes. For taxable years beginning on or after January 1, 2026, a non-corporate U.S. Holder's share of these expenses will be deductible for regular U.S. federal income tax purposes only to

the extent that the U.S. Holder's share of the expenses, when combined with other "miscellaneous itemized deductions," exceeds 2% of the U.S. Holder's adjusted gross income for the particular year, will not be deductible for U.S. federal alternative minimum tax purposes and will be subject to certain other limitations on deductibility.

On a sale or other disposition of Shares, a U.S. Holder will be treated as having sold the ETC underlying such Shares. Accordingly, the U.S. Holder generally will recognize gain or loss in an amount equal to the difference between (i) the amount realized on the sale of the Shares and (ii) the portion of the U.S. Holder's tax basis in its *pro rata* share of the ETC held in the Trust that is attributable to the Shares disposed of. Such tax basis generally will be determined by multiplying the tax basis of the U.S. Holder's *pro rata* share of all of the ETC held in the Trust immediately prior to such sale or other disposition by a fraction the numerator of which is the number of Shares disposed of and the denominator of which is the total number of Shares held by such U.S. Holder immediately prior to such sale or other disposition. Assuming that digital currency is not treated as currency for U.S. federal income tax purposes, gain or loss recognized by a U.S. Holder on a sale or other disposition of Shares will generally be short-term capital gain or loss if the U.S. Holder has held its Shares for one year or less and long-term capital gain or loss if the U.S. Holder has held its Shares for more than one year. The deductibility of capital losses is subject to significant limitations.

As explained above in "Description of the Trust," the Trust has not obtained authorization from the SEC to operate a redemption program. If such authorization is obtained and the Trust redeems all or portion of a U.S. Holder's Shares in exchange for the underlying ETC represented by the redeemed Shares, such redemption will not be a taxable event to the U.S. Holder. The U.S. Holder's tax basis in the ETC received in the redemption will be the same as the U.S. Holder's tax basis for the portion of its *pro rata* share of the ETC held in the Trust immediately prior to the redemption that is attributable to the Shares redeemed, determined as described above. The U.S. Holder's holding period with respect to the ETC received will include the period during which the U.S. Holder held the Shares so redeemed. A subsequent sale of the ETC received in such redemption will generally be a taxable event.

After any sale, redemption or other disposition of fewer than all of a U.S. Holder's Shares, the U.S. Holder's tax basis in its *pro rata* share of the ETC held in the Trust immediately after the disposition will equal the tax basis in its *pro rata* share of the total amount of the ETC held in the Trust immediately prior to the disposition, less the portion of that tax basis that is taken into account in determining the amount of gain or loss recognized by the U.S. Holder on the disposition (or, in the case of a redemption, that is treated as the tax basis of the ETC received by the U.S. Holder in the redemption).

Any brokerage or other transaction fee incurred by a U.S. Holder in purchasing Shares generally will be added to the U.S. Holder's tax basis in the underlying assets of the Trust. Similarly, any brokerage fee or other transaction fee incurred by a U.S. Holder in selling Shares generally will reduce the amount realized by the U.S. Holder with respect to the sale.

Tax Consequences to Non-U.S. Holders

As used herein, the term “non-U.S. Holder” means a beneficial owner of a Share for U.S. federal income tax purposes that is not a U.S. Holder.

The term “non-U.S. Holder” does not include (i) a nonresident alien individual who is present in the United States for 183 days or more in a taxable year, (ii) a former U.S. citizen or U.S. resident or an entity that has expatriated from the United States; (iii) a person whose income in respect of Shares is effectively connected with the conduct of a trade or business in the United States; or (iv) an entity that is treated as a partnership for U.S. federal income tax purposes. Prospective investors described in the preceding sentence should consult their tax advisers regarding the U.S. federal income tax consequences of owning Shares.

A non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax with respect to its share of any gain recognized on the Trust’s transfer of ETC in payment of the Sponsor’s Fee or any Additional Trust Expenses or on the Trust’s sale of ETC. In addition, assuming that the Trust holds no asset other than ETC, a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax with respect to any gain it recognizes on a sale of Shares. A non-U.S. Holder also will generally not be subject to U.S. federal income or withholding tax with respect to any distribution received from the Trust, whether in cash or in kind. However, there is uncertainty with respect to the proper treatment of “forks”, “airdrops” and similar events for U.S. federal income tax purposes, and it is possible that a non-U.S. Holder would be subject to U.S. federal income or withholding tax if such an event were treated as a taxable event for U.S. federal income tax purposes. Moreover, given the evolving nature of digital currency, it is conceivable that a non-U.S. Holder’s pro rata share of income derived from an IR Virtual Currency that the Trust may hold in the future, and any gain or proceeds received by a non-U.S. Holder upon a sale of Shares to the extent attributable to such IR Virtual Currency, would be subject to U.S. federal income or withholding tax.

U.S. Information Reporting and Backup Withholding

The Trust or the appropriate broker will file certain information returns with the IRS and provide Shareholders with information regarding their annual income (if any) and expenses with respect to the Trust in accordance with applicable Treasury regulations.

A U.S. Holder will generally be subject to information reporting requirements and backup withholding unless (i) the U.S. Holder is a corporation or other exempt recipient or (ii) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding. In order to avoid the information reporting and backup withholding requirements, a non-U.S. Holder may have to comply with certification procedures to establish that it is not a U.S. person. The amount of any backup withholding will be allowed as a credit against the Shareholder’s U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is furnished to the IRS.

1. The issuer's primary and secondary SIC Codes.

The Trust's primary SIC Code is 6221. The Trust's secondary SIC code is 6199.

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.

The Sponsor is currently conducting operations on behalf of the Trust as described in "Description of the Trust."

3. Whether the issuer has at any time been a "shell company."

The Trust has not at any time been a "shell company."

4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this disclosure statement.

The Sponsor of the Trust is Grayscale Investments, LLC. Genesis Global Trading, Inc., a wholly owned subsidiary of Digital Currency Group, Inc. and a registered broker dealer, is the Marketer and Distributor of the Trust. Genesis Global Trading, Inc. was also the Initial Purchaser and is currently an Authorized Participant. The financial results of these entities are not included in the Trust's financial statements.

THE SPONSOR

The Trust's Sponsor is Grayscale Investments, LLC, a Delaware limited liability company formed on May 29, 2013 and a wholly owned subsidiary of Digital Currency Group, Inc. The Sponsor's principal place of business is 636 Avenue of the Americas, New York, New York 10011 and its telephone number is (212) 668-5920. Under the Delaware Limited Liability Company Act and the governing documents of the Sponsor, Digital Currency Group, Inc., the sole member of the Sponsor, is not responsible for the debts, obligations and liabilities of the Sponsor solely by reason of being the sole member of the Sponsor.

The Sponsor is neither an investment adviser registered with the SEC nor a commodity pool operator registered with the CFTC, and will not be acting in either such capacity with respect to the Trust, and the Sponsor's provision of services to the Trust will not be governed by the Investment Advisers Act or the CEA.

The Sponsor's Role

The Sponsor arranged for the creation of the Trust. As consideration for its receipt of the Sponsor's Fee from the Trust, the Sponsor is obligated to pay the Sponsor-paid Expenses. The Sponsor also paid the costs of the Trust's organization and will pay for the costs of the initial sale of the Shares.

The Sponsor is generally responsible for the day-to-day administration of the Trust under the provisions of the Trust Agreement. This includes (i) preparing and providing periodic reports on behalf of the Trust to investors, (ii) processing orders to create (and, should the Trust commence a redemption program, redeem) Baskets and coordinating the processing of such orders with the Key Maintainer and the Transfer Agent, (iii) calculating and publishing the ETC Holdings of the Trust and the ETC Holdings per Share each business day as of 4:00 p.m., New York time, or as soon thereafter as practicable, (iv) selecting and monitoring the Trust's Service Providers and from time to time engaging additional, successor or replacement Service Providers, (v) instructing the Key Maintainer and Backup Maintainers as necessary, to transfer the Trust's ETC as needed to pay the Sponsor's Fee and any Additional Trust Expenses and (vi) upon dissolution of the Trust, distributing the Trust's remaining ETC, Incidental Rights and IR Virtual Currency or the cash proceeds of the sale thereof to the owners of record of the Shares. In addition, if there is a fork in the Ethereum Classic Network after which there is a dispute as to which network resulting from the fork is the Ethereum Classic Network, the Sponsor has the authority to select the network that it believes in good faith is the Ethereum Classic Network, unless such selection or authority would otherwise conflict with the Trust Agreement.

The Sponsor does not store, hold, or maintain custody or control of the Trust's ETC but instead has entered into the Key Maintenance Agreement with the Key Maintainer and a Backup Security Factor Agreement with each of the Backup Maintainers to facilitate the security of the Trust's ETC. Under these agreements, the Key Maintainer must act on valid instructions given to it by the Sponsor, and the Backup Maintainers, upon receipt of certain notice or court order, must deliver the Backup Factors to a party identified by the Trust or a court. Each party to the agreement holds a certain number of security passwords, keys or phrases (each, a "**Security Factor**") that, together with other Security Factors, allows transfers of ETC. Using its Security Factors, the Sponsor cannot unilaterally effect any transfer of the Trust's ETC. Instead the Key Maintainer must also use its Security Factors, in addition to the Sponsor's Security Factors, to effect any transfer of the Trust's ETC. Under certain circumstances, the Sponsor may also be able to effect transactions by using its Security Factors together with the Security Factors of one or more of the Backup Maintainers. In addition, the Sponsor cannot unilaterally and indefinitely prevent transfer of the Trust's ETC. Under certain circumstances, two or more of the Key Maintainer and Backup Maintainers could effect a transfer of the Trust's ETC. See "The Key Maintainer" and "The Backup Maintainer."

The Sponsor may transfer all or substantially all of its assets to an entity that carries on the business of the Sponsor if at the time of the transfer the successor assumes all of the obligations of the Sponsor under the Trust Agreement. In such an event, the Sponsor will be relieved of all further liability under the Trust Agreement.

The Sponsor's Fee is paid by the Trust to the Sponsor as compensation for services performed under the Trust Agreement and as consideration for the Sponsor's agreement to pay the Sponsor-paid Expenses.

Initial Purchaser and Authorized Participants

Genesis Global Trading, Inc., a Delaware corporation, was an Initial Purchaser and the Authorized Participant.

An Authorized Participant must enter into a “Participant Agreement” with the Sponsor and the Trust to govern its placement of orders to create (and, should the Trust commence a redemption program, redeem) Baskets. The Participant Agreement sets forth the procedures for the creation and redemption of Baskets and for the delivery of ETC required for creations and redemptions. A copy of the form of Participant Agreement is available for inspection at the Sponsor’s principal office identified herein.

Each Authorized Participant must (i) be a registered broker-dealer, (ii) enter into a Participant Agreement with the Sponsor and (iii) own an Authorized Participant Self-Administered Account. A list of the current Authorized Participants can be obtained from the Sponsor. As of the date of this Disclosure Statement, Genesis is the only acting Authorized Participant. The Sponsor intends to engage additional Authorized Participants who are unaffiliated with the Trust in the future.

No Authorized Participant has any obligation or responsibility to the Sponsor or the Trust to effect any sale or resale of Shares.

The Distributor and Marketer

Genesis Global Trading, Inc., a Delaware Corporation, is the Distributor and Marketer of the Shares. The Distributor and Marketer is a registered broker-dealer with the SEC and is a member of FINRA.

The Distributor and Marketer assists the Sponsor in developing an ongoing marketing plan for the Trust; preparing marketing materials regarding the Shares, including the content on the Trust’s website, <https://grayscale.co/ethereum-classic-investment-trust/>; executing the marketing plan for the Trust; and providing strategic and tactical research to the Trust on the global ETC market. The Distributor and Marketer and the Sponsor are affiliates of one another.

The Sponsor may engage additional or successor Distributors and Marketers in the future.

Conflicts of Interest

General

The Sponsor has not established formal procedures to resolve all potential conflicts of interest. Consequently, investors may be dependent on the good faith of the respective parties subject to such conflicts to resolve them equitably. Although the Sponsor attempts to monitor these conflicts, it is extremely difficult, if not impossible, for the Sponsor to ensure that these conflicts do not, in fact, result in adverse consequences to the Trust.

Prospective investors should be aware that the Sponsor presently intends to assert that Shareholders have, by subscribing for Shares of the Trust, consented to the following conflicts of interest in the event of any proceeding alleging that such conflicts violated any duty owed by the Sponsor to investors.

Digital Currency Group, Inc.

Digital Currency Group, Inc., the sole member and parent company of the Sponsor, is also the sole shareholder and parent company of Genesis, which is currently the only acting Authorized Participant. Digital Currency Group, Inc. and its subsidiaries own approximately 65% of the outstanding shares of the Trust as of December 31, 2017. Digital Currency Group, Inc. also owns approximately 1.9% of the Index Provider's voting equity, warrants representing approximately 1.1% of the Index Provider's voting equity and a minority interest in the Key Maintainer that represents approximately 1.0% of the Key Maintainer's voting equity. Barry E. Silbert is the Chief Executive Officer of the Sponsor and the founder of Digital Currency Group, Inc. Additionally, North Island LLC, an Initial Purchaser, is the family office of Glenn Hutchins, who serves as a member of the board of Digital Currency Group, Inc.

Digital Currency Group, Inc. has investments in a large number of digital currencies and companies involved in the digital currency ecosystem, including exchanges and custodians. Digital Currency Group, Inc.'s positions on changes that should be adopted in the Ethereum Classic Network could be adverse to positions that would benefit the Trust or its shareholders. Additionally, before or after a hard fork, Digital Currency Group, Inc.'s position regarding which fork among a group of incompatible forks of the Ethereum Classic Network should be considered the "true" ETC could be adverse to positions that would most benefit the Trust.

The Sponsor

The Sponsor has a conflict of interest in allocating its own limited resources among, when applicable, different clients and potential future business ventures, to each of which it owes fiduciary duties. Additionally, the professional staff of the Sponsor also services other affiliates of the Sponsor and their respective clients. Although the Sponsor and its professional staff cannot and will not devote all of its or their respective time or resources to the management of the affairs of the Trust, the Sponsor intends to devote, and to cause its professional staff to devote, sufficient time and resources to manage properly the affairs of the Trust consistent with its or their respective fiduciary duties to the Trust and others.

The Sponsor and the Distributor and Marketer are affiliates of each other, and the Sponsor may engage other affiliated service providers in the future. Because of the Sponsor's affiliated status, it may be disincentivized from replacing affiliated service providers. In connection with this conflict of interest, Shareholders should understand that affiliated service providers will receive fees for providing services to the Trust. Clients of the affiliated service providers may pay commissions at negotiated rates which are greater or less than the rate paid by the Trust.

The Sponsor and any affiliated service provider may, from time to time, have conflicting demands in respect of their obligations to the Trust and, in the future, to other clients. It is possible that future business ventures of the Sponsor and affiliated service providers may generate larger fees, resulting in increased payments to employees, and therefore, incentivizing the Sponsor and/or the affiliated service providers to allocate it/their limited resources accordingly to the potential detriment of the Trust.

The Authorized Participant

As of the date of this Disclosure Statement, the only Authorized Participant is Genesis, an affiliate of the Trust and the Sponsor. As a result of this affiliation, the Sponsor has an incentive to resolve questions between Genesis, on the one hand, and the Trust and Shareholders, on the other hand, in favor of Genesis (including, but not limited to, questions as to the calculation of the Basket ETC Amount).

In addition, Genesis may engage in ETC trading with the Trust's affiliated entities. For example, when the Sponsor receives the Sponsor's Fee in ETC, it sells the ETC through Genesis. For this service, Genesis charges the Sponsor a transaction fee, which is not borne by the Trust. Additionally, the Sponsor's parent company, Digital Currency Group, Inc., is the sole shareholder and parent company of Genesis, in addition to a customer of Genesis and may buy or sell ETC through Genesis from time to time, independent of the Trust. Lastly, several employees of the Sponsor and Digital Currency Group, Inc. are FINRA-registered representatives who maintain their licenses through Genesis. Genesis is also an Initial Purchaser.

Proprietary Trading/Other Clients

Because the officers of the Sponsor may trade ETC for their own personal trading accounts (subject to certain internal trading policies and procedures) at the same time as they are managing the account of the Trust, prospective investors should be aware that the activities of the officers of the Sponsor, subject to their fiduciary duties, may, from time-to-time, result in their taking positions in their personal trading accounts which are opposite of the positions taken for the Trust. Records of the Sponsor's officers' personal trading accounts will not be available for inspection by Shareholders.

Relationships of the Index Provider with Genesis, the Sponsor and Management of the Sponsor

The Sponsor and its affiliates rely on services provided by the Index Provider (in addition to the calculation of the Index), and may otherwise be interested in the success of the Index Provider. These relationships include:

- Barry E. Silbert, the Chief Executive Officer of the Sponsor, acts as an advisor to the Index Provider and owns approximately 0.5% of the Index Provider's voting equity;
- Digital Currency Group, Inc., the sole member and parent company of the Sponsor owns approximately 1.9% of the Index Provider's voting equity and owns warrants representing approximately 1.1% of the Index Provider's voting equity; and
- Genesis licenses and uses a trading software platform provided by the Index Provider to operate its ETC trading desk and facilitate Genesis's actions as an Authorized Participant.

Under the rules governing the calculation of the ETC Index Price, if the Sponsor determines in good faith that the Index does not reflect an accurate ETC price, then the Sponsor will employ an alternative method to determine the ETC Index Price. Because such a determination could reflect negatively upon the Index Provider, lead to a decrease in the Index Provider's revenue or otherwise adversely affect the Index Provider, and because of the relationships listed above, the Sponsor has a conflict of interest with respect to the Index Provider.

5. The effect of existing or probable governmental regulations on the business.

Please refer to "Risk Factors – Risk Factors Related to the Regulation of the Trust and the Shares" for a discussion of the effect of existing or probable governmental regulations on the Trust's business.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.

Not applicable.

7. Costs and effects of compliance with environmental laws (federal, state and local).

Not applicable.

8. The number of total employees and number of full-time employees.

The Trust has no employees. The Sponsor had five employees as of December 31, 2017.

Item 9. The Nature of Products and Services Offered.

A. Principal products or services, and their markets.

Not applicable.

B. Distribution methods of the products or services.

Not applicable.

C. Status of any publicly announced new product or service.

Not applicable.

D. Competitive business conditions, the issuer's competitive position in the industries, and methods of competition.

More than 700 other digital assets have been developed since the inception of Bitcoin, currently the most developed digital asset because of the length of time it has been in existence, the investment in the infrastructure that supports it, and the network of individuals and entities that are using Bitcoin in transactions. While ETC has enjoyed some success in its limited history, the aggregate value of outstanding ETC is much smaller than that of Bitcoin and may be eclipsed by the more rapid development of other digital assets.

E. Sources and availability of raw materials and the names of principal suppliers.

Not applicable.

F. Dependence on one or a few major customers.

Not applicable.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.

Not applicable.

H. The need for any government approval of principal products or services and the status of any requested government approvals.

See the discussion set forth under the heading "The effect of existing or probable governmental regulations on the business" above.

Item 10. The Nature and Extent of the Issuer's Facilities.

The principal office of the Sponsor is located at 636 Avenue of the Americas, New York, New York 10011. The Sponsor utilizes a portion of approximately 6,105 square feet leased by DCG Holdco, Inc. The lease expires on June 30, 2022.

PART D. MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

Item 11. The Name of the Chief Executive Officer, Members of the Board of Directors, as well as Control Persons.

A. Management of the Sponsor

Under the Trust Agreement, all management functions of the Trust have been delegated to and are conducted by the Sponsor, its agents and its affiliates, including without limitation, the Key Maintainer and its agents. As officers of the Sponsor, Barry E. Silbert, the principal executive officer of the Sponsor, Samantha McDonald, the principal financial officer of the Sponsor, and Michael Sonnenshein, as Managing Director of the Sponsor, may take certain actions and execute certain agreements and certifications for the Trust, in their capacity as the principal officers of the Sponsor:

Barry E. Silbert, Chief Executive Officer

Barry E. Silbert is the Chief Executive Officer of the Sponsor and the founder of Digital Currency Group, Inc. (“**DCG**”), which builds and supports digital currency and blockchain companies through its insights, network and access to capital. Starting in 2012, Mr. Silbert became one of the first and most active investors in the digital currency space, providing seed funding for Coinbase, Ripple, BitPay and a number of other companies that have gone on to define the industry. Prior to founding DCG, Mr. Silbert founded SecondMarket, an online platform and registered broker-dealer that enabled private companies to customize, control and execute secondary transactions for the benefit of their employees and investors. SecondMarket was acquired by NASDAQ in 2015. Before becoming an entrepreneur, Mr. Silbert was an investment banker at Houlihan Lokey and graduated with honors from the Goizueta Business School at Emory University. Mr. Silbert has received several honors including being named Entrepreneur of the Year by Ernst & Young and Crain’s and being selected to Fortune’s prestigious “40 under 40” list.

Michael Sonnenshein, Managing Director

Michael Sonnenshein is Managing Director of the Sponsor. From 2015 to 2017, Mr. Sonnenshein was Director of Sales & Business Development for the Sponsor. From 2014 to 2015, Mr. Sonnenshein served as an Account Executive for the Sponsor (formerly known as Alternative Currency Asset Management LLC). Prior to working at Grayscale, Mr. Sonnenshein was an Associate at J.P. Morgan Securities, covering high net worth individuals and institutions. Mr. Sonnenshein worked in a similar capacity at Barclays Wealth, providing coverage to middle-market hedge funds and institutions. Mr. Sonnenshein holds an MBA from the Leonard N. Stern School of Business at New York University and a BBA from the Goizueta School of Business at Emory University.

Samantha McDonald, Vice President, Finance

On April 19, 2018, the Sponsor appointed Samantha McDonald as Vice President, Finance. Prior to joining the Sponsor, Ms. McDonald was the Chief Financial Officer and Treasurer of SPDR[®] Gold Trust, from March 2015 to January 2018. She was also the Chief Financial Officer and Treasurer of SPDR[®] Long Dollar Gold Trust. Ms McDonald joined SPDR[®] Gold Trust in October 2013 as Finance and Operations Manager. Prior to joining SPDR[®] Gold Trust, Ms. McDonald was employed by Roubini Global Economics, or RGE, from November 2011 until October 2013. Prior to this, Ms. McDonald was Controller at GTIS Partners, a global real estate investment firm, from December 2009 to November 2011. She has also been the CFO for Software Technology, Inc., a provider of Education Data Management solutions to the K-12 market from June 2002 to May 2008 and a finance manager responsible for regulatory reporting and performing financial analysis at Kaplan Test Prep and Admissions, a firm that provides preparatory courses for standardized tests, from May 2008 to December 2009. Ms. McDonald holds a Bachelor of Science degree in Accounting from Auburn University and received her Master in Accounting degree from University of South Alabama. She is a Certified Public Accountant.

Simcha Wurtzel, Former Vice President, Finance and Controller

Simcha Wurtzel served as the Vice President, Finance and Controller of the Sponsor until the appointment of Ms. McDonald. Mr. Wurtzel serves as the Vice President of Finance and Controller of Digital Currency Group, Inc. From 2007 to 2015, Mr. Wurtzel served as the Financial and Operations Principal for DCG Holdco, Inc. (formerly known as SecondMarket Holdings, Inc.). Prior to working at DCG Holdco, Inc., Mr. Wurtzel was a Senior Accountant at Liberty Media's Starz! Entertainment division where he held specific responsibilities for studios producing series television and theatrical feature films. Mr. Wurtzel holds a B.S. degree in accounting from Touro College, New York.

Executive Compensation

The Trust has no employees or directors and is managed by the Sponsor. None of the officers or members of the Sponsor receive compensation from the Trust. The Sponsor receives a fee, which accrues daily at an annual rate of 3% of the Trust's ETC Holdings and is payable monthly in arrears. For the period of April 18, 2017 (the inception of the Trust) to December 31, 2017, the Sponsor earned \$1,114,514 in management fees from the Trust.

Compensation of Directors

Not applicable.

Business Address

The business address for each of the Sponsor's officers is c/o Grayscale Investments, LLC, 636 Avenue of the Americas, New York, New York 10011.

B. Legal/Disciplinary History

None.

C. Disclosure of Family Relationships

None.

D. Disclosure of Related Party Transactions

See “Conflicts of Interest” above.

Item 12. Financial Information for the Issuer’s Most Recent Fiscal Period.

The Trust’s audited financial statements as of and for the period from April 18, 2017 (the inception of the Trust) to December 31, 2017 are attached as an exhibit to this Disclosure Statement. The historical results presented herein are not necessarily indicative of financial results to be achieved in future periods. The Trust’s audited financial statements attached as exhibits to this Disclosure Statement are incorporated herein by reference and are considered as part of this Disclosure Statement.

Item 13. Similar Financial Information for Such Part of the Two Preceding Fiscal Years as the Issuer or Its Predecessor Has Been in Existence.

See “Financial information for the issuer’s most recent fiscal period” above.

Item 14. Beneficial Owners.

As of March 2, 2018, Barry E. Silbert and Genesis beneficially own 6% and 64%, respectively, of the Trust’s Shares. Genesis is a wholly owned subsidiary of DCG and, as such, DCG beneficially owns 64% of the Trust’s Shares. The addresses of the aforementioned are c/o Grayscale Investments LLC, 636 Avenue of the Americas, New York, New York 10011.

Item 15. The Name, Address, Telephone Number, and Email Address of Each of The Following Outside Providers that Provide Services to the Issuer on Matters Relating to Operations, Business Development and Disclosure.**1. Counsel**

Andrew D. Thorpe, Esq.
Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, California 94105
Telephone: (415) 773-5970
Facsimile: (415) 773-5759

Email: athorpe@orrick.com

2. Independent Auditor

Friedman LLP
100 Eagle Rock Ave. Suite 200
East Hanover, NJ 07936
Telephone: 973-929-3500

3. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the telephone number and email address of each advisor.

Not applicable.

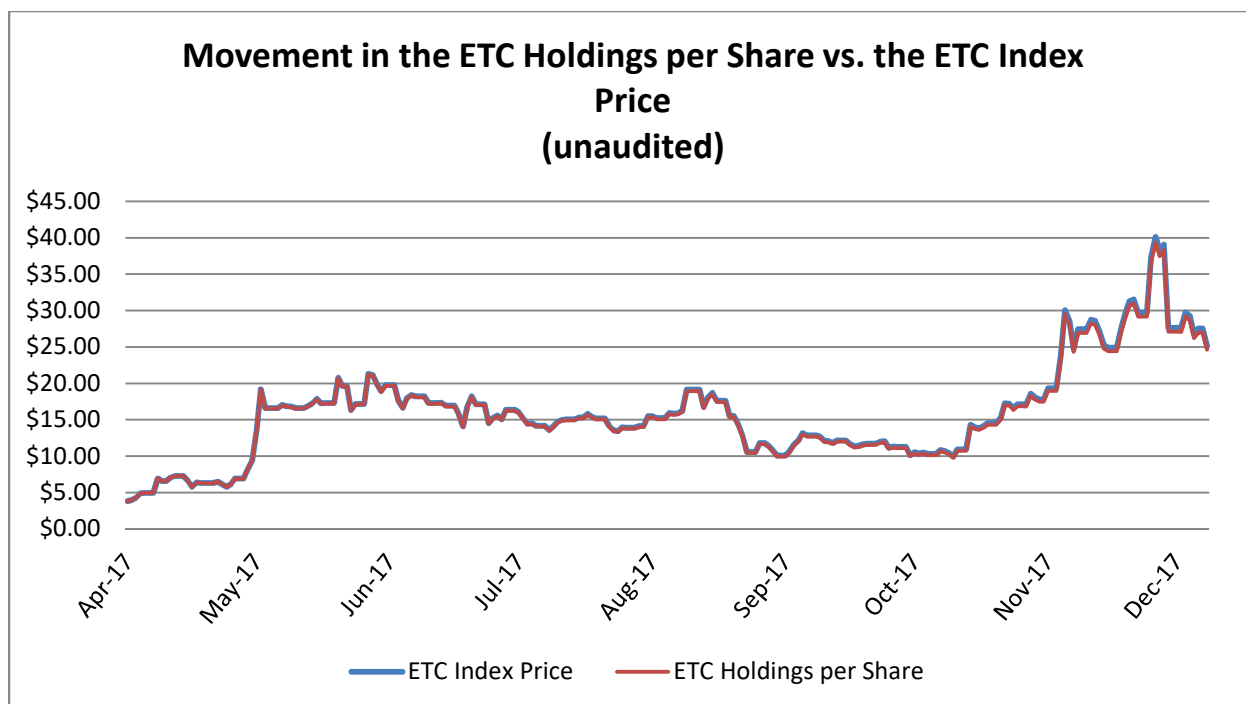
Item 16. Management's Discussion and Analysis or Plan of Operation.

The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our audited financial statements and related notes included elsewhere in this Disclosure Statement, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results could differ materially from those discussed in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements" or in other sections of this Disclosure Statement.

Overview

The Trust is a passive entity that is managed and administered by the Sponsor and does not have any officers, directors or employees. The Trust holds ETC and, from time to time, issues Baskets of Shares, or Creation Baskets, in exchange for deposits of ETC and, subject to exemptive relief from the SEC, will distribute ETC in connection with Redemption Baskets. At this time, the Trust is not operating a redemption program and is not accepting redemption requests from Shareholders. Subject to receipt of regulatory approval from the SEC and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval from the SEC to operate an ongoing redemption program. As a passive investment vehicle, the investment objective of the Trust is for the Shares to reflect the performance of the value of ETC as represented by the Index, less the Trust's liabilities and expenses. However, there can be no assurance that the value of the Shares, if traded on any Secondary Market, will reflect the value of the Trust's ETC, and the Shares may trade at a substantial premium over or a substantial discount to the value of the Trust's ETC. The Shares are designed to provide investors with a cost-effective and convenient way to invest in ETC. The Trust is not managed like a business corporation or an active investment vehicle. As of December 31, 2017, the Trust had unlimited Shares authorized and 3,646,400 Shares issued and outstanding.

Investing in the Shares does not insulate the investor from certain risks, including price volatility. The following table illustrates the movement in the ETC Holdings per Share, which equals the ETC Holdings of the Trust divided by the number of outstanding Shares since April 24, 2017 through December 31, 2017:



For more information about how we determine the ETC Holdings per Share, see “Ethereum Classic Investment Trust — Valuation of ETC and Definition of the Trust’s ETC Holdings.”

Critical Accounting Policies

Investment Transactions and Revenue Recognition

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

Valuation of Ethereum Classic

ETC is held by the Key Maintainer on behalf of the Trust and is carried, for financial statement purposes, at fair value. Unlike the procedure used for determining the ETC Index Price and the Trust’s ETC Holdings, which are calculated using a weighted average calculated across multiple ETC exchanges, the fair value of ETC and NAV presented in the financial statements are calculated in accordance with GAAP based on the price provided by the ETC exchange that the Trust considers its principal market as of 4:00 p.m., New York time on the valuation date.

The Trust determined the fair value per ETC to be \$26.52 on December 31, 2017. To determine which exchange is the Trust's principal market for purposes of calculating the Trust's NAV, the Trust considers only ETC exchanges that have an online platform and publish transaction price and volume data publicly. Based on these requirements, the Trust prepares a list of eligible ETC exchange and considers the following criteria to select its principal market: (i) ETC/USD pairing to allow for liquidation of assets (ii) the volume of ETC traded on an ETC exchange in the prior twelve months, (iii) an ETC exchange's regulatory compliance with applicable federal and state licensing requirements and practices regarding anti-money laundering procedures and (iv) the degree of intra-day price fluctuations an ETC exchange experiences as well as the degree of variance in prices across ETC exchanges.

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

First, the Trust prepares a list of eligible ETC exchanges and determines if any meet all of the following three criteria: (i) the ETC exchange has ETC/USD pairing to allow for USD liquidation to U.S. based customers, (ii) the Authorized Participant has access to the exchange as a U.S. based customer and can legally open an account on the exchange platform, and (iii) the exchange complies with federal and state licensing requirements and practices regarding anti-money laundering procedures that are applicable to the Trust and the Authorized Participant.

From the list of eligible ETC exchanges prepared in accordance with the eligibility criteria noted above, the Trust selects the exchange with the highest trading volume for ETC/USD pairing for the trailing twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

Second, if no ETC exchange meets all of the above criteria, the Trust will filter each exchange that has an ETC/USD pairing, regardless of whether it is accessible to U.S. based customers.

From this list, the Trust selects the exchange with the highest trading volume for ETC/USD pairing for the trailing twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

Third, if there are no exchanges with an ETC/USD pairing, the Trust will assess exchanges for compliance with federal and state licensing requirements that are applicable to the Trust and the Authorized Participant. The Trust also assesses each exchange's practices regarding anti-money laundering procedures. The Trust then identifies the pairing with the highest trading volume of ETC to the digital currency with the highest market capitalization for the prior twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

The Trust determines its principal market annually and conducts a quarterly analysis to determine if (i) there have been recent changes to each ETC exchange's transaction volume in the prior twelve months, (ii) if any ETC exchanges have fallen out of, or come into, compliance

with applicable regulatory requirements, (iii) if there have been any exchanges that have added an ETC/USD pairing, (iv) if the Trust has engaged any new Authorized Participant that, due to being registered to do business in another jurisdiction, would make ETC exchanges previously inaccessible to the Trust now accessible, (v) if recent changes to each ETC exchange's price stability have occurred that would materially impact the selection of the principal market and necessitate a change in the Trust's determination of its principal market, or (vi) if the principal is included in the TradeBlock ECX Index (the "**Index**").

The Trust performed an assessment of the principal market at December 31, 2017. Based on the Trust's assessment, no exchanges met step one described above. Therefore, the Trust proceeded to step two and identified its principal market as Bitfinex. The cost basis of the investment in ETC recorded by the Trust for financial reporting purposes the fair value of ETC at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of the corresponding shares to investors.

Investment Company Considerations and Significant Estimates

The Trust is an investment company for GAAP purposes and follows accounting and reporting guidance in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 946. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and the difference could be material.

Review of Financial Results

Financial Highlights for the period of April 18, 2017 (the inception of the Trust) to December 31, 2017

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

	April 18, 2017 (the inception of the Trust) to December 31, 2017
Net realized and unrealized gain on investment in Ethereum Classic	\$ 70,173
Net increase in net assets resulting from operations	\$ 69,058
Net assets	\$ 94,709

Net realized gain and unrealized gain on investment in ETC for the period of April 18, 2017 (the inception of the Trust) to December 31, 2017 was \$70,173, which includes a realized gain of \$363 on the distribution of ETC to pay expenses, \$(116) net change in unrealized appreciation on fees payable, and \$69,926 net change in unrealized appreciation on investment in ETC. Net assets increased to \$94,709 at December 31, 2017.

Off-Balance Sheet Arrangements

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

Cash Resources and Liquidity

The Trust has not had a cash balance at any time since inception. When transferring ETC out of the Trust to pay the Sponsor fee, the Sponsor endeavors to transfer the exact number of ETC needed to pay expenses in order to minimize the Trust's holdings of assets other than ETC. As a consequence, the Sponsor expects that the Trust will not record any cash flow from its operations and that its cash balance will be zero at the end of each reporting period.

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

Quantitative and Qualitative Disclosures about Market Risk

The Trust Agreement does not authorize the Trustee to borrow for payment of the Trust's ordinary expenses. The Trust does not engage in transactions in foreign currencies which could expose the Trust or holders of Shares to any foreign currency related market risk. The Trust does not invest in any derivative financial instruments and has no foreign operations or long-term debt instruments

Selected Supplemental Data

(All ETC balances are rounded to the nearest whole ETC)	April 18, 2017 (the inception of the Trust) to December 31, 2017
ETC:	
Opening balance	-
Creations	3,640,510
Redemptions	-
Sponsor Fee, related party.....	(47,011)
Closing balance	3,593,499
Accrued but unpaid Sponsor Fee, related party	(21,850)
Net closing balance	3,571,649
Number of Shares:	
Opening balance.....	-
Creations	3,646,400
Redemptions	-
Closing balance	3,646,400
	As of December 31, 2017
Price of ETC on principal market ⁽¹⁾	\$ 26.52
NAV per Share ⁽²⁾	\$ 25.97
ETC Index Price ⁽³⁾	\$ 25.14
ETC Holdings per Share ⁽³⁾	\$ 24.62

(1) The Trust performed an assessment of the principal market at December 31, 2017 and identified the principal market as Bitfinex.

- (2) As of December 31, 2017, the NAV per Share was calculated using the fair value of ETC based on the price provided by Bitfinex, the ETC Exchange that the Trust currently considers its principal market, as of 4:00 p.m., New York time on the valuation date.
- (3) The Trust's ETC Holdings per Share is derived from the ETC Index Price as represented by the Index as of 4:00 p.m., New York time on the valuation date. The Trust's ETC Holdings per Share is calculated using a non-GAAP methodology where the volume-weighted average price is derived from multiple Ethereum Classic exchanges. See "Ethereum Classic Investment Trust — Valuation of ETC and Definition of the Trust's ETC Holdings" for a description of the Trust's ETC Holdings per Share. The ETC Exchanges used to calculate the ETC Index Price as of December 31, 2017 were Bitfinex and Poloniex. Kraken ETC-XBT trading pair was included in the Index up until October 20, 2017. The Kraken ETC-XBT pair was removed from the Index due to inconsistencies in trade data timestamps. As of December 29, 2017 (the last business day a Creation Basket could have been originated), the ETC Index Price was \$27.52, which would derive an ETC Holdings per Share of \$26.96.

For the period April 18, 2017 (the inception of the Trust) to December 31, 2017, 3,646,400 Shares (36,464 Baskets) were created in exchange for approximately 3,640,510 ETC, and approximately 47,011 ETC were deducted from the Trust's holdings and used by the Sponsor to settle expenses. The Trust does not currently operate a redemption program and no redemptions occurred. For accounting purposes the Trust reflects creations and the ETC receivable with respect to such creations on the date of receipt of a notification of a creation, but does not issue Shares until the requisite number of ETC is received. In connection with Share redemptions, if permitted, the Trust delivers ETC upon receipt of Shares.

As of December 29, 2017 (the last business day a Creation Basket could have been originated), the Trust had a net closing balance of approximately 3,572,236 ETC, with a value of \$98,307,935, based on the ETC Index Price of \$27.52 on December 29, 2017 (non-GAAP methodology). As of December 31, 2017, the Trust had a net closing balance of approximately 3,571,649 ETC, with a value of \$89,791,256, based on the ETC Index Price of \$25.14 on December 31, 2017 (non-GAAP methodology). As of December 31, 2017, the Trust had a net closing balance of approximately 3,571,649 ETC, with a market value of \$94,709,415, based on the principal market (Bitfinex) of \$26.52 on December 31, 2017 (GAAP methodology).

Historical Ethereum Classic Prices

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

The average, high, low and end-of-period ETC prices for the period from the inception of the Trust until December 31, 2017, based on the price reported by the Trust's principal market as of 4:00 pm ET on the applicable date were:

Period	Average	High	Date	Low	Date	End of period	Last business day
April 18, 2017 (the inception of the Trust) to December 31, 2017.....	\$ 15.92	\$ 39.99	12/20/2017	\$ 4.18	4/24/2017	\$ 26.52	\$ 27.35

PART E. ISSUANCE HISTORY

Item 17. List of Securities Offerings and Shares Issued for Services in the Past Two Years.

Information regarding securities offerings and shares issued for services since the inception of the Trust on April 18, 2017 can be located on the Sponsor's website at www.grayscale.co.

PART F. EXHIBITS

Item 18. Material Contracts.

Description of the Trust Agreement

The following is a description of the material terms of the Trust Agreement. The Trust Agreement establishes the roles, rights and duties of the Sponsor and the Trustee.

The Sponsor

Liability of the Sponsor and Indemnification

The Sponsor and its affiliates (each a “**Covered Person**”) will not be liable to the Trust or any Shareholder for any loss suffered by the Trust which arises out of any action or inaction of such Covered Person if such Covered Person determined in good faith that such course of conduct was in the best interests of the Trust. However, the preceding liability exclusion will not protect any Covered Person against any liability resulting from its own willful misconduct, bad faith or gross negligence in the performance of its duties.

Each Covered Person will be indemnified by the Trust against any loss, judgment, liability, expense incurred or amount paid in settlement of any claim sustained by it in connection with the Covered Person's activities for the Trust, provided that (i) the Covered Person was acting on behalf of, or performing services for, the Trust and had determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct or a material breach of the Trust Agreement on the part of such Covered Person and (ii) any such indemnification will be recoverable only from the property of the Trust. Any amounts payable to an indemnified party will be payable in advance under certain circumstances.

Fiduciary and Regulatory Duties of the Sponsor

The Sponsor is not effectively subject to the duties and restrictions imposed on “fiduciaries” under both statutory and common law. Rather, the general fiduciary duties that would apply to the Sponsor are defined and limited in scope by the Trust Agreement.

The Trust Agreement provides that in addition to any other requirements of applicable law, no Shareholder will have the right, power or authority to bring or maintain a derivative action,

suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not affiliates of one another and (ii) collectively hold at least 10% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding.

Beneficial owners may have the right, subject to certain legal requirements, to bring class actions in federal court to enforce their rights under the federal securities laws and the rules and regulations promulgated thereunder by the SEC. Beneficial owners who have suffered losses in connection with the purchase or sale of their beneficial interests may be able to recover such losses from the Sponsor where the losses result from a violation by the Sponsor of the anti-fraud provisions of the federal securities laws.

Actions Taken to Protect the Trust

The Sponsor may, in its sole discretion, prosecute, defend, settle or compromise actions or claims at law or in equity that it considers necessary or proper to protect the Trust or the interests of the Shareholders. The expenses incurred by the Sponsor in connection therewith (including the fees and disbursements of legal counsel) will be expenses of the Trust and are deemed to be Additional Trust Expenses. The Sponsor will be entitled to be reimbursed for the Additional Trust Expenses.

Successor Sponsors

If the Sponsor is adjudged bankrupt or insolvent, the Trustee may terminate and liquidate the Trust and distribute its remaining assets. The Trustee will have no obligation to appoint a successor sponsor or to assume the duties of the Sponsor, and will have no liability to any person because the Trust is or is not terminated. However, if a certificate of dissolution or revocation of the Sponsor's charter is filed (and ninety (90) days have passed after the date of notice to the Sponsor of revocation without a reinstatement of the Sponsor's charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor has occurred, Shareholders holding at least a majority (over 50%) of the Shares may agree in writing to continue the affairs of the Trust and to select, effective as of the date of such event, one or more successor Sponsors within ninety (90) days of any such event.

The Trustee

The Trustee is a fiduciary under the Trust Agreement and must satisfy the requirements of Section 3807 of the Delaware Trust Statute. However, the fiduciary duties, responsibilities and liabilities of the Trustee are limited by, and are only those specifically set forth in, the Trust Agreement.

Limitation on Trustee's Liability

Under the Trust Agreement, the Sponsor has exclusive control of the management of all aspects of the activities of the Trust and the Trustee has only nominal duties and liabilities to the Trust. The Trustee is appointed to serve as the trustee for the sole purpose of satisfying Section 3807(a) of the DSTA which requires that the Trust have at least one trustee with a principal place of business in the State of Delaware. The duties of the Trustee are limited to (i) accepting legal

process served on the Trust in the State of Delaware and (ii) the execution of any certificates required to be filed with the Delaware Secretary of State which the Trustee is required to execute under the DSTA.

To the extent the Trustee has duties (including fiduciary duties) and liabilities to the Trust or the Shareholders under the DSTA, such duties and liabilities will be replaced by the duties and liabilities of the Trustee expressly set forth in the Trust Agreement. The Trustee will have no obligation to supervise, nor will it be liable for, the acts or omissions of the Sponsor, Key Maintainer, any Backup Maintainer or any other security vendor engaged by the Trust. Neither the Trustee, either in its capacity as trustee or in its individual capacity, nor any director, officer or controlling person of the Trustee is, or has any liability as, the issuer, director, officer or controlling person of the issuer of Shares. The Trustee's liability is limited solely to the express obligations of the Trustee as set forth in the Trust Agreement.

Under the Trust Agreement, the Sponsor has the exclusive management, authority and control of all aspects of the activities of the Trust. The Trustee has no duty or liability to supervise or monitor the performance of the Sponsor, nor does the Trustee have any liability for the acts or omissions of the Sponsor. The existence of a trustee should not be taken as an indication of any additional level of management or supervision over the Trust. The Trust Agreement provides that the management authority with respect to the Trust is vested directly in the Sponsor. The Trust Agreement provides that the Trustee is not responsible or liable for the genuineness, enforceability, collectability, value, sufficiency, location or existence of any of the ETC or other assets of the Trust.

Possible Repayment of Distributions Received by Shareholders; Indemnification by Shareholders

The Shares are limited liability investments. Investors may not lose more than the amount that they invest plus any profits recognized on their investment. Although it is unlikely, the Sponsor may, from time to time, make distributions to the Shareholders. However, Shareholders could be required, as a matter of bankruptcy law, to return to the estate of the Trust any distribution they received at a time when the Trust was in fact insolvent or in violation of its Trust Agreement. In addition, the Trust Agreement provides that Shareholders will indemnify the Trust for any harm suffered by it as a result of Shareholders' actions unrelated to the activities of the Trust.

The foregoing repayment of distributions and indemnity provisions (other than the provision for Shareholders indemnifying the Trust for taxes imposed upon it by a state, local or foreign taxing authority, which is included only as a formality due to the fact that many states do not have statutory trust statutes; and, therefore, the tax status of the Trust in such states might, theoretically, be challenged) are commonplace in statutory trusts and limited partnerships.

Indemnification of the Trustee

The Trustee and any of the officers, directors, employees and agents of the Trustee will be indemnified by the Trust as primary obligor and DCG as secondary obligor and held harmless

against any loss, damage, liability, claim, action, suit, cost, expense, disbursement (including the reasonable fees and expenses of counsel), tax or penalty of any kind and nature whatsoever, arising out of, imposed upon or asserted at any time against such indemnified person in connection with the performance of its obligations under the Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated therein; provided, however, that neither the Trust nor DCG will be required to indemnify any such indemnified person for any such expenses which are a result of the willful misconduct, bad faith or gross negligence of such indemnified person. If the Trust has insufficient assets or improperly refuses to pay such an indemnified person within 60 days of a request for payment owed under the Trust Agreement, DCG will, as secondary obligor, compensate or reimburse the Trustee or indemnify, defend and hold harmless such an indemnified person as if it were the primary obligor under the Trust Agreement. Any amount payable to such an indemnified person under the Trust Agreement may be payable in advance under certain circumstances and will be secured by a lien on the Trust property. The obligations of DCG and the Trust to indemnify such indemnified persons under the Trust Agreement will survive the termination of the Trust Agreement.

Holding of Trust Property

The Trust will hold and record the ownership of the Trust's assets in a manner such that it will be owned for the benefit of the Shareholders for the purposes of, and subject to and limited by the terms and conditions set forth in, the Trust Agreement. The Trust will not create, incur or assume any indebtedness or borrow money from or loan money to any person. The Trustee may not commingle its assets with those of any other person.

The Trustee may employ agents, attorneys, accountants, auditors and nominees and will not be answerable for the conduct or misconduct of any such custodians, agents, attorneys or nominees if such custodians, agents, attorneys and nominees have been selected with reasonable care.

Resignation, Discharge or Removal of Trustee; Successor Trustees

The Trustee may resign as Trustee by written notice of its election so to do, delivered to the Sponsor with at least 60 days' notice. The Sponsor may remove the Trustee in its discretion. If the Trustee resigns or is removed, the Sponsor, acting on behalf of the Shareholders, will appoint a successor trustee. The successor Trustee will become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee.

If the Trustee resigns and no successor trustee is appointed within 180 days after the Trustee notifies the Sponsor of its resignation, the Trustee will terminate and liquidate the Trust and distribute its remaining assets.

Amendments to the Trust Agreement

In general, the Sponsor may amend the Trust Agreement without the consent of any Shareholder. In particular, the Sponsor may, without the approval of the Shareholders, amend the Trust Agreement if the Trust is advised at any time by the Trust's accountants or legal counsel

that the amendments are necessary to permit the Trust to take the position that it is a grantor trust for U.S. federal income tax purposes. However, the Sponsor may not make an amendment, or otherwise supplement the Trust Agreement, if such amendment or supplement would permit the Sponsor, the Trustee or any other person to vary the investment of the Shareholders (within the meaning of applicable Treasury Regulations) or would otherwise adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes. In addition, no amendments to the Trust Agreement that materially adversely affect the interests of Shareholders may be made without the vote of at least a majority (over 50%) of the Shares (not including any Shares held by the Sponsor or its affiliates). A Shareholder will be deemed to have consented to a modification or amendment of the Trust Agreement if the Sponsor has notified the Shareholders in writing of the proposed modification or amendment and the Shareholder has not, within 20 calendar days of such notice, notified the Sponsor in writing the Shareholder objects to such modification or amendment.

Termination of the Trust

The Trust will dissolve if any of the following events occur:

- a U.S. federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its ETC, Incidental Rights and/or IR Virtual Currency, or seizes, impounds or otherwise restricts access to Trust assets;
- any ongoing event exists that either prevents the Trust from making or makes impractical the Trust's reasonable efforts to make a fair determination of the ETC Index Price;
- any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert ETC, Incidental Rights and/or IR Virtual Currency to U.S. Dollars; or
- the filing of a certificate of dissolution or revocation of the Sponsor's charter (and the expiration of 90 days after the date of notice to the Sponsor of revocation without a reinstatement of its charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor has occurred unless (i) at the time there is at least one remaining Sponsor and that remaining Sponsor carries on the Trust or (ii) within 90 days of any such event Shareholders holding at least a majority (over 50%) of Shares agree in writing to continue the activities of the Trust and to select, effective as of the date of such event, one or more successor Sponsors.

The Sponsor may, in its sole discretion, dissolve the Trust if any of the following events occur:

- the SEC determines that the Trust is an investment company required to be registered under the Investment Company Act of 1940;
- the CFTC determines that the Trust is a commodity pool under the CEA;

- the Trust is determined to be a “money service business” under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act and is required to comply with certain FinCEN regulations thereunder;
- the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services businesses, providers of prepaid or stored value or similar entities, or virtual currency businesses;
- the Trust becomes insolvent or bankrupt;
- a security vendor to the Trust, such as the Key Maintainer or one of the Backup Maintainers, resigns or is removed without replacement;
- all of the Trust’s assets are sold;
- the determination of the Sponsor that the aggregate net assets of the Trust in relation to the expenses of the Trust make it unreasonable or imprudent to continue the Trust;
- the Sponsor receives notice from the IRS or from counsel for the Trust or the Sponsor that the Trust fails to qualify for treatment, or will not be treated, as a grantor trust under the Code;
- if the Trustee notifies the Sponsor of the Trustee’s election to resign and the Sponsor does not appoint a successor trustee within 180 days; or
- the Sponsor determines, in its sole discretion, that it is desirable or advisable for any reason to discontinue the affairs of the Trust.

The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Shareholder (as long as such Shareholder is not the sole Shareholder of the Trust) will not result in the termination of the Trust, and such Shareholder, his or her estate, custodian or personal representative will have no right to a redemption or value such Shareholder’s Shares. Each Shareholder (and any assignee thereof) expressly agrees that in the event of his or her death, he or she waives on behalf of himself or herself and his or her estate, and he or she directs the legal representative of his or her estate and any person interested therein to waive the furnishing of any inventory, accounting or appraisal of the assets of the Trust and any right to an audit or examination of the books of account for the Trust, except for such rights as are set forth in Article VIII of the Trust Agreement relating to the books of account and reports of the Trust.

Upon dissolution of the Trust and surrender of Shares by the Shareholders, Shareholders will receive a distribution in U.S. Dollars or ETC, Incidental Rights and/or IR Virtual Currency, at the sole discretion of the Sponsor, after the Sponsor has sold the Trust’s ETC, Incidental Rights and IR Virtual Currency, if applicable, and has paid or made provision for the Trust’s claims and obligations.

If the Trust is forced to liquidate, the Trust will be liquidated under the Sponsor’s direction. The Sponsor, on behalf of the Trust, will engage directly with either accessible ETC Exchanges

or over-the-counter ETC markets to liquidate the Trust's ETC as promptly as possible while obtaining the best fair value possible. The proceeds therefrom will be applied and distributed in the following order of priority: (a) to the expenses of liquidation and termination and to creditors, including Shareholders who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Trust other than liabilities for distributions to Shareholders and (b) to the holders of Shares pro rata in accordance with the respective percentage of percentages of Shares that they hold. It is expected that the Sponsor would be subject to the same regulatory requirements as the Trust, and therefore, the markets available to the Sponsor will be the same markets available to the Trust.

Governing Law; Consent to New York Jurisdiction

The Trust Agreement and the rights of the Sponsor, Trustee and Shareholders under the Trust Agreement are governed by the laws of the State of Delaware. Each Participant Agreement is also governed by the laws of the State of Delaware. The Sponsor, the Trustee and each Shareholder, consent to the jurisdiction of the courts of the State of New York and any federal courts located in the borough of Manhattan in New York City.

Description of the Key Maintenance Agreement

The Key Maintenance Agreement establishes the rights and responsibilities of the Key Maintainer and the Trust with respect to the Protected Coins in the Trust's ETC Account, which is established by the Key Maintainer on behalf of the Trust.

Description of the Key Maintainer

Ledger SAS, a French company, is authorized to serve as the Trust's key maintainer under the Trust Agreement and pursuant to the terms and provisions of the Key Maintenance Agreement. The Key Maintainer has its principal office in Paris, France. A copy of the Key Maintenance Agreement is available for inspection at the Sponsor's principal office identified herein.

The Key Maintainer's Role

Under the Key Maintenance Agreement, the Key Maintainer is responsible for keeping its Security Factors to the Trust's digital wallet safe, secure and confidential. Pursuant to a request from the Trust, the Key Maintainer will establish an account and any necessary subaccounts on the Ethereum Classic Network solely for the Trust (together, the "**ETC Account**"). The Key Maintainer will follow valid instructions given by the Trust or Sponsor to use its Security Factors to effect transfers from the ETC Account.

Fees paid to the Key Maintainer are a Sponsor-paid Expense.

Under the Key Maintenance Agreement, the Key Maintainer must indemnify the Trust for damages arising out of or caused by the Key Maintainer or by the Sponsor's and the Trust's reasonable reliance on the Key Maintainer's untrue representations and warranties. The Key Maintainer must also indemnify the Sponsor and Trust from any loss or damage caused by and directly attributable to any employee, agent, representative or independent contractor engaged by

the Key Maintainer, whether or not such act or omission occurred within the scope of his employment or engagement.

The Key Maintainer and its affiliates may from time to time purchase or sell ETC for their own accounts and as agent for their customers or Shares for their own accounts.

If the Key Maintainer resigns in its capacity as Key Maintainer, the Sponsor may appoint an additional or replacement Key Maintainer and enter into a key maintenance agreement on behalf of the Trust with such Key Maintainer.

Location of ETC; Account

The Key Maintainer will hold Security Factors of an on-blockchain ETC account on behalf of the Trust, the ETC Account. The ETC in this account are referred to as the “Protected Coins.” Under the Key Maintenance Agreement, the Trust and Key Maintainer agree that the location of the Protected Coins is the United States.

The Agreement does not specify the location where the Security Factors must be held but requires that they not be held in jurisdictions that present an elevated risk of hostile regulatory treatment and social, economic or political unrest. The Key Maintainer must have written approval from the Sponsor or the Trust to change the location of the Security Factors held by the Key Maintainer or records relating to the ETC Account.

Access to the ETC Account; Deposits, Withdrawals and Storage

The Key Maintainer will use its best efforts to keep safe and secure the Security Factors of the ETC Account that it holds, and will not be accessible or disclosed to affiliates or subsidiaries of the Key Maintainer, the Trust, Sponsor, or any other party. The Key Maintenance Agreement provides that all Protected Coins credited to the ETC Account must be appropriately identified as being held for the Sponsor or Trust and held in the ETC Account on a non-fungible basis. The Protected Coins cannot be commingled with other ETC held by the Key Maintainer and cannot be deposited or held with any third-party depository, Key Maintainer, clearance system or wallet without prior written consent of the Sponsor or Trust.

The Trust will be able to transfer ETC from the ETC Account to another ETC account that is not maintained or controlled by the Key Maintainer. Except in the case of certain prohibited activities of the Trust and the Sponsor, the Key Maintainer will not suspend the Trust’s access to the Key Maintainer’s Services, and any suspension of access to the Key Maintainer’s Services will constitute a breach of the Key Maintenance Agreement.

The Key Maintainer will provide the Sponsor with the information that is necessary for Authorized Participants to transfer ETC to the ETC Account. The Key Maintainer will only allow withdrawals of ETC from the ETC Account by authorized representatives of the Trust. The Key Maintainer will use its best efforts to design and put in place a secure procedure to allow the Sponsor to receive such addresses, and to facilitate such withdrawals.

The Key Maintenance Agreement provides that the Trust and Authorized Persons will be able to access the ETC Account via the Key Maintainer's services at all times, in order to check information about the ETC Account, add ETC to the ETC Account, withdraw ETC from the ETC Account and otherwise use the Key Maintainer's services.

Authorized persons of the Trust will initiate withdrawals by sending a valid instruction to the Key Maintainer. Under the Key Maintenance Agreement, the Key Maintainer will timely carry out any valid Instructions given to it with respect to the Security Factors of the ETC Account that it holds. Timely will mean acting within the same business day, or, if the instruction is received after 5:00 p.m., New York time, the next business day.

Security of the Account

Under the Key Maintenance Agreement, the Key Maintainer must use its best efforts to keep the Security Factors of the ETC Account that it holds safe and secure. Such Security Factors may only be controlled and accessed by the Key Maintainer and will not be controlled, accessible or disclosed to any other party, including third parties, affiliates or subsidiaries of Key Maintainer, or the Trust. Such Security Factors will be used by Key Maintainer only in compliance with Instructions it has received.

The Trust, Sponsor and Key Maintainer will comply with certain security procedures with respect to the delivery or authentication of instructions and will use its best efforts to reasonably safeguard any codes, passwords or similar devices. Under the Key Maintenance Agreement, the Key Maintainer must exercise best efforts in all Ethereum Classic Network transactions executed in connection with its services.

Record Keeping

The Key Maintainer will keep appropriate records of its services pursuant to the Key Maintenance Agreement, and such records must be retained by the Key Maintainer for no less than seven years. The Key Maintenance Agreement also provides that the Key Maintainer will permit, to the extent it may legally do so, the Trust or Sponsor's auditors or third-party accountants, upon reasonable notice, to inspect, take extracts from and audit the records that it maintains. The Key Maintainer is obligated to provide a copy of any audit report prepared by its internal or independent auditors to the Trust or Sponsor.

Standard of Care; Limitations of Liability

The Key Maintainer will use best efforts in performing its obligations under the Key Maintenance Agreement. The Key Maintainer is liable to the Sponsor and the Trust for the loss of any Protected Coins to the extent that such loss is caused by and directly attributable to the Key Maintainer, even if the Key Maintainer meets its duty of exercising best efforts.

The Key Maintainer's monetary liability is limited to the greater of \$1 million or 10% of the loss caused by and directly attributable to a breach of the Key Maintainer's obligations under the Key Maintenance Agreement.

Under the Key Maintenance Agreement, the Trust and Key Maintainer agreed that any liability relating to a number of ETC should be valued in terms of the market value of the ETC at the time that payment of damages will be made to the other party. Alternatively, such portion of damages can be satisfied by actual delivery of the relevant quantity of ETC.

The Key Maintainer and Trust are not liable to each other for any indirect, incidental, special or consequential damages whether or not such losses were foreseeable. Furthermore, the Key Maintainer is not responsible or liable to the Trust for a failure to perform under the Key Maintenance Agreement or for loss of Protected Coins due to circumstances beyond its reasonable control when exercising best efforts, including acts of God, terrorist activities, war, rebellion, military or usurped power or confiscation. A cybersecurity attack, hack or other intrusion by a third party or by someone associated with Key Maintainer is not a circumstance that is beyond Key Maintainer's reasonable control when exercising best efforts.

Pursuant to the Key Maintenance Agreement, the Key Maintainer does not guarantee the value of the Protected Coins. The Key Maintainer is not responsible for the services provided by the Ethereum Classic Network, such as verifying and confirming transactions that are submitted to the Ethereum Classic Network. Furthermore, the Key Maintainer cannot cancel or reverse a transaction that has been submitted to the Ethereum Classic Network. To the extent the Key Maintainer does not cause or contribute to a loss that the Trust or Sponsor suffers in connection with any ETC transaction initiated pursuant to the Key Maintainer's services, the Key Maintainer will have no liability for such loss.

Indemnity

Each of the Key Maintainer and the Trust may agree to indemnify and hold harmless the other such parties from and against any and all damages arising out of or caused by (whether directly or indirectly) a third-party claim relating to the nonperformance or misperformance by the Key Maintainer or Trust, as the case may be, of its duties and obligations under the Key Maintenance Agreement as well as a party's reasonable reliance on any representations or warranties made by the Key Maintainer or Trust, as the case may be, under the Key Maintenance Agreement that were or become in fact untrue. The Key Maintainer has further agreed to indemnify and hold harmless the Trust from the holding of Security Factors by the Key Maintainer, including any loss or damage caused by any act or omission of any employee of the Key Maintainer or any agent, representative or independent contractor engaged by the Key Maintainer, whether or not such act or omission occurred within the scope of his employment or engagement.

Fees and Expenses

The Key Maintainer is entitled to fees for services, which may be increased upon 60 days written notice to the Sponsor or Trust. The Sponsor must pay the Key Maintainer such fees within 30 days of the Key Maintainer's invoice. The Sponsor and the Trust will be liable for all taxes with respect to any ETC held on its behalf or any transaction related to these ETC. The Trust, as primary obligor, and the Sponsor as secondary obligor, will defend and indemnify the Key Maintainer for any damages related to any such tax, other than a tax arising out of the Key Maintainer's negligence or willful misconduct.

Termination

The Key Maintenance Agreement provides an initial period of 30 days from its effective date within which the Trust may terminate the agreement upon two days' notice. Otherwise, generally, the Key Maintainer, Trust or Sponsor may terminate the Key Maintenance Agreement for any reason upon 60 days' written prior notice. The Key Maintenance Agreement provides for annual, automatically renewable terms. In certain situations, including a material breach or failure to perform obligations of the Key Maintenance Agreement, the Key Maintainer, Sponsor and Trust may terminate the Key Maintenance Agreement immediately after providing written notice. Upon termination of the Key Maintenance Agreement, the Key Maintainer must promptly deliver all the Trust's ETC to the Trust as of the effective date of termination, together with copies of the records maintained pursuant to the Key Maintenance Agreement.

Governing Law

The Key Maintenance Agreement is governed by New York law.

Description of the Backup Security Factor Agreements

The Backup Security Factor Agreements establish the rights and responsibilities of the Backup Maintainers, the Sponsor and the Trust with respect to the Security Factors of the Trust's ETC Account held by the Backup Maintainers. For a general description of the Backup Maintainers' obligations, see "The Backup Maintainers—The Backup Maintainers' Role."

Each Backup Security Factor Agreement is structured as a master agreement between one Backup Maintainer and the Sponsor on behalf of one or more trusts or other investment vehicles, including the Trust. Additional trusts or other investment vehicles sponsored or managed by the Sponsor may be added to an appendix attached to the agreement. The Sponsor enters into the Backup Security Factor Agreements on behalf of each trust or other investment vehicle, including the Trust, individually. No trust or other investment vehicle is responsible for any obligation or liability incurred under the Backup Security Factor Agreements by another trust or other investment vehicle, or by the Sponsor acting on behalf of another trust or other investment vehicle.

Description of the Backup Maintainers

The identities of the Backup Maintainers are not being disclosed to facilitate security of the Trust's ETC.

The Backup Maintainers' Roles

Under the Backup Security Factor Agreements, each Backup Maintainer is responsible for keeping its Backup Factors to the Trust's digital wallet safe, secure and confidential. Each Backup Maintainer does not have the right to access or use its Backup Factors until a Backup Contingency occurs. "Backup Contingency" means that, under the Backup Security Factor Agreement between any Backup Maintainer and the Trust, the Backup Maintainer has received (i) a notice in writing from the Trust certifying the Trust's inability to reasonably effect

transactions involving the ETC Account or (ii) a court order that states that the Trust is unable to reasonably effect transactions involving the ETC Account and identifies a Restore Party, which court order the Backup Maintainer believes, in good faith and after confirming with legal counsel, is valid. The “Restore Party” is the person or party that the Trust or a court with jurisdiction, as applicable, has chosen to receive the Backup Factors after a Backup Contingency. After the Backup Contingency, the Backup Maintainer must timely deliver the Backup Factors solely to any person or party of the Trust’s choosing, and the Backup Security Factor Agreement will terminate with respect to the Trust and the Backup Maintainer(s) will have no further obligations to the Trust after 30 days from the date of such delivery.

A Backup Maintainer may have the operational ability to access, but not the right to use, the Trust’s Backup Factor after a Backup Contingency with respect to a trust other than the Trust for which it also acts as Backup Maintainer. After such Backup Contingency, the Backup Maintainer is required to re-secure the Trust’s Backup Factor, such that it will not have the operational ability to access the Trust’s Backup Factor until a subsequent Backup Contingency.

Under the Backup Security Factor Agreements with the Trust, a Backup Maintainer has the right to temporarily access, but not the right to use, the Trust’s Backup Factor after a Backup Contingency with respect to a trust or other investment vehicle other than the Trust for which it also acts as Backup Maintainer. After such Backup Contingency, the Backup Maintainer is required to re-secure the Trust’s Backup Factor, and does not have further rights to access the Trust’s Backup Factor until a subsequent Backup Contingency.

Fees paid to the Backup Maintainers are a Sponsor-paid Expense.

Under the Backup Security Factor Agreements, the Trust will indemnify and hold harmless each Backup Maintainer from and against any and all damages arising out of or caused by (whether directly or indirectly) a third-party claim relating to, except to the extent caused by the Backup Maintainer’s willful misconduct, (i) the breach by the Backup Maintainer or the Trust, as the case may be, of its duties and obligations under this Agreement or (ii) the Trust’s or Backup Maintainer’s reasonable reliance on any representations or warranties made by the Backup Maintainer or the Trust, as the case may be, under the Backup Security Factor Agreements that were or become in fact untrue.

The Backup Maintainers and their affiliates may from time to time purchase or sell ETC for their own accounts and as agent for their customers or Shares for their own accounts.

If a Backup Maintainer resigns in its capacity as Backup Maintainer, the Sponsor may appoint an additional or replacement Backup Maintainer and enter into a Backup Security Factor Agreement on behalf of the Trust with such Backup Maintainer.

Obligations of the Backup Maintainers

Each Backup Maintainer will hold Backup Factors of the Trust’s ETC Account and will not give access to the Backup Factors to the Trust, the Sponsor, the Backup Maintainer’s affiliates, or any other party. Each Backup Maintainer will not have the right or ability to access or use its Backup

Factors until the occurrence of a Backup Contingency. “Backup Contingency” means that, under the Backup Security Factor Agreement between any Backup Maintainer and the Trust, the Backup Maintainer has received (i) a notice in writing from the Trust certifying the Trust’s inability to reasonably effect transactions involving the ETC Account or (ii) a court order that states that the Trust is unable to reasonably effect transactions involving the ETC Account and identifies a Restore Party, which court order the Backup Maintainer believes, in good faith and after confirming with legal counsel, is valid. The “Restore Party” is the person or party that the Trust or a court with jurisdiction, as applicable, has chosen to receive the Backup Factors after a Backup Contingency. After the Backup Contingency, the Backup Maintainer(s) must timely deliver the Backup Factors solely to any person of the Trust’s or a court’s choosing, and the Backup Security Factor Agreement will terminate with respect to the Trust and the Backup Maintainer(s) will have no further obligations to the Trust after 30 days from the date of such delivery.

Standard of Care; Limitations of Liability

Each Backup Maintainer will exercise reasonable care in performing its obligations under each Backup Security Factor Agreement.

The Backup Maintainers and Trust are not liable to each other for any indirect, incidental, special or consequential damages whether or not such losses were foreseeable. The Backup Maintenance Agreements contain additional provisions that significantly limit the liability of the Backup Maintainers, for example, limiting liability to situations in which the Backup Maintainer has engaged in willful misconduct.

Indemnity

Under the Backup Security Factor Agreements, the Trust will indemnify and hold harmless each Backup Maintainer from and against any and all damages arising out of or caused by (whether directly or indirectly) a third-party claim relating to or arising out of the Backup Security Factor Agreements or in some cases only with respect to such a third-party claim relating to (i) the breach by the Backup Maintainer or the Trust, as the case may be, of its duties and obligations under the Backup Security Factor Agreement or (ii) the Trust’s or Backup Maintainer’s reasonable reliance on any representations or warranties made by the Backup Maintainer or the Trust, as the case may be, under the Backup Security Factor Agreements that were or become in fact untrue. However, the Trust will not indemnify a Backup Maintainer to the extent damages are caused by willful misconduct (or in certain circumstances, gross negligence or bad faith) on the part of the Backup Maintainer.

Fees and Expenses

Each Backup Maintainer is entitled to fees for services, which may be increased upon 60 days written notice to the Sponsor or Trust. The Trust must pay each Backup Maintainer such fees within 30 days of the Backup Maintainer’s invoice.

Term, Termination and Succession

Each Backup Security Factor Agreement is subject to a one-year term with automatic renewal if neither the Backup Maintainer who is party to the agreement nor the Trust provide notice of termination at least 60 days before the end of the term. The Trust may terminate the agreement upon fourteen days' notice. Backup Maintainers may be able to terminate their respective Backup Security Factor Agreement quickly under certain circumstances. Terminations caused by actions of the trusts or other investment vehicles that are parties to the Backup Security Factor Agreement or by a Backup Contingency will generally apply only with respect to the relevant fund or other investment vehicle. In other cases, the Sponsor and Backup Maintainer may agree that the termination will apply only with respect to one or more funds or other investment vehicles. The Backup Security Factor Agreements allow a successor Backup Maintainer to be appointed with the approval of the Trust, which will not be unreasonably withheld.

Governing Law

The Backup Security Factor Agreements are governed by New York and Delaware law.

Item 19. Articles of Incorporation and Bylaws.

Attached as an exhibit hereto is a copy of the Second Amended and Restated Declaration of Trust and Trust Agreement of Ethereum Classic Investment Trust dated as of February 28, 2018.

Item 20. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

Information regarding purchases of equity securities by the Trust and affiliated purchasers can be located on the Sponsor's website at www.grayscale.co.

Item 21. Issuer's Certifications.

Certification

I, Barry E. Silbert, certify that:

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

Dated: April 30, 2018

/s/ Barry E. Silbert

By: Barry E. Silbert

Title: Chief Executive Officer of
Grayscale Investments, LLC

Certification

I, Samantha McDonald, certify that:

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

Dated: April 30, 2018

/s/ Samantha McDonald

By: Samantha McDonald

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

Audited Financial Statements for the period of April 18, 2017 (the inception of the Trust)
to December 31, 2017

FINANCIAL STATEMENTS

Ethereum Classic Investment Trust

**For the Period of April 18, 2017 (the inception of the Trust) to
December 31, 2017**

With Report of Independent Registered Public Accounting Firm

Ethereum Classic Investment Trust™

Ethereum Classic Investment Trust
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sponsor
of Ethereum Classic Investment Trust

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the schedule of investment, of the Ethereum Classic Investment Trust (the "Trust") as of December 31, 2017, and the related statements of operations and change in net assets for the period from April 18, 2017 (the inception of the Trust) until December 31, 2017. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2017, and the results of its operations for the period from April 18, 2017 (inception of the Trust) until December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the management of the Trust's Sponsor. Our responsibility is to express an opinion on these financial statements based on our audit. We are a publically registered accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities Exchange Commission (United States) and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

Emphasis of Matter - Investments in Ethereum Classic

In forming our opinion we have considered the adequacy of the disclosures included in Note 7 to the financial statements concerning among other things the risks and uncertainties related to the Trust's investment in Ethereum Classic. The risks and rewards to be recognized by the Trust associated with its investment in Ethereum Classic will be dependent on many factors outside of the Trust's control. The currently unregulated and immature nature of the Ethereum Classic market including clearing, settlement, custody and trading mechanisms, the dependency on information technology to sustain Ethereum Classic continuity, as well as valuation and volume volatility all subject Ethereum Classic to unique risks of theft, loss, or other misappropriation. Furthermore, these factors also contribute to the significant uncertainty with respect to the future viability and value of Ethereum Classic. Our opinion is not qualified in respect to this matter.



We have served as the Trust's auditor since 2017.

East Hanover, New Jersey

March 2, 2018

Ethereum Classic Investment Trust
Statement of Assets and Liabilities

December 31,
2017

(Amounts in U.S. Dollars, except share amounts)

Assets:

Investment in Ethereum Classic, at fair value (cost \$25,362,506 as of
December 31, 2017)

\$ 95,288,818

Total assets

\$ 95,288,818

Liabilities:

Sponsor fee payable, related party

\$ 579,403

Total liabilities

579,403

Net assets

\$ 94,709,415

Net Assets consists of:

Paid-in-capital

25,651,068

Accumulated net investment loss

(1,114,514)

Accumulated net realized gain on investment

362,867

Accumulated net change in unrealized appreciation on fees payable

(116,318)

Accumulated net change in unrealized appreciation on investment

69,926,312

\$ 94,709,415

Shares issued and outstanding, no par value (unlimited shares authorized)

3,646,400

Net asset value per share

\$ 25.97

See accompanying notes to financial statements.

Ethereum Classic Investment Trust
Schedule of Investment

December 31, 2017

	Number of Ethereum Classic	Cost	Fair Value	% of Net Assets
Investment in Ethereum Classic	3,593,499.15700104	\$ 25,362,506	\$ 95,288,818	101%
Total liabilities			<u>(579,403)</u>	<u>(1)%</u>
Net assets			<u><u>\$ 94,709,415</u></u>	<u><u>100%</u></u>

See accompanying notes to financial statements.

Ethereum Classic Investment Trust
Statement of Operations

**April 18, 2017 (the
inception of the Trust)
to December 31, 2017**

(Amounts in U.S. Dollars)

Investment income:

Investment income	\$ -
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Expenses:

Sponsor fee, related party	1,114,514
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Net investment loss	(1,114,514)
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Net realized and unrealized gain (loss) on investment in Ethereum Classic:

Net realized gain on investment in Ethereum Classic	362,867
---	---------

Net change in unrealized appreciation on Sponsor fee payable	(116,318)
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Net change in unrealized appreciation on investment in Ethereum Classic	69,926,312
---	------------

Net realized and unrealized gain on investment in Ethereum Classic	70,172,861
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Net increase in net assets resulting from operations	\$ 69,058,347
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See accompanying notes to financial statements.

Ethereum Classic Investment Trust
Statement of Changes in Net Assets

**April 18, 2017 (the
inception of the Trust)
to December 31, 2017**

(Amounts in U.S. Dollars, except change in shares outstanding)

Increase in net assets from operations:

Net investment loss	\$ (1,114,514)
Net realized gain on investment in Ethereum Classic	362,867
Net change in unrealized appreciation on Sponsor fee payable	(116,318)
Net change in unrealized appreciation on investment in Ethereum Classic	69,926,312
Net increase in net assets resulting from operations	69,058,347

Increase in net assets from capital share transactions:

Shares issued	25,651,068
Net increase in net assets resulting from capital share transactions	25,651,068

Net increase in net assets from operations and capital share transactions	94,709,415
---	------------

Net assets:

Inception of the Trust	-
End of period	\$ 94,709,415

Change in shares outstanding:

Shares outstanding at inception of the Trust	-
Shares issued	3,646,400
Shares redeemed	-
Net increase in shares	3,646,400
Shares outstanding at end of period	3,646,400

See accompanying notes to financial statements.

Ethereum Classic Investment Trust

Notes to Financial Statements

1. Organization

The Ethereum Classic Investment Trust (the “Trust”), was formed as a Delaware statutory trust on April 18, 2017 and the first Basket of the Trust was created on April 24, 2017. The Trust holds Ethereum Classic (“ETC”) and, from time to time, issues shares (“Shares”) (in minimum denominations of 100, referred to as “Basket(s)”) in exchange for deposits of ETC. At this time, the Trust is not operating a redemption program and is not accepting redemption requests. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program. Shares of the Trust represent common units of fractional undivided beneficial interests in the Trust. The investment objective of the Trust is for the Shares to reflect the performance of the market price of ETC, less the Trust’s expenses and other liabilities.

Grayscale Investments LLC (“Grayscale” or the “Sponsor”) acts as the Sponsor of the Trust and is a wholly owned subsidiary of Digital Currency Group, Inc. (“DCG”). The Sponsor monitors the overall performance of the Trust. Grayscale is responsible for preparing and providing annual and quarterly reports on behalf of the Trust to investors. Grayscale is also responsible for selecting and monitoring the Trust’s service providers. As payment for its services, Grayscale charges the Trust a Sponsor fee as discussed in Note 6.

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

The Sponsor does not store, hold, or maintain custody or control of the Trust’s ETC but instead has entered into the Key Maintenance Agreement with the Key Maintainer and a Backup Security Factor Agreement with each of the Backup Maintainers to facilitate the security of the Trust’s ETC. Under these agreements, the Key Maintainer must act on valid instructions given to it by the Sponsor, and the Backup Maintainers, upon receipt of certain notice or court order, must deliver the Backup Factors to a party identified by the Trust or a court. Each party to the agreement holds a certain number of security passwords, keys or phrases (each, a “Security Factor”) that, together with other Security Factors, allows transfers of ETC. Using its Security Factors, the Sponsor cannot unilaterally effect any transfer of the Trust’s ETC. Instead the Key Maintainer must also use its Security Factors, in addition to the Sponsor’s Security Factors, to effect any transfer of the Trust’s ETC. Under certain circumstances, the Sponsor may also be able to effect transactions by using its Security Factors together with the Security Factors of one or more of the Backup Maintainers. In addition, the Sponsor cannot unilaterally and indefinitely prevent transfer of the Trust’s ETC. The Key Maintainer since inception of the Trust has been Ledger SAS (“Ledger”), a third-party service provider.

The transfer agent for the Trust is Continental Stock Transfer Corporation. The responsibilities of the transfer agent are to maintain creations, redemptions, and transfers of the Trust’s shares in book form.

Ethereum Classic Investment Trust

Notes to Financial Statements

2. Summary of Significant Accounting Policies

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

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

The Trust conducts its transactions in ETC, including receiving ETC for the creation of shares, payment of ETC for the redemption of shares, as well as paying its Sponsor fee. Since its inception, the Trust has not held cash or cash equivalents.

The Trust classifies its investment in ETC as a commodity, which is consistent with the Commodity Futures Trading Commission’s indication that bitcoin and other virtual currencies, such as ETC, are encompassed in the definition and properly defined as commodities under the Commodity Exchange Act.

Investment Transactions and Revenue Recognition

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

Fair Value Measurement

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

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

Ethereum Classic Investment Trust

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

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

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

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

	Amount at Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
December 31, 2017				
Assets				
Investment in ETC	\$ 95,288,818	\$ -	\$ 95,288,818	\$ -
Liabilities				
Sponsor fee payable, related party	\$ 579,403	\$ -	\$ 579,403	\$ -

3. Fair Value of Ethereum Classic

ETC is held by the Key Maintainer on behalf of the Trust and is carried at fair value. As of December 31, 2017, the Trust held 3,593,499.15700104 ETC. The Trust determined the fair value per ETC to be \$26.52 on December 31, 2017 using the price provided at 4:00 p.m. in New York by the ETC exchange considered to be the Trust's principal market for ETC.

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

Ethereum Classic Investment Trust

Notes to Financial Statements

3. Fair Value of Ethereum Classic (continued)

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

First, the Trust prepares a list of eligible ETC exchanges and determines if any meet all of the following three criteria: (i) the ETC exchange has ETC/USD pairing to allow for USD liquidation to U.S. based customers, (ii) the Authorized Participant has access to the exchange as a U.S. based customer and can legally open an account on the exchange platform, and (iii) the exchange complies with federal and state licensing requirements and practices regarding anti-money laundering procedures that are applicable to the Trust and the Authorized Participant.

From the list of eligible ETC exchanges prepared in accordance with the eligibility criteria noted above, the Trust selects the exchange with the highest trading volume for ETC/USD pairing for the trailing twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

Second, if no ETC exchange meets all of the above criteria, the Trust will filter each exchange that has an ETC/USD pairing, regardless of whether it is accessible to U.S. based customers.

From this list, the Trust selects the exchange with the highest trading volume for ETC/USD pairing for the trailing twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

Third, if there are no exchanges with an ETC/USD pairing, the Trust will assess exchanges for compliance with federal and state licensing requirements that are applicable to the Trust and the Authorized Participant. The Trust also assesses each exchange's practices regarding anti-money laundering procedures. The Trust then identifies the pairing with the highest trading volume of ETC to the digital currency with the highest market capitalization for the prior twelve months taking into consideration intra-day pricing fluctuations and the degree of variances in price on ETC exchanges.

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

Ethereum Classic Investment Trust
Notes to Financial Statements

3. Fair Value of Ethereum Classic (continued)

The Trust performed an assessment of the principal market at December 31, 2017. Based on the Trust's assessment, no exchanges met step one described above. Therefore, the Trust proceeded to step two and identified its principal market as Bitfinex. The cost basis of the investment in ETC recorded by the Trust for financial reporting purposes is the fair value of ETC at the time of transfer. The cost basis recorded by the Trust may differ from proceeds collected by the Authorized Participant from the sale of corresponding shares to investors.

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

	April 18, 2017 (the inception of the Trust) to December 31, 2017	
	Ethereum Classic	Fair Value
Beginning balance	-	\$ -
ETC contributed ^(A)	3,640,510.22790978	25,651,068
ETC distributed for expenses	(47,011.07090874)	(535,111)
Net change in unrealized appreciation on Sponsor fee payable		(116,318)
Net change in unrealized appreciation on investment in ETC	-	69,926,312
Net realized gain on investment in ETC	-	362,867
Ending balance	<u>3,593,499.15700104</u>	<u>\$ 95,288,818</u>

(A) The difference in the fair value of ETC contributed and the cost basis of investment in ETC is due to the reduction of the Sponsor fee from cost basis for the period of April 18, 2017 (the inception of the Trust) to December 31, 2017.

4. Creations and Redemptions of Shares

As of December 31, 2017, there were an unlimited number of shares authorized by the Trust. The Trust creates and redeems shares from time to time, but only in one or more Baskets. The creation and redemption of Baskets on behalf of investors are made by the Authorized Participant in exchange for the delivery of ETC to the Trust or the distribution of ETC by the Trust. The number of ETC required for each creation Basket or redemption Basket is determined by dividing the number of ETC owned by the Trust at such time by the number of shares outstanding at such time and multiplying the quotient obtained by 100. As of December 31, 2017, each share represented 0.9795 of one ETC.

Ethereum Classic Investment Trust

Notes to Financial Statements

4. Creations and Redemptions of Shares (continued)

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

At this time, the Trust is not operating a redemption program and is not accepting redemption requests. Subject to receipt of regulatory approval and approval by the Sponsor in its sole discretion, the Trust may in the future operate a redemption program. The Trust currently has no intention of seeking regulatory approval to operate an ongoing redemption program.

5. Income Taxes

The Trust is treated as a grantor Trust and the shareholders should be treated as owning proportionate interests in the Trust for U.S. Federal income tax purposes. The Trust, therefore, should not be subject to U.S. Federal income tax.

Instead, each shareholder should be deemed to acquire and hold a proportionate interest in the Trust's assets and should be required to report its proportionate share of the Trust's gains, income, losses and expenses on its U.S. Federal income tax returns in accordance with the shareholder's method of accounting. However, there can be no assurance that the IRS will agree with this conclusion and it is possible that the IRS could assert a position to the contrary to one or all of those conclusions and that a court could sustain that contrary conclusion.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax position that require financial statement recognition and has determined that no reserves for uncertain tax position are required as of December 31, 2017.

6. Related Parties

The Trust considers the following entities and their directors to be related parties of the Trust: DCG, Genesis, and Grayscale. As of December 31, 2017, 2,654,805 shares of the Trust were held by related parties of the Trust.

DCG, holds a minority interest in the Key Maintainer that represents approximately 1.0% of the Key Maintainer's voting equity.

In accordance with the Trust agreement, the Trust pays a fee to the Sponsor, calculated as 3% of the aggregate value of the Trust's assets, less its liabilities (which include estimated accrued but unpaid expenses), as calculated by the Sponsor or its delegates (the "Sponsor Fee"). The Sponsor Fee accrues daily in ETC and is payable in ETC at the Sponsor's sole discretion, monthly in arrears.

Ethereum Classic Investment Trust

Notes to Financial Statements

6. Related Parties (continued)

As consideration for its receipt of the Sponsor's Fee, the Sponsor is obligated under the Trust Agreement to assume and pay all fees and expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including marketing fees, administrator fees, if any, fees for the Key Maintainer, the Backup Maintainers and any other security vendor engaged by the Trust, the transfer agent fee, the trustee fee, fees and expenses related to listing, quotation or trading of the shares on any secondary market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given fiscal year, ordinary course legal fees and expenses, audit fees, regulatory fees, including, if applicable, any fees relating to the registration of shares, printing and mailing costs, costs of maintaining the Trust's website and applicable license fees with respect to the Trust (the "Sponsor-paid Expenses"). The Trust may incur certain extraordinary, non-recurring expenses, and indemnification expenses that are not Sponsor-paid Expenses (collectively "Additional Trust Expenses"). The Sponsor may at any time, in its sole discretion, reclassify any Sponsor-paid Expense as an Additional Trust Expense.

In order to assist in the development of the Ethereum Classic Network, the Sponsor intends, but is not obligated, to direct up to one-third of the Sponsor's Fee towards initiatives that support the development, marketing and other community efforts relating to the Ethereum Classic Network at the sole discretion of the Sponsor for the first three years of the Trust's operations.

For the period of April 18, 2017 (the inception of the Trust) to December 31, 2017, the Trust incurred Sponsor fees of \$1,114,514, which are paid in ETC. As of December 31, 2017, the fair market value of the accrued and unpaid Sponsor fees was \$579,403.

7. Risks and Uncertainties

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

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

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

Ethereum Classic Investment Trust
Notes to Financial Statements

7. Risks and Uncertainties (continued)

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

If ETC is determined to be a security under federal or state securities laws by the U.S. Securities and Exchange Commission or any other agency, or in a proceeding in a court of law or otherwise, it may adversely affect the value of ETC. The Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's ETC at a time that is disadvantageous to Shareholders.

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

As of the close of business on February 28, 2018 the fair value of ETC determined in accordance with the Trust's accounting policy was \$33.71 per ETC.

Ethereum Classic Investment Trust
Notes to Financial Statements

8. Financial Highlights Per Share Performance

	April 18, 2017 (the inception of the Trust) to December 31, 2017
Per Share Data:	
Net asset value, beginning of period	\$ -
Net increase (decrease) in net assets from investment operation	
Net investment loss	(0.31)
Net realized and unrealized gains	26.28
Net increase in net assets resulting from operations	25.97
Net asset value, end of period	\$ 25.97
Total return	233.89%
<i>Ratios to average net assets:</i>	
Net investment loss	(1.19)%
Expenses	(1.19)%

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

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

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

9. Indemnifications

In the normal course of business, the Trust enters into certain contracts that provide a variety of indemnities, including contracts with the Sponsor and affiliates of the Sponsor, Digital Currency Group, Inc. and its officers, directors, employees, subsidiaries and affiliates, and Key Maintainer as well as others relating to services provided to the Trust. More specifically, under the Key Maintenance Agreement, the Key Maintainer's monetary liability is capped at the greater of \$1 million or 10% of the loss caused by and directly attributable to a breach of the Key Maintainer's obligations as defined in the Key Maintenance Agreement. The Trust's maximum exposure under these and its other indemnities is unknown. However, no liabilities have arisen under these indemnities in the past and, while there can be no assurances in this regard, there is no expectation that any will occur in the future. Therefore, the Sponsor does not consider it necessary to record a liability in this regard.

Ethereum Classic Investment Trust
Notes to Financial Statements

10. Subsequent Events

On February 28, 2018, an amendment to the Trust Agreement was made by the Sponsor of the Trust to account for the Trust holding rights to virtual currencies, which rights are incident to the Trust's ownership of ETC and arise without any action of the Trust or of the Sponsor or Trustee on behalf of the Trust and virtual currency tokens acquired by the Trust through the exercise of such rights, including certain amendments to the Trust's Sponsor fee and pertinent definitions. On March 1, 2018, the Trust's Confidential Private Placement Memorandum was amended to conform to the amendment to the Trust Agreement. There are no known events that have occurred that require disclosure other than that which has already been disclosed in these notes to the financial statements.

**SECOND AMENDED AND RESTATED
DECLARATION OF TRUST
AND
TRUST AGREEMENT
OF
ETHEREUM CLASSIC INVESTMENT TRUST**

Dated as of February 28, 2018

By and Among

GRAYSCALE INVESTMENTS, LLC

DELAWARE TRUST COMPANY

and

THE SHAREHOLDERS

FROM TIME TO TIME HEREUNDER

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ETHEREUM CLASSIC INVESTMENT TRUST

SECOND AMENDED AND RESTATED

DECLARATION OF TRUST

AND TRUST AGREEMENT

This **SECOND AMENDED AND RESTATED DECLARATION OF TRUST AND TRUST AGREEMENT** of **ETHEREUM CLASSIC INVESTMENT TRUST** is made and entered into as of the 28th day of February, 2018, by and among **GRAYSCALE INVESTMENTS, LLC**, a Delaware limited liability company, **DELAWARE TRUST COMPANY**, a Delaware corporation, as trustee, and the **SHAREHOLDERS** from time to time hereunder.

* * *

RECITALS

WHEREAS, the Sponsor and the Trustee entered into the Amended and Restated Declaration of Trust and Trust Agreement dated as of April 24, 2017 (the “**Existing Agreement**”);

WHEREAS, the Sponsor and the Trustee wish to amend the Existing Agreement pursuant to Section 10.1 thereof, with such amendment to be effective immediately upon approval of the amendment by the Shareholders.

NOW, THEREFORE, pursuant to Section 10.1 of the Existing Agreement, the Trustee and the Sponsor hereby amend and restate the Existing Agreement in its entirety as set forth below.

ARTICLE I

DEFINITIONS; THE TRUST

SECTION 1.1 *Definitions.* As used in this Trust Agreement, the following terms shall have the following meanings unless the context otherwise requires:

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

“**Additional Trust Expenses**” has the meaning set forth in Section 6.8(b).

“**Administrator**” means any Person from time to time engaged by the Sponsor to assist in the administration of the Shares.

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

“Affiliate” means (i) any Person directly or indirectly owning, controlling or holding with power to vote 10% or more of the outstanding voting securities of such Person, (ii) any Person 10% or more of whose outstanding voting securities are directly or indirectly owned, controlled or held with power to vote by such Person, (iii) any Person, directly or indirectly, controlling, controlled by or under common control of such Person, (iv) any employee, officer, director, member, manager or partner of such Person, or (v) if such Person is an employee, officer, director, member, manager or partner, any Person for which such Person acts in any such capacity.

“Annual Report” means (i) the Trust’s most recent annual report prepared and publicly disseminated pursuant to the standards of any Secondary Market on which the Shares are then listed, quoted or traded or (ii) if the Shares are then registered under the Exchange Act, the Trust’s most recent annual report on Form 10-K prepared and filed in accordance with the rules and regulations of the SEC.

“Basket” means a block of 100 Shares.

“Basket ETC Amount” means, on any Trade Date, the number of ETC required as of such Trade Date for each Creation Basket or Redemption Basket, as determined by dividing (x) the number of ETC owned by the Trust at 4:00 p.m., New York time, on such Trade Date, after deducting the number of ETC representing the U.S. Dollar value of accrued but unpaid fees and expenses of the Trust (in the case of any such fee and expense other than the Sponsor’s Fee, converted using the ETC Index Price at such time, and carried to the eighth decimal place), by (y) the number of Shares outstanding at such time (with the quotient so obtained calculated to one one-hundred-millionth of one ETC (i.e., carried to the eighth decimal place)), and multiplying such quotient by 100.

“Business Day” means any day other than a Saturday, Sunday or other day on which banks are permitted or required to close for business in New York, New York.

“Certificate of Trust” means the Certificate of Trust of the Trust, including all amendments thereto, in the form attached hereto as Exhibit A, filed with the Secretary of State of the State of Delaware pursuant to Section 3810 of the Delaware Trust Statute.

“CFTC” means the Commodity Futures Trading Commission.

“Code” means the Internal Revenue Code of 1986, as amended.

“Corporate Trust Office” means the principal office at which at any particular time the corporate trust business of the Trustee is administered, which office at the date hereof is located at 251 Little Falls Drive, Wilmington, DE 19808.

“Covered Person” means the Sponsor and its Affiliates and their respective members, managers, directors, officers, employees, agents and controlling persons.

“Creation Basket” means a Basket issued by the Trust in exchange for the transfer of the Basket ETC Amount to the Trust.

“Creation Order” has the meaning assigned thereto in Section 3.3(a)(i).

“Creation Settlement Date” means, with respect to any Creation Order, the Business Day on which such Creation Order settles, as specified in the PA Procedures.

“DCG” means Digital Currency Group, Inc., a Delaware corporation.

“Delaware Trust Statute” means the Delaware Statutory Trust Act, Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. § 3801 et seq., as the same may be amended from time-to-time.

“Distributor” means Genesis Global Trading, Inc. or any other Person from time to time engaged to provide distribution services or related services to the Trust pursuant to authority delegated by the Sponsor.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ETC” means Ethereum Classic tokens, a type of virtual currency based on an open source cryptographic protocol existing on the Ethereum Classic Network as determined by the Sponsor in accordance with Section 6.2(m), and the assets underlying the Trust’s Shares.

“ETC Account” means an account holding the Trust’s ETC, which, in the discretion of the Sponsor, could be an on-blockchain hot or cold wallet or a collection of accounts or sub-accounts maintained by one or more Security Vendors that represent or relate to on-blockchain ETC accounts that hold the Trust’s ETC.

“ETC Benchmark Exchanges” means, at any time, the ETC exchanges that represent at least 10% of the aggregate trading volume of the ETC market during the last thirty (30) consecutive calendar days.

“ETC Holdings” means, at any time, the aggregate value, expressed in U.S. Dollars, of the Trust’s assets (other than U.S. Dollars or other fiat currency), less its liabilities (which include estimated accrued but unpaid fees and expenses), calculated in accordance with Section 8.4.

“ETC Holdings Fee Basis Amount” has the meaning assigned thereto in Section 8.4.

“ETC Index Price” has the meaning ascribed to such term in the Memorandum.

“Ethereum Classic Network” means the online, end-user-to-end-user network hosting a public transaction ledger, known as a blockchain, and the source code

comprising the basis for the cryptographic and algorithmic protocols governing the Ethereum Classic network.

“**Event of Withdrawal**” has the meaning set forth in Section 12.1(a)(iv) hereof.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Expenses**” has the meaning set forth in Section 2.4.

“**FinCEN**” means the Financial Crimes Enforcement Network, a bureau of the U.S. Department of Treasury.

“**Fiscal Year**” has the meaning set forth in Article IX hereof.

“**FOIA**” means the Freedom of Information Act.

“**GAAP**” means U.S. generally accepted accounting principles.

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

“**Indemnified Persons**” has the meaning assigned to such term in Section 2.4.

“**IR Virtual Currency**” means any virtual currency or other asset or right acquired by the Trust through the exercise (subject to Section 1.5(b) and Section 6.4(m)) of any Incidental Right.

“**IRS**” means the U.S. Internal Revenue Service or any successor thereto.

“**Liquidating Trustee**” has the meaning assigned thereto in Section 12.2.

“**Liquidity Provider**” means an entity eligible to facilitate creations or redemptions of Shares on behalf of a Participant in exchange for cash that has entered into a Participant Agreement and has access to a Liquidity Provider Account.

“**Liquidity Provider Account**” means, with respect to any Liquidity Provider, an ETC wallet address known to the Sponsor and the Security Vendors as belonging to such Liquidity Provider.

“**Marketer**” means Genesis Global Trading, Inc. or any other Person from time to time engaged to provide marketing services or related services to the Trust pursuant to authority delegated by the Sponsor.

“**Marketing Fee**” means the fee payable to the Marketer for services it provides to the Trust, which the Sponsor shall pay the Marketer as a Sponsor-paid Expense.

“Memorandum” means (i) the Confidential Private Placement Memorandum of the Trust, as the same may, at any time and from time to time, be amended or supplemented, or (ii) if the Shares are registered under the Exchange Act, the most recent of (x) any prospectus of the Trust that has been filed with the SEC as a part of the Registration Statement and (y) any report filed by the Trust with the SEC under the Exchange Act that states that it is to be treated as the Memorandum for general purposes or any specific purpose.

“PA Procedures” has the meaning assigned thereto in Section 3.3(a).

“Participant” means a Person that (i) is a registered broker-dealer, (ii) has entered into a Participant Agreement with the Sponsor and the Trust and (iii) has access to a Participant Self-Administered Account.

“Participant Agreement” means an agreement among the Trust, the Sponsor and a Participant, substantially in the form of Exhibit B hereto, as it may be amended or supplemented from time to time in accordance with its terms.

“Participant Self-Administered Account” means, with respect to any Participant, an ETC wallet address known to the Sponsor and the Security Vendors as belonging to such Participant.

“Percentage Interest” means, with respect to any Shareholder at any time, a fraction, the numerator of which is the number of Shares held by such Shareholder and the denominator of which is the total number of Shares outstanding, in each case as of 4:00 p.m., New York time, on the date of determination.

“Person” means any natural person, partnership, limited liability company, statutory trust, corporation, association, or other legal entity.

“Public Access Law” has the meaning assigned thereto in Section 13.7(b).

“Purchase Agreement” means an agreement among the Trust, the Sponsor and any Shareholder through which the Shareholder agrees to transfer ETC to the ETC Account in exchange for the creation and issuance of Shares.

“Quarterly Report” means (i) the Trust’s most recent quarterly report prepared and publicly disseminated pursuant to the standards of any Secondary Market on which the Shares are then listed, quoted or traded or (ii) if the Shares are then registered under the Exchange Act, the Trust’s most recent quarterly report on Form 10-Q prepared and filed in accordance with the rules and regulations of the SEC.

“Redemption Basket” means a Basket redeemed by the Trust in exchange for ETC in an amount equal to the Basket ETC Amount.

“Redemption Order” has the meaning assigned thereto in Section 5.2(a).

“Redemption Settlement Date” means, with respect to any Redemption Order, the Business Day on which such Redemption Order settles, as specified in the PA Procedures.

“Registration Statement” means the most recent registration statement of the Trust, as filed with and declared effective by the SEC, as the same may at any time and from time to time be amended or supplemented.

“Rules” has the meaning assigned thereto in Section 13.3.

“SEC” means the Securities and Exchange Commission.

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

“Securities Act” means the Securities Act of 1933, as amended.

“Security Vendor” or **“Security Vendors”** means Ledger SAS and any other Person or Persons from time to time engaged to provide security or custodian services or related services to the Trust pursuant to authority delegated by the Sponsor.

“Security Vendors Fee” means the fee payable to the Security Vendors for the services they provide to the Trust, which the Sponsor shall pay to the Security Vendors as a Sponsor-paid Expense.

“Shareholder” means any Person that owns Shares.

“Shares” means the common units of fractional undivided beneficial interest in the profits, losses, distributions, capital and assets of, and ownership of, the Trust.

“Sponsor” means Grayscale Investments, LLC, or any substitute therefor as provided herein, or any successor thereto by merger or operation of law.

“Sponsor-paid Expense” and **“Sponsor-paid Expenses”** have the meaning set forth in Section 6.8(a)(v).

“Sponsor’s Fee” has the meaning set forth in Section 6.8(a)(i).

“Total Basket ETC Amount” means, with respect to any Creation Order or Redemption Order, the applicable Basket ETC Amount multiplied by the number of Creation Baskets or Redemption Baskets, as specified in the applicable Creation Order or Redemption Order.

“Trade Date” means, for any Creation Order or Redemption Order, the Business Day on which the Total Basket ETC Amount with respect to such Creation Order or Redemption Order is determined in accordance with the PA Procedures.

“**Transfer Agent**” means Continental Stock Transfer & Trust Company or any other Person from time to time engaged to provide such services or related services to the Trust pursuant to authority delegated by the Sponsor.

“**Treasury Regulations**” means regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

“**Trust**” means Ethereum Classic Investment Trust, a Delaware statutory trust formed pursuant to the Certificate of Trust, the affairs of which are governed by this Trust Agreement.

“**Trust Agreement**” means this Second Amended and Restated Declaration of Trust and Trust Agreement, as it may at any time or from time-to-time be amended.

“**Trust Counsel**” has the meaning set forth in Section 13.3.

“**Trustee**” means Delaware Trust Company, its successors and assigns, or any substitute therefor as provided herein, acting not in its individual capacity but solely as trustee of the Trust.

“**Trust Estate**” means (i) all the ETC in the Trust’s accounts, including the ETC Account, (ii) all Incidental Rights held by the Trust, (iii) all IR Virtual Currency in the Trust’s accounts, (iv) all proceeds from the sale of ETC, Incidental Rights and IR Virtual Currency pending use of such cash for payment of Additional Trust Expenses or distribution to the Shareholders and (v) any rights of the Trust pursuant to any agreements, other than this Trust Agreement, to which the Trust is a party.

“**Trust Expense**” has the meaning set forth in Section 2.3.

“**U.S. Dollar**” means United States dollars.

SECTION 1.2 *Name.* The name of the Trust is “Ethereum Classic Investment Trust” in which name the Trustee and the Sponsor shall cause the Trust to carry out its purposes as set forth in Section 1.5, make and execute contracts and other instruments in the name and on behalf of the Trust and sue and be sued in the name and on behalf of the Trust.

SECTION 1.3 *Delaware Trustee; Offices.*

(a) The sole Trustee of the Trust is Delaware Trust Company, which is located at the Corporate Trust Office or at such other address in the State of Delaware as the Trustee may designate in writing to the Shareholders. The Trustee shall receive service of process on the Trust in the State of Delaware at the foregoing address. In the event Delaware Trust Company resigns or is removed as the Trustee, the trustee of the Trust in the State of Delaware shall be the successor Trustee, subject to Section 2.1.

(b) The principal office of the Trust, and such additional offices as the Sponsor may establish, shall be located at such place or places inside or outside the State of Delaware as the Sponsor may designate from time to time in writing to the Trustee and the Shareholders. Initially, the principal office of the Trust shall be at c/o Grayscale Investments, LLC, 636 Avenue of the Americas, 3rd Floor, New York, New York 10011.

SECTION 1.4 *Declaration of Trust.* The Trust Estate shall be held in trust for the Shareholders. It is the intention of the parties hereto that the Trust shall be a statutory trust, under the Delaware Trust Statute and that this Trust Agreement shall constitute the governing instrument of the Trust. It is not the intention of the parties hereto to create a general partnership, limited partnership, limited liability company, joint stock association, corporation, bailment or any form of legal relationship other than a Delaware statutory trust that is treated as a grantor trust for U.S. federal income tax purposes and for purposes of applicable state and local tax laws. Nothing in this Trust Agreement shall be construed to make the Shareholders partners or members of a joint stock association. Effective as of the date hereof, the Trustee and the Sponsor shall have all of the rights, powers and duties set forth herein and in the Delaware Trust Statute with respect to accomplishing the purposes of the Trust. The Trustee has filed the certificate of trust required by Section 3810 of the Delaware Trust Statute in connection with the formation of the Trust under the Delaware Trust Statute.

SECTION 1.5 *Purposes and Powers.* The purposes of the Trust shall be to accept ETC for subscriptions of Shares in accordance with Article III hereof, to hold ETC, Incidental Rights and IR Virtual Currency, to distribute ETC (or cash from the sale of ETC) upon redemptions of Shares in accordance with Article V hereof (if authorized in accordance with Section 5.1 hereof) and to distribute ETC, Incidental Rights and IR Virtual Currency (or cash from the sale thereof) upon the liquidation of the Trust, and to enter into any lawful transaction and engage in any lawful activities in furtherance of or incidental to the foregoing. For the avoidance of doubt, such activities include any lawful action necessary or desirable in connection with the Trust's ownership of Incidental Rights, including the acquisition of IR Virtual Currency, except if such action would be prohibited by Section 1.5(b) or any other provision of this Trust Agreement. The Trust shall not engage in any business activity and shall not acquire or own any assets other than ETC, Incidental Rights and (if permissible under Section 1.5(b) and Section 6.4(m)) IR Virtual Currency, or take any of the actions set forth in Section 6.4. The Trust shall have all of the powers specified in Section 3.1 hereof as powers which may be exercised by a Sponsor on behalf of the Trust under this Trust Agreement.

(b) The Trust shall not take any action that could cause the Trust to be treated other than as a grantor trust for U.S. federal income tax purposes. Without limiting the generality of the foregoing, nothing in this Trust Agreement (including, for the avoidance of doubt, Section 1.5(a)) shall be construed to give the Trustee or the Sponsor the power to vary the investment of the Shareholders within the meaning of Section 301.7701-4(c) or similar provisions of the Treasury Regulations, nor shall the Trustee or the Sponsor take any action that would vary the investment of the Shareholders.

SECTION 1.6 *Tax Treatment.* Each of the parties hereto, by entering into this Trust Agreement, (i) expresses its intention that the Shares will qualify under applicable tax law as interests in a grantor trust which holds the Trust Estate, (ii) agrees that it will file its own U.S. federal, state and local income, franchise and other tax returns in a manner that is consistent with clause (i) of this Section 1.6 and with the classification of the Trust as a grantor trust, and (iii) agrees to use reasonable efforts to notify the Sponsor promptly upon a receipt of any notice from any taxing authority having jurisdiction over such holders of Shares with respect to the treatment of the Shares as anything other than interests in a grantor trust.

SECTION 1.7 *Legal Title.* Legal title to all of the Trust Estate shall be vested in the Trust as a separate legal entity; *provided, however*, that if applicable law in any jurisdiction requires legal title to any portion of the Trust Estate to be vested otherwise, the Sponsor may cause legal title to such portion of the Trust Estate to be held by or in the name of the Sponsor or any other Person (other than a Shareholder) as nominee.

ARTICLE II

THE TRUSTEE

SECTION 2.1 *Term; Resignation; Removal.*

(a) Delaware Trust Company has been appointed and hereby agrees to serve as the Trustee of the Trust. The Trust shall have only one Trustee unless otherwise determined by the Sponsor. The Trustee shall serve until such time as the Trust is terminated or if the Sponsor removes the Trustee or the Trustee resigns. The Trustee is appointed to serve as the trustee of the Trust in the State of Delaware and shall at all times satisfy the requirements of Section 3807(a) of the Delaware Trust Statute and be authorized to exercise corporate trust powers under the laws of Delaware, having a combined capital, surplus and undivided profits of at least \$50,000,000 and subject to supervision or examination by federal or state authorities. If the Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Article II the combined capital, surplus and undivided profits of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible to serve as trustee of the Trust in accordance with the provisions of this Section 2.1, the Trustee shall resign promptly in the manner and with the effect specified in this Article II. The Trustee may have normal banking and trust relationships with the Sponsor and their respective Affiliates; *provided* that none of (i) the Sponsor, (ii) any Person involved in the organization or operation of the Sponsor or the Trust or (iii) any Affiliate of any of them may be the Trustee hereunder. The Trust shall have at least one trustee with a principal place of business in Delaware. It is understood and agreed by the parties hereto that the Trustee shall have none of the duties or liabilities of the Sponsor and shall have no obligation to supervise or monitor the Sponsor or otherwise manage the Trust.

(b) The Trustee is permitted to resign upon at least sixty (60) days' notice to the Sponsor upon which date such resignation shall be effective.

(c) If at any time the Trustee shall cease to be eligible to serve as trustee of the Trust in accordance with the provisions of this Trust Agreement, or if at any time the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then the Sponsor may remove the Trustee and appoint a successor trustee by written instrument, in duplicate, which instrument shall be delivered to the Trustee so removed and the successor trustee. The Sponsor may at any time, upon sixty (60) days' prior notice to the Trustee, remove the Trustee and appoint a successor trustee by written instrument or instruments, in triplicate, signed by the Sponsor or its attorney-in-fact duly authorized, one complete set of which instruments shall be delivered to the Trustee so removed and one complete set to the successor so appointed.

SECTION 2.2 *Powers.* Except to the extent expressly set forth in Section 1.3 and this Article II, the duty and authority to manage the affairs of the Trust is vested in the Sponsor, which duty and authority the Sponsor may further delegate as provided herein, all pursuant to Section 3806(b)(7) of the Delaware Trust Statute. The duties of the Trustee shall be limited to (i) accepting legal process served on the Trust in the State of Delaware, (ii) the execution of any certificates required to be filed with the Secretary of State of the State of Delaware which the Trustee is required to execute under Section 3811 of the Delaware Trust Statute, and (iii) any other duties specifically allocated to the Trustee in this Trust Agreement. The Trustee shall provide prompt notice to the Sponsor of its performance of any of the foregoing. The Sponsor shall reasonably keep the Trustee informed of any actions taken by the Sponsor with respect to the Trust that would reasonably be expected to affect the rights, obligations or liabilities of the Trustee hereunder or under the Delaware Trust Statute.

SECTION 2.3 *Compensation and Expenses of the Trustee.* The Trustee shall be entitled to receive from the Sponsor, as a Sponsor-paid Expense, reasonable compensation for its services hereunder as set forth in a separate fee agreement and shall be entitled to be reimbursed by the Sponsor on behalf of the Trust for reasonable out-of-pocket expenses incurred by it in the performance of its duties hereunder, including without limitation, the reasonable compensation, out-of-pocket expenses and disbursements of counsel, any experts and such other agents as the Trustee may employ in connection with the exercise and performance of its rights and duties hereunder (together, the "**Trust Expenses**"). To the extent that the Sponsor fails to pay the Trust Expenses, the Trust will be responsible for such Trust Expenses.

SECTION 2.4 *Indemnification.*

(a) The Trust hereby agrees to be primary obligor and shall indemnify, defend and hold harmless the Trustee and any of the officers, directors, employees and agents of the Trustee (the "Indemnified Persons") from and against any and all losses,

damages, liabilities, claims, actions, suits, costs, expenses, disbursements (including the reasonable fees and expenses of counsel and fees and expenses incurred in connection with enforcement of its indemnification rights hereunder), taxes and penalties of any kind and nature whatsoever (collectively, "Expenses"), to the extent that such Expenses arise out of or are imposed upon or asserted at any time against such Indemnified Persons with respect to the performance of this Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated hereby; *provided, however*, that the Trust shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of an Indemnified Person. If the Trust shall have insufficient assets or improperly refuses to pay an Indemnified Person within sixty (60) days of a request for payment owed hereunder, DCG shall, as secondary obligor, compensate or reimburse the Trustee or indemnify, defend and hold harmless an Indemnified Person as if it were the primary obligor hereunder; *provided, however*, that DCG shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of an Indemnified Person. To the fullest extent permitted by law and by the requirement for treatment of the Trust as a grantor trust for tax purposes, Expenses to be incurred by an Indemnified Person shall, from time to time, be advanced by, or on behalf of, DCG prior to the final disposition of any matter upon receipt by DCG of an undertaking by, or on behalf of, such Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified under this Trust Agreement.

(b) As security for any amounts owing to the Trustee hereunder, the Trustee shall have a lien against the Trust property, which lien shall be prior to the rights of the Sponsor, DCG or any other Shareholder. The obligations of DCG and the Trust to indemnify the Indemnified Persons under this Section 2.4 shall survive the termination of this Trust Agreement.

SECTION 2.5 *Successor Trustee.* Upon the resignation or removal of the Trustee, the Sponsor shall appoint a successor Trustee by delivering a written instrument to the outgoing Trustee. Any successor Trustee must satisfy the requirements of Section 3807 of the Delaware Trust Statute. The successor Trustee shall become fully vested with all of the rights, powers, duties and obligations of the outgoing Trustee under this Trust Agreement, with like effect as if originally named as Trustee, and the outgoing Trustee shall be discharged of its duties and obligations under this Trust Agreement. Any business entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, to the fullest extent permitted by law without the execution or filing of any paper or any further act on the part of any of the parties hereto.

SECTION 2.6 *Liability of Trustee.* Except as otherwise provided in this Article II, in accepting the trust created hereby, Delaware Trust Company acts solely as Trustee hereunder and not in its individual capacity, and all Persons having any claim against Delaware Trust Company by reason of the transactions contemplated by this Trust Agreement and any other agreement to which the Trust is a party shall look only to the

Trust Estate for payment or satisfaction thereof. The Trustee shall not be liable or accountable hereunder to the Trust or to any other Person or under any other agreement to which the Trust is a party, except for the Trustee's own fraud, gross negligence, bad faith or willful misconduct. In particular, but not by way of limitation:

(a) The Trustee shall have no liability or responsibility for the validity or sufficiency of this Trust Agreement or for the form, character, genuineness, sufficiency, enforceability, collectability, location, existence, value or validity of the Trust Estate;

(b) The Trustee has not prepared or verified, and shall not be responsible or liable for, any information, disclosure or other statement in the Memorandum or in any other document issued or delivered in connection with the sale or transfer of the Shares;

(c) The Trustee shall not be liable for any actions taken or omitted to be taken by it in accordance with the instructions of the Sponsor or the Liquidating Trustee;

(d) The Trustee shall not have any liability for the acts or omissions of the Sponsor, the Security Vendors or their respective delegates;

(e) The Trustee shall have no duty or obligation to supervise the performance of any obligations of the Sponsor, the Security Vendors or their respective delegates or any Participant;

(f) No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its rights or powers hereunder;

(g) Under no circumstances shall the Trustee be liable for any obligations of the Trust arising under this Trust Agreement or any other agreements to which the Trust is a party;

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement, or to institute, conduct or defend any litigation under this Trust Agreement or any other agreements to which the Trust is a party, at the request, order or direction of the Sponsor unless the Sponsor has offered to Delaware Trust Company (in its capacity as Trustee and individually) security or indemnity satisfactory to it against the costs, expenses and liabilities that may be incurred by Delaware Trust Company (including, without limitation, the reasonable fees and expenses of its counsel) therein or thereby;

(i) Notwithstanding anything contained herein to the contrary, the Trustee shall not be required to take any action in any jurisdiction other than in the State of Delaware if the taking of such action will (i) require the consent or approval or authorization or order of, or the giving of notice to, or the registration with or taking of any action in respect of, any state or other governmental authority or agency of any

jurisdiction other than the State of Delaware, (ii) result in any fee, tax or other governmental charge becoming payable by the Trustee under the laws of any jurisdiction or any political subdivision thereof other than the State of Delaware or (iii) subject the Trustee to personal jurisdiction, other than in the State of Delaware, for causes of action arising from personal acts unrelated to the consummation of the actions of the Trustee contemplated by this Trust Agreement;

(j) To the extent that, at law or in equity, the Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust, the Shareholders or any other Person, the Trustee, acting under this Trust Agreement, shall not be liable to the Trust, the Shareholders or any other Person for its good faith reliance on the provisions of this Trust Agreement, and the provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties and liabilities of the Trustee otherwise existing at law or in equity are agreed by the parties hereto to replace such other duties and liabilities of the Trustee; and

(k) The Trustee shall not be liable for punitive, exemplary, consequential or similar damages for a breach of the Trust Agreement under any circumstances.

SECTION 2.7 *Reliance; Advice of Counsel.*

(a) In the absence of bad faith, the Trustee may conclusively rely upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Trust Agreement in determining the truth of the statements and the correctness of the opinions contained therein, and shall incur no liability to anyone in acting or not acting on any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties and need not investigate any fact or matter pertaining to, or contained in, any such document; *provided, however*, that the Trustee shall have examined any certificates and opinions so as to reasonably determine compliance of such certificates and opinions with the requirements of this Trust Agreement. The Trustee may accept a certified copy of a resolution of the board of directors or other governing body of any corporate party as conclusive evidence that such resolution has been duly adopted by such body and that such resolution is in full force and effect. As to any fact or matter the method of the determination of which is not specifically prescribed in this Trust Agreement, the Trustee may for all purposes hereof rely on a certificate, signed by the president, any vice president, the treasurer or any other authorized officers of the relevant party, as to such fact or matter, and such certificate shall constitute full protection to the Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

(b) In the exercise or administration of the Trust hereunder and in the performance of its duties and obligations under this Trust Agreement, the Trustee, at the expense of the Trust (i) may act directly or through its agents, attorneys, custodians or nominees pursuant to agreements entered into with any of them, and the Trustee shall not be liable for the conduct or misconduct of such agents, attorneys, custodians or nominees

if such agents, attorneys, custodians or nominees shall have been selected by the Trustee with reasonable care and (ii) may consult with counsel, accountants and other skilled professionals to be selected with reasonable care by it. The Trustee shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the opinion or advice of any such counsel, accountant or other such Persons.

SECTION 2.8 *Payments to the Trustee.* Any amounts paid to the Trustee pursuant to this Article II shall be deemed not to be a part of the Trust Estate immediately after such payment. Any amounts owing to the Trustee under this Trust Agreement shall constitute a claim against the Trust Estate. Notwithstanding any other provision of this Trust Agreement, all payments to the Trustee, including fees, expenses and any amounts paid in connection with indemnification of the Trustee in accordance with the terms of this Trust Agreement will be payable only in U.S. Dollars.

ARTICLE III

SHARES; CREATIONS AND ISSUANCE OF CREATION BASKETS

SECTION 3.1 *General.* The Sponsor shall have the power and authority, without action or approval by the Shareholders, to cause the Trust to issue Shares from time to time as it deems necessary or desirable. The number of Shares authorized shall be unlimited, and the Shares so authorized may be represented in part by fractional Shares, calculated to one one-hundred-millionth of one ETC (i.e., carried to the eighth decimal place). From time to time, the Sponsor may cause the Trust to divide or combine the Shares into a greater or lesser number without thereby changing the proportionate beneficial interests in the Trust Estate, or in any way affecting the rights, of the Shareholders, without action or approval by the Shareholders. The Trust shall issue Shares solely in exchange for contributions of ETC (or for no consideration if pursuant to a Share distribution or split-up). All Shares when so issued shall be fully paid and non-assessable. Subject to the limitations upon, and requirements for, the issuance of Creation Baskets stated herein and in the PA Procedures (as defined below), the number of Creation Baskets that may be issued by the Trust is unlimited. Every Shareholder, by virtue of having purchased or otherwise acquired a Share, shall be deemed to have expressly consented and agreed to be bound by the terms of this Trust Agreement.

SECTION 3.2 *Offer of Shares; Procedures for Creation and Issuance of Creation Baskets to Shareholders Other than Participants.*

On any Business Day, the Trust may create and issue Creation Baskets to any Shareholder that has signed a Purchase Agreement with the Trust in exchange for a transfer of the Total Basket ETC Amount into the Trust's ETC Account; *provided* that the Trust shall create and issue Creation Baskets only if the Sponsor has determined in good faith that such creation and issuance does not conflict with the other terms of this Trust Agreement or with applicable law.

SECTION 3.3 *Offer of Shares; Procedures for Creation and Issuance of Creation Baskets to Participants.*

(a) General. The following procedures, as supplemented by the more detailed procedures specified in the Exhibits, annexes, attachments and procedures, as applicable, to each Participant Agreement (the “**PA Procedures**”), which may be amended from time to time in accordance with the provisions of the relevant Participant Agreement (*provided* that any such amendment shall not constitute an amendment of this Trust Agreement), shall govern the Trust with respect to the creation and issuance of Creation Baskets to Participants, subject to Section 3.3(b).

(i) On any Business Day, a Participant may place an order for one or more Creation Baskets (each, a “**Creation Order**”) in the manner provided in the PA Procedures.

(ii) The Sponsor or its delegate shall process Creation Orders only from Participants with respect to which a Participant Agreement is in full force and effect and only in accordance with the PA Procedures. The Sponsor or its delegate shall maintain and make available at the Trust’s principal offices during normal business hours a current list of the Participants with respect to which a Participant Agreement is in full force and effect.

(iii) The Trust shall create and issue Creation Baskets only in exchange for transfer to the Trust on the applicable Creation Settlement Date of the applicable Total Basket ETC Amount by the relevant Participant or Liquidity Provider, as applicable.

(iv) The Sponsor or its delegate has final determination of all questions as to the calculation of the Total Basket ETC Amount at any time.

(v) Transfers of ETC other than those received from a Participant Self-Administered Account or a Liquidity Provider Account shall be rejected. The expense and risk of delivery, ownership and safekeeping of ETC, until such ETC have been received and not rejected by the Trust, shall be borne solely by the Participant or a Liquidity Provider, as applicable.

(vi) Upon the transfer of the Total Basket ETC Amount to the ETC Account, the Sponsor or its delegate shall (A) if applicable and instructing the Security Vendors as necessary, transfer the Total ETC Basket Amount to the appropriate sub-account of the ETC Account, (B) direct the Transfer Agent to credit to the Participant’s account the number of Creation Baskets ordered by the Participant and (C) compensate the Liquidity Provider pursuant to the PA Procedures.

(vii) The Trust may accept delivery of ETC by such other means as the Sponsor, from time to time, may determine to be acceptable for the Trust.

(b) Rejection or Suspension. The Sponsor or its delegate shall reject a Creation Order if the Creation Order is not in proper form as described in the relevant Participant Agreement or if the fulfillment of the Creation Order, in the opinion of its counsel, might be unlawful. The issuance of Creation Baskets may be suspended by the Sponsor generally, or refused with respect to a particular Creation Order, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Sponsor or its delegate make it for all practicable purposes not feasible to process Creation Orders or for any other reason at any time or from time to time. None of the Sponsor, its delegates or the Security Vendors shall be liable for the suspension or rejection of any Creation Order.

(c) Conflict. In the event of any conflict between the procedures described in this Section 3.3 and the PA Procedures, the PA Procedures shall control.

(d) Successor Security Vendors. If a successor to any of the Security Vendors shall be employed, the Trust and the Sponsor shall establish procedures acceptable to such successor with respect to the matters addressed in this Section 3.3.

SECTION 3.4 *Book-Entry System.*

(a) Shares shall be held in book-entry form by the Transfer Agent. The Sponsor or its delegate shall direct the Transfer Agent to (i) credit or debit the number of Creation Baskets or Redemption Baskets to the account of the applicable Shareholder and (ii) issue or cancel Creation Baskets or Redemption Baskets, as applicable, at the direction of the Sponsor or its delegate.

(b) The Sponsor or its delegate may cause the Trust to issue Shares in certificated form in its sole discretion.

SECTION 3.5 *Assets of the Trust.* The Trust Estate shall irrevocably belong to the Trust for all purposes, subject only to the rights of creditors of the Trust and shall be so recorded upon the books of account of the Trust.

SECTION 3.6 *Liabilities of the Trust.* The Trust Estate shall be charged with the liabilities of the Trust and with all expenses, costs, charges and reserves attributable to the Trust. The Sponsor shall have full discretion, to the extent not inconsistent with applicable law, to determine which items shall be treated as income and which items as capital, and each such determination and allocation shall be conclusive and binding upon the Shareholders.

SECTION 3.7 *Distributions.*

(a) The Trust may make distributions on Shares either in cash or in kind, including in such form as is necessary and permissible for the Trust to facilitate the distribution of Incidental Rights and/or IR Virtual Currency.

(b) Distributions on Shares, if any, may be made with such frequency as the Sponsor may determine, which may be daily or otherwise, to the Shareholders,

from the Trust Estate, after providing for actual and accrued liabilities. All distributions on Shares shall be made *pro rata* to the Shareholders in proportion to their respective Percentage Interests at the date and time of record established for such distribution.

(c) If the Trust sells ETC, Incidental Rights and/or IR Virtual Currency in order to pay Additional Trust Expenses, then any cash remaining from these sales after the payment of any Additional Trust Expenses shall promptly be distributed to the Shareholders.

SECTION 3.8 *Voting Rights.* Notwithstanding any other provision hereof, on each matter submitted to a vote of the Shareholders, each Shareholder shall be entitled to a proportionate vote based upon its Percentage Interest at such time.

SECTION 3.9 *Equality.* All Shares shall represent an equal proportionate beneficial interest in the Trust Estate subject to the liabilities of the Trust, and each Share's interest in the Trust Estate shall be equal to each other Share.

ARTICLE IV

TRANSFERS OF SHARES

SECTION 4.1 *General Prohibition.* A Shareholder may not sell, assign, transfer or otherwise dispose of, or pledge, hypothecate or in any manner encumber any or all of its Shares or any part of its right, title and interest in the Trust Estate except as permitted in this Article IV and any act in violation of this Article IV shall not be binding upon or recognized by the Trust (regardless of whether the Sponsor shall have knowledge thereof), unless approved in writing by the Sponsor.

SECTION 4.2 *Restricted Securities.*

Except for Shares transferred in a transaction registered under the Securities Act, the Shares are "restricted securities" that cannot be resold, pledged or otherwise transferred without registration under the Securities Act and state securities laws or exemption therefrom and may not be resold, pledged or otherwise transferred without the prior written consent of the Sponsor, which it may withhold in its sole discretion for any reason or for no reason. The Sponsor may provide any such written consent in the Memorandum.

SECTION 4.3 *Transfer of Shares Generally.* Shares shall be transferable on the books of account for the Trust only by the record holder thereof or by his or her duly authorized agent upon delivery to the Sponsor or the Transfer Agent or similar agent of a duly executed instrument of transfer and such evidence of the genuineness of each such execution and authorization and of such other matters as may be required by the Sponsor. Upon such delivery, and subject to any further requirements specified by the Sponsor, the transfer shall be recorded on the books of account for the Trust. Until a transfer is so recorded, the Shareholder of record of Shares shall be deemed to be the Shareholder with respect to such Shares for all purposes hereunder and neither the Sponsor nor the Trust,

nor the Transfer Agent or any similar agent or registrar or any officer, employee or agent of the Trust, shall be affected by any notice of a proposed transfer.

ARTICLE V

REDEMPTIONS

SECTION 5.1 *Unavailability of Redemption Program.* Unless otherwise determined by the Sponsor in its sole discretion following the Trust's receipt of regulatory approval therefor, the Trust shall not offer a redemption program for the Shares. The Trust may, but shall not be required to, seek regulatory approval to operate a redemption program. If any redemption program is approved, then any redemption authorized by the Sponsor shall be subject to the provisions of this Article V.

SECTION 5.2 *Redemption of Redemption Baskets.*

(a) General. Upon the approval of a redemption program and authorization by the Sponsor, the following procedures, as supplemented by the PA Procedures, which may be amended from time to time in accordance with the provisions of the Participant Agreement (*provided* that any such amendment shall not constitute an amendment of this Trust Agreement), shall govern the Trust with respect to the redemption of Redemption Baskets, subject to Section 5.2(b).

(i) On any Business Day, a Participant may place an order to redeem Redemption Baskets (each, a **"Redemption Order"**) in the manner provided in the PA Procedures.

(ii) The Sponsor or its delegates shall process Redemption Orders only from Participants with respect to which a Participant Agreement is in full force and effect.

(iii) The Trust shall redeem Redemption Baskets only in exchange for deposit with the Transfer Agent on the Redemption Settlement Date of the total number of Baskets indicated in the Participant's Redemption Order.

(iv) Upon receipt of the total number of Baskets indicated in the Participant's Redemption Order, the Sponsor or its delegate shall instruct the Transfer Agent to cancel the Shares in the Baskets so redeemed. The Sponsor or its delegate shall, instructing the Security Vendors as necessary, transfer to the Participant's Self-Administered Account or the Liquidity Provider Account, as applicable, a number of ETC equal to the Total Basket ETC Amount.

(v) The Sponsor or its delegate has final determination of all questions as to the determination of the Total Basket ETC Amount at any time.

(vi) The Total Basket ETC Amount shall be delivered only to a Participant Self-Administered Account or a Liquidity Provider Account.

(vii) The Total Basket ETC Amount shall be subject to the deduction of any applicable tax or other governmental charges that may be due.

(b) Rejection or Suspension. The Sponsor or its delegate shall reject a Redemption Order if the Redemption Order is not in proper form as described in the relevant Participant Agreement or if the fulfillment of the Redemption Order, in the opinion of its counsel, might be unlawful. The redemption of Baskets may be suspended by the Sponsor generally, or refused with respect to a particular Redemption Order, during any period when the transfer books of the Transfer Agent are closed or if circumstances outside the control of the Sponsor or its delegate make it for all practicable purposes not feasible to process Redemption Orders or for any other reason at any time or from time to time. None of the Sponsor, its delegates or the Security Vendors shall be liable for the suspension or rejection of any Redemption Order.

(c) Conflict. In the event of any conflict between the procedures described in this Section 5.2 and the PA Procedures, the PA Procedures shall control.

SECTION 5.3 *Other Redemption Procedures*. The Sponsor or its delegates from time to time may, but shall have no obligation to, establish procedures with respect to redemption of Shares in lot sizes smaller than the Redemption Basket and permitting the redemption distribution to be delivered in a manner other than that specified in Section 5.2.

ARTICLE VI

THE SPONSOR

SECTION 6.1 *Management of the Trust*. Pursuant to Section 3806(b)(7) of the Delaware Trust Statute, the Trust shall be managed by the Sponsor in accordance with this Trust Agreement. The Sponsor may delegate, as provided herein, the duty and authority to manage the affairs of the Trust. Any determination as to what is in the interests of the Trust made by the Sponsor in good faith shall be conclusive. In construing the provisions of this Trust Agreement, the presumption shall be in favor of a grant of power to the Sponsor, but subject, for the avoidance of doubt, to the restrictions, prohibitions and limitations expressly set forth in Section 1.5, Section 6.4(m) and otherwise in this Trust Agreement. The enumeration of any specific power in this Trust Agreement shall not be construed as limiting the aforesaid power.

SECTION 6.2 *Authority of Sponsor*. In addition to, and not in limitation of, any rights and powers conferred by law or other provisions of this Trust Agreement, and except as limited, restricted or prohibited by the express provisions of this Trust Agreement or the Delaware Trust Statute, the Sponsor shall have and may exercise on behalf of the Trust, all powers and rights necessary, proper, convenient or advisable to effectuate and carry out the purposes of the Trust, which powers and rights shall include, without limitation, the following:

(a) To enter into, execute, accept, deliver and maintain, and to cause the Trust to perform its obligations under, contracts, agreements and any or all other documents and instruments incidental to the Trust's purposes, and to do and perform all such acts as may be in furtherance of the Trust's purposes, or necessary or appropriate for the offer and sale of the Shares, including, but not limited to, causing the Trust to enter into (i) contracts or agreements with the Sponsor or an Affiliate, *provided* that any such contract or agreement does not conflict with the provisions of Section 1.5(b) of this Trust Agreement, Section 6.4 of this Trust Agreement or clause (ii) of this Section 6.2(a) and (ii) contracts with third parties for various services, it being understood that any document or instrument executed or accepted by the Sponsor in the Sponsor's name shall be deemed executed and accepted on behalf of the Trust by the Sponsor, *provided, however*, that such services may be performed by an Affiliate or Affiliates of the Sponsor so long as the Sponsor has made a good faith determination that (A) the Affiliate that it proposes to engage to perform such services is qualified to do so (considering the prior experience of the Affiliate or the individuals employed by the Affiliate); (B) the terms and conditions of the agreement pursuant to which such Affiliate is to perform services for the Trust are no less favorable to the Trust than could be obtained from equally-qualified unaffiliated third parties; and (C) the maximum period covered by the agreement pursuant to which such Affiliate is to perform services for the Trust shall not exceed one year, and such agreement shall be terminable without penalty upon one hundred twenty (120) days' prior written notice by the Trust;

(b) To establish, maintain, deposit into, and sign checks and/or otherwise draw upon, accounts on behalf of the Trust with appropriate banking and savings institutions;

(c) To deposit, withdraw, pay, retain and distribute the Trust Estate or any portion thereof in any manner consistent with the provisions of this Trust Agreement;

(d) To supervise the preparation of the Memorandum and supplements and amendments thereto;

(e) To make or authorize the making of distributions to the Shareholders and expenses of the Trust out of the Trust Estate;

(f) To cause the Trust to appoint an agent to act on behalf of the Shareholders pursuant to Section 7.5;

(g) To prepare, or cause to be prepared, and file, or cause to be filed, an application to register any Shares under the Securities Act and/or the Exchange Act and to take any other action and execute and deliver any certificates or documents that may be necessary to effectuate such registration;

(h) To prepare, or cause to be prepared, and file, or cause to be filed, an application to enable the Shares to be listed, quoted or traded on any Secondary

Market and to take any other action and execute and deliver any certificates or documents that may be necessary to effectuate such listing, quotation or trading;

(i) To appoint one or more Security Vendors, including itself or an Affiliate, to provide for custodial or non-custodial security services, or to determine not to appoint any Security Vendors, and to otherwise take any action with respect to the Security Vendors to safeguard the Trust Estate;

(j) In the sole and absolute discretion of the Sponsor, to admit an Affiliate or Affiliates of the Sponsor as additional Sponsors;

(k) To delegate those of its duties hereunder as it shall determine from time to time to one or more Distributors, and add any additional service providers, if needed and as applicable;

(l) To perform such other services as the Sponsor believes that the Trust may from time to time require;

(m) To determine, in good faith, which peer-to-peer network, among a group of incompatible forks of the Ethereum Classic Network, is generally accepted as ETC and should therefore be considered “ETC” for the Trust’s purposes, which the Sponsor will determine based on a variety of then relevant factors, including (but not limited to) the following: (i) the Sponsor’s beliefs regarding expectations of the core developers of ETC, users, services businesses, miners and other constituencies and (ii) the actual, continued development, acceptance, mining power and community engagement; *provided* that the Sponsor shall not make a determination that would conflict with Section 1.5(b) or Section 6.4(m) of this Trust Agreement; and

(n) In general, but subject to Section 1.5 and Section 6.4 of this Trust Agreement, to do everything necessary, suitable or proper for the accomplishment of any purpose or the furtherance of any power herein set forth, either alone or in association with others, and to do every other act or thing incidental or appurtenant to, or growing out of or connected with, the aforesaid purposes or powers.

SECTION 6.3 *Obligations of the Sponsor.* In addition to the obligations expressly provided by the Delaware Trust Statute or this Trust Agreement, the Sponsor shall:

(a) Devote such of its time to the affairs of the Trust as it shall, in its discretion exercised in good faith, determine to be necessary to carry out the purposes of the Trust, as set forth in Section 1.5, for the benefit of the Shareholders;

(b) Execute, file, record and/or publish all certificates, statements and other documents and do any and all other things as may be appropriate for the formation, qualification and operation of the Trust and for the conduct of its affairs in all appropriate jurisdictions;

- (c) Retain independent public accountants to audit the accounts of the Trust;
- (d) Employ attorneys to represent the Sponsor and, as necessary, the Trust;
- (e) Select and enter into agreements with the Trustee and any other service provider to the Trust;
- (f) Use its best efforts to maintain the status of the Trust as a grantor trust for U.S. federal income tax purposes under Subpart E, Part I of Subchapter J of the Code;
- (g) Monitor all fees charged to the Trust, and the services rendered by the service providers to the Trust, to determine whether the fees paid by, and the services rendered to, the Trust are at competitive rates and are the best price and services available under the circumstances, and if necessary, renegotiate the fee structure to obtain such rates and services for the Trust;
- (h) Have fiduciary responsibility for the safekeeping and use of the Trust Estate, whether or not in the Sponsor's immediate possession or control;
- (i) Not employ or permit others to employ the Trust Estate in any manner except for the benefit of the Trust, including, among other things, the utilization of any portion of the Trust Estate as compensating balances for the exclusive benefit of the Sponsor;
- (j) At all times act with integrity and good faith and exercise due diligence in all activities relating to the Trust and in resolving conflicts of interest;
- (k) Enter into a Participant Agreement with each Participant and discharge the duties and responsibilities of the Trust and the Sponsor thereunder;
- (l) Receive directly or through its delegates from Participants and process properly submitted Creation Orders, as described in Section 3.2(a);
- (m) Receive directly or through its delegates from Participants and process properly submitted Redemption Orders (if authorized), as described in Section 5.2(a), or as may from time to time be permitted by Section 5.3;
- (n) Interact with the Security Vendors and any other party as required;
- (o) If the Shares are listed, quoted or traded on any Secondary Market, cause the Trust to comply with all rules, orders and regulations of such Secondary Market to which the Trust is subject as a result of the listing, quotation or trading of the Shares on such Secondary Market, and take all such other actions that may reasonably be taken and are necessary for the Shares to remain listed, quoted or traded on such Secondary

Market until the Trust is terminated or the Shares are no longer listed, quoted or traded on such Secondary Market;

(p) If the Shares are transferred in a transaction registered under the Securities Act or registered under the Exchange Act, cause the Trust to comply with all rules, orders and regulations of the SEC and take all such other actions as may reasonably be taken and are necessary for the Shares to remain registered under the Exchange Act until the Trust is terminated or the Shares are no longer registered under the Exchange Act; and

(q) Take all actions to prepare and, to the extent required by this Trust Agreement or by law, mail to Shareholders any reports, press releases or statements, financial or otherwise, that the Sponsor determines are required to be provided to Shareholders by applicable law or governmental regulation or the requirements of any Secondary Market on which the Shares are listed, quoted or traded or, if any Shares are transferred in a transaction registered under the Securities Act or registered under the Exchange Act, the SEC, as applicable.

The foregoing clauses of Section 6.2 and Section 6.3 shall be construed as powers, and the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the general powers of the Sponsor. Any action by the Sponsor hereunder shall be deemed an action on behalf of the Trust, and not an action in an individual capacity.

SECTION 6.4 *General Prohibitions.* The Trust shall not, and the Sponsor shall not have the power to cause the Trust to:

(a) Receive any property other than ETC upon the issuance of Shares;

(b) Hold any property other than (i) ETC, Incidental Rights and IR Virtual Currency, (ii) cash from the sale of ETC, Incidental Rights or IR Virtual Currency and (iii) interests in any liquidating trust or other vehicle formed to hold Incidental Rights or IR Virtual Currency pending distribution of such interests to the Shareholders;

(c) Hold any cash from the sale of ETC, Incidental Rights or IR Virtual Currency for more than thirty (30) Business Days prior to using such cash to pay Additional Trust Expenses and distributing any remaining cash to the Shareholders;

(d) If the redemption of Shares is not authorized pursuant to Section 5.1, redeem any Shares other than upon the dissolution of the Trust;

(e) If the redemption of Shares is authorized pursuant to Section 5.1, redeem the Shares other than (i) to satisfy a Redemption Order from a Participant, (ii) as provided in Section 5.2 or Section 5.3 or (iii) upon the dissolution of the Trust;

(f) Borrow money from, or loan money to, any Shareholder, the Sponsor, or any other Person;

(g) Create, incur, assume or suffer to exist any lien, mortgage, pledge conditional sales or other title retention agreement, charge, security interest or encumbrance on or with respect to the Trust Estate, except for (i) liens for taxes not delinquent or being contested in good faith and by appropriate proceedings and for which appropriate reserves have been established and (ii) liens by the Trustee against the Trust property as security for any amounts owing to the Trustee hereunder;

(h) Commingle the Trust Estate with the assets of any other Person;

(i) Permit rebates to be received by the Sponsor or any Affiliate of the Sponsor, or permit the Sponsor or any Affiliate of the Sponsor to engage in any reciprocal business arrangements which would circumvent the foregoing prohibition;

(j) Enter into any contract with the Sponsor or an Affiliate of the Sponsor (A) that, except for selling agreements for the sale of Shares, has a term of more than one year and that does not provide that it may be canceled by the Trust without penalty on one hundred twenty (120) days prior written notice or (B) for the provision of services, except at rates and terms at least as favorable as those that may be obtained from third parties in arm's length negotiations;

(k) Enter into any exclusive brokerage contract;

(l) Elect to be treated as an association taxable as a corporation for U.S. federal income tax purposes; or

(m) Notwithstanding any other provision of this Trust Agreement, including Section 6.4(b), take any action that could cause the Trust to be treated other than as a grantor trust for U.S. federal income tax purposes.

SECTION 6.5 *Liability of Covered Persons.* A Covered Person shall have no liability to the Trust or to any Shareholder or other Covered Person for any loss suffered by the Trust which arises out of any action or inaction of such Covered Person if such Covered Person, in good faith, determined that such course of conduct was in the best interest of the Trust and such course of conduct did not constitute fraud, gross negligence, bad faith or willful misconduct of such Covered Person. Subject to the foregoing, neither the Sponsor nor any other Covered Person shall be personally liable for the return or repayment of all or any portion of the ETC transferred, or the purchase price otherwise paid, by a Shareholder for its Shares, it being expressly agreed that any such return made pursuant to this Trust Agreement shall be made solely from the assets of the Trust without any rights of contribution from the Sponsor or any other Covered Person. A Covered Person shall not be liable for the conduct or misconduct of any delegatee selected by the Sponsor with reasonable care.

SECTION 6.6 *Fiduciary Duty.*

(a) To the extent that, at law or in equity, the Sponsor has duties (including fiduciary duties) and liabilities relating thereto to the Trust, the Shareholders or any other Person, the Sponsor acting under this Trust Agreement shall not be liable to

the Trust, the Shareholders or any other Person for its good faith reliance on the provisions of this Trust Agreement subject to the standard of care set forth in Section 6.5 herein. The provisions of this Trust Agreement, to the extent that they restrict or eliminate the duties and liabilities of the Sponsor otherwise existing at law or in equity are agreed by the parties hereto to replace such other duties and liabilities of the Sponsor. To the fullest extent permitted by law, no Person other than the Sponsor and the Trustee shall have any duties (including fiduciary duties) or liabilities at law or in equity to the Trust, the Shareholders or any other Person.

(b) Unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between the Sponsor or any of its Affiliates, on the one hand, and the Trust, any Shareholder or any other Person, on the other hand; or (ii) whenever this Trust Agreement or any other agreement contemplated herein provides that the Sponsor shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust, any Shareholder or any other Person, the Sponsor shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Sponsor, the resolution, action or terms so made, taken or provided by the Sponsor shall not constitute a breach of this Trust Agreement or any other agreement contemplated herein or of any duty or obligation of the Sponsor at law or in equity or otherwise.

(c) The Sponsor and any Affiliate of the Sponsor may engage in or possess an interest in profit-seeking or business ventures of any nature or description, independently or with others, whether or not such ventures are competitive with the Trust and the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to the Sponsor. If the Sponsor acquires knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Trust, it shall have no duty to communicate or offer such opportunity to the Trust, and the Sponsor shall not be liable to the Trust or to the Shareholders for breach of any fiduciary or other duty by reason of the fact that the Sponsor pursues or acquires for, or directs such opportunity to, another Person or does not communicate such opportunity or information to the Trust. Neither the Trust nor any Shareholder shall have any rights or obligations by virtue of this Trust Agreement or the trust relationship created hereby in or to such independent ventures or the income or profits or losses derived therefrom, and the pursuit of such ventures, even if competitive with the purposes of the Trust, shall not be deemed wrongful or improper. Except to the extent expressly provided herein, the Sponsor may engage or be interested in any financial or other transaction with the Trust, the Shareholders or any Affiliate of the Trust or the Shareholders.

(d) To the fullest extent permitted by law and notwithstanding any other provision of this Trust Agreement or in any agreement contemplated herein or applicable provisions of law or equity or otherwise, whenever in this Trust Agreement a Person is permitted or required to make a decision (a) in its “sole discretion” or “discretion” or under a grant of similar authority or latitude, the Person shall be entitled

to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust, the Shareholders or any other Person, or (b) in its “good faith” or under another express standard, the Person shall act under such express standard and shall not be subject to any other or different standard. The term “good faith” as used in this Trust Agreement shall mean subjective good faith as such term is understood and interpreted under Delaware law.

SECTION 6.7 *Indemnification of the Sponsor.*

(a) The Sponsor shall be indemnified by the Trust against any losses, judgments, liabilities, expenses and amounts paid in settlement of any claims sustained by it in connection with its activities for the Trust, *provided* that (i) the Sponsor was acting on behalf of, or performing services for, the Trust and has determined, in good faith, that such course of conduct was in the best interests of the Trust and such liability or loss was not the result of fraud, gross negligence, bad faith, willful misconduct, or a material breach of this Trust Agreement on the part of the Sponsor and (ii) any such indemnification will be recoverable only from the Trust Estate. All rights to indemnification permitted herein and payment of associated expenses shall not be affected by the dissolution or other cessation of existence of the Sponsor, or the withdrawal, adjudication of bankruptcy or insolvency of the Sponsor, or the filing of a voluntary or involuntary petition in bankruptcy under Title 11 of the United States Code by or against the Sponsor.

(b) Notwithstanding the provisions of Section 6.7(a) above, the Sponsor, any Participant and any other Person acting as a broker-dealer for the Trust shall not be indemnified for any losses, liabilities or expenses arising from or out of an alleged violation of U.S. federal or state securities laws unless (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and the court approves the indemnification of such expenses (including, without limitation, litigation costs), (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee and the court approves the indemnification of such expenses (including, without limitation, litigation costs) or (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and related costs should be made.

(c) The Trust shall not incur the cost of that portion of any insurance that insures any party against any liability, the indemnification of which is herein prohibited.

(d) Expenses incurred in defending a threatened or pending civil, administrative or criminal action suit or proceeding against the Sponsor shall be paid by the Trust in advance of the final disposition of such action, suit or proceeding, if (i) the legal action relates to the performance of duties or services by the Sponsor on behalf of the Trust; (ii) the legal action is initiated by a third party who is not a Shareholder or the legal action is initiated by a Shareholder and a court of competent jurisdiction specifically

approves such advance; and (iii) the Sponsor undertakes to repay the advanced funds with interest to the Trust in cases in which it is not entitled to indemnification under this Section 6.7.

(e) The term “Sponsor” as used only in this Section 6.7 shall include, in addition to the Sponsor, any other Covered Person performing services on behalf of the Trust and acting within the scope of the Sponsor’s authority as set forth in this Trust Agreement.

(f) In the event the Trust is made a party to any claim, dispute, demand or litigation or otherwise incurs any loss, liability, damage, cost or expense as a result of or in connection with any Shareholder’s (or assignee’s) obligations or liabilities unrelated to Trust affairs, such Shareholder (or assignees cumulatively) shall indemnify, defend, hold harmless, and reimburse the Trust for all such loss, liability, damage, cost and expense incurred, including attorneys’ and accountants’ fees.

SECTION 6.8 *Expenses and Limitations Thereon.*

(a) Sponsor’s Fee.

(i) The Trust shall pay to the Sponsor a fee (the “**Sponsor’s Fee**”), payable in ETC (except as provided in Section 6.8(a)(iv)), which shall accrue daily in U.S. Dollars at an annual rate of 3.0% of the ETC Holdings Fee Basis Amount of the Trust as of 4:00 p.m., New York time, on each day; *provided* that for a day that is not a Business Day, the calculation shall be based on the ETC Holdings Fee Basis Amount from the most recent Business Day. The amount of ETC payable in respect of each daily U.S. Dollar accrual shall be determined by reference to the same ETC Index Price used to determine such accrual. The Sponsor’s Fee is payable to the Sponsor monthly in arrears.

(ii) Except as provided in Section 6.8(a)(iv), cause the Trust to pay the Sponsor’s Fee, the Sponsor shall, instructing the Security Vendors as necessary, withdraw from the ETC Account the number of ETC equal to the accrued but unpaid Sponsor’s Fee and transfer such ETC to the Sponsor’s account at such times as the Sponsor determines in its absolute discretion.

(iii) After the payment of the Sponsor’s Fee to the Sponsor, the Sponsor may elect to convert the ETC it receives into U.S. Dollars. The Shareholders acknowledge that the rate at which the Sponsor converts such ETC to U.S. Dollars may differ from the rate at which the Sponsor’s Fee was initially converted into ETC. The Trust shall not be responsible for any fees and expenses incurred by the Sponsor to convert ETC received in payment of the Sponsor’s Fee into U.S. Dollars.

(iv) If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may pay the Sponsor’s Fee, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the Sponsor and transferring such Incidental Rights and/or IR

Virtual Currency to the Sponsor at a value to be determined pursuant to such agreement; *provided* that the Trust shall use Incidental Rights and/or IR Virtual Currency to pay the Sponsor's Fee only if such agreement and transfer do not otherwise conflict with the terms of this Trust Agreement. If the Trust pays the Sponsor's Fee in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ETC that would otherwise have been used to satisfy such payment shall be correspondingly reduced.

(v) The Sponsor may, from time to time, temporarily waive all or a portion of the Sponsor's Fee in its sole discretion.

(vi) As partial consideration for receipt of the Sponsor's Fee, the Sponsor shall assume and pay all fees and other expenses incurred by the Trust in the ordinary course of its affairs, excluding taxes, but including: (i) the Marketing Fee, (ii) the Administrator Fee, (iii) the Security Vendors Fee, (iv) the Transfer Agent fee, (v) the Trustee fee, (vi) the fees and expenses related to the listing, quotation or trading of the Shares on any Secondary Market (including customary legal, marketing and audit fees and expenses) in an amount up to \$600,000 in any given Fiscal Year, (vii) ordinary course legal fees and expenses, (viii) audit fees, (ix) regulatory fees, including, if applicable, any fees relating to the registration of the Shares under the Securities Act or the Exchange Act, (x) printing and mailing costs, (xi) costs of maintaining the Trust's website and (xii) applicable license fees (each, a "**Sponsor-paid Expense**" and together, the "**Sponsor-paid Expenses**").

(b) Additional Trust Expenses.

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

(ii) To cause the Trust to pay the Additional Trust Expenses, if any, the Sponsor or its delegates shall, instructing the Security Vendors as necessary, (i) withdraw from the ETC Account ETC in such quantity as may be necessary to permit payment of such Additional Trust Expenses and (ii) may either (x) cause the Trust (or its delegate) to convert such ETC into U.S. Dollars

or other fiat currencies at the Actual Exchange Rate or (y) cause the Trust (or its delegate) to deliver such ETC in kind in satisfaction of such Additional Trust Expenses.

(iii) If the Trust holds any Incidental Rights and/or IR Virtual Currency at any time, the Trust may pay any Additional Trust Expenses, in whole or in part, with such Incidental Rights and/or IR Virtual Currency by entering into an agreement with the relevant payee and transferring such Incidental Rights and/or IR Virtual Currency to that payee at a value to be determined pursuant to such agreement; *provided* that the Trust shall use Incidental Rights and/or IR Virtual Currency to pay Additional Trust Expenses only if such agreement and transfer does not otherwise conflict with the terms of this Trust Agreement. If the Trust pays the Additional Trust Expenses in Incidental Rights and/or IR Virtual Currency, in whole or in part, the amount of ETC that would otherwise have been used to satisfy such payment shall be correspondingly reduced.

(c) The Sponsor or any Affiliate of the Sponsor may be reimbursed only for the actual cost to the Sponsor or such Affiliate of any expenses that it advances on behalf of the Trust for payment of which the Trust is responsible. In addition, payment to the Sponsor or such Affiliate for indirect expenses incurred in performing services for the Trust in its capacity as the Sponsor (or an Affiliate of the Sponsor) of the Trust, such as salaries and fringe benefits of officers and directors, rent or depreciation, utilities and other administrative items generally falling within the category of the Sponsor's "overhead," is prohibited.

SECTION 6.9 *Voluntary Withdrawal of the Sponsor.* The Sponsor may withdraw voluntarily as the Sponsor of the Trust only upon one hundred and twenty (120) days' prior written notice to all Shareholders and the Trustee. If the withdrawing Sponsor is the last remaining Sponsor, the Shareholders holding Shares equal to at least a majority (over 50%) of the Shares may vote to elect and appoint, effective as of a date on or prior to the withdrawal, a successor Sponsor who shall carry on the affairs of the Trust. If the Sponsor withdraws and a successor Sponsor is named, the withdrawing Sponsor shall pay all expenses as a result of its withdrawal.

SECTION 6.10 *Litigation.* The Sponsor is hereby authorized to prosecute, defend, settle or compromise actions or claims at law or in equity as may be necessary or proper to enforce or protect the Trust's interests. The Sponsor shall satisfy any judgment, decree or decision of any court, board or authority having jurisdiction or any settlement of any suit or claim prior to judgment or final decision thereon, first, out of any insurance proceeds available therefor, next, out of the Trust's assets and, thereafter, out of the assets (to the extent that it is permitted to do so under the various other provisions of this Trust Agreement) of the Sponsor.

SECTION 6.11 *Bankruptcy; Merger of the Sponsor.*

(a) The Sponsor shall not cease to be a Sponsor of the Trust merely upon the occurrence of its making an assignment for the benefit of creditors, filing a

voluntary petition in bankruptcy, filing a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, filing an answer or other pleading admitting or failing to contest material allegations of a petition filed against it in any proceeding of this nature or seeking, consenting to or acquiescing in the appointment of a trustee, receiver or liquidator for itself or of all or any substantial part of its properties.

(b) To the fullest extent permitted by law, and on sixty (60) days' prior written notice to the Shareholders of their right to vote thereon, if any such transaction is other than with an affiliated entity, nothing in this Trust Agreement shall be deemed to prevent the merger of the Sponsor with another corporation or other entity, the reorganization of the Sponsor into or with any other corporation or other entity, the transfer of all the capital stock of the Sponsor or the assumption of the rights, duties and liabilities of the Sponsor by, in the case of a merger, reorganization or consolidation, the surviving corporation or other entity by operation of law. Without limiting the foregoing, none of the transactions referenced in the preceding sentence shall be deemed to be a voluntary withdrawal for purposes of Section 6.10 or an Event of Withdrawal for purposes of Section 12.1(a)(iv).

ARTICLE VII

THE SHAREHOLDERS

SECTION 7.1 *No Management or Control; Limited Liability; Exercise of Rights through a Participant.* The Shareholders shall not participate in the management or control of the Trust nor shall they enter into any transaction on behalf of the Trust or have the power to sign for or bind the Trust, said power being vested solely and exclusively in the Sponsor. Except as provided in Section 7.3 hereof, no Shareholder shall be bound by, or be personally liable for, the expenses, liabilities or obligations of the Trust in excess of its Percentage Interest of the Trust Estate. Except as provided in Section 7.3 hereof, each Share owned by a Shareholder shall be fully paid and no assessment shall be made against any Shareholder. No salary shall be paid to any Shareholder in its capacity as a Shareholder, nor shall any Shareholder have a drawing account or earn interest on its Percentage Interest of the Trust Estate. By the purchase and acceptance or other lawful delivery and acceptance of Shares, each owner of such Shares shall be deemed to be a Shareholder and beneficiary of the Trust and vested with beneficial undivided interest in the Trust to the extent of the Shares owned beneficially by such Shareholder, subject to the terms and conditions of this Trust Agreement.

SECTION 7.2 *Rights and Duties.* The Shareholders shall have the following rights, powers, privileges, duties and liabilities:

(a) The Shareholders shall have the right to obtain from the Sponsor information on all things affecting the Trust, *provided* that such information is for a purpose reasonably related to the Shareholder's interest as a beneficial owner of the Trust.

(b) The Shareholders shall receive the share of the distributions provided for in this Trust Agreement in the manner and at the times provided for in this Trust Agreement.

(c) Except for the Shareholders' transfer rights set forth in Article IV and the Shareholders' redemption rights set forth in Article V hereof, Shareholders shall have the right to demand a redemption of their Shares only upon the dissolution and winding up of the Trust and only to the extent of funds available therefor, as provided in Section 12.2. In no event shall a Shareholder be entitled to demand or receive property other than cash upon the dissolution and winding up of the Trust. No Shareholder shall have priority over any other Shareholder as to distributions. The Shareholder shall not have any right to bring an action for partition against the Trust.

(d) Shareholders holding Shares representing at least a majority (over 50%) of the Shares may vote to appoint a successor Sponsor as provided in Section 6.10 or to continue the Trust as provided in Section 12.1(a)(iv).

Except as set forth above, the Shareholders shall have no voting or other rights with respect to the Trust.

SECTION 7.3 *Limitation of Liability.*

(a) Except as provided in Section 6.7(f) hereof, and as otherwise provided under Delaware law, the Shareholders shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of Delaware and no Shareholder shall be liable for claims against, or debts of the Trust in excess of its Percentage Interest of the Trust Estate, except in the case of a Shareholder that is a Participant, in the event that the liability is founded upon misstatements or omissions contained in such Shareholder's Participant Agreement. In addition, and subject to the exceptions set forth in the immediately preceding sentence, the Trust shall not make a claim against a Shareholder with respect to amounts distributed to such Shareholder or amounts received by such Shareholder upon redemption of such Shareholder's Shares unless, under Delaware law, such Shareholder is liable to repay such amount.

(b) The Trust shall indemnify to the full extent permitted by law and the other provisions of this Trust Agreement, and to the extent of the Trust Estate, each Shareholder against any claims of liability asserted against such Shareholder solely because it is a beneficial owner of one or more Shares as a Shareholder.

(c) Every written note, bond, contract, instrument, certificate or undertaking made or issued by the Sponsor on behalf of the Trust shall give notice to the effect that the same was executed or made by or on behalf of the Trust and that the obligations of such instrument are not binding upon the Shareholders individually but are binding only upon the assets and property of the Trust, and no resort shall be had to the Shareholders' personal property for satisfaction of any obligation or claim thereunder, and appropriate references may be made to this Trust Agreement and may contain any

further recital that the Sponsor deems appropriate, but the omission thereof shall not operate to bind the Shareholders individually or otherwise invalidate any such note, bond, contract, instrument, certificate or undertaking. Nothing contained in this Section 7.3 shall diminish the limitation on the liability of the Trust to the extent set forth in Section 3.5 hereof.

SECTION 7.4 *Derivative Actions.* Subject to any other requirements of applicable law including Section 3816 of the Delaware Trust Statute, no Shareholder shall have the right, power or authority to bring or maintain a derivative action, suit or other proceeding on behalf of the Trust unless two or more Shareholders who (i) are not Affiliates of one another and (ii) collectively hold at least 10% of the outstanding Shares join in the bringing or maintaining of such action, suit or other proceeding.

SECTION 7.5 Appointment of Agents.

(a) By the purchase and acceptance or other lawful delivery, acceptance or holding of the Shares, the Shareholders shall be deemed to agree that the Sponsor may cause the Trust to appoint an agent to act on their behalf in connection with any distribution of Incidental Rights and/or IR Virtual Currency if the Sponsor has determined in good faith that such appointment is reasonably necessary or in the best interests of the Trust and the Shareholders in order to facilitate the distribution of any Incidental Rights and/or IR Virtual Currency. For the avoidance of doubt, the Sponsor may cause the Trust to appoint the Sponsor or any of its Affiliates to act in such capacity, subject to Section 6.2(a) of this Trust Agreement. Any Person appointed as agent of the Shareholders pursuant to this Section 7.5(a) (i) shall receive an in-kind distribution of Incidental Rights and/or IR Virtual Currency on behalf of the Shareholders of record with respect to such distribution and (ii) following receipt of any such distribution, shall determine, in such Person's sole discretion and without any direction from the Trust or the Sponsor (in its capacity as Sponsor of the Trust), whether and when to sell the distributed Incidental Rights and/or IR Virtual Currency on behalf of the record date Shareholders.

(b) Any agent appointed pursuant to Section 7.5(a) shall not receive any compensation in connection with its role as agent. The foregoing notwithstanding, any such agent shall be entitled to receive from any distribution of Incidental Rights and/or IR Virtual Currency, Incidental Rights and/or IR Virtual Currency with an aggregate fair market value equal to the amount of administrative and other reasonable expenses incurred by such agent in connection with such in-kind distribution of Incidental Rights and/or IR Virtual Currency, including expenses incurred by such agent in connection with any post-distribution sale of such Incidental Rights and/or Virtual Currency.

SECTION 7.6 *Business of Shareholders.* Except as otherwise specifically provided herein, any of the Shareholders and any shareholder, officer, director, employee or other Person holding a legal or beneficial interest in an entity that is a Shareholder, may engage in or possess an interest in business ventures of every nature and description,

independently or with others, and the pursuit of such ventures, even if competitive with the affairs of the Trust, shall not be deemed wrongful or improper.

SECTION 7.7 *Authorization of Memorandum.* Each Shareholder (or any permitted assignee thereof) hereby agrees that the Trust, the Sponsor and the Trustee are authorized to execute, deliver and perform the agreements, acts, transactions and matters contemplated hereby or described in, or contemplated by, the Memorandum on behalf of the Trust without any further act, approval or vote of the Shareholders, notwithstanding any other provision of this Trust Agreement, the Delaware Trust Statute or any applicable law, rule or regulation.

ARTICLE VIII

BOOKS OF ACCOUNT AND REPORTS

SECTION 8.1 *Books of Account.* Proper books of account for the Trust shall be kept and shall be audited annually by an independent certified public accounting firm selected by the Sponsor in its sole discretion, and there shall be entered therein all transactions, matters and things relating to the Trust as are required by the applicable law and regulations and as are usually entered into books of account kept by trusts. The books of account shall be kept at the principal office of the Trust and each Shareholder (or any duly constituted designee of a Shareholder) shall have, at all times during normal business hours, free access to and the right to inspect and copy the same for any purpose reasonably related to the Shareholder's interest as a beneficial owner of the Trust. Such books of account shall be kept, and the Trust shall report its profits and losses on, the accrual method of accounting for financial accounting purposes on a Fiscal Year basis as described in Article IX.

SECTION 8.2 *Annual Reports.*

(a) If the Shares are not then listed, quoted or traded on any Secondary Market or registered under the Securities Act or the Exchange Act, the Sponsor shall furnish each Shareholder with an annual report of the Trust within one hundred and eighty (180) calendar days after the Trust's fiscal year (or as soon as reasonably practicable thereafter) including, but not limited to, annual audited financial statements (including a statement of income and statement of financial condition), prepared in accordance with GAAP and accompanied by a report of the independent registered public accounting firm that audited such statements.

(b) If the Shares are then listed, quoted or traded on a Secondary Market or registered under the Securities Act or the Exchange Act, the Sponsor shall prepare and publish the Trust's Annual Reports and Quarterly Reports as required by the rules and regulations of such Secondary Market or the SEC, as applicable.

SECTION 8.3 *Tax Information.* Appropriate tax information (adequate to enable each Shareholder to complete and file its U.S. federal tax return) shall be delivered to each Shareholder following the end of each Fiscal Year but, to the extent possible, no

later than April 1. All such information shall be prepared, and all of the Trust's tax returns shall be filed, in a manner consistent with the treatment of the Trust as a grantor trust. The Trust's taxable year shall be the calendar year. The Trustee shall comply with all U.S. federal withholding requirements respecting distributions to, or receipts of amounts on behalf of, Shareholders that the Trustee reasonably believes are applicable under the Code. The consent of Shareholders shall not be required for such withholding.

SECTION 8.4 *Calculation of ETC Holdings.* The Sponsor or its delegate shall calculate and publish the Trust's ETC Holdings on each Business Day as of 4:00 p.m., New York time, or as soon as practicable thereafter. In order to calculate the ETC Holdings, the Sponsor shall:

1. Determine the ETC Index Price as of such Business Day;
2. Multiply the ETC Index Price by the Trust's aggregate number of ETC owned by the Trust as of 4:00 p.m., New York time, on the immediately preceding day, less the aggregate number of ETC payable as the accrued and unpaid Sponsor's Fee as of 4:00 p.m., New York time, on the immediately preceding day;
3. Add the U.S. Dollar value of ETC, calculated using the ETC Index Price, receivable under pending Creation Orders, if any, determined by multiplying the number of the Creation Baskets represented by such Creation Orders by the Basket ETC Amount and then multiplying such product by the ETC Index Price;
4. Subtract the U.S. Dollar amount of accrued and unpaid Additional Trust Expenses, if any;
5. Subtract the U.S. Dollar value of the ETC, calculated using the ETC Index Price, to be distributed under pending Redemption Orders, if any, determined by multiplying the number of Redemption Baskets represented by such Redemption Orders by the Basket ETC Amount and then multiplying such product by the ETC Index Price (the amount derived from steps 1 through 5 above, the "**ETC Holdings Fee Basis Amount**"); and
6. Subtract the U.S. Dollar amount of the Sponsor's Fee that accrues for such Business Day, as calculated based on the ETC Holdings Fee Basis Amount for such Business Day.

Notwithstanding the foregoing, (i) in the event that the Sponsor determines that the methodology used to determine the ETC Index Price is not an appropriate basis for valuation of the Trust's ETC, the Sponsor shall use an alternative methodology as set forth in the Memorandum and (ii) in the event that the Trust holds any Incidental Rights and/or IR Virtual Currency, the Sponsor may, at its discretion, include the value of such Incidental Rights and/or IR Virtual Currency in the determination of the Trust's ETC Holdings, provided that the Sponsor has determined in good faith a method for assigning an objective value to such Incidental Rights and/or IR Virtual Currency.

SECTION 8.5 *Maintenance of Records.* The Sponsor shall maintain for a period of at least six Fiscal Years (a) all books of account required by Section 8.1 hereof; (b) a list of the names and last known address of, and number of Shares owned by, all Shareholders; (c) a copy of the Certificate of Trust and all certificates of amendment thereto; (d) executed copies of any powers of attorney pursuant to which any certificate has been executed; (e) copies of the Trust's U.S. federal, state and local income tax returns and reports, if any; (f) copies of any effective written Trust Agreements, Participant Agreements, including any amendments thereto; and (g) any financial statements of the Trust. The Sponsor may keep and maintain the books and records of the Trust in paper, magnetic, electronic or other format as the Sponsor may determine in its sole discretion, *provided* that the Sponsor shall use reasonable care to prevent the loss or destruction of such records. If there is a conflict between this Section 8.5 and the rules and regulations of any Secondary Market on which the Shares are listed, quoted or traded or, if applicable, the SEC with respect to the maintenance of records, the records shall be maintained pursuant to the rules and regulations of such Secondary Market or the SEC.

ARTICLE IX

FISCAL YEAR

SECTION 9.1 *Fiscal Year.* The fiscal year of the Trust for financial accounting purposes (the "**Fiscal Year**") shall begin on the 1st day of January and end on the 31st day of December of each year. The Fiscal Year in which the Trust shall terminate shall end on the date of such termination.

ARTICLE X

AMENDMENT OF TRUST AGREEMENT; MEETINGS

SECTION 10.1 *Amendments to the Trust Agreement.*

(a) *Amendment Generally.*

(i) Except as otherwise specifically provided in this Section 10.1, the Sponsor, in its sole discretion and without Shareholder consent, may amend or otherwise supplement this Trust Agreement by making an amendment, an agreement supplemental hereto, or an amended and restated declaration of trust and trust agreement. Any such restatement, amendment and/or supplement hereto shall be effective on such date as designated by the Sponsor in its sole discretion; *provided* that the Sponsor shall not be permitted to make any such amendment, or otherwise supplement this Trust Agreement, if such amendment or supplement would permit the Sponsor, the Trustee or any other Person to vary the investment of the Shareholders (within the meaning of Treasury Regulations Section 301.7701-4(c)) or would otherwise adversely affect the status of the Trust as a grantor trust for U.S. federal income tax purposes.

- (ii) Any amendments to this Trust Agreement which materially adversely affects the interests of the Shareholders shall occur only upon the vote of Shareholders holding Shares equal to at least a majority (over 50%) of the Shares (not including Shares held by the Sponsor and its Affiliates). For all purposes of this Section 10.1, a Shareholder shall be deemed to consent to a modification or amendment of this Trust Agreement if the Sponsor has notified such Shareholder in writing of the proposed modification or amendment and the Shareholder has not, within twenty (20) calendar days of such notice, notified the Sponsor in writing that the Shareholder objects to such modification or amendment. Notwithstanding anything to the contrary herein, notice pursuant to this Section 10.1 may be given by the Sponsor to the Shareholder by email or other electronic transmission and shall be deemed given upon receipt without requirement of confirmation.
- (b) Without limitation of the foregoing, the Sponsor may, without the approval of the Shareholders, amend the provisions of this Trust Agreement if the Trust is advised at any time by the Trust's accountants or legal counsel that the amendments made are necessary to ensure that the Trust's status as a grantor trust will be respected for U.S. federal income tax purposes.
- (c) No amendment affecting the rights or duties of the Trustee shall be binding upon or effective against the Trustee unless consented to by the Trustee in writing. No amendment shall be made to this Trust Agreement without the consent of the Trustee if the Trustee reasonably believes that such amendment adversely affects any of its rights, duties or liabilities. The Trustee shall be under no obligation to execute any amendment to the Trust Agreement or to any agreement to which the Trust is a party until it has received an instruction letter from the Sponsor, in form and substance reasonably satisfactory to the Trustee (i) directing the Trustee to execute such amendment, (ii) representing and warranting to the Trustee that such execution is authorized and permitted by the terms of the Trust Agreement and (if applicable) such other agreement to which the Trust is a party and does not conflict with or violate any other agreement to which the Trust is a party and (iii) confirming that such execution and acts related thereto are covered by the indemnity provisions of the Trust Agreement in favor of the Trustee and do not adversely affect the Trustee.
- (d) Upon amendment of this Trust Agreement, the Certificate of Trust shall also be amended, if required by the Delaware Trust Statute, to reflect such change. At the expense of the Sponsor, the Trustee shall execute and file any amendment to the Certificate of Trust if so directed by the Sponsor.
- (e) To the fullest extent permitted by law, no provision of this Trust Agreement may be amended, waived or otherwise modified orally but only by a written instrument adopted in accordance with this Section 10.1.

SECTION 10.2 *Meetings of the Trust.* Meetings of the Shareholders may be called by the Sponsor in its sole discretion. The Sponsor shall furnish written notice to all Shareholders thereof of the meeting and the purpose of the meeting, which shall be

held on a date, not less than ten (10) nor more than sixty (60) days after the date of mailing of said notice, at a reasonable time and place. Any notice of meeting shall be accompanied by a description of the action to be taken at the meeting. Shareholders may vote in person or by proxy at any such meeting.

SECTION 10.3 *Action Without a Meeting.* Any action required or permitted to be taken by Shareholders by vote may be taken without a meeting by written consent setting forth the actions so taken. Such written consents shall be treated for all purposes as votes at a meeting. If the vote or consent of any Shareholder to any action of the Trust or any Shareholder, as contemplated by this Trust Agreement, is solicited by the Sponsor, the solicitation shall be effected by notice to each Shareholder given in the manner provided in Section 13.6. The vote or consent of each Shareholder so solicited shall be deemed conclusively to have been cast or granted as requested in the notice of solicitation, whether or not the notice of solicitation is actually received by that Shareholder, unless the Shareholder expresses written objection to the vote or consent by notice given in the manner provided in Section 13.6 and actually received by the Trust within twenty (20) days after the notice of solicitation is sent. The Covered Persons dealing with the Trust shall be entitled to act in reliance on any vote or consent that is deemed cast or granted pursuant to this Section 10.3 and shall be fully indemnified by the Trust in so doing. Any action taken or omitted in reliance on any such deemed vote or consent of one or more Shareholders shall not be void or voidable by reason of any communication made by or on behalf of all or any of such Shareholders in any manner other than as expressly provided in Section 13.6.

ARTICLE XI

TERM

SECTION 11.1 *Term.* The term for which the Trust is to exist shall be perpetual, unless terminated pursuant to the provisions of Article XII hereof or as otherwise provided by law.

ARTICLE XII

TERMINATION

SECTION 12.1 *Events Requiring Dissolution of the Trust.*

(a) The Trust shall dissolve at any time upon the happening of any of the following events:

(i) a U.S. federal or state regulator requires the Trust to shut down or forces the Trust to liquidate its ETC or seizes, impounds or otherwise restricts access to the Trust Estate;

(ii) any ongoing event exists that either prevents the Trust from making or makes impractical the Trust's reasonable efforts to make a fair determination of the ETC Index Price;

(iii) any ongoing event exists that either prevents the Trust from converting or makes impractical the Trust's reasonable efforts to convert ETC to U.S. Dollars; or

(iv) a certificate of dissolution or revocation of the Sponsor's charter is filed (and ninety (90) days have passed after the date of notice to the Sponsor of revocation without a reinstatement of the Sponsor's charter) or the withdrawal, removal, adjudication or admission of bankruptcy or insolvency of the Sponsor (each of the foregoing events an "**Event of Withdrawal**") has occurred unless (i) at the time there is at least one remaining Sponsor or (ii) within ninety (90) days of such Event of Withdrawal Shareholders holding at least a majority (over 50%) of the Shares agree in writing to continue the affairs of the Trust and to select, effective as of the date of such event, one or more successor Sponsors.

(b) The Sponsor may, in its sole discretion, dissolve the Trust if any of the following events occur:

(i) the SEC determines that the Trust is an investment company required to be registered under the Investment Company Act of 1940;

(ii) the CFTC determines that the Trust is a commodity pool under the Commodity Exchange Act;

(iii) the Trust is determined to be a "money service business" under the regulations promulgated by FinCEN under the authority of the U.S. Bank Secrecy Act and is required to comply with certain FinCEN regulations thereunder;

(iv) the Trust is required to obtain a license or make a registration under any state law regulating money transmitters, money services businesses, providers of prepaid or stored value or similar entities, or virtual currency businesses;

(v) the Trust becomes insolvent or bankrupt;

(vi) a Security Vendor resigns or is removed without replacement;

(vii) all of the Trust's ETC are sold;

(viii) the Sponsor determines that the size of the Trust Estate in relation to the expenses of the Trust makes it unreasonable or imprudent to continue the affairs of the Trust;

(ix) the Sponsor receives notice from the IRS or from counsel for the Trust or the Sponsor that the Trust fails to qualify for treatment, or will not be treated, as a grantor trust under the Code;

(x) the Trustee notifies the Sponsor of the Trustee's election to resign and the Sponsor does not appoint a successor trustee within one hundred and eighty (180) days; or

(xi) the Sponsor determines, in its sole discretion, that it is desirable or advisable for any reason to discontinue the affairs of the Trust.

The death, legal disability, bankruptcy, insolvency, dissolution, or withdrawal of any Shareholder (as long as such Shareholder is not the sole Shareholder of the Trust) shall not result in the termination of the Trust, and such Shareholder, his or her estate, custodian or personal representative shall have no right to a redemption of such Shareholder's Shares. Each Shareholder (and any assignee thereof) expressly agrees that in the event of his or her death, he or she waives on behalf of himself or herself and his or her estate, and he or she directs the legal representative of his or her estate and any person interested therein to waive the furnishing of any inventory, accounting or appraisal of the Trust Estate and any right to an audit or examination of the books of account for the Trust, except for such rights as are set forth in Article VIII hereof relating to the books of account and reports of the Trust.

SECTION 12.2 *Distributions on Dissolution.* Upon the dissolution of the Trust, the Sponsor (or in the event there is no Sponsor, such person (the "**Liquidating Trustee**") as the majority in interest of the Shareholders may propose and approve) shall take full charge of the Trust Estate. Any Liquidating Trustee so appointed shall have and may exercise, without further authorization or approval of any of the parties hereto, all of the powers conferred upon the Sponsor under the terms of this Trust Agreement, subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, and provided that the Liquidating Trustee shall not have general liability for the acts, omissions, obligations and expenses of the Trust. Thereafter, in accordance with Section 3808(e) of the Delaware Trust Statute, the affairs of the Trust shall be wound up and all assets owned by the Trust shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom shall be applied and distributed in the following order of priority: (a) to the expenses of liquidation and termination and to creditors, including Shareholders who are creditors, to the extent otherwise permitted by law, in satisfaction of liabilities of the Trust (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for distributions to Shareholders, and (b) to the Shareholders *pro rata* in accordance with their respective Percentage Interests of the Trust Estate.

SECTION 12.3 *Termination; Certificate of Cancellation.* Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Sponsor or the Liquidating Trustee, as the case may be, shall instruct the Trustee to execute and cause such certificate of cancellation of the Certificate of Trust to be filed in accordance with the Delaware Trust Statute at the expense of the Sponsor or the Liquidating Trustee, as the case may be. Notwithstanding anything to the contrary contained in this Trust Agreement, the existence of the Trust as a separate legal entity shall continue until the filing of such certificate of cancellation.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.1 *Governing Law.* The validity and construction of this Trust Agreement and all amendments hereto shall be governed by the laws of the State of Delaware, and the rights of all parties hereto and the effect of every provision hereof shall be subject to and construed according to the laws of the State of Delaware without regard to the conflict of laws provisions thereof; *provided, however*, that causes of action for violations of U.S. federal or state securities laws shall not be governed by this Section 13.1, and *provided, further*, that the parties hereto intend that the provisions hereof shall control over any contrary or limiting statutory or common law of the State of Delaware (other than the Delaware Trust Statute) and that, to the maximum extent permitted by applicable law, there shall not be applicable to the Trust, the Trustee, the Sponsor, the Shareholders or this Trust Agreement any provision of the laws (statutory or common) of the State of Delaware (other than the Delaware Trust Statute) pertaining to trusts that relate to or regulate in a manner inconsistent with the terms hereof: (a) the filing with any court or governmental body or agency of trustee accounts or schedules of trustee fees and charges, (b) affirmative requirements to post bonds for trustees, officers, agents, or employees of a trust, (c) the necessity for obtaining court or other governmental approval concerning the acquisition, holding or disposition of real or personal property, (d) fees or other sums payable to trustees, officers, agents or employees of a trust, (e) the allocation of receipts and expenditures to income or principal, (f) restrictions or limitations on the permissible nature, amount or concentration of trust investments or requirements relating to the titling, storage or other manner of holding of trust assets, or (g) the establishment of fiduciary or other standards or responsibilities or limitations on the acts or powers of trustees or managers that are inconsistent with the limitations on liability or authorities and powers of the Trustee or the Sponsor set forth or referenced in this Trust Agreement. Section 3540 of Title 12 of the Delaware Code shall not apply to the Trust. The Trust shall be of the type commonly called a “statutory trust,” and without limiting the provisions hereof, but subject to Section 1.5 and Section 1.6, the Trust may exercise all powers that are ordinarily exercised by such a statutory trust under Delaware law. Subject to Section 1.5 and Section 1.6, the Trust specifically reserves the right to exercise any of the powers or privileges afforded to statutory trusts and the absence of a specific reference herein to any such power, privilege or action shall not imply that the Trust may not exercise such power or privilege or take such actions.

SECTION 13.2 *Provisions In Conflict With Law or Regulations.*

(a) The provisions of this Trust Agreement are severable, and if the Sponsor shall determine, with the advice of counsel, that any one or more of such provisions (the “**Conflicting Provisions**”) are in conflict with the Code, the Delaware Trust Statute, the Securities Act, if applicable, or other applicable U.S. federal or state laws or the rules and regulations of any Secondary Market, the Conflicting Provisions shall be deemed never to have constituted a part of this Trust Agreement, even without any amendment of this Trust Agreement pursuant to this Trust Agreement; *provided*,

however, that such determination by the Sponsor shall not affect or impair any of the remaining provisions of this Trust Agreement or render invalid or improper any action taken or omitted prior to such determination. No Sponsor or Trustee shall be liable for making or failing to make such a determination.

(b) If any provision of this Trust Agreement shall be held invalid or unenforceable in any jurisdiction, such holding shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of this Trust Agreement in any jurisdiction.

SECTION 13.3 *Counsel to the Trust.* Counsel to the Trust may also be counsel to the Sponsor and its Affiliates. The Sponsor may execute on behalf of the Trust and the Shareholders any consent to the representation of the Trust that counsel may request pursuant to the New York Rules of Professional Conduct or similar rules in any other jurisdiction (the “**Rules**”). The Shareholders acknowledge that the Trust has selected Davis Polk & Wardwell LLP as legal counsel to the Trust (“**Trust Counsel**”). Trust Counsel shall not represent any Shareholder in the absence of a clear and explicit agreement to such effect between the Shareholder and Trust Counsel (and that only to the extent specifically set forth in that agreement), and in the absence of any such agreement Trust Counsel shall owe no duties directly to a Shareholder. Each Shareholder agrees that, in the event any dispute or controversy arises between any Shareholder and the Trust, or between any Shareholder or the Trust, on the one hand, and the Sponsor (or an Affiliate thereof that Trust Counsel represents), on the other hand, that Trust Counsel may represent either the Trust or the Sponsor (or its Affiliate), or both, in any such dispute or controversy to the extent permitted by the Rules, and each Shareholder hereby consents to such representation. Each Shareholder further acknowledges that, regardless of whether Trust Counsel has in the past represented any Shareholder with respect to other matters, Trust Counsel has not represented the interests of any Shareholder in the preparation and negotiation of this Trust Agreement.

SECTION 13.4 *Merger and Consolidation.* Subject to the provisions of Section 1.5 and Section 1.6, the Sponsor may cause (i) the Trust to be merged into or consolidated with, converted to or to sell all or substantially all of its assets to, another trust or entity; (ii) the Shares of the Trust to be converted into beneficial interests in another statutory trust (or series thereof); or (iii) the Shares of the Trust to be exchanged for shares in another trust or company under or pursuant to any U.S. state or federal statute to the extent permitted by law. For the avoidance of doubt, subject to the provisions of Section 1.5, the Sponsor, with written notice to the Shareholders, may approve and effect any of the transactions contemplated under (i), (ii) and (iii) above without any vote or other action of the Shareholders.

SECTION 13.5 *Construction.* In this Trust Agreement, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include all genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of this Trust Agreement.

SECTION 13.6 *Notices.* All notices or communications under this Trust Agreement (other than notices of pledge or encumbrance of Shares, and reports and notices by the Sponsor to the Shareholders) shall be in writing and shall be effective upon personal delivery, or if sent by mail, postage prepaid, or if sent electronically, by email, or by overnight courier; and addressed, in each such case, to the address set forth in the books and records of the Trust or such other address as may be specified in writing, of the party to whom such notice is to be given, upon the deposit of such notice in the United States mail, upon transmission and electronic confirmation thereof or upon deposit with a representative of an overnight courier, as the case may be. Notices of pledge or encumbrance of Shares shall be effective upon timely receipt by the Sponsor in writing. Any reports or notices by the Sponsor to the Shareholders which are given electronically shall be effective upon receipt without requirement of confirmation.

All notices that are required to be provided to the Trustee shall be sent to:

Delaware Trust Company
Attention: Corporate Trust Administration
251 Little Falls Drive
Wilmington, DE 19808

All notices that the Trustee is required to provide shall be sent to:

if to the Trust, at

Ethereum Classic Investment Trust
636 Avenue of the Americas, 3rd Floor
New York, New York 10011
Attention: Grayscale Investments, LLC

if to the Sponsor, at

Grayscale Investments, LLC
636 Avenue of the Americas, 3rd Floor
New York, New York 10011
Attention: Michael Sonnenshein

SECTION 13.7 *Confidentiality.*

(a) All communications between the Sponsor or the Trustee on the one hand, and any Shareholder, on the other, shall be presumed to include confidential, proprietary, trade secret and other sensitive information. Unless otherwise agreed to in writing by the Sponsor, each Shareholder shall maintain the confidentiality of information that is non-public information furnished by the Sponsor regarding the Sponsor and the Trust received by such Shareholder pursuant to this Trust Agreement in accordance with such procedures as it applies generally to information of this kind (including procedures relating to information sharing with Affiliates), except (i) as otherwise required by governmental regulatory agencies (including tax authorities in

connection with an audit or other similar examination of such Shareholder), self-regulating bodies, law, legal process, or litigation in which such Shareholder is a defendant, plaintiff or other named party or (ii) to directors, employees, representatives and advisors of such Shareholder and its Affiliates who need to know the information and who are informed of the confidential nature of the information and agree to keep it confidential. Without limiting the foregoing, each Shareholder acknowledges that notices and reports to Shareholders hereunder may contain material non-public information and agrees not to use such information other than in connection with monitoring its investment in the Trust and agrees not to trade in securities on the basis of any such information.

(b) In the event that the Sponsor determines in good faith that (i) a Shareholder has violated or is reasonably likely to violate the provisions of this Section 13.7 or (ii) a Shareholder that is subject to FOIA, any state public records access law or any other law or statutory or regulatory requirement that is similar to FOIA in intent or effect (each, a “**Public Access Law**”) is reasonably likely to be subject to a disclosure request pursuant to a Public Access Law that would result in the disclosure by such Shareholder of confidential information regarding the Trust, the Sponsor may (x) provide to such Shareholder access to such information only on the Trust’s website in password protected, non-downloadable, non-printable format and (y) require such Shareholder to return any copies of information provided to it by the Sponsor or the Trust.

(c) If any Public Access Law would potentially cause a Shareholder or any of its Affiliates to disclose information relating to the Trust, its Affiliates and/or any investment of the Trust, then in addition to compliance with the notice requirements set forth in Section 13.7(a) above, such Shareholder shall take commercially reasonable steps to oppose and prevent the requested disclosure unless (i) such Shareholder is advised by counsel that there exists no reasonable basis on which to oppose such disclosure or (ii) the Sponsor does not object in writing to such disclosure within ten (10) days (or such lesser time period as stipulated by the applicable law) of such notice. Each Shareholder acknowledges and agrees that in such event, notwithstanding any other provision of this Trust Agreement, the Sponsor may, in order to prevent any such potential disclosure that the Sponsor determines in good faith is likely to occur, withhold all or any part of the information otherwise to be provided to such Shareholder; *provided*, that the Sponsor shall not withhold any such information if a Shareholder confirms in writing to the Sponsor that compliance with the procedures provided for in Section 13.7(b) above is legally sufficient to prevent such potential disclosure.

(d) A Shareholder may, by giving written notice to the Sponsor, elect not to receive copies of any document, report or other information that such Shareholder would otherwise be entitled to receive pursuant to this Trust Agreement and is not required by applicable law to be delivered. The Sponsor agrees that it shall make any such documents available to such Shareholder at the Sponsor’s offices.

(e) Notwithstanding anything in this Trust Agreement to the contrary, each Shareholder and each Shareholder’s employees, representatives or other agents are authorized to disclose to any and all Persons, without limitation of any kind, the tax

treatment and tax structure of the Trust and any transaction entered into by the Trust and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment or tax structure that are provided to such Shareholder, except for any information identifying the Sponsor, the Trust, the Trustee or their respective advisors, affiliates, officers, directors, members, employees and principals or (except to the extent relevant to such tax structure or tax treatment) any nonpublic commercial or financial information.

(f) Any obligation of a Shareholder pursuant to this Section 13.7 may be waived by the Sponsor in its sole discretion.

(g) Each Shareholder acknowledges and agrees that (i) the restrictions contained in this Section 13.7 are necessary for the protection of the affairs and goodwill of the Sponsor, the Trustee, the Trust and their Affiliates and each Shareholder considers such restrictions to be reasonable for such purpose, (ii) the misappropriation or unauthorized disclosure of confidential information is likely to cause substantial and irreparable damage to the Sponsor, the Trustee, the Trust and their Affiliates and (iii) damages may not be an adequate remedy for breach of this Section 13.7. Accordingly, the Sponsor, the Trustee, the Trust and their Affiliates shall be entitled to injunctive and other equitable relief, in addition to all other remedies available to them at law or at equity, and no proof of special damages shall be necessary for the enforcement of this Section 13.7.

SECTION 13.8 *Counterparts; Electronic Signatures.* This Trust Agreement may be executed in one or more counterparts (including those by facsimile or other electronic means), all of which shall constitute one and the same instrument binding on all of the parties hereto, notwithstanding that all parties are not signatory to the original or the same counterpart. This Trust Agreement, to the extent signed and delivered by means of a facsimile machine or other electronic transmission, shall be treated in all manner and respects as an original agreement and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

SECTION 13.9 *Binding Nature of Trust Agreement.* The terms and provisions of this Trust Agreement shall be binding upon and inure to the benefit of the heirs, custodians, executors, estates, administrators, personal representatives, successors and permitted assigns of the respective Shareholders. For purposes of determining the rights of any Shareholder or assignee hereunder, the Trust and the Sponsor may rely upon the Trust records as to who are Shareholders and permitted assignees, and all Shareholders and assignees agree that the Trust and the Sponsor, in determining such rights, shall rely on such records and that Shareholders and their assignees shall be bound by such determination.

SECTION 13.10 *No Legal Title to Trust Estate.* Subject to the provisions of Section 1.7 in the case of the Sponsor, the Shareholders shall not have legal title to any part of the Trust Estate.

SECTION 13.11 *Creditors.*No creditors of any Shareholders shall have any right to obtain possession of, or otherwise exercise legal or equitable remedies with respect to the Trust Estate.

SECTION 13.12 *Integration.*This Trust Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 13.13 *Goodwill; Use of Name.*No value shall be placed on the name or goodwill of the Trust, which shall belong exclusively to Grayscale Investments, LLC.

SECTION 13.14 *Compliance with Applicable Law.*Each Shareholder agrees to use its commercially reasonable efforts, upon reasonable request by the Sponsor, to cooperate with the Sponsor in complying with the applicable provisions of any material applicable law. Notwithstanding any other provision of this Trust Agreement to the contrary, the Sponsor, in its own name and on behalf of the Trust, shall be authorized without the consent of any Person, including any Shareholder, to take such action as in its sole discretion it deems necessary or advisable to comply with any anti-money laundering or anti-terrorist laws, rules, regulations, directives or special measures, including the actions contemplated by the Participant Agreements.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned have duly executed this Second Amended and Restated Declaration of Trust and Trust Agreement as of the day and year first above written.

DELAWARE TRUST COMPANY,
as Trustee

By: /s/ Alan R. Halpern
Name: Alan R. Halpern
Title: Vice President

GRAYSCALE INVESTMENTS, LLC, as
Sponsor

By: /s/ Michael Sonnenshein
Name: Michael Sonnenshein
Title: Managing Director

DIGITAL CURRENCY GROUP, INC.,
solely with respect to Section 2.4

By: /s/ Barry Silbert
Name: Barry Silbert
Title: CEO